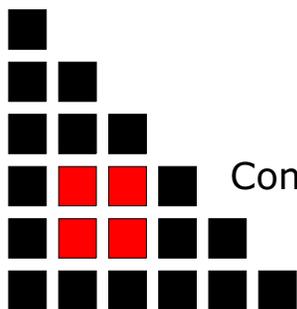


City of Paynesville HOUSING STUDY

December 2014

An analysis of the overall housing needs
of the City of Paynesville, MN



Community Partners Research, Inc.

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Introduction

Overview

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Paynesville are privately owned and were constructed with private funds. On an increasing scale, however, the public is demanding that public officials control what happens in this largely private housing market by eliminating blight, protecting individual investments, and generating new housing growth to meet economic development needs.

Community Partners Research, Inc., was hired by the City of Paynesville to conduct a study of the housing needs and conditions in the City.

Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the area can expect to address in the coming years
- ▶ Provide a market analysis for housing development
- ▶ Provide housing recommendations and findings

Methodology

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

- U.S. Census Bureau
- American Community Survey
- ESRI, Inc., a private data company
- Records and data from the City of Paynesville
- Records and data maintained by Stearns County
- Minnesota State Demographer
- Interviews with City officials and staff, community leaders, housing stakeholders, etc.
- Area, State and Federal housing agencies
- Rental property owner/manager surveys
- Housing condition survey
- Mobile home condition survey

Limitations

This Housing Study represents an analysis performed with the data available at the time of the Study. The findings and recommendations 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 conclusions and recommendations contained in this Housing Study.

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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. At the time that research was completed for this Study, both the U.S. Census Bureau and the Minnesota State Demographer's Office had 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 Paynesville, 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 Stearns 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. Use of the five-year sampling data for Stearns County maintains consistency with the use of the same sample for Paynesville.

Additionally, Community Partners Research, Inc., has obtained information from ESRI, a private company based in California that generates demographic and projection data. ESRI estimates and projections are included.

Population Data and Trends

Table 1 Population Trends - 1980 to 2013						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Estimate
Paynesville	2,275	2,267	-0.35%	2,432	7.3%	2,438
Stearns Co.	118,791	133,166	12.1%	150,642	13.1%	152,063

Source: U.S. Census; 2013 estimate is from the MN State Demographer

- ▶ According to the 2010 U.S. Census, the City of Paynesville and Stearns County both had population gains from 2000 to 2010. Paynesville’s population was 2,432 in 2010. This was a 165-person increase from 2000, which was a population gain of 7.3%.
- ▶ Stearns County’s population was 150,642 in 2010. This was a 17,476-person increase from 2000, which was a population gain of 13.1%.
- ▶ Paynesville had a slight population loss while Stearns County experienced population growth in the 1990s. Paynesville’s population decreased by eight people while the County’s population increased by 14,375 people.
- ▶ Paynesville’s population is primarily White and non-Hispanic/Latino. At the time of the 2010 Census, 97.0% of the City’s residents identified their race as White, with the Asian population at 0.4%, the Black/African American population at 0.5% and the American Indian population at 0.1% of the City’s population. Additionally, 0.9% of the population identified themselves as some other race and 1.1% identified themselves as two or more races. Approximately 2.2% of the City’s residents were identified their ethnicity as Hispanic/Latino.
- ▶ The State Demographer, the Census Bureau and ESRI have all released population estimates following the 2010 Census. The State Demographer’s estimate, effective on July 1, 2013, shows the City’s population at 2,438 people, up six residents from the 2010 Census. The U.S. Census population estimate for Paynesville in 2013 is 2,422, down 10 people from the 2010 Census. ESRI’s 2014 estimate for the City of Paynesville is 2,359 down 73 people from 2010.
- ▶ For all of Stearns County, the State Demographer’s 2013 estimate shows the County’s population at 152,063, which is an increase of 1,421 people since the 2010 Census. The U.S. Census 2013 estimate for Stearns County is 152,092 people, up by 1,450 since the 2010 Census.

Group Quarters Population

Paynesville has a number of people residing in group quarters. The following table displays changes in this population subset over the past 23 years.

Table 2 Group Quarters Populations in Paynesville: 1980 to 2013				
	1990 Census	2000 Census	2010 Census	2013 Estimate
Paynesville	108	96	84	84

Source: U.S. Census; MN State Demographer

According to the 2010 Census, Paynesville had 84 people living in group quarters housing. People living in skilled nursing facilities represented the majority of the group quarters total. The most recent estimate from the State Demographer’s Office shows the City’s group quarters population remaining at 84 between 2010 and 2013.

Between 2000 and 2010, Paynesville had a net loss of 12 group quarters residents.

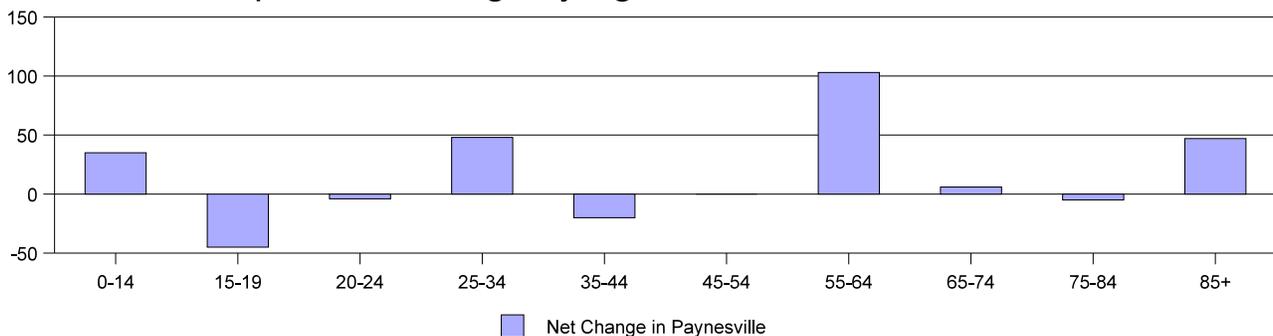
Population by Age Trends: 2000 to 2010

The release of demographic information from the 2010 Census allows for some analysis of the changing age patterns for Paynesville and Stearns County. The following table compares population by age in 2000 and 2010, along with the numeric changes.

Table 3 Population by Age - 2000 to 2010						
Age	Paynesville			Stearns County		
	2000	2010	Change	2000	2010	Change
0-14	432	467	35	27,670	28,974	1,304
15-19	153	108	-45	13,435	12,960	-475
20-24	137	133	-4	14,616	16,445	1,829
25-34	277	325	48	17,080	19,792	2,712
35-44	271	251	-20	20,263	17,389	-2,874
45-54	257	257	0	15,926	20,874	4,948
55-64	172	275	103	9,515	15,980	6,465
65-74	212	218	6	7,830	9,256	1,426
75-84	223	218	-5	5,086	6,395	1,309
85+	133	180	47	1,745	2,577	832
Total	2,267	2,432	165	133,166	150,642	17,476

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 evident in Paynesville and Stearns County.

Between 2000 and 2010, Paynesville had a gain of 103 people and Stearns County had a gain of 11,413 people in the age ranges between 45 and 64 years old. In 2010, nearly all of the baby boomers were within these age ranges.

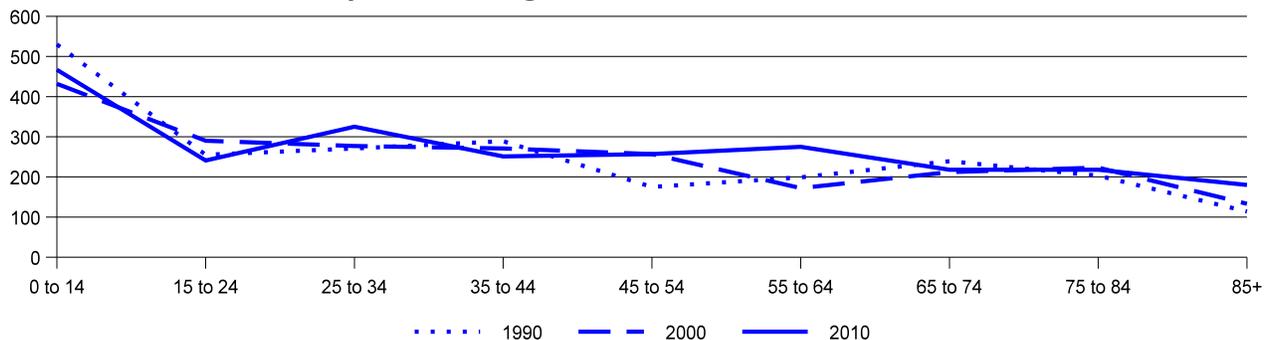
The City of Paynesville also had increases of 35 people in the 0 to 14 age range, a gain of 48 people in the 25 to 34 age range, a gain of six people in the 65 to 74 age range and a gain of 47 people in the 85 and older age range. The City of Paynesville had a loss of 49 people in the 15 to 24 age ranges, a loss of 20 people in the 35 to 44 age range and a loss of five people in the 85 and older age range.

In addition to the population gains in the 45 to 64 age ranges, all of Stearns County added 1,304 people in the 0 to 14 age range, 4,541 people in the 20 to 34 age ranges, and 3,567 people in the 65 and older age ranges.

Stearns County had a loss of 475 people in the 15 to 19 age range and 2,874 people in the 35 to 44 age range.

The aging trends present in 2010 can be traced back over the previous decades to see the movement of the baby boom generation over the last 20 years in Paynesville.

Paynesville Age Distribution: 1990 to 2010



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. The second projection source is from the Minnesota State Demographer’s Office, which has generated population projections for individual cities and counties in the State. Projections are provided for the years 2015 and 2020.

The State Demographer’s projections for cities were created in 2013 and do incorporate the information from the 2010 Census. At the county level, the State Demographer has issued two population projections after the 2010 Census. We have utilized the more conservative projections in our analysis as they are more consistent with recent annual estimates.

Table 4 Population Projections Through 2020					
	2010 Census	Community Partners Research Projection		State Demographer Projection	
		2015	2020	2015	2020
Paynesville	2,432	2,503	2,574	2,580	2,744
Stearns County	150,642	153,108	155,648	153,206	156,932

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

The Community Partners Research, Inc., projections expect a gain of approximately 142 people in Paynesville from 2010 to 2020.

The State Demographer projections are more optimistic. The State Demographer projects a gain of 312 people from 2010 to 2020.

The Community Partners Research, Inc., projections for Stearns County expect a gain of approximately 5,000 people from 2010 to 2020. The State Demographer’s population projections for Stearns County forecast a gain of 6,290 people from 2010 to 2020.

Household Data and Trends

Table 5 Household Trends - 1980 to 2013						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Estimate
Paynesville	882	934	5.9%	1,065	14.0%	1,070
Stearns County	39,776	47,604	19.7%	56,232	18.1%	57,057

Source: U.S. Census; 2013 estimate is from the MN State Demographer

- ▶ According to the 2010 U.S. Census, Paynesville and Stearns County gained households from 2000 to 2010. Paynesville had 1,065 households in 2010. This was an increase of 131 households from 2000, which was a household gain of 14.0%.
- ▶ Stearns County had 56,232 households in 2010. This was a gain of 8,628 households from 2000, which was a household increase of 18.1%.
- ▶ Paynesville and Stearns County had household gains during the 1990s. Paynesville gained 52 households and Stearns County gained 7,828 households from 1990 to 2000.
- ▶ The State Demographer has released 2013 household estimates for Paynesville and Stearns County. The State Demographer estimates that Paynesville had 1,070 households in 2013, which is an increase of five households from 2010. Stearns County's household estimate was 57,057, which is an increase of 825 households from 2010.

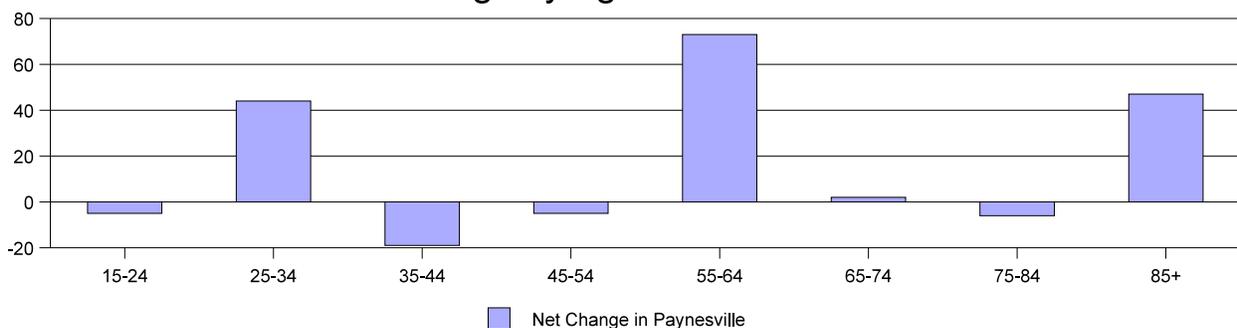
Household by Age Trends: 2000 to 2010

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

Table 6 Households by Age - 2000 - 2010						
Age	Paynesville			Stearns County		
	2000	2010	Change	2000	2010	Change
15-24	56	51	-5	4,592	4,791	199
25-34	128	172	44	8,337	9,628	1,291
35-44	158	139	-19	10,991	9,301	-1,690
45-54	154	149	-5	9,014	11,665	2,651
55-64	94	167	73	5,373	9,288	3,915
65-74	131	133	2	4,799	5,517	718
75-84	147	141	-6	3,417	4,312	895
85+	66	113	47	1,081	1,730	649
Total	934	1,065	131	47,604	56,232	8,628

Source: U.S. Census

Household Change by Age Between 2000 and 2010



Consistent with the population by age data presented earlier, the household patterns show much of the net change occurring in the baby boomer age groups. For all of Stearns County there was an increase of 6,566 households in the 45 to 64 year age range, and in the City of Paynesville there was a gain of 73 households in the 55 to 64 year old age ranges, however, there was a loss of five households in the 45 to 54 age range.

Paynesville also had a gain of 44 households in the 25 to 34 age range, a gain of two households in the 65 to 74 age range and a gain of 47 households in the 85 and older age range. In addition to the household gains in the 45 to 64 age ranges, Stearns County gained 1,490 households in the 15 to 34 age ranges and 2,262 households in the 65 and older age ranges.

Paynesville had a decrease of five households in the 15 to 24 age range, a loss of 24 households in the 35 to 54 age ranges and a loss of six households in the 75 to 84 age range. Stearns County had a loss of 1,690 households in the 35 to 44 age range.

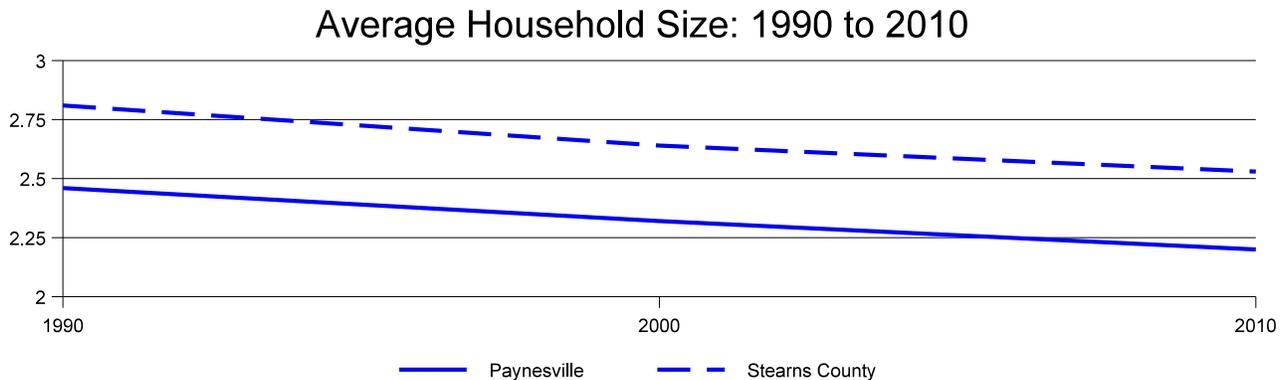
Average Household Size

The following table provides decennial Census information on average household size.

Table 7 Average Number of Persons Per Household: 1990 to 2013				
	1990 Census	2000 Census	2010 Census	2013 Estimate
Paynesville	2.46	2.32	2.20	2.20
Stearns County	2.81	2.64	2.53	2.53

Source: U.S. Census

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.



There has been a pattern of smaller household sizes in Paynesville and Stearns County. The average household size in Paynesville decreased from 2.46 in 1990 to 2.20 in 2013. Stearns County’s average household size decreased from 2.81 in 1990 to 2.53 in 2013.

