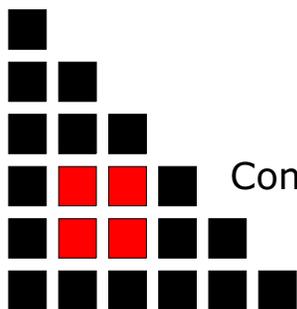


City of Pelican Rapids HOUSING STUDY

June 2015

An analysis of the overall housing needs
of the City of Pelican Rapids, MN



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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 Pelican Rapids 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 Pelican Rapids to conduct a study of the housing needs and conditions in the City. Community Partners Research, Inc., prepared a Housing Study for the City of Pelican Rapids in 2008. The 2015 Housing Study will update data and recommendations that were provided in the 2008 Study and will also provide new data and recommendations.

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 February to June, 2015. Data sources included:

- U.S. Census Bureau
- American Community Survey
- ESRI, Inc., a private data company
- Records and data from the City of Pelican Rapids
- Records and data maintained by Otter Tail 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 and mobile home surveys

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 for the City of Pelican Rapids, Otter Tail County and a Market Area that includes the City of Pelican Rapids as well as surrounding jurisdictions. The jurisdictions that form the Market Area include the Cities of Pelican Rapids, Erhard, Vergas, the part of Rothsay in Otter Tail County and the Townships of Scambler, Dunn, Candor, Norwegian Grove, Pelican, Lida, Dora, Trondhjem, Erdhards Grove, Maplewood and Star Lake. 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 Pelican Rapids, the 2013 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between 2009 and 2013. For Otter Tail County, two sets of 2013 estimates exist, based on sampling completed over a five-year period and over a three-year period. Use of the five-year sampling data for Otter Tail County maintains consistency with the use of the same sample for Pelican Rapids.

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. ESRI provided the estimates and projections for the City of Pelican Rapids, Otter Tail County and the Pelican Rapids Market Area.

Population Data and Trends

Table 1 Population Trends - 1980 to 2014						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 ESRI Estimate
Pelican Rapids	1,886	2,374	25.9%	2,464	3.8%	2,486
Market Area	7,220	8,938	3.8%	8,878	-0.7%	8,956
Otter Tail Co.	50,714	57,159	12.7%	57,303	0.3%	57,599

Source: U.S. Census; 2014 estimates are from ESRI

- ▶ According to the 2010 U.S. Census, the City of Pelican Rapids experienced a population gain from 2000 to 2010. Pelican Rapids' population was 2,464 in 2010. This was a 90-person increase from 2000, which was a population gain of 3.8%.
- ▶ The State Demographer, the Census Bureau and ESRI have all released population estimates following the 2010 Census. ESRI's 2014 estimate for the City of Pelican Rapids is 2,486 up 22 people from 2010. The State Demographer's estimate, effective on July 1, 2013, shows the City of Pelican Rapids' population at 2,496 people, up 32 residents from the 2010 Census. The U.S. Census population estimate for Pelican Rapids in 2013 is 2,463, down one person from the 2010 Census.
- ▶ The Market Area's population was 8,878 in 2010. This was a decrease of 60 people from 2000, which was a population loss of 0.7%.
- ▶ ESRI's 2014 population estimate for the Market Area is 8,956, an increase of 78 people since 2010. The State Demographer's 2013 estimate for the Pelican Rapids Market Area is 8,893, up 15 people from 2010. The 2013 U.S. Census estimate for the Market Area is 8,693, a loss of 185 people from 2010.
- ▶ Otter Tail County's population was 57,303 in 2010. This was a 144-person increase from 2000, which was a population gain of 0.3%.
- ▶ ESRI's 2014 estimate for Otter Tail County is 57,599, an increase of 296 people since 2010. For all of Otter Tail County, the State Demographer's 2013 estimate shows the population at 57,558, an increase of 255 people from the 2010 Census. The U.S. Census 2013 estimate for Otter Tail County is 57,581 people, up by 278 since the 2010 Census.

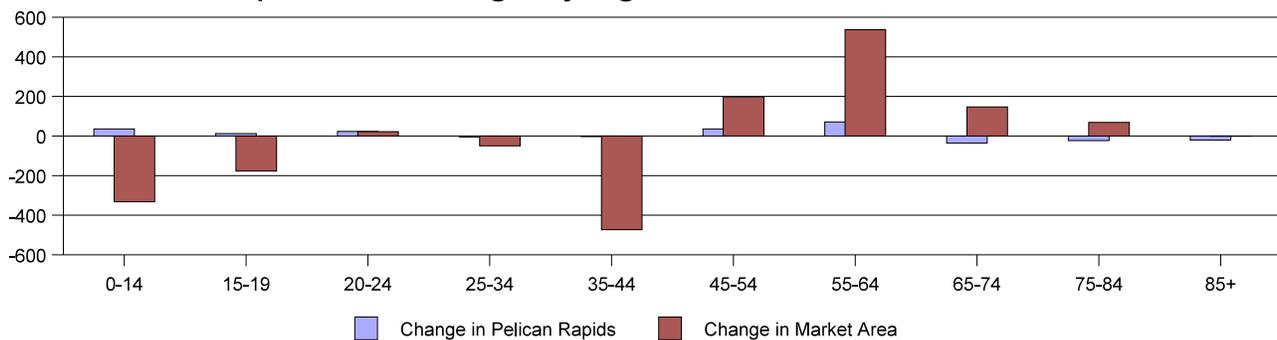
Population by Age Trends: 2000 to 2010

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

Table 2 Population by Age - 2000 to 2010						
Age	Pelican Rapids			Market Area		
	2000	2010	Change	2000	2010	Change
0-14	532	568	36	1,772	1,440	-332
15-19	191	203	12	693	516	-177
20-24	139	162	23	327	349	22
25-34	293	288	-5	834	784	-50
35-44	305	302	-3	1,367	894	-473
45-54	265	301	36	1,277	1,475	198
55-64	147	218	71	1,019	1,556	537
65-74	176	140	-36	899	1,046	147
75-84	189	166	-23	532	601	69
85+	137	116	-21	218	217	-1
Total	2,374	2,464	90	8,938	8,878	-60

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 Pelican Rapids and the Market Area.

Between 2000 and 2010, Pelican Rapids had a gain of 107 people and Market Area had a gain of 735 people in the age ranges between 45 and 64 years old. In 2010, most of the baby boomers were within these age ranges.

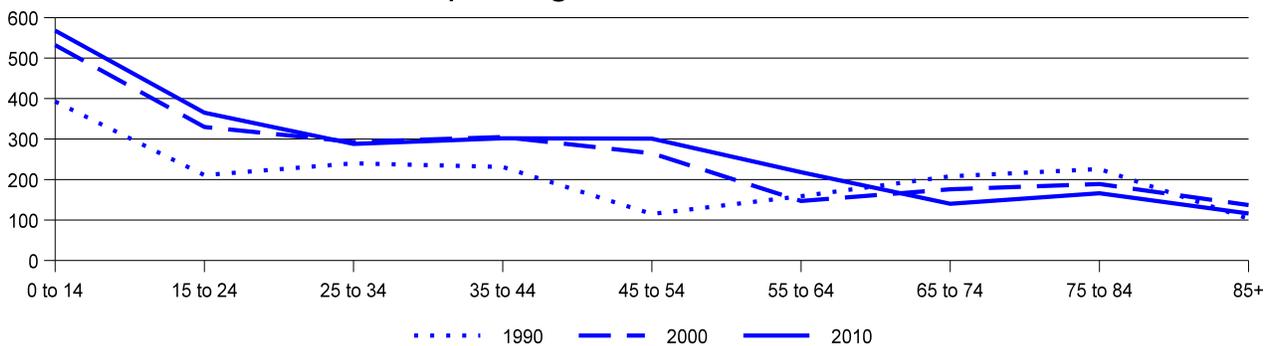
The City of Pelican Rapids also had increases of 71 people in the 0 to 24 age ranges. The City of Pelican Rapids had a loss of eight people in the 25 to 44 age ranges and a loss of 80 people in the 65 and older age ranges.

In addition to the population gains in the 45 to 64 age ranges, the Market Area added 22 people in the 20 to 24 age range and 216 in the 65 to 84 age ranges.

The entire Market Area had a loss of 509 people in the 0 to 19 age ranges, 523 people in the 25 to 44 age ranges and a one-person loss in the 85 and older age range.

The aging trends present in 2010 can be traced back over the previous decades to see the movement of the City’s population over time.

Pelican Rapids Age Distribution: 1990 to 2010



One of the most noticeable trends in Pelican Rapids is the strong growth that has occurred in the number of children living in the community over the past two decades. Conversely, the number of senior citizens, age 65 and older has been decreasing over time.

Population Projections

The following table presents population projections using two different sources. The Minnesota State Demographer has issued population projections for Otter Tail County and Pelican Rapids to the year 2020.

The other set of projections has been created by ESRI, and span the five-year period from 2014 to 2019. ESRI projections exist for Pelican Rapids, the Market Area and Otter Tail County.

Table 3 Population Projections Through 2019/20				
	2010 Census	2014 Estimate ESRI	2019 Projection ESRI	2020 Projection State Demographer
Pelican Rapids	2,464	2,486	2,510	2,550
Market Area	8,878	8,956	9,061	N/A
Otter Tail County	57,303	57,599	58,118	61,609

Source: U.S. Census; ESRI; State Demographer

- ▶ ESRI projects a gain of 24 people in Pelican Rapids from 2014 to 2019. ESRI’s population projection for Pelican Rapids in 2019, at 2,510 people, is 40 people lower than the projection from the State Demographer’s Office, which expects the City to have 2,550 residents by the year 2020.
- ▶ ESRI projects that the Pelican Rapids Market Area will gain 105 people from 2014 to 2019. A Market Area from the State Demographer is not available, since projections at the township level have not been updated in many years.
- ▶ ESRI’s population projections for Otter Tail County forecast an increase of 519 people from 2014 to 2019.
- ▶ The State Demographer projects that Otter Tail County’s population will be 61,609 people in 2020, significantly higher than the ESRI forecast for 2019, which is 58,118. The Demographer’s projection for 2020 would not be consistent with the most recent annual estimates that have been released, which shows the County adding fewer than 100 people per year after 2010.

Household Data and Trends

Table 4 Household Trends - 1990 to 2014						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 ESRI Estimate
Pelican Rapids	768	884	15.1%	904	2.3%	918
Market Area	2,831	3,521	24.4%	3,763	6.9%	3,842
Otter Tail Co.	19,510	22,671	16.2%	24,055	6.1%	24,228

Source: U.S. Census; 2014 estimates are from ESRI

- ▶ According to the 2010 U.S. Census, Pelican Rapids gained households from 2000 to 2010. Pelican Rapids had 904 households in 2010. This was an increase of 20 households from 2000, which was a household gain of 2.3%.
- ▶ ESRI's 2014 household estimate for Pelican Rapids is 918, up 14 households from 2010. The State Demographer estimates that Pelican Rapids had 941 households in 2013, which is an increase of 37 households from 2010.
- ▶ The Market Area had 3,763 households in 2010, which was a gain of 242 households from 2000. This was a household gain of 6.9%.
- ▶ ESRI's 2014 estimate for the Market Area is 3,842, a gain of 79 households from 2010. The State Demographer's 2013 household estimate for the Market Area is 3,777, an increase of 14 households since 2010.
- ▶ Otter Tail County had 24,055 households in 2010. This was a gain of 1,384 households from 2000, which was a household increase of 6.1%.
- ▶ ESRI's 2014 estimate for Otter Tail County is 24,228, a gain of 173 households from 2010. The State Demographer's 2013 household estimate for Otter Tail County was 24,401, which is an increase of 346 households from 2010.
- ▶ Pelican Rapids, the Market Area and Otter Tail County all had household gains during the 1990s. Pelican Rapids gained 116 households, the Market Area had a gain of 690 households and Otter Tail County gained 3,161 households from 1990 to 2000.