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 both short-term and longer-term patterns to project future changes. The State Demographer’s Office has issued household projections at the county level only.

Table 8 Household Projections Through 2015/2020					
	2010 Census	Community Partners Research		State Demographer	
		2015 Projection	2020 Projection	2015 Projection	2020 Projection
Paynesville	1,065	1,097	1,129	N/A	N/A
Stearns County	56,232	58,735	61,250	62,709	69,115

Source: State Demographer; Community Partners Research, Inc.

The projections created by Community Partners Research, Inc., expect Paynesville to add approximately 64 households from 2010 to 2020. On an average basis, this would be approximately six to seven additional households per year.

For all of Stearns County, Community Partners Research, Inc., projects a gain of more than 5,000 households from 2010 to 2020. At an annual rate, this would be a gain of approximately 502 households per year from 2010 to 2020.

The State Demographer’s household projections forecast 12,883 additional households Countywide from 2010 to 2020. This would be a gain of 1,288 households in an average year. The Demographer’s projections appear to have been based on the rapid growth patterns of the early 2000s. More recent estimates show a lower rate of actual growth in Stearns County.

Household by Age Projections: 2010 to 2020

Using the age distribution patterns that were present in the 2010 Census, it is possible to project forward the expected age changes to the year 2020. In the following table, Community Partners Research, Inc., has generated age-based household projections for the City of Paynesville to the year 2020.

These projections assume that historical patterns will continue into the near-future, especially related to household formation and household size within specific age groups. If the City’s population changes at a rate that is different from past patterns, traditional age-based forecasts could be altered.

Table 9 Paynesville Projected Households by Age - 2010 to 2020			
Age	2010 Census	2020 Projection	Change from 2010
15-24	51	55	4
25-34	172	142	-30
35-44	139	163	24
45-54	149	138	-11
55-64	167	168	1
65-74	133	215	82
75-84	141	144	3
85+	113	104	-9
Total	1,065	1,129	64

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

The age-based projections from 2010 to 2020 in Paynesville expect a gain of 24 households in the 35 to 44 age range and a gain of 83 households in the 55 to 74 age ranges. It is also projected that there will be minimal growth in the 15 to 24, 55 to 64 and 75 to 84 age ranges.

There is a projected loss of 30 households in the 25 to 34 age range, a loss of 11 households in the 45 to 54 age range and a loss of nine households in the 85 and older age range.

Although they are not displayed in the table above, the analysts have also reviewed the age-based household forecasts that were generated by ESRI. Overall, ESRI was not as optimistic about the City’s growth potential. However, within the defined age ranges, their projections showed similar trends.

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 Paynesville.

Table 10 Paynesville Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	203	168	-35
Single Parent with own children	60	103	43
Married Couple without own children	302	331	29
Family Householder without spouse	29	33	4
Total Families	594	635	41
Non-Family Households			
Single Person	307	381	74
Two or more persons	33	49	16
Total Non-Families	340	430	90

Source: U.S. Census

Between 2000 and 2010, Paynesville experienced a net gain of 41 family households. The net gain was due to an increase of married couples without children, family households without spouses and single parents with children. There was, however, a significant decrease in the number of married couples with children.

The City also had an increase in “non-family” households. This was due to both an increase in single person households and in households with unrelated individuals living together.

Housing Tenure

The 2010 Census provided an updated look at housing tenure patterns. The following tables examine overall tenure rates, along with the changes that have occurred since 2000 for the City of Paynesville and Stearns County.

Table 11 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Paynesville	749	70.3%	316	29.7%
Stearns County	40,265	71.6%	15,967	28.4%
State	-	73.0%	-	27.0%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in the City of Paynesville was 70.3%. Stearns County's ownership rate was 71.6%. Paynesville's rental rate of 29.7% was above the State of Minnesota's rental rate of 27.0%.

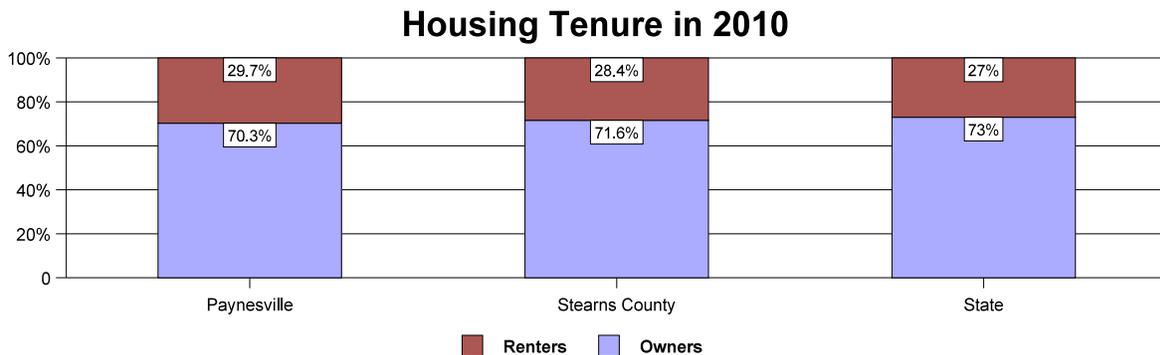


Table 12 Households by Housing Tenure - 2000 to 2010						
Tenure	Paynesville			Stearns County		
	2000	2010	Change	2000	2010	Change
Owners	679/72.7%	749/70.3%	70	35,124/73.8%	40,265/71.6%	5,141
Renters	255/27.3%	316/29.7%	61	12,480/26.2%	15,967/28.4%	3,487
Total	934	1,065	131	47,604	56,232	8,628

Source: U.S. Census

Paynesville's ownership tenure rate decreased from 72.7% in 2000 to 70.3% in 2010. For Stearns County, there was also a decrease in the rate of owner-occupancy from 73.8% in 2000 to 71.6% in 2010.

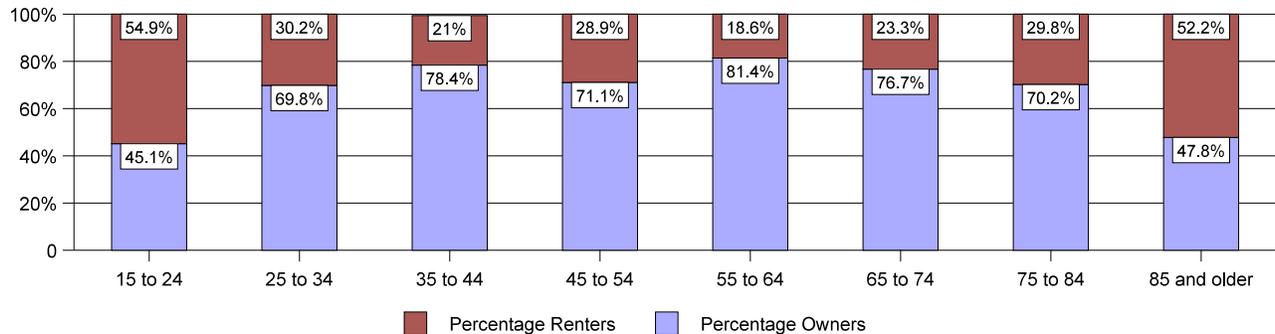
Tenure by Age of Householder

The 2010 Census provided information on the tenure distribution of households within each defined age range. The following table examines the number and percentage of renters and owners in each age group in the City of Paynesville.

Table 13 Paynesville Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	23	45.1%	28	54.9%
25-34	120	69.8%	52	30.2%
35-44	109	78.4%	30	21.6%
45-54	106	71.1%	43	28.9%
55-64	136	81.4%	31	18.6%
65-74	102	76.7%	31	23.3%
75-84	99	70.2%	42	29.8%
85+	54	47.8%	59	52.2%
Total	749	70.3%	316	29.7%

Source: U.S. Census

Paynesville Housing Tenure Patterns by Age in 2010



Within the defined age ranges, typical tenure patterns were present, with the households in the youngest and oldest age ranges showing a high percentage of rental occupancy, while middle-aged and older adult households were primarily home owners. Approximately 55% of households age 24 and younger and 52% of the households age 85 and older rented their unit. Home ownership rates for each of the 10-year age cohorts age 25 to 84 were approximately 70% or higher.

Tenure by Household Size

The 2010 Census can be compared to 2000 Census information to better understand trends for housing unit needs. The following table provides household size information for Paynesville.

Table 14 Paynesville Tenure by Household Size - 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	162	196	34	145	185	40
2-Person	251	292	41	65	68	3
3-Person	93	109	16	24	40	16
4-Person	106	94	-12	13	12	-1
5-Person	49	40	-9	5	8	3
6-Person	15	15	0	1	1	0
7-Persons+	3	3	0	2	2	0
Total	679	749	70	255	316	61

Source: U.S. Census

- ▶ From 2000 to 2010, there was a gain in the number of owner and renter households in Paynesville. There was a gain of 91 one, two and three-person owner households. However, there was a decrease of 21 four and five-person households. The number of six-person and seven and more households did not change.
- ▶ There was a gain of 59 one-person to three-person renter households. There was a net gain of two renter households with four or more people from 2000 to 2010.
- ▶ Approximately 80% of the renter households in Paynesville were one or two person households in 2010.

2012 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.

Table 15 Median Income - 2000 to 2012			
	2000 Median	2012 Median	% Change
Households			
Paynesville	\$34,000	\$45,000	32.4%
Stearns County	\$42,426	\$53,861	27.0%
Minnesota	\$47,111	\$59,126	25.5%
Families			
Paynesville	\$42,500	\$61,563	44.9%
Stearns County	\$51,553	\$68,294	32.5%
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 income growth within the City of Paynesville and in Stearns County from 2000 to 2012. The City’s median household income level increased by 32.4% and the City’s median family income increased by 44.9%. However, the City’s median household and family incomes were still lower than the Minnesota medians. Paynesville has a significant number of renter households and a large number of senior citizen households, both of which tend to have lower income levels. Stearns County’s median household income of \$53,861 was \$5,265 lower than the Minnesota median.

Family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners. While the median family incomes in Paynesville and Stearns County were higher than the median household income, they were still below the Statewide median 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 Paynesville could afford approximately \$1,125 per month for ownership or rental housing in 2012. A family at the median income level for the City could afford approximately \$1,539 for housing costs.

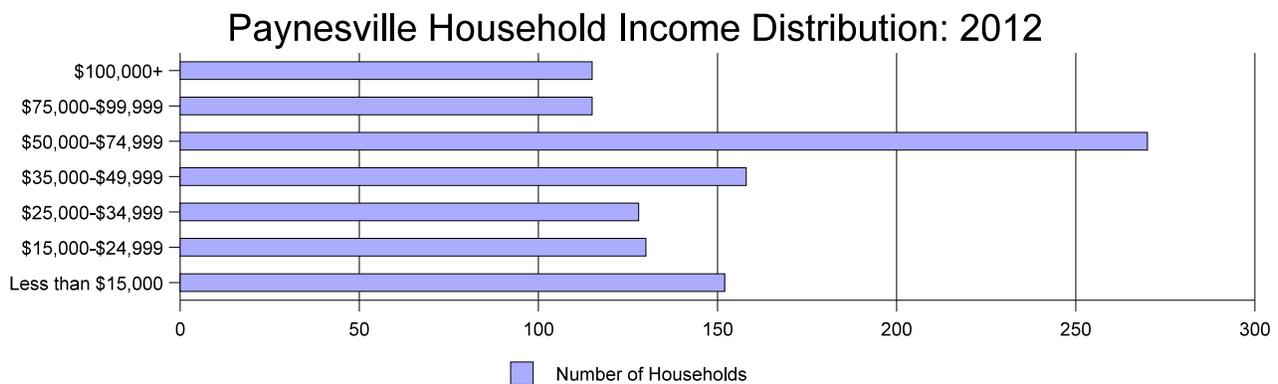
Although households at or near the median levels do have some buying power for housing, the overall medians can be somewhat deceptive. In general, renter households tend to have incomes that are well below the overall median levels, while home owners tend to be above the medians for households or families. In 2012, the median income level for owner households in Paynesville was \$55,709. The estimated median household income for renters in 2012 was only \$20,224. At 30% of income, a median income renter in the City could apply \$506 to gross rent without experiencing a housing cost burden.

Paynesville Household Income Distribution

The 2012 American Community Survey household income estimates for the City of Paynesville can be compared to the same distribution information from 2000 to examine changes that have occurred from 2000 to 2012.

Table 16 Paynesville Household Income Distribution - 2000 to 2012			
Household Income	Number of Households 2000	Number of Households in 2012	Change 2000 to 2012
\$0 - \$14,999	205	152	-53
\$15,000 - \$24,999	142	130	-12
\$25,000 - \$34,999	129	128	-1
\$35,000 - \$49,999	198	158	-40
\$50,000 - \$74,999	163	270	107
\$75,000 - \$99,999	62	115	53
\$100,000+	37	115	78
Total	936	1,068	132

Source: 2000 Census; 2012 ACS



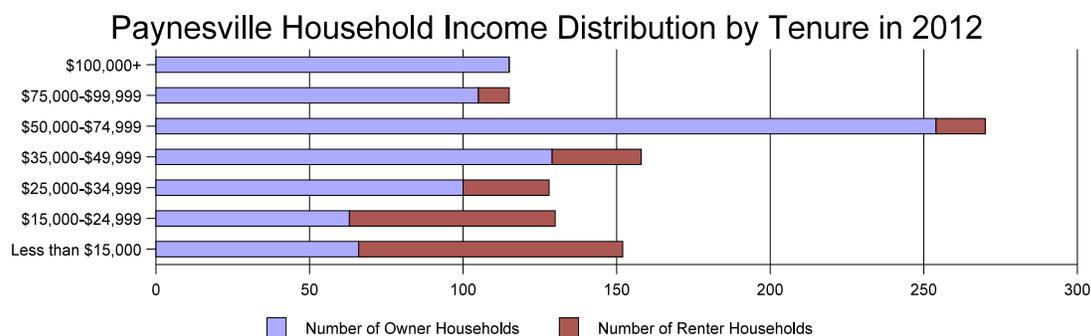
According to income estimates contained in the 2012 American Community Survey, household incomes have improved in Paynesville, especially in the highest income ranges. When compared to the 2000 Census (1999 income), there was an increase of 238 households with an income of \$50,000, or more. There was a decrease of 106 households with incomes less than \$50,000. However, there were still 282 households in Paynesville that have an annual income below \$25,000. This was 26.4% of all households.

Paynesville Income Distribution by Housing Tenure

The 2012 American Community Survey provides an income estimate by owner and renter status. The following table examines income distribution within the City of Paynesville. The American Community Survey is an estimate, based on limited sampling data, and there are some differences when compared to the 2010 Census. For total households, the American Community Survey reported three more households than the Census. The American Community Survey estimated 83 more owner households than the Census, and 80 fewer renter households. Since owner households tend to have higher incomes than renters, the over-weighting of owners in the estimate probably results in some higher totals in the higher income ranges.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	66/43.4%	86/56.6%	152
\$15,000 - \$24,999	63/48.5%	67/51.5%	130
\$25,000 - \$34,999	100/78.1%	28/21.9%	128
\$35,000 - \$49,999	129/81.6%	29/18.4%	158
\$50,000 - \$74,999	254/94.1%	16/5.9%	270
\$75,000 - \$99,999	105/91.3%	10/8.7%	115
\$100,000+	115/100%	0/0%	115
Total	832	236	1,068

Source: 2012 American Community Survey



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

In 2010, approximately 77% of all renter households in Paynesville 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.

Conversely, a majority of the owner households had a substantially higher income level. Approximately 57% of all owner households had an annual income of \$50,000 or more. At 30% of income, these owners could afford \$1,364 or more per month for housing costs.

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 City of Paynesville.

Table 18 Gross Rent as a Percentage of Household Income - 2012			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	75 / 50.0%	24 / 27.9%	99 / 41.9%
20% to 29.9%	11 / 7.3%	27 / 31.4%	38 / 16.1%
30% to 34.9%	0 / 0%	11 / 12.8%	11 / 4.7%
35% or more	48 / 32.6%	24 / 27.9%	72 / 30.5%
Not Computed	16 / 10.7%	0 / 0%	16 / 6.8%
Total	150	86	236

Source: 2012 American Community Survey

According to the American Community Survey, approximately 35% of all renters in the City 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 Paynesville it was primarily due to low income levels for renters. A majority 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.

Senior citizen renters (age 65 and older) represented approximately 42% of all households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 58% of all households with a rental cost burden.