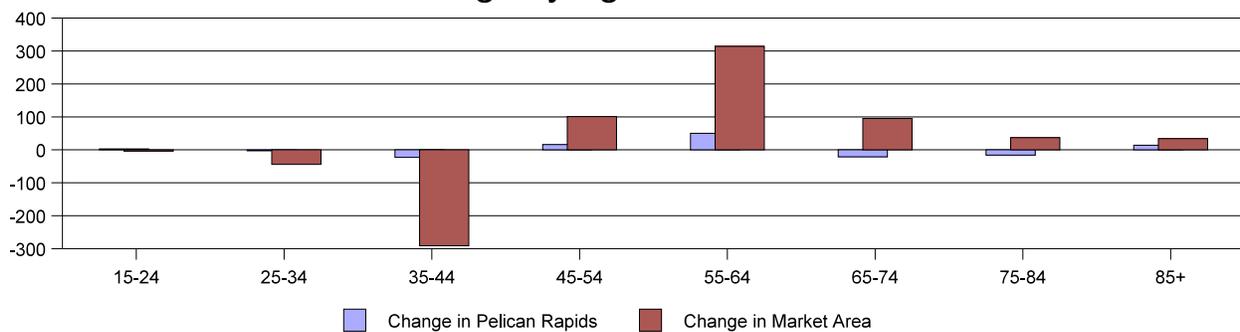
Household by Age Trends: 2000 to 2010

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

Table 5 Households by Age - 2000 - 2010						
Age	Pelican Rapids			Market Area		
	2000	2010	Change	2000	2010	Change
15-24	46	49	3	98	94	-4
25-34	130	127	-3	383	339	-44
35-44	168	145	-23	728	437	-291
45-54	160	176	16	722	823	101
55-64	86	136	50	562	876	314
65-74	104	83	-21	542	637	95
75-84	124	108	-16	362	399	37
85+	66	80	14	124	158	34
Total	884	904	20	3,521	3,763	242

Source: U.S. Census

Household Change by Age Between 2000 and 2010



Pelican Rapids had a gain of three households in the 15 to 24 age range, a gain of 66 households in the 45 to 64 age ranges and a gain of 14 households in the 85 and older age range. Pelican Rapids had a loss of 26 households in the 25 to 44 age ranges and a loss of 37 households in the 65 to 84 age ranges. The Market Area had a loss of 339 households in the 44 and younger age ranges and a gain of 581 households in the 45 and older age ranges.

Average Household Size

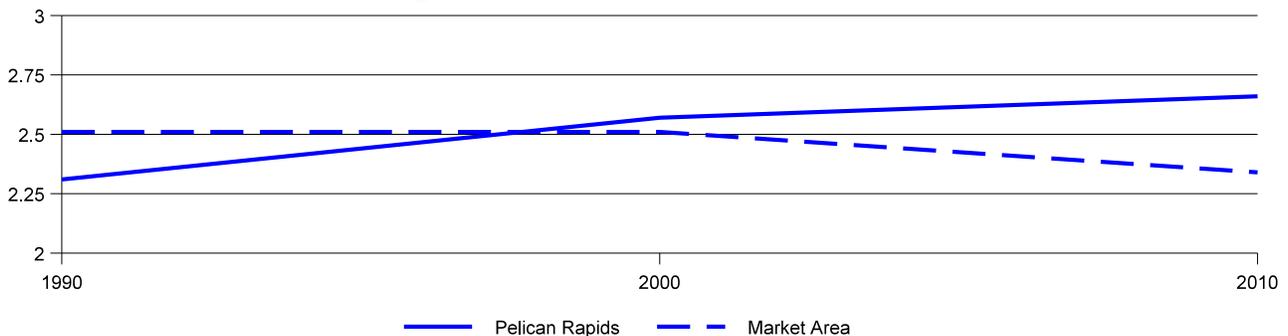
The following table provides decennial Census information on average household size. The 2014 estimates are from ESRI.

Table 6 Average Number of Persons Per Household: 1990 to 2014				
	1990 Census	2000 Census	2010 Census	2014 Estimate
Pelican Rapids	2.31	2.57	2.66	2.64
Market Area	2.51	2.51	2.34	2.31
Otter Tail County	2.53	2.46	2.33	2.31

Source: U.S. Census; ESRI

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

Average Household Size: 1990 to 2010



Pelican Rapids is one of the few cities in rural Minnesota that has had a net increase in average household size over the past few decades. The average household size in Pelican Rapids has increased from 2.31 in 1990 to 2.64 in 2014. Otter Tail County’s average household size decreased from 2.51 in 1990 to 2.31 in 2014. ESRI estimates that the Market Area’s average household size has decreased from 2.51 in 1990 to 2.31 in 2014.

Household Projections

The following table presents ESRI’s 2014 household estimates and 2019 household projections for Pelican Rapids, the Market Area and Otter Tail County.

Table 7 Household Projections Through 2019					
	2010 Census	2014 Estimate ESRI	2019 Projection ESRI	Change 2014 to 2019	2020 Projection State Demographer
Pelican Rapids	904	918	932	14	957
Market Area	3,763	3,841	3,917	76	N/A
Otter Tail Co.	24,055	24,463	24,877	414	25,858

Source: U.S. Census; ESRI

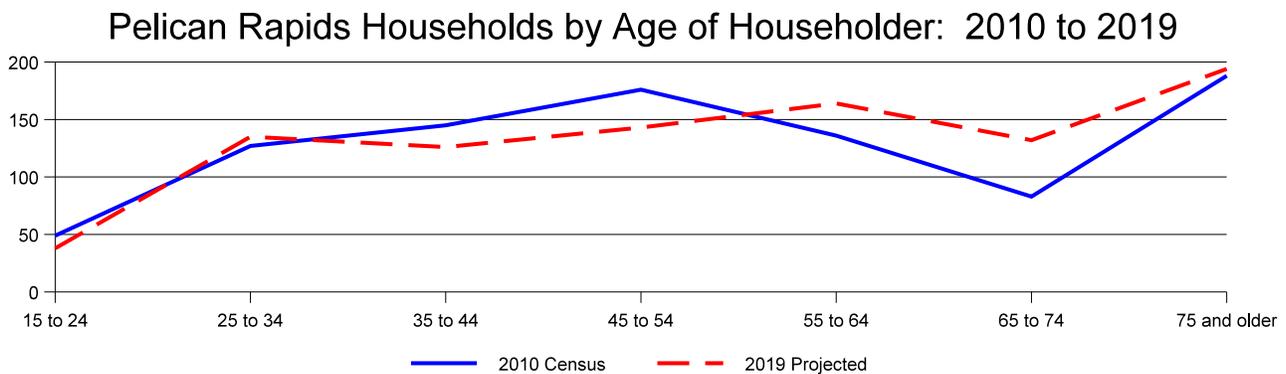
- ▶ The growth projections calculated by ESRI expect household gains for Pelican Rapids, the Market Area and Otter Tail County from 2014 to 2019.
- ▶ ESRI estimates that Pelican Rapids gained 14 households from 2010 to 2014 and will gain an additional 14 households from 2014 to 2019.
- ▶ ESRI estimates that the Market Area has gained 78 households from 2010 to 2014 and will gain an additional 76 households from 2014 to 2019.
- ▶ ESRI’s 2014 estimate for Otter Tail County shows a gain of 408 households from 2010. ESRI projects that Otter Tail County will add an additional 414 households from 2014 to 2019.
- ▶ The 2020 State Demographer household estimates are more optimistic than ESRI’s 2019 estimates and project a faster rate of growth in Pelican Rapids and Otter Tail County during the decade.

Pelican Rapids Household by Age Projections: 2010 to 2019

ESRI has released household by age projections to the year 2019. The following table presents ESRI’s 2019 household by age projections for Pelican Rapids, and the household changes from 2010 to 2019.

Table 8 Pelican Rapids Projected Households by Age - 2010 to 2019			
	2010 Census	2019 Projection	Change from 2010
15-24	49	38	-11
25-34	127	135	8
35-44	145	126	-19
45-54	176	143	-33
55-64	136	164	28
65-74	83	132	49
75+	188	194	6
Total	904	932	28

Source: U.S. Census; ESRI



Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate most of the City of Pelican Rapids growth in households in the age ranges between 55 and 74 years old. ESRI’s projections expect a gain of 77 households in these age ranges in Pelican Rapids from 2010 to 2019. ESRI also projects a gain of eight households in the 25 to 34 age range and a gain of six households in the 75 and older age range. ESRI projects a loss of eleven households in the 15 to 24 age range and a loss of 52 households in the 35 to 54 age ranges. Overall, ESRI’s projections expect a net decrease of 55 households age 54 and younger, and an increase of 83 households age 55 and older through the year 2019.

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 Pelican Rapids.

Table 9 Pelican Rapids Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	223	206	-17
Single Parent with own children	70	90	20
Married Couple without own children	222	214	-8
Family Householder without spouse	44	59	15
Total Families	559	569	10
Non-Family Households			
Single Person	296	298	2
Two or more persons	29	37	8
Total Non-Families	325	335	10

Source: U.S. Census

Between 2000 and 2010, Pelican Rapids experienced a net gain of 10 family households. There was a gain of 15 family households without spouses and a gain of 20 single parent households with children. However, there was a decrease in the number of 17 married couple households with children and a loss of eight married couple households without children.

The City also had an increase of 10 “non-family” households. This was an increase of eight in households with unrelated individuals living together. There was also an increase of two single person households.

Housing Tenure

The 2010 Census provided information on housing tenure patterns. The following tables examine overall tenure rates, along with the changes that have occurred since 2000 for the City of Pelican Rapids and Otter Tail County.

Table 10 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Pelican Rapids	557	61.6%	347	38.4%
Otter Tail Co.	19,059	79.2%	9,733	20.8%
State	-	73.0%	-	27.0%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in the City of Pelican Rapids was 61.6%. Otter Tail County's ownership rate was 79.2%. Pelican Rapids' rental rate of 38.4% was significantly above the State of Minnesota's rental rate of 27.0%.

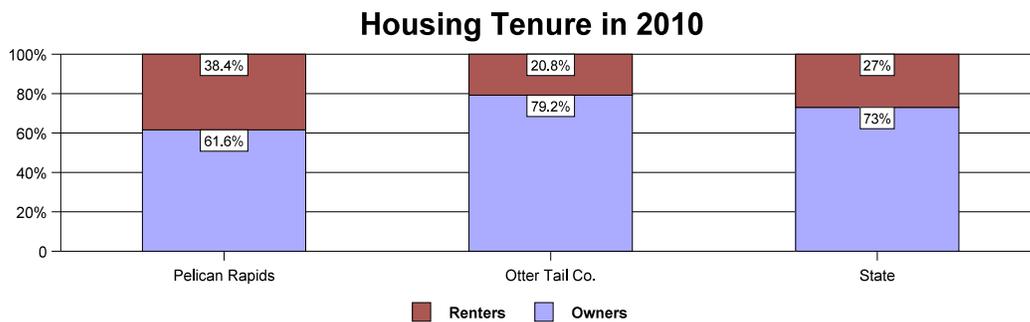


Table 11 Households by Housing Tenure - 2000 to 2010						
Tenure	Pelican Rapids			Otter Tail County		
	2000	2010	Change	2000	2010	Change
Owners	549/62.1%	557/61.6%	8	18,143/80.0%	19,059/79.2%	916
Renters	335/37.9%	347/38.4%	12	4,528/20.0%	4,996/20.8%	468
Total	884/100%	904/100%	20	22,671/100%	24,055/100%	1,384

Source: U.S. Census

Pelican Rapids' ownership tenure rate decreased slightly from 62.1% in 2000 to 61.6% in 2010. For Otter Tail County, there was also a decrease in the rate of owner-occupancy from 80.0% in 2000 to 79.2% in 2010.