2012 Estimated Income and Housing Costs - Owners

The American Community Survey also provided housing cost estimates for owner-occupants. The following table provides estimates of the number of households in the City of Paynesville that are paying different percentages of their gross household income for housing costs.

Table 19 Ownership Costs as a Percentage of Income - Paynesville		
Percentage of Household Income for Housing Costs	Number of Owner Households 2012	Percent of All Owner Households 2012
0% to 19.9%	472	56.7%
20% to 29.9%	173	20.8%
30% to 34.9%	70	8.4%
35% or more	117	14.1%
Not Computed	0	0%
Total	832	100%

Source: 2012 ACS

Based on the 2010 Census, the 2012 American Community Survey overestimated the number of owner households in the City. However, there is also a two-year time difference in the effective date of the two estimates which may account for some of the difference.

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 23% of all home owners reported that they paid more than 30% of their income for housing. A majority of these households were paying more than 35% of income for housing costs.

As would be expected, most of the cost-burdened home owners had a mortgage on their home.

Building Permit Trends

Paynesville has had some new housing construction activity in recent years. The following table identifies the units that have been issued a building permit from 2000 to 2013.

Table 20 Paynesville Housing Unit Construction Activity: 2000 to 2013				
Year	Single Family Detached	Single Family Attached	Multifamily	Total Units
2013	0	0	0	0
2012	0	0	0	0
2011	1	0	0	1
2010	1	0	0	1
2009	1	0	0	1
2008	2	0	0	2
2007	2	0	0	2
2006	6	0	0	6
2005	28	0	0	28
2004	16	0	0	16
2003	4	2	4	10
2002	10	0	4	14
2001	2	4	16	22
2000	10	4	4	18
Total	83	10	28	121

Source: City of Paynesville; Community Partners Research, Inc.

Over the past 14 years, 121 new housing units have been constructed in Paynesville, based on building permit issuance. The 121 units include 83 single family homes, 10 units in twin homes and 28 units in multifamily buildings. The multifamily projects include four four-plexes and one eight-plex.

Much of the new housing construction occurred from 2000 to 2006. During this seven-year period, the City averaged approximately 16 new units per year. From 2007 to 2013, housing construction activity slowed dramatically, and the City has averaged approximately one new unit per year.

Occupancy Status of Housing Units - 2010

Table 21 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
Paynesville	749	316	25	18	11	29
Paynesville Co.	40,265	15,967	1,440	631	2,627	1,044

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 2,627 seasonal housing units in Stearns County, including 11 units in Paynesville.
- ▶ Excluding the seasonal use units, there were 3,115 other types of vacant housing units in Stearns County in 2010, including 72 vacant units in Paynesville. Many of the vacant units were listed as “other vacant” and the status of these units is not known.

Existing Home Sales

This section examines houses that have been sold within recent years in the City of Paynesville. Information was obtained from the Stearns County Assessor's Office.

Stearns County collects and utilizes information from residential sales for the County's sales ratio study. The County compares the fair market sale price to the estimated taxable value for each home. As a result, the County information for sales primarily reflects existing homes that have an established tax value. New construction sales activity would generally not be recorded in the data that was used for this analysis, unless the house had been constructed some time ago and did have an established tax value.

The County also sorts the sales data into "qualified" and "unqualified" groupings. Qualified sales are also referred to as good sales, because they are fair market transactions. Unqualified sales are rejected because they are not considered to be fair market transactions. There are multiple reasons for rejecting a sale, but some are becoming more common, including sales of "bank-owned" properties, and foreclosures/short sales. Additional reasons for rejection would include transfers between related parties, or sales that were not conducted in the open market.

The sales value used is an "adjusted sale price", which attempts to make adjustments for personal property that was included in the sale, any financing concessions, or similar items that are not part of the real property transfer. The adjustments were made by the Stearns County Assessor's Office.

Information was available for each calendar year, from 2011 through 2014. Information for 2014 is partial-year, for the period between January 1st and October 17, 2014.

Table 22 Paynesville Residential Sales Activity - 2011 to 2014

Year	Number of Good Sales	Median Sale Price	Highest Sale	Lowest Sale
2014 (thru Oct. 17)	19	\$118,500	\$209,000	\$56,000
2013	30	\$128,850	\$205,000	\$26,500
2012	21	\$106,150	\$239,900	\$75,000
2011	24	\$135,000	\$275,000	\$54,000

Source: Stearns County Assessor; Community Partners Research, Inc.

Median Home Sale Prices in Paynesville: 2011 to 2014*



Information for 2014 represents approximately the first 10 months of the year and some sales are not verified, thus, the sales may not be an accurate indicator of the entire year. However, through October 17, 19 good sales had been recorded, with a partial-year median price of \$118,500.

The 2014 partial-year median was lower than the midpoint price recorded in 2013, at \$128,850. In that 12-month period, there were 30 good sales.

In 2012, there were 21 good sales with a median sales price of \$106,150 and in 2011 there were 24 sales with a median sales price of \$135,000.

There was at least one sale for more than \$200,000 in each of the four years examined.

Home Sales by Price Range

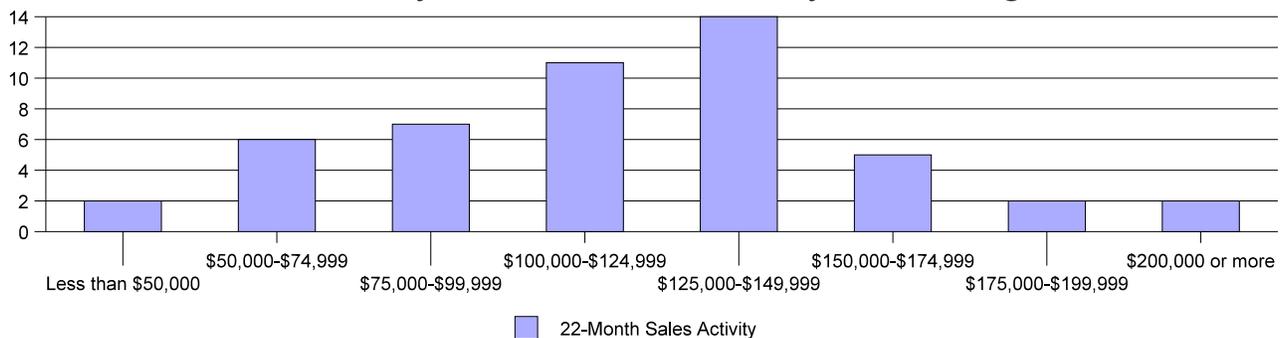
The following table looks at the 49 single family houses that sold in the 22-month period from January 1, 2013, to October 17, 2014, in Paynesville by defined price ranges. This information is from Stearns County's sales records.

Table 23 Home Sales by Price Range: 22-Month Ending Oct. 17, 2014		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	2	4.1%
\$50,000 - \$74,999	6	12.2%
\$75,000 - \$99,999	7	14.3%
\$100,000 - \$124,999	11	22.4%
\$125,000 - \$149,999	14	28.6%
\$150,000 - \$174,999	5	10.2%
\$175,000 - \$199,999	2	4.1%
\$200,000 +	2	4.1%
Total	49	100%

Source: Stearns County Assessor; Community Partners Research, Inc.

Approximately 31% of the sales were for less than \$100,000. There were 25 sales in the \$100,000 to \$150,000 range, representing 51% of all sales. There were four sales for \$175,000 or more, for 8.2% of the sales total.

Recent Paynesville Home Sales by Price Range



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 Paynesville. On October 15, 2014, there were 19 single family homes that were listed for sale in the City limits of Paynesville. There were also a significant number of homes for sale in the townships surrounding the City of Paynesville. These listings located outside of the city limits were not included. It is possible that some of the houses had duplicate listings, although the analysts attempted to identify and remove these duplicated listings. The following table examines the MLS listings by listing price, as posted on Realtor.com.

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 are posted for sale that would not be part of the MLS, including most homes being offered "for sale by owner".

Table 24 Paynesville Active MLS Listings by Price Range - Oct. 2014		
Asking Price	Number of Listings	Percent of Listings
Less than \$50,000	0	0%
\$50,000 - \$74,999	2	10.5%
\$75,000 - \$99,999	6	31.6%
\$100,000 - \$124,999	4	21.1%
\$125,000 - \$149,999	5	26.3%
\$150,000 +	2	10.5%
Total	19	100%

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

Based on the listings on Realtor.com, most of the houses being offered for sale were priced below \$150,000. Overall, more than 89% of active listings in October were priced at \$150,000 or less. Only two of the listings were priced at \$150,000 or more.

Stearns County Home Foreclosure Activity

Starting in 2005, 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 2005. Their reports provide details on foreclosure activity at the County level, 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 Stearns County Home Foreclosures - 2005 to 2013									
Foreclosures	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number	136	219	375	422	506	512	340	346	246
Rate	0.32	0.50	0.84	0.94	1.13	1.12	0.75	0.76	0.54

Source: HousingLink; Community Partners Research

Based on the HousingLink data, Stearns County has been impacted by home foreclosures. The number of annual foreclosures did increase starting in 2006, and reached a peak level in 2010. The level in 2013 is well below the recent peak.

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. For comparative purposes, Stearns County had the 35th highest rate of foreclosure among Minnesota's 87 Counties in 2013, the most recently reported time period.

Paynesville Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 266 single family/duplex houses in five of Paynesville's oldest neighborhoods.

The boundaries of the five neighborhoods are as follows:

- ▶ Neighborhood #1: West - Lake Ave.
East - Garfield Ave.
North - Railroad St.
South - E. Hoffman St.
- ▶ Neighborhood #2: West - Lake Ave.
East - Industrial Park and Mobile Home Park
North - City limits
South - Minnie St.
- ▶ Neighborhood #3: West - Pine St.
East - Stearns Ave.
North - W. Mills St., River St., W. Hoffman St.
South - W. Minnesota St.
- ▶ Neighborhood #4: West - Belmont St.
East - W. Railroad St.
North - River
South - River St.
- ▶ Neighborhood #5: West - Stearns Ave.
East - Lake Ave.
North - W. Hoffman St.
South - Mill St.

Houses that appeared to contain three or more residential units were excluded from the survey. Houses were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated as defined below. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition is assumed to be a reasonable indicator of the structure's interior quality.

Dilapidated was the lowest rating used. These houses need major renovation 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 in a salable price range and are 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.

Table 26 Windshield Survey Condition Estimate - 2014					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	6/24.0%	9/36.0%	9/36.0%	1/4.0%	25
Neighborhood #2	1/7.1%	4/28.6%	6/42.9%	3/21.4%	14
Neighborhood #3	53/41.4%	50/39.1%	24/18.7%	1/0.8%	128
Neighborhood #4	11/30.6%	13/36.1%	9/25.0%	3/8.3%	36
Neighborhood #5	26/41.3%	20/31.7%	16/25.4%	1/1.6%	63
Total	97/36.5%	96/36.1%	64/24.0%	9/3.4%	266

Source: Community Partners Research, Inc.

- ▶ Approximately 36% of the houses in the City's five oldest neighborhoods need minor repair and 24% need major repair. Approximately 37% are sound, with no required improvements. Nine houses are dilapidated and possibly beyond repair.

Paynesville Mobile Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the 25 mobile homes located in Paynesville's only mobile home park.

Mobile homes were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated as defined below. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition is assumed to be a reasonable indicator of the structure's interior quality.

Dilapidated was the lowest rating used. Dilapidated mobile homes need major renovation 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 mobile home needing multiple major improvements such as roof, windows, sidings, structural/foundation, etc. Houses and mobile homes in this condition category may or may not be economically feasible to rehabilitate.

Minor Repair mobile homes are judged to be generally in good condition and require less extensive repair, such as one major improvement. Mobile homes in this condition category may be good candidates for rehabilitation programs because they are in a salable price range and are economically feasible to repair.

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

Table 27 Windshield Survey Condition Estimate - 2014					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile homes	2/8.0%	7/28.0%	11/44.0%	11/44.0%	25

Source: Community Partners Research, Inc.

- ▶ Approximately 28% of the mobile homes need minor repair and 44% need major repair. Approximately 8% are sound, with no required improvements.
- ▶ Eleven mobile homes were dilapidated and possibly beyond repair.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 316 occupied rental units and 28 unoccupied rental units in Paynesville, for a total estimated rental inventory of 344 units. The City's rental tenure rate was 29.7%, above the Statewide rental rate of 27.0% in 2010.

At the time of the 2000 Census, Paynesville had 255 occupied rental units, and at least 23 vacant rental units, for a total estimated rental inventory of 278 units. The rental tenure rate in 2000 was 27.3%.

Based on a Census comparison, the City gained 61 renter-occupancy households, and approximately 66 rental units from 2000 to 2010.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in the City of Paynesville. The survey was primarily conducted during the months of September and October in 2014. Emphasis was placed on contacting properties that have eight or more units. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential. However, we also surveyed some small rental properties and single family homes.

Information was tallied separately for different types of rental housing, including conventional market rate, subsidized, moderate rent tax credit and senior housing with services.

There were 293 housing units of all types that were contacted in the survey. Based on our research, all of the subsidized, tax credit and senior with services rental projects and a high percentage of the market rate multifamily projects were surveyed. We also surveyed the nursing home, which has 54 beds.

The units that were successfully contacted include:

- ▶ 107 market rate units
- ▶ 59 federally subsidized units
- ▶ 20 tax credit units
- ▶ 53 senior with services units/beds
- ▶ 54 nursing home beds

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 107 market rate rental units. The rental units surveyed include 91 units in seven multifamily buildings and 16 units in duplexes and single family homes.

Unit Mix

We obtained bedroom mix information on all 107 market rate units. The bedroom mix of these units is:

- ▶ Efficiency - 3 (2.8%)
- ▶ One-bedroom - 34 (31.8%)
- ▶ Two-bedroom - 67 (62.6%)
- ▶ Three-bedroom - 3 (2.8%)
- ▶ Four-bedroom - 0 (0%)
- ▶ Total - 107

There were no four-bedroom units and only three three-bedroom rental units that were surveyed. However, there are additional rental single family homes with three or more bedrooms, although, the number of rental units with three or more bedrooms in Paynesville is minimal.

Occupancy / Vacancy

Within the market rate multifamily segment, the managers and owners reported there were three vacant units of the 107 units surveyed. This represents a vacancy rate of 2.8%. Edgewood Apartments reported two vacancies and Mill St. Apartments reported one vacancy. All of the other projects reported full occupancy. All of the owners and managers reported that they usually have very high occupancy rates.

Rental Rates

Rental units may include the primary utility payments within the contract rent, or the tenant may be required to pay some utilities separately, in addition to the contract rent. In the following summary, Community Partners Research, Inc., has attempted to estimate the gross rents being charged, inclusive of an estimate for tenant-paid utilities.

The following median gross rent range has been identified based on information from the telephone survey.

<u>Unit Type</u>	<u>Median Gross Rent Range</u>
Efficiency	\$375
One-bedroom	\$290-\$575
Two-bedroom	\$390-\$800
Three-bedroom	\$650-\$800

No multifamily projects that we surveyed had four-bedroom units. Only three efficiency units in a single project were surveyed.

Market Rate Rental Construction from 2000 to 2014

Over the past 15 years, two market rate rental projects were constructed, both in 2001. These projects included two duplexes and one 8-unit building, for a total of 12 units. The duplexes created two-bedroom units, and the 8-plex was equally split between one and two-bedroom options.

Tax Credit Summary

Paynesville has only one general occupancy rental project that was constructed with assistance from the federal low income tax credit program, Ridge View Court Townhomes.

Ridge View Court Townhomes is owned by the Central Minnesota Housing Partnership and was constructed in 1997. The project has 20 units including 14 two-bedroom and six three-bedroom units. Tenant households must have an income of 60% or less of the area median income.

Rents are \$595 for a two-bedroom units and \$645 for a three-bedroom unit plus heat and electricity. The manager reported six vacancies, which is a 30% vacancy rate. The manager reports that there are ongoing vacancies.

Subsidized Summary

The research completed for this Study identified four subsidized projects providing rental opportunities for lower income households. These projects have a combined 59 units. Two of the projects are general occupancy housing with 18 units and two projects are senior/disabled occupancy with 39 units. The subsidized projects were developed in Paynesville with USDA Rural Development funds or MHFA funds.

One of the subsidized projects, Stearns County HRA Twin Homes, does have tenant income limits, however, the income limits are 110% of median income and the rents are comparable to a market rate project.

Rental Rates

Three of the City's subsidized units have access to project-based rent assistance. These units charge rent based on 30% of the tenant's household income. The subsidized projects have a market rent and tenants do not pay more than the market rent. However, a very high percentage of tenants in the subsidized projects pay less than the market rent, as 30% of their income is less than the market rent.