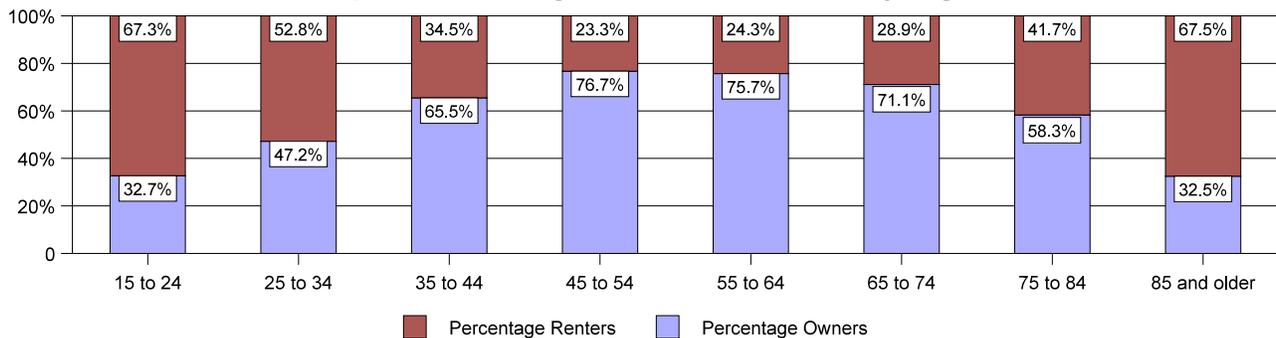
Tenure by Age of Householder

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 Pelican Rapids.

Table 12 Pelican Rapids Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	16	32.7%	33	67.3%
25-34	60	47.2%	67	52.8%
35-44	95	65.5%	50	34.5%
45-54	135	76.7%	41	23.3%
55-64	103	75.7%	33	24.3%
65-74	59	71.1%	24	28.9%
75-84	63	58.3%	45	41.7%
85+	26	32.5%	54	67.5%
Total	557	61.6%	347	38.4%

Source: U.S. Census

Pelican Rapids Housing Tenure Patterns by Age in 2010



Approximately 67% of households age 24 and younger and nearly 53% of households age 25 to 34 rented their unit. Approximately 42% of households age 75 to 84, and more than 67% of households age 85 and older also rented their housing. Home ownership rates for each of the 10-year age cohorts 35 to 74 years old were above 65%.

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 Pelican Rapids.

Table 13 Pelican Rapids Tenure by Household Size - 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	116	139	23	180	159	-21
2-Person	190	172	-18	62	67	5
3-Person	70	65	-5	32	45	13
4-Person	84	92	8	23	30	7
5-Person	54	43	-11	24	25	1
6-Person	17	19	2	6	14	8
7-Persons+	18	27	9	8	7	-1
Total	549	557	8	335	347	12

Source: U.S. Census

- ▶ From 2000 to 2010, there was a gain in the number of owner and renter households in Pelican Rapids. There was a gain of 23 owner households with one person, a gain of eight four-person households and a gain of 11 households with six or more people. There was a decrease of 23 owner households with two or three people and a loss of 11 five-person households.
- ▶ There was a loss of 21 one-person renter households and a loss of one household with seven or more people. There was a gain of 34 renter households with two to six people from 2000 to 2010.
- ▶ Approximately 65% of the renter households in Pelican Rapids were one or two person households in 2010.

2013 Income Data

Income estimates are available at the City and County level through the 2013 American Community Survey. Household income represents all independent households, including people living alone and unrelated individuals together in a housing unit. Families are two or more related individuals living in a household.

Table 14 Median Income - 2000 to 2013			
	2000 Median	2013 Median	% Change
Households			
Pelican Rapids	\$27,232	\$34,688	20.0%
Otter Tail County	\$35,395	\$48,961	38.3%
Minnesota	\$47,111	\$59,836	27.0%
Families			
Pelican Rapids	\$36,970	\$39,844	7.8%
Otter Tail County	\$42,740	\$61,645	44.2%
Minnesota	\$56,874	\$74,683	31.3%

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

Income information contained in the 2013 American Community Survey shows income growth within the City of Pelican Rapids and in Otter Tail County from 2000 to 2013. The City's median household income level increased by 20.0% and the City's median family income increased by 7.8%. The County's median household income increased by 38.3% and the family median increased by 44.2%. However, the City and County's median household and family incomes were still significantly lower than the Minnesota medians.

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.

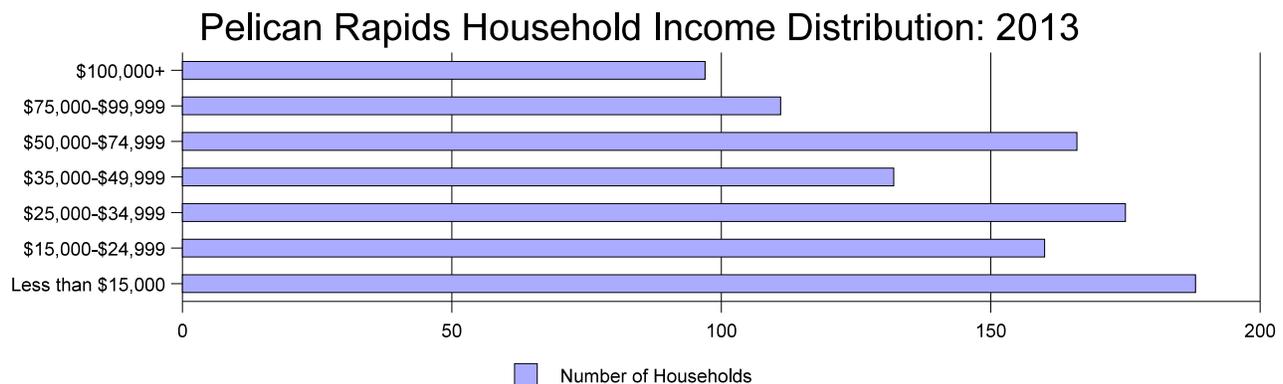
Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Pelican Rapids could afford approximately \$867 per month for ownership or rental housing in 2013. A family at the median income level for the City could afford approximately \$996 for housing costs.