The Stearns County Townhomes Project currently has a rent of \$695 per month plus utilities.

Unit Mix

The bedroom mix breakdown for subsidized housing in Paynesville is as follows:

- ▶ One-bedroom - 43 (72.9%)
- ▶ Two-bedroom - 12 (20.3%)
- ▶ Three-bedroom - 4 (6.8%)
- ▶ Total - 59

There are no efficiency or four-bedroom units in the four subsidized projects.

Occupancy / Vacancy

There were seven vacant units that were identified in the subsidized projects, which is a 11.9% vacancy rate. Evergreen Estates reported four vacancies, South Place Apartments reported two vacancies and Green Wing Estates reported one vacancy.

Subsidized Housing Gains/Losses

Federal subsidy sources for low income rental housing have been very limited for the past few decades. Most subsidized projects were constructed in the 1960, 1970s and 1980s. Some of the older projects around the State have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing. However, no subsidized projects in Paynesville have opted out of their subsidized program over the past 20 years.

Housing Choice Vouchers

In addition to subsidized rental projects, Paynesville and Stearns County households have access to the Housing Choice Voucher Program. The Stearns County HRA administers the Housing Voucher Program in Paynesville and Stearns County, excluding St. Cloud.

The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income households. The program requires participating households to contribute from 30% to 40% of their adjusted income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community, provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community.

Currently, 230 Stearns County households outside of St. Cloud, 30 of which live in Paynesville, are receiving assistance through the Housing Voucher Program.

Senior Housing with Services

Paynesville has three senior with services projects with a total of 107 beds/units. The senior with services projects include:

- ▶ **Washburne Court Assisted Living** - Washburne Court Assisted Living has 20 single rooms and four suites, for a total of 24 units. The facility offers the full array of senior services. Residents pay rent of \$891 to \$1,300, which includes utilities. Assisting living services are purchased a la carte as needed by the resident.
- ▶ **Stearns Place** - Stearns Place is an independent senior project, however, seniors have the option of purchasing meals and assisted living services from the Koronis Manor Care Center. Stearns Place has 29 units, which includes 19 one-bedroom and 10 two-bedroom units. Rent ranges from \$950 to \$1,161, which includes utilities. Assisted living services are purchased a la carte as needed.
- ▶ **Koronis Manor Care Center** - The Koronis Manor Care Center is a 54-bed nursing home facility. The nursing home is part of the Centra Care Health campus that includes Stearns Place, a hospital and Washburne Center.

Occupancy / Vacancy

At the time of the survey, Washburne Court Assisted Living had five vacancies, Stearns Place had no vacancies with a waiting list and the nursing home had no vacancies. All three senior projects reported that they usually operate at a high occupancy rate.

Table 28 Paynesville Market Rate Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Westview Apartments	<u>8 - 2 Bedroom</u> 8 total units	\$550	No vacancies	General Occupancy	Westview Apartments is a general occupancy market rate eight-plex. All eight units have two bedrooms. Rent is \$550 plus electricity. The manager reports no vacancies and the units are usually fully occupied.
Paynesville Apartments	<u>17 - 1 Bedroom</u> <u>5 - 2 Bedroom</u> 22 total units	\$350 to \$500	No vacancies	General Occupancy	Paynesville Apartments was a motel that has been converted to rental units. Currently, there are approximately 17 one-bedroom and five two-bedroom units. The manager reported that there will be a three-bedroom unit and an efficiency unit available for rent in a couple of months. Rent varies based on square footage and number of bedrooms, but the range is \$350 to \$500. The utilities that are included in the rent also varies. The manager reported that he currently has no vacancies, but typically has a few vacancies.
Edgewood Apartments	<u>1 - 1 Bedroom</u> <u>11 - 2 Bedroom</u> 12 total units	\$385 \$460-\$485	2 vacancies	General Occupancy	Edgewood Apartments is a market rate 12-plex with one one-bedroom and 11 two-bedroom units. The units were constructed in 1976. Rent is \$385 for the one-bedroom unit and \$460 to \$485 for the two-bedroom units. Tenants also pay heat and electricity. The manager reports two vacancies.
Mill Street Apartments	<u>1 - 1 Bedroom</u> <u>11 - 2 Bedroom</u> 12 total units	\$515	1 vacancy	General Occupancy	Mill St. Apartments is a market rate 12-plex constructed in 1979. The units include one one-bedroom unit and 11 two-bedroom units. Rent is \$515 per month plus electricity. Owner reports one vacancy, but units are usually fully occupied.

Table 28 Paynesville Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Plaza Apartments	3 - Efficiencies 9 - 1 Bedroom <u>5 - 2 Bedroom</u> 17 total units	\$350 \$400 \$400	No vacancies	General Occupancy	Plaza Apartments is a downtown building constructed in the 1880s. The building has 17 total units including three efficiency units, nine one-bedroom units and five two-bedroom units. Rent is \$350 for an efficiency unit and \$400 for a one- or two-bedroom unit. Two-bedroom rent does not include utilities. The utilities included in the efficiency and one-bedroom units vary. The owner reported no vacancies, but typically has a few vacancies.
Davidson Properties - 4-plex and South Street Court	<u>12 - 2 Bedroom</u> 12 total units	\$495 to \$775	No vacancies	General Occupancy	The Davidson Properties include a four-plex constructed in 1961, a four-plex constructed in 1995 and two duplexes constructed in 2001. The 1961 four-plex rent is \$495 plus heat and electricity. The 1995 four-plex rent is \$715 plus electric and the 2001 duplexes rent is \$775 plus all utilities. The owner reports no vacancies.
Lake Avenue Row Houses	4 - 1 Bedroom <u>4 - 2 Bedroom</u> 8 total units	N/A	No vacancies	General Occupancy	This project was constructed in 2001, with row house-style units. The project has 4 1-bedroom and 4 2-bedroom units. No vacancies reported on the date of the survey. In Oct. 2014 this project was in the process of being sold and only limited information was obtained from the new owner.
122 James St W	1 -1 Bedroom <u>1 - 2 Bedroom</u> 2 total units	\$250 \$350	No vacancies	General Occupancy	Two units on the 2 nd floor of a downtown mixed-use building. Units include one one-bedroom and one two-bedroom. Rent is \$250 for the one-bedroom and \$350 for the two-bedroom. Tenants also pay electricity. Units are fully occupied. Building has an additional unit occupied by the owners.

Table 28 Paynesville Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
200 James St W	<u>2 -2 Bedroom</u> 2 total units	\$425 \$450	No vacancies	General Occupancy	Two two-bedroom units in a downtown mixed-use building. Units are on the 2 nd floor. Building has an additional unit occupied by the building owners. Rent is \$425 and \$450. Tenants also pay heat and electric. Owner reports the units are always fully occupied. Owners are currently constructing an additional unit on the 1 st floor. The rent will be \$450 and the owners have the unit pre-leased.
Wendroth Properties	<u>6 - 2 Bedroom</u> 6 total units	\$475 to \$600	No vacancies	General Occupancy	The Wendroth Properties include three homes, each of which have two two-bedroom rental units. The homes were constructed in the 1950s. Rent ranges from \$475 to \$600. Utilities included in the rent vary. Tenants in two of the duplexes pay heat and electricity. Tenants in one duplex only pay heat. The owner reports no vacancies.
Dahl Properties	<u>6 houses</u> 6 total units	\$450 to \$800	No vacancies	General occupancy	The Dahl Properties include six single family homes. One home has one bedroom and the other homes have two or three bedrooms. Rents range from \$450 for a small home to \$800 for a large three-bedroom home. Tenants also pay utilities. Owner reports no vacancies and he receives numerous calls from people seeking rental housing.

Table 29 Paynesville Subsidized Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Evergreen Estates	22 - 1 Bedroom 5 - 2 Bedroom 27 total units	\$416 max. \$436 max. 30% of income	4 vacancies	Senior/ Disabled	Evergreen Estates is a 27-unit Rural Development Senior/Disabled Project. The 27 units include 22 one-bedroom units and five two-bedroom units. The project was constructed in 1978. Twelve of the 27 units have rent assistance. Tenants in the remaining units pay the maximum rent. Manager reports that most of the tenants are disabled/non-seniors. Currently, the project has four vacancies. The manager reports that there are usually more than four vacancies.
Green Wing Estates	11 - 1 Bedroom 1 - 2 Bedroom 12 total units	\$420 max. \$440 max. 30% of income	1 vacancy	Senior/ Disabled	Green Wing Estates is a 12-unit Rural Development Senior/Disabled Project. The 12 units include 11 one-bedroom and one two-bedroom units. The project was constructed in 1982. Six of the 12 units have rent assistance. Tenants in the remaining units pay the maximum rent. Manager reports that most of the tenants are disabled non-seniors. Currently, the project has one vacancy.
South Place Apartments	10 - 1 Bedroom 6 - 2 Bedroom 16 total units	\$417 max. \$437 max. 30% of income	2 vacancies	General occupancy	South Place Apartments is a 16-unit Rural Development General Occupancy Project. The 16 units include 10 one-bedroom units and six two-bedroom units. The project was constructed in 1983. Ten of the 16 units have rent assistance. Tenants in the remaining units pay the maximum rent. Currently, the project has two vacancies.
Stearns County HRA Twin Homes	4 - 3 Bedroom 4 total units	\$695 +utilities	No vacant units	General occupancy	The Stearns County HRA owns and manages 2 twin homes, constructed in 2001. All units have 3-bedrooms. Rent is \$695 plus utilities. The HRA received some financial assistance from MHFA for construction. Households must have an annual income less than 110% of the area's median income level. No vacancies reported at time of survey.

Table 29 Paynesville Subsidized Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Tax Credit					
Ridge View Court Townhomes	14 - 2 Bedroom <u>6 - 3 Bedroom</u> 20 total units	\$595 \$645	6 vacancies	General Occupancy	Ridge View Court Townhomes is a general occupancy tax credit project constructed in 1997. The project has 20 units including 14 two-bedroom and six three-bedroom units. Tenant households must have an income of 60% of median or less. Rents are \$595 for a two-bedroom unit and \$645 for a three-bedroom unit. Tenants also pay heat and electricity. The manger reports that there are six vacancies. Ridge View Court Townhomes is owned by the Central Minnesota Housing Partnership.

Source: Community Partners Research, Inc.

Table 30 Paynesville Senior Housing with Services					
Name	Bedroom Mix	Rent	Occupancy/ Wait List	Tenant Mix	Comments
Senior Housing with Services					
Washburne Court Assisted Living	20 single rooms <u>4 suites</u> 24 total units	\$891 to \$1,300 includes utilities services purchased ala carte	5 vacancies	Senior assisted living	Washburne Court Assisted Living is a 24-unit assisted living project. Washburne Court is part of the Centracare Health. The project includes 24 units. Twenty units are single rooms and four units are suites, which have a bedroom as a separate room. Rent is \$891 to \$1,300, which includes utilities. Assisted living services, including meals, laundry, housekeeping, bathing, medication assistance, etc. are purchased as needed ala carte. The facility was originally a hospital that converted into a nursing home. In 2000, the nursing home converted to Washburne Court Assisted Living. The Director reported five vacancies, however, there are typically one or two vacancies.
Stearns Place	19 - 1 Bedroom <u>10 - 2 Bedroom</u> 29 total units	\$950 to \$1,161	No vacancies, waiting list	Senior with services available	Stearns Place is an independent senior project, however, seniors have the option of purchasing meals and services from the Koronis Manor Care Center. Stearns Place is part of the Centracare Health Campus. Stearns Place was constructed in the late 1980s. The manager reports that 12 to 13 tenants are purchasing additional services. Rents range from \$950 to \$1,161. Rent includes all utilities. The manager reports no vacancies and a waiting list.
Koronis Manor Care Center	54 beds 54 total beds	Based on services	No vacancies	Skilled nursing home	Koronis Manor Care Center is a 54-bed nursing home constructed in 1964. The facility is part of the Centracare Health Campus. Currently, the beds are fully occupied and staff reports that the beds are usually fully occupied.

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 Paynesville with 25 or more employees include:

- ▶ CentraCare
- ▶ ISD#741
- ▶ AMP, Inc.
- ▶ Mastermark Plastic Products
- ▶ Teals
- ▶ Koronis Manor
- ▶ Voss Plumbing and Heating
- ▶ Louis Industries, Inc.
- ▶ Valley Industries
- ▶ City of Paynesville

Source: Economic Development Authority of Paynesville

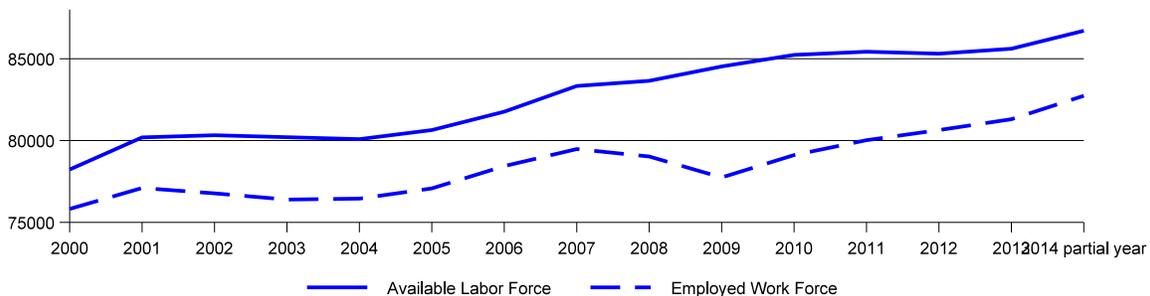
Work Force and Unemployment Rates

Employment information is available for all of Stearns County. Data in the following tables have been obtained from the Minnesota Department of Employment and Economic Development.

Table 31 Stearns County Labor Statistics 2000 to 2014*						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2000	78,228	75,820	2,408	3.1%	3.1%	4.0%
2001	80,193	77,100	3,093	3.9%	3.8%	4.7%
2002	80,321	76,770	3,551	4.4%	4.5%	5.8%
2003	80,201	76,391	3,810	4.8%	4.9%	6.0%
2004	80,084	76,451	3,633	4.5%	4.6%	5.5%
2005	80,642	77,074	3,568	4.4%	4.2%	5.1%
2006	81,764	78,436	3,328	4.1%	4.1%	4.6%
2007	83,335	79,480	3,855	4.6%	4.6%	4.6%
2008	83,648	79,027	4,621	5.5%	5.4%	5.8%
2009	84,523	77,745	6,778	8.0%	8.0%	9.3%
2010	85,228	79,114	6,174	7.2%	7.4%	9.6%
2011	85,428	80,023	5,405	6.3%	6.5%	8.9%
2012	85,309	80,642	4,667	5.5%	5.6%	8.1%
2013	85,609	81,300	4,309	5.0%	5.1%	7.4%
2014*	86,705	82,735	3,970	4.6%	4.6%	6.4%

Source: MN Department of Employment and Economic Development - Not Seasonally Adjusted
 * 2014 is through September

Stearns County Labor Force and Employed Work Force



There have been some year-to-year fluctuations in the County's resident labor force, but long-term trends show solid growth. Between 2000 and 2013 (the last full year of data), the resident labor force increased by nearly 7,400 people, or 9.4%. Partial-year information for 2014 points to continued year-to-year growth in the resident labor force, although this may change in the final four months of the year.

The work force has generally followed a somewhat similar pattern, with long-term growth in the number of employed County residents. When 2013 is compared to 2000, nearly 5,500 more residents are employed, or an increase of 7.2%. Once again, partial-year information shows continued employment growth in 2014.

Over time there has been significant variation in the unemployment rate. The lowest rate for the time period reviewed was in the year 2000, when the County's unemployment rate was at 3.1%. The highest level was reached in 2009, at 8.0%. Since 2009, the unemployment rate has steadily declined, and was at 5.0% for 2013. It appears that the annual unemployment rate in 2014 will be lower than the prior year.

The County's unemployment rate has been lower than the Statewide rate since 2010, and below the national unemployment since 2008.

Employment and Wages by Industry

The following table shows the average weekly wages by major employment sector in 2013, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in the City.