Pelican Rapids Household Income Distribution

The 2013 American Community Survey household income estimates for the City of Pelican Rapids can be compared to the same distribution information from 2000 to examine changes that have occurred from 2000 to 2013.

Table 15 Pelican Rapids Income Distribution - 2000 to 2013			
Household Income	Number of Households 2000	Number of Households in 2013	Change 2000 to 2013
\$0 - \$14,999	218	188	-30
\$15,000 - \$24,999	176	160	-16
\$25,000 - \$34,999	129	175	46
\$35,000 - \$49,999	177	132	-45
\$50,000 - \$74,999	113	166	53
\$75,000 - \$99,999	51	111	60
\$100,000+	24	97	73
Total	888	1,029	141

Source: 2000 Census; 2013 ACS



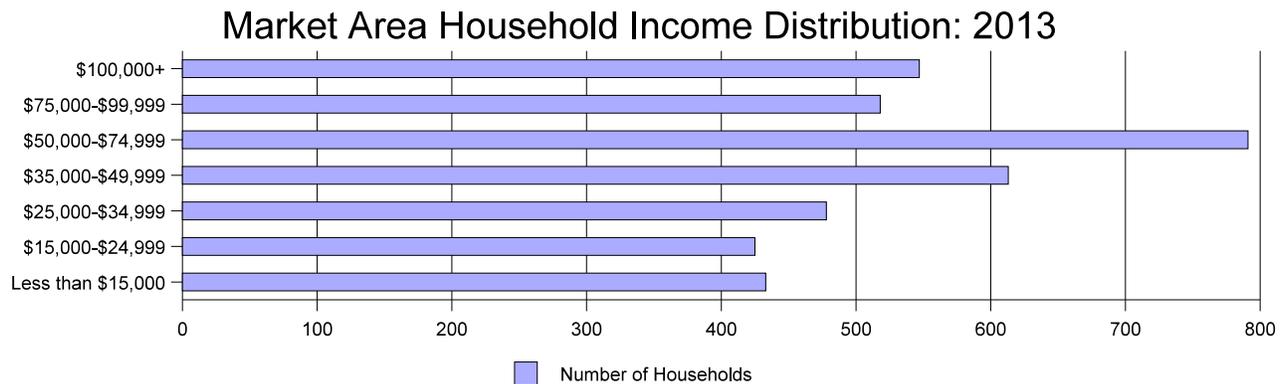
According to income estimates contained in the 2013 American Community Survey, household incomes have improved in Pelican Rapids, especially in the highest income ranges. When compared to the 2000 Census (1999 income), there was an increase of 186 households with an income of \$50,000, or more. There was a net decrease of 45 households with incomes less than \$50,000. However, there were still 348 households in Pelican Rapids that have an annual income below \$25,000. This was approximately 38.8% of all households in Pelican Rapids.

Market Area Household Income Distribution

The 2013 American Community Survey household income estimates for the Market Area can be compared to the same distribution information from 2000 to examine changes that have occurred from 2000 to 2013.

Household Income	Number of Households 2000	Number of Households in 2013	Change 2000 to 2013
\$0 - \$14,999	641	433	-208
\$15,000 - \$24,999	553	425	-128
\$25,000 - \$34,999	550	478	-72
\$35,000 - \$49,999	722	613	-109
\$50,000 - \$74,999	641	791	150
\$75,000 - \$99,999	240	518	278
\$100,000+	199	547	348
Total	3,546	3,805	259

Source: 2000 Census; 2013 ACS



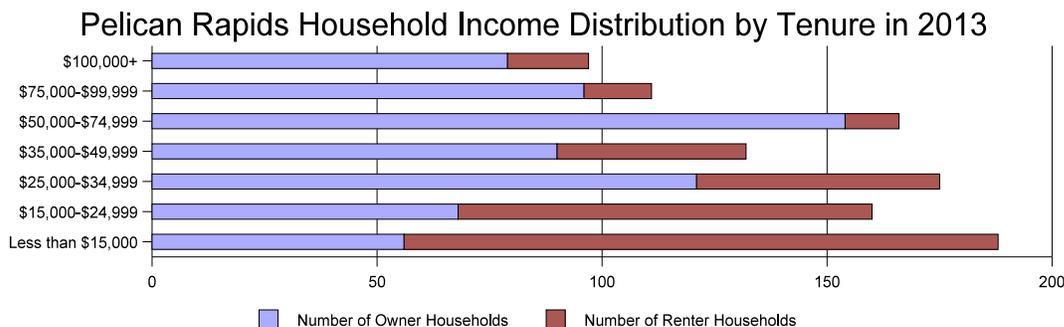
According to income estimates contained in the 2013 American Community Survey, household incomes have improved in the Market Area, especially in the highest income ranges. When compared to the 2000 Census (1999 income), there was an increase of 776 households with an income of \$50,000, or more. There was a decrease of 517 households with incomes less than \$50,000. However, there were still 858 households in the Market Area that have an annual income below \$25,000. This was approximately 22.5% of all of the households in the Market Area.