Table 32 Paynesville Average Annual Wages by Industry Detail: 2013		
Industry	2013 Employment	2013 Average Annual Wage
Total All Industry	1,670	\$33,592
Natural Resources and Mining	N/A	N/A
Construction	N/A	N/A
Manufacturing	247	\$38,168
Trade, Transportation, Utilities	405	\$31,980
Information	41	\$26,520
Financial Activities	78	\$34,476
Professional and Business Services	31	\$27,768
Education and Health Services	543	\$40,820
Leisure and Hospitality	102	\$8,944
Other Services	53	\$9,100
Public Administration	43	\$18,824

Source: Minnesota Department of Employment and Economic Development

The average annual wage for all industry in 2013 was \$33,592, assuming that workers were employed for 52 weeks. The highest paying wage sectors were Education and Health Services, and Manufacturing. Each of these sectors had an annual average wage above \$38,000. Education and Health Services was also the largest single employment sector.

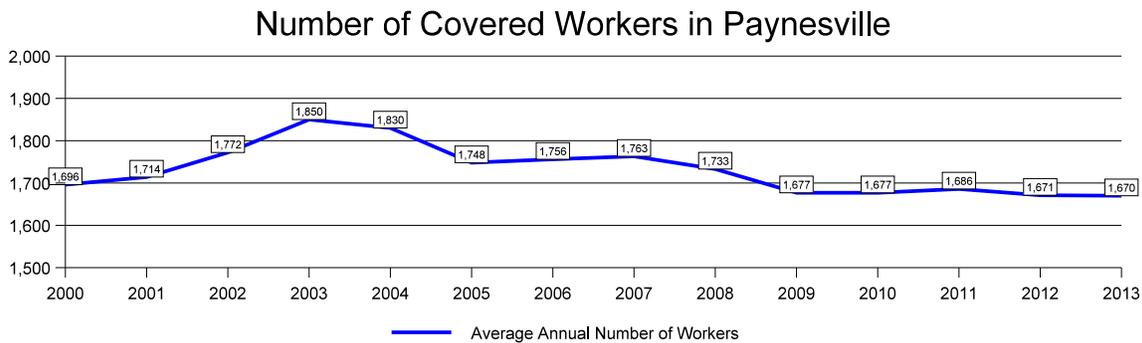
The lowest paying wage sectors were Leisure and Hospitality, and Other Services, both with an average annual wage below \$9,000.

Paynesville 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 Paynesville back to the year 2000.

Table 33 Paynesville Average Annual Employment: 2000 to 2013			
Year	Total Covered Employment	Year	Total Covered Employment
2000	1,696	2007	1,763
2001	1,714	2008	1,733
2002	1,772	2009	1,677
2003	1,850	2010	1,677
2004	1,830	2011	1,686
2005	1,748	2012	1,671
2006	1,756	2013	1,670

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 Paynesville. Growth had been occurring annually between 2000 and 2003, but then reversed. 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. The number of covered workers in 2013 was 26 people lower than in the year 2000.

Commuting Patterns of Area Workers

Some information is available on workers that commute for employment. The best information is from the 2012 American Community Survey, and has been examined for the City of Paynesville. The first table only examines people living in Paynesville that traveled to work and excludes people that work at home.

Table 34 Travel Times for Paynesville Residents - 2012		
Travel Time	Number	Percent
Less than 10 minutes	517	46.0%
10 to 19 minutes	173	15.4%
20 to 29 minutes	155	13.8%
30 minutes or more	279	24.8%
Total	1,124	100%

Source: 2012 American Community Survey 5-year estimates

A large majority of Paynesville residents were commuting less than 20 minutes to work in 2012. Presumably, most residents commuting fewer than 10 minutes were working in the City or just outside the city limits. People driving 10 to 19 minutes to work may have been commuting eastward toward Cold Spring, or westward toward New London/Spicer. Overall, more than 61% of Paynesville residents commuted less than 20 minutes to work. Fewer than 25% of residents traveled 30 minutes or more, the amount of time needed to commute to regional centers such as St. Cloud or Willmar.

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

Table 35 Commuting Times for Paynesville-based Employees - 2012		
Travel Time	Number	Percent
Less than 10 minutes	684	41.2%
10 to 19 minutes	517	31.1%
20 to 29 minutes	218	13.1%
30 minutes +	241	14.5%
Total	1,660	100%

Source: 2012 American Community Survey 5-year estimates

For people that worked in Paynesville, fewer than 15% traveled 30 minutes or more, as longer-distance commuters. Overall, more than 72% of City-based employees traveled less than 20 minutes to work, and lived either within the city limits or in one of the nearby jurisdictions.

Worker Inflow/Outflow Patterns

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 patterns.

According to the report for Paynesville, there were 1,652 people that were employed within the city limits in 2011. Of the Paynesville-based employees, only 428 also lived within the City. The remaining 1,224 employees lived outside the city limits and commuted in for employment. The percentage of city-based workers that were also residents was 25.9%.

The Census Bureau’s ***On the Map*** reporting service can be used to make comparisons between communities in the region. The following table presents worker inflow information for other communities along Highways 23 and 55, including Cold Spring, Richmond, New London, Spicer, Eden Valley and Belgrade. It looks at the percentage of people in each community that both lived and worked in their home city in 2011, as well as the percentage of workers that come from outside of each city.

Table 36 Employee Inflow Analysis - 2011				
City	Number of People Employed in the City	Percent Employees that also Reside in the City	Percent Employees that Live Outside of the City	Number Employees that Live Outside of the City
Paynesville	1,652	25.9%	74.1%	1,224
Cold Spring	2,425	20.7%	79.3%	1,924
Richmond	253	10.7%	89.3%	226
New London	862	8.4%	91.6%	790
Spicer	380	3.9%	96.1%	365
Eden Valley	424	3.5%	96.5%	409
Belgrade	352	2.3%	97.7%	344

Source: Census Bureau, Center for Economic Studies

As indicated in the table above, only 25.9% of the jobs based in Paynesville were actually filled by people that live within the City. While this percentage may seem to be low, Paynesville outperformed other nearby communities in attracting local workers to also live within the City. Of the nearby communities, Paynesville was the only city that was above 25% in the percentage of jobs filled by city residents.

In addition to defining residents that work within the City, the Census data can also be used to determine worker outflow, measuring residents that leave their home city to work elsewhere.

Table 37 Employee Outflow Analysis - 2011			
City	Number of Employed City Residents	Percent of Residents that Live and Work in the City	Percent of Residents that Leave the City for Employment
Paynesville	1,283	33.4%	66.6%
Cold Spring	2,268	22.1%	77.9%
Richmond	577	4.7%	95.3%
New London	457	15.8%	84.2%
Spicer	494	3.0%	97.0%
Eden Valley	496	3.0%	97.0%
Belgrade	217	3.7%	96.3%

Source: Census Bureau, Center for Economic Studies

Although a majority of employed Paynesville residents worked outside of the community, a relatively large number of residents were employed within the City in 2011. Approximately one-third of working residents had a local place of work, while two-thirds commuted elsewhere.

Among the nearby communities used for comparison, Paynesville had the largest percentage of residents that both lived and worked within the community. In the nearby communities of Richmond, Spicer, Eden Valley and Belgrade, more than 95% of residents left their home community for employment.

Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for the City of Paynesville and Stearns County over the past few decades. These historic growth trends have then been used as a basis for projecting future demographic changes in the area.

Paynesville and Stearns County's population increased from 2000 to 2010. From 2000 to 2010, Paynesville's population increased by 165 people and Stearns County's population increased by 17,476 people. The 2013 State Demographer's estimate shows continued, but significantly slower population gains, with Paynesville adding six people and Stearns County gaining 1,421 people from 2010 to 2013.

Paynesville and Stearns County also had household gains from 2000 to 2010. The City of Paynesville gained 131 households and the 2013 estimate shows a gain of five households in Paynesville from 2010 to 2013. Stearns County added 8,628 households from 2000 to 2010. The 2013 estimate shows Stearns County gaining 825 households from 2010 to 2013.

Findings on Projected Growth

The projections for Paynesville and Stearns County, as calculated by Community Partners Research, Inc., and the State Demographer, expect continued population growth. These two projections show that Paynesville's population will increase by 142 to 312 people from 2010 to 2020. Growth at the lower end of this range is more consistent with recent patterns. As a result, Community Partners Research, Inc., has used population growth near the lower end of the possible range. When converted to households, this Study has proceeded with a projection that the number of households in Paynesville will increase by 64 households from 2010 to 2020.

The State Demographer and Community Partners Research, Inc.'s projections for all of Stearns County expect a gain of approximately 5,006 to 12,883 households from 2010 to 2020. This is a wide range, and depends on whether the fast-growth period in the early 2000s is incorporated into the trend-based calculation. Based on recent growth trends, even the low end of this projected range is optimistic, and would require the County to achieve a significantly faster rate of growth over the next several years. Therefore the lower end of the projection range is the most realistic, but even that level may not be achieved.

Summary of Paynesville Growth Projections by Age

The Demographic section of this Study presented projection information on anticipated changes by age group over the next several years in the City of Paynesville. This information can be informative in determining the housing changes that may be needed due to age patterns of the area population.

The age-based projections from 2010 to 2020 in Paynesville expect a gain of 24 households in the 35 to 44 age range and a gain of 82 households in the 65 to 74 age range. It is also projected that there will be minimal growth in the 15 to 24, 55 to 64 and 75 to 84 age ranges.

There is a projected loss of 30 households in the 25 to 34 age range, a loss of 11 households in the 45 to 54 age range and a loss of nine households in the 85 and older age range.

The following approximate forecast shows the expected net change in the number of Paynesville households in each 10-year age cohort between 2010 and 2020.

<u>Age Range</u>	<u>Projected Change in Households</u> <u>2010 to 2020</u>
15 to 24	4
25 to 34	-30
35 to 44	24
45 to 54	-11
55 to 64	1
65 to 74	82
75 to 84	3
85 and Older	<u>-9</u>
Total	64

Findings on Unit Demand by Type of Housing

Based on the household by age projections presented earlier, the changing age composition of Paynesville's population through the projection period will have an impact on demand for housing.

Age 24 and Younger - The projection used for this Study expect the number of households in the 15 to 24 age range to increase by approximately four households through the year 2020. Past tenure patterns indicate that as many as 55% of these households in Paynesville will rent their housing. A small increase in the number of households in this age range should mean that rental demand from younger households will remain relatively stable during the projection period.

25 to 34 Years Old - The projection shows a reduction of 30 households in this age cohort by 2020. Within this age range, households often move from rental to ownership housing. The ownership rate among these households in Paynesville was approximately 70% in 2010. A decrease in the number of households within this age range will result in lowered demand for both first-time home buyer and rental opportunities.

35 to 44 Years Old - This 10-year age cohort has a projected gain of 24 households between 2010 and 2020 in the City of Paynesville. In the past, this age group has had a high rate of home ownership in Paynesville, at approximately 78%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house. Growth in this age cohort would result in an increase in overall demand for owner-occupied housing.

45 to 54 Years Old - By 2020, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Paynesville, this projection shows a decrease of 11 households in this range. This age group historically has had a high rate of home ownership, approximately 71% in Paynesville in 2010, and will often look for trade-up housing opportunities. With a slight household decrease in this age group, the demand for trade-up housing from this age range will remain relatively stable.

55 to 64 Years Old - This age range is part of the baby boom generation. The projection shows an expected increase of only one additional household in this 10-year age range by the year 2020 in the City. This age range has traditionally had a high rate of home ownership in Paynesville, at approximately 81% in 2010. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - Strong growth of 82 households is expected in Paynesville within this age range by the year 2020. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 77% of households in this age range owned their housing in Paynesville. Once again, preferences for age-appropriate units should increase from household growth within this age cohort.

75 to 84 Years Old - There is a projected gain of three households in Paynesville in this age range between 2010 and 2020. In the past, households within this 10-year age range have had a relatively high rate of home ownership, at approximately 70% in Paynesville. While this is likely to continue, an expansion of other housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

85 Years and Older - A possible loss of nine households is projected among older senior citizens. Historic home ownership rates in this age group in Paynesville have been relatively low, at approximately 48% in 2010. Seniors in this age range often seek senior housing with services options.

These demographic trends will be incorporated into the recommendations that follow later in this section.

Paynesville - Strengths and Barriers for Housing Development

Strengths for Housing Development

The following strengths of the community were identified through statistical data, local interviews, research and on-site review of the local housing stock.

- ▶ **Increasingly diverse housing stock** - The City has a mix of housing options, including rental housing units for both lower income and market rate households. The City also has town houses, twin homes, and senior with services facilities.
- ▶ **Median home price** - Paynesville's median priced home, based on year-to-date sales in 2014, is approximately \$118,500. This represents a reasonably affordable price for potential home buyers.
- ▶ **Adequate land for development** - The City has adequate land available for residential, commercial and industrial development.
- ▶ **Active developers in the City** - Developers have been active in subdivision development, attached ownership housing and single family development.
- ▶ **Educational Facilities** - The City has a public K-12 school system.
- ▶ **Infrastructure** - The City's public utilities and infrastructure can facilitate future expansion.
- ▶ **Available lots** - The City currently has available lots for housing of all types.
- ▶ **Industrial Park** - The City has an industrial park that has land available for future industrial development.
- ▶ **Commuters** - More than 1,200 employees are commuting into Paynesville daily for work. These commuters are a potential market for future housing construction.

- ▶ **Economic Development Authority of Paynesville** - The Economic Development Authority of Paynesville is active in promoting industrial, commercial and housing development.
- ▶ **Health Care System** - The City of Paynesville has an excellent health care system including a hospital, clinics, senior assisted living, a nursing home, etc.
- ▶ **Desirable location for seniors and retirees** - Paynesville is an attractive community for seniors as a retirement location. As the providers for the area's health, retail and government services, the City has amenities that are attractive for seniors as they age.
- ▶ **State, federal, nonprofit funds** - The City has successfully leveraged local funds for housing activities over the years with other resources including state, federal and nonprofit funds. This experience in obtaining funds, and the City's track record in appropriately utilizing the funds, will continue to serve the City well when seeking funds in the future.

Barriers or Limitations to Housing Activities

Our research also identified the following barriers or limitations that hinder or prevent certain housing activities in the City of Paynesville.

- ▶ **Age and condition of the housing stock** - While the existing stock is affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Staff capacity limitations** - The City of Paynesville has an excellent reputation for providing housing opportunities and programs, and has access to several housing agencies, however, it is very difficult to develop and implement innovative housing initiatives with limited staff resources.
- ▶ **Population and household growth** - Projections indicate that the City is not expected to add a significant number of people or households over the next several years.
- ▶ **Lower paying jobs** - Although Paynesville has several large employers, some jobs are at the lower end of the scale and employees with these jobs have limited housing choices.
- ▶ **Commercial/retail options** - Paynesville has a limited number of commercial and retail opportunities when compared to other larger cities in the region.

Paynesville - Recommendations and Opportunities

Recommendations, Strategies and Housing Market Opportunities

Based on the research contained in this Study and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for Paynesville. They are based on the following strategies:

- ▶ **Focus heavily on the preservation, maintenance and improvement of the housing stock that already exists** - While significant housing construction will occur in coming years, most of the housing opportunities will continue to be provided by the housing stock that is already on the ground. This is especially important for affordable housing opportunities, as it will almost always be less expensive to offer an affordable unit through rehabilitation versus new construction. Units that are lost due to deterioration and obsolescence cannot be replaced for a similar price. Evidence suggests that the majority of the existing stock is generally being well maintained, however, a significant percentage of housing needs repair. Emphasis on continued improvement will be important to meet future housing needs.
- ▶ **Develop life cycle housing** - It is vital for a self-contained community to provide housing opportunities for all ages and household types. These housing opportunities enable a community to thrive, and allow households to live in the community throughout their lives.
- ▶ **Promote new construction** - New construction provides housing opportunities, stimulates the economy and upgrades the community's housing stock. Both new owner-occupied single family homes and rental units are needed to provide households in Paynesville with housing options and to assure a healthy housing stock into the future.
- ▶ **Promote home ownership** - Home ownership is the preferred option for most households. Home ownership assists in creating community stability and commitment to the community. There are many younger families that are renting their housing. These households may be interested in home ownership, if an affordable opportunity is available.
- ▶ **Prioritize community housing goals** - Many of the recommendations in the Study will require staff-intensive efforts. The City should prioritize its housing goals and establish a plan to achieve its goals.

It is very difficult to meet all of the objectives as the balance of the objectives are very sensitive. An overly aggressive or overly passive approach to any of the objectives can cause problems in achieving the other objectives. For example, overbuilding new rental housing units could lead to vacancy problems in older, less marketable units in the community, causing these units to deteriorate in quality. The recommendations of this section attempt to provide a balanced approach to addressing the housing needs of Paynesville.