Pelican Rapids Income Distribution by Housing Tenure

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

Table 17 Pelican Rapids Income Distribution by Tenure - 2013			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	56/29.8%	132/70.2%	188
\$15,000 - \$24,999	68/42.5%	92/57.5%	160
\$25,000 - \$34,999	121/69.1%	54/30.9%	175
\$35,000 - \$49,999	90/68.2%	42/31.8%	132
\$50,000 - \$74,999	154/92.8%	12/7.2%	166
\$75,000 - \$99,999	96/86.5%	15/13.5%	111
\$100,000+	79/81.4%	18/18.6%	97
Total	664	365	1,029

Source: 2013 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 2013, approximately 76% of all renter households in Pelican Rapids 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.

Approximately 50% 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.

2013 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 Pelican Rapids.

Table 18 Gross Rent as a Percentage of Household Income - 2013			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	55/20.8%	21/20.8%	76/20.8%
20% to 29.9%	51/19.3%	36/35.6%	87/23.8%
30% to 34.9%	26/9.9%	22/21.8%	48/13.2%
35% or more	132/50.0%	17/16.8%	149/40.8%
Not Computed	0/0.0%	5/5.0%	5/1.4%
Total	264	101	365

Source: 2013 American Community Survey

According to the American Community Survey, approximately 54% of all renters in the City were paying 30% or more of their income for rent. A significant 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 Pelican Rapids 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 20% of all households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 80% of all households with a rental cost burden.

2013 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 Pelican Rapids that are paying different percentages of their gross household income for housing costs.

Table 19 Ownership Costs as a Percentage of Income - Pelican Rapids		
Percentage of Household Income for Housing Costs	Number of Owner Households 2013	Percent of All Owner Households 2013
0% to 19.9%	411	61.9%
20% to 29.9%	90	13.6%
30% to 34.9%	71	10.7%
35% or more	92	13.8%
Not Computed	0	0%
Total	664	100%

Source: 2013 ACS

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 25% of all home owners reported that they paid more than 30% of their income for housing. A majority of these households were actually 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

Pelican Rapids 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 2014.

Table 20 Pelican Rapids Housing Unit Construction Activity: 2000 to 2014				
Year	Single Family Detached	Single Family Attached	Multifamily	Total Units
2014	1	4	0	5
2013	2	0	0	2
2012	0	4	0	4
2011	0	0	0	0
2010	1	2	0	3
2009	1	0	0	1
2008	0	0	0	0
2007	3	0	0	3
2006	4	4	0	8
2005	2	0	0	2
2004	3	0	0	3
2003	4	0	0	4
2002	0	0	20	20
2001	1	0	0	1
2000	1	0	0	1
Total	23	14	20	57

Source: U.S. Census Bureau; City of Pelican Rapids; Community Partners Research, Inc.

Over the past 15 years, 57 new housing units have been constructed in Pelican Rapids, based on building permit issuance. Twenty-three units are single family detached homes, 14 units are in twin homes and 20 units are in an assisted living facility.

During the 15-year period from 2000 to 2014, the City averaged two to three new single family units per year, including twin homes.

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
Pelican Rapids	557	347	37	19	6	18
Market Area	3,159	604	59	86	2,904	176
Otter Tail Co.	19,059	4,996	476	489	9,635	939

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 9,635 seasonal housing units in Otter Tail County, including six units in Pelican Rapids and 2,904 units in the Market Area.
- ▶ Excluding the seasonal use units, there were 1,904 other types of vacant housing units in Otter Tail County in 2010, including 74 vacant units in Pelican Rapids and 321 vacant units in the Market Area. Many of the vacant units were listed as "other vacant" and the status of these units is not known.

Home Sales

The Otter Tail County Assessor's Office maintains residential sales records that date back many years. For the following analysis, sales were reviewed for each calendar year, dating back to the year 2007.

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

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

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

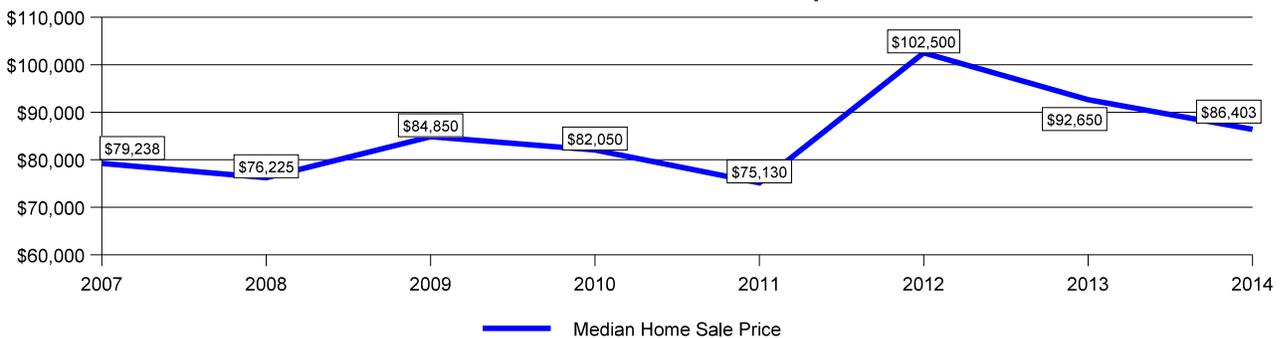
The sales records reviewed were for improved residential parcels with less than four units. While it is possible that some structures had more than one living unit, such as a duplex, it is assumed that the large majority of the sales are single family houses. The adjusted sale price has been examined.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

Table 22 Median Value of Recent Residential Sales - Pelican Rapids

Sales Year	Number of Sales	Median Price	Highest Price	Lowest Price
2014	23	\$86,403	\$194,200	\$38,800
2013	30	\$92,650*	\$222,300	\$34,000
2012	13	\$102,500	\$244,400	\$40,000
2011	15	\$75,130	\$152,000	\$28,700
2010	21	\$82,050	\$194,500	\$12,550
2009	14	\$84,850*	\$205,000	\$35,000
2008	18	\$76,225*	\$235,000	\$39,000
2007	34	\$79,238*	\$293,900	\$15,000

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

* Calculated median from the two closest sales

Median Home Sale Prices in Pelican Rapids: 2007 to 2014

Since the number of annual home sales varies from year to year, the median price in certain years may not be an accurate reflection of overall values. However, when viewed over a longer period, certain trends emerge. In general, there has been an increase in the City's median sale price. However, there has been annual upward and downward movement, and not steady, sustained growth.