Summary of Findings/Recommendations

The findings/recommendations for the City of Paynesville have been formulated through the analysis of the information provided in the previous sections and include a total of 23 recommendations divided into the following five categories:

- ▶ **Rental Housing Development**
- ▶ **Home Ownership**
- ▶ **Single Family New Construction**
- ▶ **Housing Rehabilitation**
- ▶ **Other Housing Initiatives**

The findings/recommendations for each category are as follows:

Findings and Recommendations for the City of Paynesville	
Rental Housing Development	
1.	Develop 32 to 36 general occupancy market rate rental units
2.	Promote the development/conversion of 10 to 12 affordable market rate rental housing units
3.	Monitor the need for additional tax credit rental housing units
4.	Develop 10 to 12 subsidized rental housing units
5.	Preserve the existing supply of subsidized housing
6.	Senior with services housing needs
7.	Develop a downtown mixed-use commercial/housing project
8.	Continue to utilize the Housing Choice Voucher Program
Home Ownership	
9.	Utilize and promote all programs that assist with home ownership
10.	Consider the development of a purchase/rehabilitation program

Findings and Recommendations for the City of Paynesville	
New Construction	
11.	Monitor lot availability
12.	Strategies to encourage residential lot sales and new home construction
13.	Promote townhouse and twin home development
14.	Coordinate with agencies/nonprofits that develop affordable housing
Housing Rehabilitation	
15.	Promote rental housing rehabilitation programs
16.	Promote owner-occupied housing rehabilitation programs
17.	Develop a neighborhood revitalization program
18.	Develop and implement a Rental Inspection and Registration Program
Other Housing Initiatives	
19.	Encourage employer involvement in housing programs
20.	Acquire and demolish dilapidated structures
21.	Create a plan and continue coordination among housing agencies
22.	Develop home ownership and new construction marketing programs and strategies
23.	Recommendations for Downtown Paynesville

Paynesville - Recommendations Rental Housing Development

Rental Housing Development

Overview: In recent decades it has been difficult to produce new rental housing units that are viewed as “affordable” when compared to existing rental housing. A number of factors, including federal tax policy, state property tax rates, high construction costs and a low rent structure, have all contributed to the difficulty in developing rental housing in most Minnesota communities.

From 2000 to 2014, based on City of Paynesville data, it is estimated that 16 rental units were constructed in Paynesville. These units were added in three separate projects, each constructed in 2001 or 2002. Four of the units were constructed by the Stearns County HRA, four units were constructed on South Street by Davidson Properties, and eight units are in the Lake Avenue Row House development.

In addition to the new rental units, a significant number of single family homes were converted from owner-occupied to rental use between 2000 and 2014.

Demand for new rental housing is typically generated from three factors:

- ▶ Growth from new households
- ▶ Replacement of lost units
- ▶ Pent-up demand from existing households

Our household projections for Paynesville expect household growth, although some of this growth will result in demand for owner-occupied housing. From 2015 to 2020, it is projected that there will be approximately a 32-household gain in Paynesville. Approximately 50% of these households will be rental households, thus, there will be a demand from household growth of approximately 16 additional rental units over the next five years.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City will lose as many as five to six rental units per year. As a result, approximately 25 to 30 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock. Also, it is projected that some of the single family homes that converted to rentals during the recession will convert back to owner-occupied homes.

Pent-up demand also exists for some types of market rate rental housing, subsidized housing and senior housing with services. As part of this study, a rental survey was conducted. In total, 293 rental units were contacted and surveyed. The survey found a 2.8% vacancy rate in general occupancy market rate units, an 11.8% vacancy rate in subsidized units, a 30% vacancy rate in the City's only tax credit project, and a 9.4% vacancy rate in the senior with services projects.

All of the market rate and senior housing with services rental projects reported that they usually have high occupancy rates, although some vacancies were present at this time of this study. We have identified pent-up demand for new high quality rental units, affordable rental units and senior with services, including memory care and light services units.

These three demand generators, after factoring current vacancy rates, show a demand potential for 84 to 98 rental units over the projection period. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2015 to 2020.

▶ General Occupancy Market Rate	32-36 units
▶ Affordable/Conversions	10-12 units
▶ Tax Credit	0 units
▶ Subsidized	10-12 units
▶ Senior with Services	<u>32-38 units/beds</u>
Total	84-98 units/beds

It is important to recognize that this is the potential demand within all of the various market segments. If this level of unit production is achieved, the total household growth within the community would exceed the expected growth projection presented earlier in this Study. The analysts recognize that production of all of these units may not actually occur at the recommended level.

1. Develop 32 to 36 general occupancy market rate rental units

Findings: Approximately 62% of the rental housing in the City of Paynesville can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

The entire rental inventory in the City included approximately 344 total units in 2010. We believe that approximately 212 of these units are best described as market rate rental housing.

Of the market rate rental units we surveyed, we found a vacancy rate of 2.8%, which is below the healthy market range of 3% to 5%. Five of the seven market rate rental projects that we surveyed had no vacancies, one project had two vacancies, and one project had one vacancy. The owners and managers of the projects generally reported high occupancy rates and strong demand.

More than 1,200 employees are commuting into Paynesville daily for work. Some of these employees would potentially move to Paynesville if additional housing was available.

There is a fairly wide variation in rental rates in the market rate segment in the City of Paynesville. The gross rent range is \$290 to \$575 for a one-bedroom unit, \$390 to \$800 for a two-bedroom unit, and \$650 to \$800 for a three-bedroom unit.

From 2000 to 2014, 12 market rate rental units were constructed. The most recently constructed rental units in Paynesville were constructed in 2001, in Lake Avenue Row Houses and Davidson Properties. Also, some single family homes have converted from owner-occupied to rental units partially due to the downturn in the economy.

Housing stakeholders that were interviewed for the study stated that there is a need for additional rental housing.

Recommendation: As stated earlier in this section, rental housing demand is based on household growth, pent-up demand and replacement of housing units that have been demolished or converted.

Based on this combination of demand generators, we believe that it is reasonable to plan for production of 32 to 36 market rate rental units over the next five years or approximately six to eight units annually.

We also recommend that the majority of these units are general occupancy, however, approximately 12 to 14 of these units could be senior designated market rate rental housing.

Based on our research, there is a need for larger rental units, thus, the majority of the new units constructed over the next six years should be two and three-bedroom units.

Town home style units or high quality apartment buildings are both options in addressing the need for market rate units. The projects, to be successful, should have 'state of the art' amenities. It may be advantageous for new units to be constructed in smaller project phases. This strategy allows the new units to be absorbed into the market.

There are two market rate rental segments in Paynesville. One segment is seeking a high quality unit and can afford a higher rent. The second segment is seeking work force housing and a more modest rent. This segment may not qualify for subsidized or tax credit rental units, but affordability is still an issue.

There is a need to construct both types of market rate rental housing, thus, there is a relatively wide rent range in the following table reflecting the two segments. To construct the workforce housing and charge affordable rents, land donations, financial assistance, tax increment financing and other resources may be needed.

The first option to developing market rate rental housing would be to encourage private developers to construct market rate rental housing. If private developers do not proceed, the Economic Development Authority of Paynesville or a regional housing agency could potentially utilize essential function bonds or similar funding sources to construct market rate rental housing.

**Recommended unit mix, sizes and rents for the Paynesville
Market Rate Housing Units:**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	9-10	700 - 850	\$625 - \$755
Two Bedroom	19-21	900 - 1,000	\$675 - \$900
Three Bedroom	4-5	1,100 - 1,200	\$725 - \$1,000
Total	32-36		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2014 dollars.

It would be advantageous to have the rents for some of the units at or less than the fair market rents for the Housing Choice Voucher Program, thus, the units would be affordable for more households. The fair market rents currently are:

- ▶ 1 bedroom - \$603
- ▶ 2 bedroom - \$723
- ▶ 3 bedroom - \$955

2. Promote the development/conversion of 10 to 12 affordable market rate rental housing units

Findings: The previous recommendation addressed the market potential to develop high quality rental units in Paynesville. Unfortunately, these units would tend to be beyond the financial capability of many area renters. A majority of Paynesville's renter households have an annual income below \$25,000. These households would need a rental unit at \$625 per month or less.

There is evidence that Paynesville has lost rental housing over the years and will continue to lose units due to deterioration and demolition. Part of the need for additional rental units in Paynesville is to provide for unit replacement. Unfortunately, most of the lost units are probably very affordable, and new construction will not replace these units in a similar price range.

There are still some programs for affordable housing creation for moderate income renters. The federal low income housing tax credit program is one available resource. However, competition for tax credits is very difficult, and few awards have been made recently to small cities for small rental projects. Also, the City of Paynesville currently has a 20-unit tax credit project that was constructed in 1997.

Recommendation: We would encourage the City to promote the development/conversion of more affordable rental units. A goal of 10 to 12 units over the next five years would help to replace affordable housing that has been lost.

It would be difficult to create units through new construction. Instead, it may be more practical to work on building renovation or conversion projects that can create housing. This opportunity may arise in downtown buildings, or through the purchase and rehabilitation of existing single family homes. Currently, several single family homes are being rehabilitated for rental housing by local individuals.

The estimated prevailing rent range for older rental units in Paynesville is typically between \$300 and \$600 per month. Creating some additional units with contract rents below \$625 per month would help to expand the choices available to a majority of the City's renter households.

It is probable that the proposed rent structure for some units could only be obtained with financial commitments from other sources such as tax increment

financing from the City and other financial resources from funding agencies such as the Minnesota Housing Finance Agency. Also, financial assistance would expand the number of buildings that would be financially feasible to convert to rental units.

3. Monitor the need for additional tax credit rental housing units

Findings: The City of Paynesville has one tax credit rental project, Ridge View Court Townhomes, which was constructed in 1997. Ridge View Court Townhomes has 20 units, including 14 two-bedroom and six three-bedroom units.

The current rents for Ridge View Court Townhomes are \$595 for a two-bedroom unit and \$645 for a three-bedroom unit. Tenants also pay heat and electricity. These rents are substantially below the rent limits established by the Tax Credit Program. The manager reports six vacancies and the project typically has several vacancies.

Since the late 1980s, tax credits have been the primary federal production incentive for the creation of housing to serve moderate income people. Because tax credits only provide a 'shallow subsidy', this type of housing does not generally serve very low income renters, but does serve households at or below 60% of the median income level.

Eligible households must be below the program's income limits, but the households' annual income must be high enough to afford the rent and utilities. According to the manager, the project's vacancy issues are related to finding income-qualified tenants.

Recommendation: We recommend that the City of Paynesville monitor the need for future tax credit rental units. Ridge View Court Townhomes has six vacancies and the 20 units in this project appear to be adequate for the City of Paynesville.

We also recommend that the City of Paynesville communicate with the owners of Ridge View Court Townhomes to determine if any actions can be taken to help increase the occupancy rate. Rental housing is needed in Paynesville and Ridge View Townhomes represent some the newest units in the City. Efforts to improve the occupancy rate in this affordable rental project should be encouraged, but program regulations may limit the number of prospective tenants.

4. Develop 10 to 12 subsidized general occupancy rental housing units

Findings: There are four subsidized rental projects in Paynesville. Combined, these projects have 59 units of subsidized housing and serve different segments of the rental market. Two of the projects are designed for general occupancy housing. South Place Apartments has 16 units and the Stearns County HRA Twin Homes have four units. Combined, there are 20 total units of general occupancy subsidized housing.

Paynesville has two subsidized rental projects that provide rental options for seniors and disabled tenants. Green Wing Estates is a USDA Rural Development Project with 12 units and Evergreen Estates is a USDA Rural Development Project with 27 units. Combined there is a total of 39 units of senior/disabled subsidized housing.

Seven vacant units were identified in the four subsidized projects at the time of the survey. This is a vacancy rate of 11.9%. Four of the seven vacancies were in Evergreen Estates and five of the seven vacancies were in the senior/disabled projects. There were only two vacancies in the general occupancy projects and both were in South Place Apartments. Ten of the 16 units in South Place have rent assistance. The remaining six tenants have to pay a base rent, which may be the reason for the vacancies.

The subsidized projects in Paynesville, with the exception of the Stearns County HRA Twin Homes and six units in South Place Apartments, have rent assistance available for tenants, so lower income households pay rent based on 30% of income. The maximum rent in South Place is \$417 to \$437 and the rent is \$695 plus utilities for a three-bedroom Stearns County HRA Twin Home.

In addition to the project-based subsidized housing, Paynesville also has approximately 30 households being assisted with HUD Housing Choice Vouchers (formerly Section 8 Existing Program).

Despite the variety of subsidized housing offerings in the City, there does appear to be unmet demand for rental housing for lower income people. At the time of the 2010 Census, more than 83 renter households reported that 30% or more of their income was required to pay housing costs. This represented approximately 35% of all renters that were surveyed. At that time, nearly all of these households had annual incomes of less than \$25,000, and needed a very affordable unit to avoid a housing cost burden. Also, the Voucher Program has a waiting list time of more than two years.

Recommendation: We would recommend that the City look for opportunities to expand the supply of very affordable rental housing. Although the need is greater, a realistic goal would be the construction of 10 to 12 general occupancy subsidized units over the next five years. The number of Paynesville households with a housing cost burden has increased since 2000. Vacancy rates remain low for general occupancy subsidized housing. The Housing Choice Voucher Program, which provides tenant-based rent assistance, also maintains a long waiting list for participation and the number of vouchers has been reduced due to budget cuts. Also, with the exception of the four Stearns County HRA units, the subsidized units in Paynesville are more than 30 years old.

The need for additional subsidized rental housing could increase even more significantly if some of the existing subsidized units are lost. In the recommendation that follows, we have discussed the need to preserve the existing project-based subsidized housing in the community.

The large subsidized housing production programs of the past are no longer available, and it remains very difficult to produce new units for very low income renters. The best available options are to layer various subsidies together in an attempt to produce some very affordable units.

5. Preserve the existing supply of subsidized housing

Findings: Paynesville has three “deep subsidy” rental housing projects that allow tenants to pay rent based on 30% of income. These projects were constructed in the 1970s or 1980s when the federal government was actively involved in producing low income housing.

The subsidized housing represents the most affordable option available to lower income households. Since most of these units charge rent based on income, even extremely low income households can afford their housing.

The three “deep subsidy” rental housing projects are privately owned. In some communities, privately owned subsidized housing has been lost as owners have the ability to opt-out of subsidy contracts after their original obligations have been met. Subsidized housing that is lost cannot be cost-effectively replaced with the low income housing production resources that are available today.

Recommendation: MHFA tracks subsidized housing in Minnesota that is at risk of being lost. Owners of subsidized housing that are considering the option to drop their subsidy contract must notify MHFA and the tenants prior to taking any action. At the time of this Study, no Paynesville subsidized projects were on the MHFA list.

The City of Paynesville and area housing agencies should check with MHFA on an ongoing basis to determine if any Paynesville subsidized housing projects are considering the option to drop their subsidy contract. In some communities, public or nonprofit agencies have been able to purchase projects that are at risk of being lost to preserve the affordable housing resources.

6. Senior housing with services needs

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

Lower-service housing, sometimes referred to as congregate senior housing, generally offers the availability of a daily meal, and services such as weekly light housekeeping

Paynesville has three specialized projects that provide housing with supportive services for an elderly population. These senior with services projects include:

- ▶ **Washburne Court Assisted Living** - Washburne Court Assisted Living has 20 single rooms and four suites with a total of 24 units. The facility offers the full array of senior services. Residents pay rent of \$891 to \$1,300, which includes utilities. Assisting living services are purchased a la carte as needed by the resident.
- ▶ **Stearns Place** - Stearns Place is an independent senior project, however, seniors have the option of purchasing meals and services from the Koronis Manor Care Center. Stearns Place has 29 units, which includes 19 one-bedroom and 10 two-bedroom units. Rent ranges from \$950 to \$1,161, which includes utilities. Assisted living services are purchased 'a la carte' as needed.
- ▶ **Koronis Manor Care Center** - The Koronis Manor Care Center is a 54-bed nursing home facility. The nursing home is part of the Centra Care Health campus that includes Stearns Place, a hospital and Washburne Center.

At the time of the survey, Washburne Court Assisted Living had five vacancies and Koronis Manor Health Center and Stearns Place had no vacancies. Although there were five vacancies at Washburne Court at the time of the survey, the staff reported that one or two vacancies were typical.

To determine future senior with services housing demand in Paynesville, we determined that Paynesville's market for senior with services housing includes the Cities of Paynesville, Lake Henry and Roscoe in Stearns County, the Townships of Lake Henry, Zion, Eden Lake and Paynesville in Stearns County, the Townships of Roseville and Irving in Kandiyohi County, the City of Regal in Kandiyohi County and the Townships of Union Grove and Mchannah in Meeker County.

Recommendation: In 2010, the Paynesville Market Area had 920 people between the age of 65 and 74 and 906 people over the age of 75. The growth projections show some net growth in the area's senior population over the next five years, although this growth should occur within the younger senior group.

- ▶ ***Skilled Nursing Home*** - The research for this Study points to a decreasing reliance on nursing homes as a long-term residency option for older seniors. Over time, the nursing homes have tended to use more beds for rehab/recovery stays, or other specialized uses. There has also been a long-standing State moratorium that limits expansion in most cases. The City has a well-established provider that serves this segment of the market. No recommendations are offered for this type of housing.
- ▶ ***Memory Care Housing*** - There are no facilities in the Paynesville Market Area that have beds designated for Memory Care residents. Local providers report unmet demand for this type of specialized housing and the need for memory care beds in the Paynesville Market Area. If a 2% of the older seniors in the Paynesville Market Area need a memory bed, there is a need for up to 17 to 18 memory care beds in the Market Area.
- ▶ ***Assisted Living*** - Currently, there are 24 assisted living beds in Washburne Court. There are also 29 units in Stearns Place. Although Stearns Place is an independent senior living project, tenants have access to services and approximately 13 tenants are utilizing assisted living services. Based on the current number of seniors in the Market Area over the age of 75, a capture rate of 5% would yield potential for approximately 43 assisted living beds. With up to 37 beds currently used for assisted living, a slightly lower capture rate is being achieved, but the potential exists for more units to be used in Stearns Place. As a result, it is our opinion that there is an adequate supply of assisted living options in the Market Area. However, a higher capture rate within the primary target market could yield the need for additional beds.
- ▶ ***Light Service/Congregate Housing*** - Currently, Stearns Place with 29 apartment units can offer independent living, however, tenants also have access to meals and other senior services through the adjacent nursing home. As a result, it is utilized by independent seniors, seniors needing light services and seniors needing assisted living. In 2014, we are estimating that 15 to 20 units are available for more independent/light services tenants. If a 4% capture rate could be achieved among older senior households, an additional 15 to 20 units of lighter services housing could be supported. Once again, more units could be justified if a higher capture rate is achieved within the primary target market.

The recommendations presented above have looked at overall demand, not competitive positioning for individual projects. We view Paynesville as the best possible location for specialized senior housing in the Market Area. It is very likely that more units could be successfully constructed in Paynesville than we have recommended. However, this would probably reduce occupancy rates in existing projects. It is also possible that a developer will view a larger market area as creating a potential demand for units in Paynesville.

The purpose of this recommendation is to provide general guidance to potential developers. A developer planning a specific project should have a project-specific study conducted.

7. Develop a Downtown Mixed-Use Commercial/Housing Project

Findings: The City of Paynesville has been discussing revitalization plans and strategies to develop a more active and vibrant downtown. The development of a mixed-use rental housing/commercial project has been discussed and would complement downtown redevelopment efforts.

New mixed use projects have been developed in several Minnesota cities including Savage, Shakopee and Chaska. Some of these projects were developed because of market demand, while others were developed to enhance the Downtown, to introduce a new product to the market or to serve as a catalyst for Downtown redevelopment.

Recommendation: We recommend the development of a mixed-use building in Downtown Paynesville. There are several potential redevelopment sites in the Downtown area for a mixed-use project, including the vacant drugstore which has been identified as a potential site.

We recommend commercial space on the first floor and rental units on second and third floors. Prior to construction, a portion of the commercial space should be leased to an anchor tenant, which would complement existing Downtown businesses and attract people to Downtown.

The rental units should be primarily market rate units, but could be mixed-use income with some moderate income units. The units should be primarily one and two-bedroom units. Please note that these units are not in addition to the units recommended in the first and second recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

It is our recommendation that no more than 50% of the overall demand for market rate units be located in a downtown mixed-use project, or the potential for approximately 16 rental units. The number of units could increase if some are owner-occupied. A mixed-use project must have adequate parking to be successful.

Ideally, a private developer would construct and own the building. The City may have a role in the project by providing TIF or other local funds and land at a reduced price.

8. Continue to utilize the Housing Choice Voucher Program

Findings: The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income renter households. The program requires participating households to contribute from 30% to 40% of their adjusted income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community, provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community. Although the federal government provides almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades.

The Housing Choice Voucher Program is a popular form of subsidized housing. Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of subsidized housing that are project-based, and can only be accessed by living in a specific rental development.

The Housing Choice Voucher Program in Stearns County is administered by the Stearns County Housing and Redevelopment Authority (HRA). Currently, the Stearns County HRA has funding for approximately 230 Vouchers for Stearns County excluding St. Cloud. Of the total 230 Vouchers, approximately 30 Vouchers are being utilized by Paynesville households.

Recommendation: From a practical standpoint, the Housing Choice Voucher Program is the single best way that Paynesville can provide affordable housing. HUD does not make new incremental assistance available every year, but when new allocations are authorized, we would encourage the City to work with the Stearns County HRA to apply for additional Vouchers.

Also, the Stearns County HRA should continue to publicize the Housing Choice Voucher Program in Paynesville and Stearns County to assure that Paynesville households have access to and are aware of the Program.

Currently, there is over a two-year waiting time for a Housing Voucher. With approximately 83 Paynesville renter households paying more than 30% of their income for housing, there is a strong demand for Vouchers.

Paynesville - Home Ownership Recommendations

Home Ownership Recommendations

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base.

The median owner-occupied home value in Paynesville, based on 2013 and 2014 sales, is estimated to be approximately \$118,500. With approximately 50% of the homes in Paynesville valued less than \$118,500, Paynesville has a market for first time home buyers and households seeking moderately priced homes.

Our analysis of Paynesville demographic trends shows strong population growth over the next five years the 55 to 74 age ranges. While most households in these age ranges already own their housing, this group represents a strong potential market for 'trade-up' housing. Increasingly, the older age ranges within this group look for lower maintenance housing options, such as twin homes or town house developments.

The number of households in the 25 to 34 age ranges is also expected to increase in Paynesville. While some of these households already own their housing, those households that have not been able to achieve the goal of home ownership, may need the assistance of special programs to help them purchase their first home and will be seeking affordable homes such as the homes in Paynesville.

To assist in promoting the goal of home ownership, the following activities are recommended.

9. Utilize and promote all programs that assist with home ownership

Findings: Home ownership is generally the preferred housing option for most households and most communities. As discussed previously, the demographic make-up of Paynesville is conducive to the promotion of home ownership opportunities. There are a number of strategies and programs that can be used to promote home ownership in Paynesville. The area's housing agencies and financial institutions can assist with this effort.

First time home buyer assistance, down payment assistance, low interest loans, gap financing and home ownership training programs help to address affordable housing issues. With the City's median home value at approximately \$118,500, many of the homes in the existing housing stock in Paynesville are valued under purchase price limits for first-time home buyer assistance programs. Also, there has been a growing number of single family homes in the Paynesville rental market. Many of these homes could be converted to owner-occupied homes. Conversely, home ownership programs may prevent owner-occupied homes from being converted to rentals.

Home ownership counseling and training programs can also play a significant role in helping marginal buyers achieve home ownership. To become homeowners and/or to remain homeowners, many households need financial counseling to improve their credit score, to save for a down payment and to properly budget household income.

While these individual home ownership assistance programs may not generate a large volume of new ownership activity, the combination of below-market mortgage money, home ownership training, credit counseling, and down payment assistance may be the mix of incentives that moves a potential home buyer into home ownership.

Recommendation: The City of Paynesville and agencies such as Tri-County (Tri-Cap) Action Program should utilize all available home ownership assistance programs to promote home ownership.

The City, in coordination with other Stearns County Cities, should also explore the possibility of obtaining specific program set-asides for home ownership programs from the Minnesota Housing Finance Agency. Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher participation limits for income and purchase price, and the flexibility

for more local design and control. Mortgage programs should also be developed that include all households and not just first time home buyers to encourage trade-up housing activity.

The City should continue to coordinate with the area's housing agencies to develop programs that provide financial assistance for households to purchase a home and to assure the City is receiving its share of resources that are available in the Region. The local financial institutions should also continue to have a significant role in assisting households with purchasing a home.

Funding sources for home ownership programs include USDA Rural Development, the Minnesota Housing Finance Agency, the Federal Home Loan Bank, the Greater Minnesota Housing Fund and Minnesota Small Cities Development Program Funds.

10. Consider the development of a Purchase/ Rehabilitation Program

Findings: Paynesville has a stock of older, lower valued homes, some of which need repairs. Our housing condition survey of 266 homes in five of the City's oldest neighborhoods identified 96 homes that need minor repairs and 64 homes that need major repairs. Also, some homes have been converted from owner-occupied to rental from 2000 to 2014. Additionally, the 2010 Census reported some vacant homes in Paynesville. Based on past sales, approximately 31% of the homes in Paynesville are valued less than \$100,000. As some of the lower valued rental and vacant homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

In the past, the Minnesota Housing Finance Agency has provided funding for the Minnesota Urban Homestead Program (MURL) Program. Under the program, a City could purchase an existing home that needed rehabilitation, rehabilitated the home, sold the home to a low income family and provided a mortgage and a monthly payment that are affordable for the family. The MURL Program accomplished many community goals, including the promotion of home ownership for lower income people, and the repair of substandard housing units. Tri-Cap utilized the MURL Program to rehabilitate and sell several homes in Paynesville. However, MHFA is no longer providing funding for the MURL Program.

Recommendation: We recommend that the City of Paynesville and a regional housing agency consider the creation of a rehab/purchase program for existing houses that is similar to the previous MURL Program. Tri-Cap has experience administering a purchase/rehabilitation program and Three Rivers Community Action, Inc., is developing a pilot purchase/rehabilitation program, that if successful, could be duplicated by Tri-Cap. Regional housing agencies and financial institutions could assist by offering some rehabilitation assistance in conjunction with first-time buyer programs to make the City's older housing a more attractive option for potential home buyers. MHFA, through its other programs, and the SCDP Program are other potential funding sources.

Also, a program could be developed to provide mortgage funds directly to households for the purchase and rehabilitation of existing substandard homes. USDA Rural Development provides mortgage funds to purchase a home and to make repairs to the unit.

Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, more than 80% of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was also available.

A purchase/rehabilitation program will achieve several goals. The programs will encourage home ownership, prevent substandard homes from becoming rental properties, convert rental properties back to owner-occupancy, and rehabilitate homes that are currently substandard.

Paynesville - New Housing Construction

New Housing Construction

Findings: Paynesville has experienced some single family owner-occupied housing construction over the past 14 years. According to City and U.S. Census records, from 2000 to 2013, 83 single family owner-occupied units were constructed in Paynesville. Also, 38 attached single family units were constructed and we are estimating that 22 of these 38 units are owner-occupied. Therefore, it is estimated that 105 owner-occupied single family units were constructed from 2000 to 2013, which is an average of seven to eight units per year.

The peak years for new construction were 2000 to 2006, when approximately 14 owner-occupancy units were constructed each year. However, during the past seven years, from 2007 to 2013, an average of only one single family owner-occupied unit was constructed annually. There have been additional homes constructed on the lakes and in the Townships surrounding Paynesville over the past several years.

The attractiveness of the area, the City's amenities and available jobs should result in the construction of new homes over the next several years. Also, there are attractive residential lot options available for new home construction.

Overall household projections for Paynesville indicate demand for owner-occupied housing construction. Substantial household growth is anticipated through 2020 among households in the age ranges between 55 and 74 years old. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced, trade-up housing and low maintenance housing such as town homes and twin homes.

There is also expected growth in the number of households in the 25 to 34 year old range through the year 2020. Many of the households in this age range are first time home buyers. However, there is a projected loss of households in the 35 to 54 age ranges.

It is our opinion that if the city, local housing agencies, regional housing agencies and private developers are proactive, seven to 10 owner-occupied housing units could be constructed in Paynesville annually from 2015 to 2020 to address demand. Our projection for single family housing starts includes homes built in new subdivisions and on infill lots, and includes single family attached housing units, such as twin homes and town houses. The breakdown of our projection of seven to 10 new owner-occupied housing units annually is as follows:

▶ Higher & median price homes	2-3 homes
▶ Affordable homes	2-3 homes
▶ Homes on infill lots	1 home
▶ Twin homes/town homes	<u>2-3 units</u>
Total	7-10 homes/ units

11. Monitor lot availability and development

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Paynesville. Currently, there are approximately 46 lots available in Paynesville subdivisions including Heatherwood, Ampe 5 and Wilgo subdivisions. Lot prices range from \$19,000 to \$29,000.

There are also several miscellaneous infill lots scattered around the city that we did not attempt to count. We do not know the availability of some of these infill lots. Also, we are promoting the acquisition and demolition of dilapidated houses. Some of the cleared lots may be sites for new construction.

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that seven to 10 new owner-occupied housing units will be constructed per year, the City should have approximately 18 to 25 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With approximately 46 available lots, plus infill lots, the City currently has an excess number of lots.

12. Strategies to encourage residential lot sales and new home construction in Paynesville

Findings: Prior to the housing market retreat of the late 2000s, several subdivisions were developed and an average of 12 owner occupancy units were constructed annually.

After 2007, there has only been an average of one owner-occupied unit constructed annually and no owner occupied units were constructed in 2012, 2013 and 2014 to date.

There is a large inventory of approximately 46 lots plus infill lots available in the City of Paynesville. The lots are competitively priced at a range of \$19,000 to \$29,000.

Recommendation: We recommend that the owners of Paynesville's subdivisions, the City of Paynesville and the Economic Development Authority of Paynesville coordinate efforts to promote lot sales and housing development.

Our recommendations to promote lot sales and housing development include:

- ▶ ***Continue competitive pricing*** - There are many lots that are available in communities through the Region, some have changed ownership due to tax forfeiture or financial distress. Some of these lots are being offered for substantially less than their original asking price. To stay competitive, lot prices in Paynesville will need to remain in the \$19,900 to \$29,000 range, including assessments.
- ▶ ***Plan for long-term absorption*** - The research completed for this Study expects limited annual absorption of lots in Paynesville. We are projecting the construction of seven to ten per year. It is therefore necessary to view the housing development of the subdivision as a long-term plan.
- ▶ ***Generate initial activity*** - Although there are houses already existing in the subdivisions, there has been no recent construction activity. The first households electing to build a home after several years of no construction activity may have concerns about the long-term future of the remaining lots. It will be necessary to initially generate some level of attractive home construction to help assure future buyers. This may require very proactive efforts, such as the initial sale of some lots at discounted prices, provided the buyer agrees to build a home of a certain quality and style within one year. This will help create some momentum for more houses to be built.
- ▶ ***Consider developing an exclusive builder(s) relationship*** - A block of lots could be sold to a builder(s). Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. The subdivision owners should assure, however, that the builder is obligated to constructing a minimum number of homes per year. Builders are more willing to enter a market when the lots are attractive and very affordable. A block of lots available to an exclusive builder or developer should be explored, even if significant price concessions are required.

- ▶ ***Consider partnerships that share and split financial risk between developer and city*** - Given the limited demand that has been evident within Paynesville over the past several years, it is difficult to recommend that any speculative homes be constructed. However, there are also financial risks associated with holding unsold lots that have special assessment balances that are payable. Spec houses could potentially attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy. In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. For example, subdivision owners have been willing to defer the payment for the lot until the spec home is sold. Another builder incentive is for the city to waive any water/sewer hook up fees, special assessment payments and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the upfront development costs.
- ▶ ***Consider developing a builder relationship with Tri-Cap*** - Tri-Cap has successfully constructed many quality, affordable owner-occupied homes in Paynesville in coordination with subdivision owners. With the improving housing economy, the opportunity to renew this successful relationship should be pursued.
- ▶ ***Allow for a range of house prices*** - The lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivision. This broadens the lot buyer market. The smaller lots with fewer amenities could be marketed for affordable homes and the larger homes with more amenities could be marketed for medium and higher priced homes.
- ▶ ***Incentives*** - The City of Paynesville, the Economic Development Authority of Paynesville and area businesses, should consider incentives for households to construct homes including reduced hookup and permit fees, discounts at area businesses, tax abatements, etc.

- ▶ **Marketing** - The subdivision owners, the City of Paynesville and the Economic Development Authority of Paynesville will need to develop a comprehensive marketing strategy to sell the available lots. All stakeholders including realtors, financial institutions, builders, employers, etc. should be included in marketing strategies. In addition to marketing the lots, the City of Paynesville and its amenities should be marketed.

13. Promote townhouse and twin home development

Findings: Paynesville has experienced some owner-occupied attached housing development from 2000 to 2014. Many communities over the past decade have seen attached housing take an increasingly large share of new construction. In cities the size of Paynesville, 20% to 30% of the housing starts are typically twin homes/town homes. Over the past 14 years, approximately 21% of the owner-occupied housing units constructed in Paynesville have been attached units such as twin homes/town homes.

A very successful town home project, Alden Park, was developed in the late 1990s and early 2000s.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family homes available for families. In 2010, there were 300 households in Paynesville with a head of household in the 55 to 74 year old age ranges and it is estimated that the 55 to 74 age ranges will increase by 75 households in Paynesville from 2010 to 2020. It is important for the City to offer a range of life-cycle housing options as many of these households will be seeking to downsize into low maintenance housing options.

Recommendation: It is our projection that approximately two to three of Paynesville's new owner single family units per year should be twin homes or town houses over the next five years, which is an approximate total of 10 to 15 units during the five-year period. It should be noted that twin home/town home development has been impacted by the downturn in the housing economy, and full recovery of this segment of the market may not occur until later in the five-year time period.

We recommend a twin home/town home development and for the development to be successful, the following should be considered:

- ▶ Senior friendly home designs
- ▶ Maintenance, lawn care, snow removal, etc. all covered by an Association
- ▶ Cluster development of a significant number of homes which provides security
- ▶ Homes at a price that is acceptable to the market

The public sector's role in any owner-occupancy attached housing development may be limited, as the private sector can often meet this housing need if a demand exists. The city's role should include assuring that adequate land is available for development and that zoning allows for attached housing development.

14. Coordinate with agencies/nonprofits that develop affordable housing

Findings: With the difficulty of producing new housing units that are affordable to lower income people, it is important to take advantage of opportunities presented by housing agencies and nonprofit groups. Habitat for Humanity has constructed homes in Paynesville and has an available lot in the City. Tri-Cap has also been very successful in constructing affordable homes in Paynesville. Other local and regional housing agencies, nonprofits and private developers may also have the capacity to construct affordable housing in Paynesville. These sources can help generate new homes for lower income families in Paynesville.

Recommendation: We recommend that the City coordinate with housing agencies, nonprofit groups and private sector builders that help to produce housing units for lower income ownership. The City may be able to contribute to the project through land donations, TIF, grant writing, or project coordination activities.

If dilapidated homes are demolished, some of the cleared lots may be suitable for redevelopment and these in-fill lots may be good sites for this type of new construction activity.

Paynesville - Housing Rehabilitation

Housing Rehabilitation

Findings: The City of Paynesville has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the affordable housing opportunities. Existing units generally sell at a discount to their replacement value. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock. Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities.

Housing options for households will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair are required. Without rehabilitation assistance, the affordable stock will shrink, creating an even more difficult affordability situation.

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

15. Promote rental housing rehabilitation programs

Findings: Based on 2010 U.S. Census data, the City currently has approximately 344 rental units. These rental units are in multi-family projects, small rental buildings, duplexes, single family homes and mobile homes. Many of these rental structures could benefit from rehabilitation as many of the rental structures are more than 30 years old and some rental units are in poor condition.

The rehabilitation of older rental units can be one of the most effective ways to produce decent, safe and sanitary affordable housing. However, it is often difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants.

Recommendation: The City of Paynesville and regional housing agencies should seek funds to rehabilitate rental units. For a rental rehabilitation program to be workable and successful, the funds should to the extent possible, allow for program design flexibility.

Potential funding sources include Minnesota Small Cities Development Program funds, the Federal Home Loan Bank, the Minnesota Housing Finance Agency, and local funds. The Minnesota Housing Finance Agency has initiated a program known as the Rental Rehabilitation Loan Program (RRLP).

Also, housing agencies have purchased older market rate and subsidized rental projects in several cities and utilized funds from a variety of sources to rehabilitate and preserve these projects.

16. Promote owner-occupied housing rehabilitation programs

Findings: The affordability of the existing housing stock in Paynesville will continue to be the major attraction for families that are seeking housing in the area. Investment in owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities.

Our 2014 housing condition survey rated the 266 single family homes in five of the City's oldest neighborhoods. Our survey found that 96 homes need minor repairs and 64 homes need major repairs. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink in the City of Paynesville.

Tri-Cap administers housing rehabilitation programs for the City of Paynesville. The housing rehabilitation programs include the Minnesota Small Cities Development Program (SCDP), the Rehabilitation Loan Program, and the Weatherization Program.

The City of Paynesville has been successful in obtaining SCDP funds in the past and has rehabilitated many homes utilizing this funding source.

Recommendation: We recommend that the City of Paynesville and Tri-Cap continue to utilize available funding sources to rehabilitate homes in Paynesville. USDA Rural Development, the Minnesota Housing Finance Agency, the Greater Minnesota Housing Fund, the Federal Home Loan Bank and the Minnesota Small Cities Development Program are all potential funding sources.

We also recommend that the City of Paynesville and Tri-Cap submit a Minnesota Small Cities Development Program application for housing rehabilitation funds.

17. Develop a Neighborhood Revitalization Program

Findings: The City of Paynesville has several neighborhoods that are on the bubble. These neighborhoods have a significant number of homes that need rehabilitation or should be demolished. These neighborhoods also have a significant number of low/moderate income households. The neighborhoods could deteriorate or could be revitalized to continue to be strong vital neighborhoods.

Recommendation: Over the years, the City of Paynesville has been active in housing and neighborhood revitalization projects including housing rehabilitation, the demolition of dilapidated housing, the development of new housing and public facility improvements. We recommend that the City of Paynesville, regional housing agencies, and the private housing sector continue these efforts and select a neighborhood and develop and implement a Neighborhood Revitalization Program.

Redevelopment strategies and opportunities should be identified including:

- ▶ A plan for each parcel in the neighborhood
- ▶ Owner-occupied rehabilitation
- ▶ Rental Rehabilitation
- ▶ Demolition of dilapidated structures
- ▶ Infill new construction including single family homes and attached housing
- ▶ Land pooling for larger town home and attached housing projects
- ▶ Purchase/Rehabilitation Programs that rehabilitate homes and provide home ownership for low/moderate income households
- ▶ Public projects (streets, utilities, parks, etc.)
- ▶ Consider rezoning, variances and/or replatting to make areas and parcels more desirable for redevelopment
- ▶ Programs that encourage energy conservation
- ▶ Other projects identified through the planning process

The Neighborhood Revitalization Plan should include time lines, responsible City Department or Housing Agency, funding sources, etc. The Program should be evaluated on an ongoing basis as opportunities and potential projects may change priorities. As a neighborhood is revitalized, a new neighborhood can be selected for revitalization.

It must be noted that neighborhood revitalization can result in the loss of affordable housing. Redevelopment projects, infill construction and other affordable housing projects in the community should assure that there are overall net gains in the affordable housing stock.

18. Develop a Rental Inspection and Registration Program

Findings: A Rental Inspection and Registration Program can be a valuable tool in improving the quality of the City's rental housing. It is estimated that there are approximately 344 rental units in the City of Paynesville, most of which are more than 25 years old. There are also a significant number of single family homes that have converted from owner-occupied to rentals. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Housing Inspection and Registration program is successfully implemented. Also, our housing condition survey identified substandard rental units.

The need for an ongoing Rental Inspection and Registration Program includes the following:

Health and Safety

- ▶ There is a need to provide tenants with safe, sanitary, and standard living conditions and to eliminate life threatening hazards.

Age of Housing Stock

- ▶ Much of the existing rental housing stock in Paynesville is more than 25 years old.
- ▶ Older housing needs continued rehabilitation and maintenance.
- ▶ Older housing often has difficulty complying with current codes.

Conversions

- ▶ Some of the rental buildings were originally constructed for other uses, including single family homes converted into multiple units, or commercial buildings converted to residential use. In conversion, owners often do the work themselves and have inadequate or faulty mechanical, electrical, plumbing, and heating systems. Also, constructing an apartment in the basement often results in a lack of natural lighting, ventilation and proper access and egress.

Trends of Conversions

- ▶ Many of today's buyers want more amenities and conveniences, and less maintenance, thus, they are less likely to purchase older homes. Also, there was an increase in foreclosures during the recession. These issues result in the continuation of converting old homes to rental units and magnify the problem.

Maintenance Efforts

- ▶ A large number of landlords are providing standard housing and reinvesting in their rental properties. However, some landlords do not maintain their buildings. Ongoing maintenance is necessary for older housing as buildings with continued deferred maintenance become unsafe and substandard.

High Number of Landlords

- ▶ Paynesville has a significant number of rental property owners. Many of these landlords do an excellent job; however, some absentee landlords do not reinvest in their properties, and create a need for the program.

Neighborhood Stabilization

- ▶ Rental units need to be maintained to keep the integrity of the neighborhood and stabilize property values. Deferred maintenance, parked junk cars, trash and debris all have a negative impact on residential neighborhoods.

Zoning and Codes

- ▶ Illegal apartments such as inappropriately constructed basement apartments may be unsafe and a violation of zoning regulations.

Coordination

- ▶ A Rental Inspection and Registration Program provides a record of rental units and owners.
- ▶ The program provides a better opportunity for coordination of city programs and codes.

Recommendation: We recommend the development and implementation of the Rental Inspection and Registration Program to assure that all rental units in Paynesville comply with housing laws and codes. The Program assures that Paynesville rental units are safe and sanitary, thus, removing blighted and unsafe conditions.

Paynesville - Other Housing Initiatives

Other Housing Initiatives

19. Encourage employer involvement in housing

Findings: The City of Paynesville has several large employers. The connection between economic development and housing availability has become an increasingly important issue as local employers have the need to attract new workers into the community.

Although the jobs being created may have good wages for the area, many jobs do not pay wages sufficient for workers to buy or improve their housing. Housing for new employees is a concern for employers. It may be advantageous for employers to become involved in housing.

Recommendation: We recommend an ongoing effort to involve employers as partners in addressing Paynesville's housing needs. Several funding sources have finance programs that include employers. The funding agencies often view applications favorably that include employers in the problem solving process.

Employer involvement can include direct assistance to their employees such as a grant, loan, forgivable loan, deferred loan, down payment assistance, loan guarantee, etc. In many cases, employers do not wish to provide assistance to specific employees, but are willing to contribute to an overall city project, such as work force oriented rental housing or an affordable home ownership program.

20. Acquire and demolish dilapidated structures

Findings: Our housing condition survey of five Paynesville neighborhoods identified nine homes that are dilapidated and too deteriorated to rehabilitate. We also identified 64 homes as needing major repair and several of these homes may be too dilapidated to rehabilitate. There are also homes in other Paynesville neighborhoods that are dilapidated and beyond repair.

Recommendation: We recommend that the City of Paynesville take an aggressive approach to demolishing severely dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can possibly be utilized for the construction of new affordable housing units.

21. Create a plan and continue coordination among housing agencies

Findings: The City of Paynesville may need staff resources in addition to existing staff to plan and implement many of the housing recommendations advanced in this Study. The City has access to the Economic Development Authority of Paynesville, Habitat for Humanity, the Stearns County Housing and Redevelopment Authority, Tri-Cap and the Central Minnesota Housing Partnership. The City also has access to the Greater Minnesota Housing Fund, the Minnesota Housing Finance Agency and the USDA Rural Development Office. These agencies all have experience with housing and community development programs.

Recommendation: The City of Paynesville is fortunate to have access to several agencies that can address housing needs. It is our recommendation that the City work with the housing agencies to prioritize the recommendations of this Study and to develop a plan to address the City's housing needs. The Plan should include strategies, time lines and the responsibilities of each agency. While there has traditionally been a degree of staff interaction between these agencies, it will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs.

It will also be important for the City to look for opportunities to work cooperatively with other surrounding cities to address housing issues. With the number of cities in the County, and limited staff capacity at both the City and County level, cooperative efforts may be the only way to accomplish certain projects. Cooperative efforts will not only make housing projects more practical, but they will often be more cost-effective and competitive.

22. Develop home ownership and new construction marketing programs and strategies

Findings: With the downturn in the housing economy, the competition among cities for households looking to buy or build a home has been greater than in the past. Several cities in the region have an excess inventory of residential lots, homes for sale, vacant homes and homes in foreclosure. Additionally, households are evaluating the appropriate timing to buy or build a home.

During the interview process, people expressed concern regarding Paynesville's ability to compete for new development. As the economy continues to improve, cities that invest in marketing have an advantage. Opportunities to buy or construct a home are sometimes limited because of the lack of information and awareness of financing and incentive programs, homes and lots on the market, local builders, etc. This is especially evident for new households moving into the area. The home buying/home building process can be very intimidating for first-time buyers and builders. It is important for the home buying or home building process to be user-friendly.

Recommendation: The City of Paynesville, the Economic Development Authority of Paynesville and the Paynesville Chamber of Commerce have been active in promoting and marketing housing, and we recommend the continuation or initiation of the following activities:

- ▶ Determine the City's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Paynesville and the area) to provide employees (especially new employees) with housing opportunities in Paynesville
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Consider an annual Housing Fair that provides information on lots, builders, finance programs, etc. Developers, builders, lenders, realtors, public agencies and local businesses could participate
- ▶ Work with builders to make the construction of a new home a very user friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a "full service" community

- ▶ Develop strategies to sell the lots that are on the market
- ▶ Continue to provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services, etc.
- ▶ Develop incentives to encourage builders and households to build and buy new homes.
- ▶ Review the City's building policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households.
- ▶ Develop a coordinated housing plan with area housing agencies.

23. Recommendations for Downtown Paynesville

Findings: The City of Paynesville's Downtown is in fair to good condition, and several commercial buildings have been renovated, however, there are several substandard and vacant commercial buildings in Paynesville. There are also several mixed-use buildings Downtown with housing units on the upper floors.

When households are selecting a city to purchase a home in, they often determine if the city's commercial sector is sufficient to serve their daily needs. A viable commercial district is an important factor in their decision making process.

Recommendation: We recommend that the City of Paynesville encourage the creation and preservation of rental housing in the downtown area and the surrounding neighborhoods. The first steps in the process are:

- ▶ Identify potential sites and existing building for rental housing
- ▶ Encourage developers and area housing agencies to consider downtown sites for new housing
- ▶ Consider a mixed-use (rental, commercial) building (discussed in recommendation number 7.)
- ▶ Identify incentives to assist with housing development in the downtown area
- ▶ Rehabilitate rental units in the downtown area that are substandard
- ▶ Develop quality market rate units in upper floors of downtown buildings. Also, when feasible, renovate substandard housing on upper floors into quality market rate housing.

- ▶ Continue to promote commercial rehabilitation and facade improvement programs utilizing Minnesota Small Cities Program and private funds
- ▶ Property owner interviews/building inventory/data base - To successfully redevelop and revitalize the downtown, an important initial step is to meet with each property owner downtown to obtain information about their building and the property owner's future plans for the building. A data base should be created that has information on every downtown property. Information on each building should include at a minimum:
 - ▶ Building owner
 - ▶ Building value
 - ▶ Building square footage
 - ▶ Building usage - commercial/housing
 - ▶ Number of housing units
 - ▶ Condition of the building
 - ▶ Building occupancy
 - ▶ Building potential for redevelopment, conversions, etc.
 - ▶ Building owner plans for the building
 - ▶ Potential coordination with adjacent properties
 - ▶ Building owners' comments on their block and the downtown

Agencies and Resources

The following regional and state agencies administer programs or provide funds for housing programs and projects:

Tri-County Action Program

1210 23rd Avenue South
P.O. Box 683
Waite Park, MN 56387
(320) 251-1612

Central Minnesota Housing Partnership, Inc.

37 28th Avenue North, Suite 102
St. Cloud, MN 56303
(320) 259-0393

Stearns County Housing and Redevelopment Authority

P.O. Box 484
Cold Spring, MN 56320
(320) 685-7771

Greater Minnesota Housing Fund

332 Minnesota Street
Suite 1201 East
St. Paul, MN 55101
info@gmhf.com
General contact: (800) 277-2258, (651) 221-1997

Minnesota Housing Partnership

2446 University Avenue
Suite 140
St. Paul, MN 55114
<http://www.mhponline.org/information-email-at-mhp>
General contact: (800) 728-8916, (651) 649-1710

Minnesota Housing Finance Agency

400 Sibley Street

Suite 300

St. Paul, MN 55101

mn.housing@state.mn.us

General contact: (800) 657-3769, (651) 296-7608

USDA Rural Development

Cambridge Area Office

110 Buchanan St. N.

Cambridge, MN 55008

(763) 689-3354