After staying within a relatively consistent range between 2007 and 2011, the median sale price then moved upward rapidly in 2012, when the median exceeded \$100,000. However, this may have been an aberration caused by an overly large number of higher valued sales. By 2013, the median had dropped below \$93,000, and then moved to approximately \$86,400 in 2014. The median sale price in 2014 was generally similar to the median that existed in 2009 and 2010.

Despite the year-to-year variation in the median price, overall home values in Pelican Rapids tend to be relatively moderate. There have only been two years of the past eight years when the median sale price was above \$90,000.

The volume of annual qualified sales has also varied, from a high of 34 sales in 2007, to a low of only 13 sales in 2012. The number of good sales in 2013 was the second highest level achieved over the time period reviewed.

The table above also provided information on the highest annual sale prices. Over the eight years reviewed, the highest valued sale was for \$293,900, and this sale occurred in 2007. In five of the past eight years at least one house in the City has sold for more than \$200,000.

Lower valued sales have also been occurring. In each of the eight years reviewed, at least one house sold for \$40,000 or less.

An alternate home value estimate is available from the 2013 American Community Survey. This source places the median owner-occupied house value at \$90,900, very similar to the median sale price that year of \$92,650.

Bank-Owned Sales

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

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

Sales Year	Number of Bank Sales	Median Transfer Price
2014	9	\$37,100
2013	4	\$52,050*
2012	2	\$31,050*
2011	12	\$49,000*
2010	7	\$27,000
2009	2	\$60,750*
2008	4	\$22,033*
2007	7	\$46,000

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

* Calculated median from the two closest sales

Bank-owned home sales have continued to be an issue in Pelican Rapids. Over the past eight years, the highest number of bank-owned sales occurred in 2011, but 2014 represented the second highest year of activity. The actual median transfer price for bank-owned sales was well below the median sale price for qualified sales.

The recent bank-owned home sales in 2014 may represent a delay in property transfer. It is believed that most home foreclosures had occurred previously, but the lending institutions did not re-sell the foreclosed homes for a few years.

Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the 564 single family/duplex houses in Pelican Rapids. Houses that appeared to contain three or more units were excluded from the survey. The City was divided into four quadrants, Northeast, Northwest, Southeast and Southwest of the Broadway Ave. and Pelican River intersection.

Houses were rated in one of four levels of physical condition, 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 houses are generally considered beyond repair.

Major Repair houses need 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 24 Windshield Survey Condition Estimate - 2015					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Northeast	23 (41.8%)	16 (29.1%)	11 (20.0%)	5 (9.1%)	55
Northwest	36 (32.7%)	51 (46.4%)	16 (14.5%)	7 (6.4%)	110
Southeast	187 (59.9%)	87 (27.9%)	36 (11.5%)	2 (0.7%)	312
Southwest	37 (42.6%)	27 (31.0%)	19 (21.8%)	4 (4.6%)	87
Total	283 (50.2%)	181 (32.1%)	82 (14.5%)	18 (3.2%)	564

Source: Community Partners Research, Inc.

- ▶ The existing housing stock in the City is in fair to good condition. Approximately 50% of the houses were rated as Sound, while approximately 32% of the houses were judged to be in need of Minor Repair and 15% need Major Repair.

- ▶ Eighteen homes in the City were rated as Dilapidated and possibly beyond repair. These houses may be suitable for demolition and clearance.
- ▶ The condition of the housing stock has improved in Pelican Rapids since the 2008 Study was conducted. In 2008, 39% of Pelican Rapids homes were sound, 38% needed minor repair and 20% needed major repair.
- ▶ The substandard homes in the City aren't concentrated as they are located in all four quadrants of Pelican Rapids.

Mobile Home Condition

In May 2015, Community Partners Research, Inc. representatives conducted a visual ‘windshield’ survey of the mobile homes in the mobile home park in Pelican Rapids.

Mobile homes were rated in one of four levels of physical condition. 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 units are generally considered beyond repair.

Major Repair units need multiple major improvements such as roof, windows, siding, etc. Units in this condition category may or may not be economically feasible to rehabilitate.

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

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

Table 25 Mobile Home Condition Estimate - 2015					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile Home Park	32 (43.8%)	16 (21.9%)	14 (19.2%)	11 (15.1%)	73

Source: Community Partners Research, Inc.

- ▶ Of the 73 homes in the mobile home park, approximately 44% were rated as being in sound condition, and approximately 22% required only minor repair.
- ▶ Approximately 19% of the mobile homes need major repairs and 11 homes are dilapidated and beyond repair.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 347 occupied rental units and 37 unoccupied rental units in Pelican Rapids, for a total estimated rental inventory of 384 units. The City's rental tenure rate was 38.4%, significantly above the Statewide rental rate of 27.0% in 2010.

At the time of the 2000 Census, Pelican Rapids had 335 occupied rental units, and 36 vacant rental units, for a total estimated rental inventory of 371 units. The rental tenure rate in 2000 was 37.9%.

Based on a Census comparison, the City gained 12 renter-occupancy households, and approximately 13 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 Pelican Rapids. The survey was primarily conducted during the month of May 2015. 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.

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

There were 226 market rate, tax credit and subsidized rental housing units contacted in the survey. Additionally, a total of 98 assisted living and skilled nursing units/beds were surveyed. Based on our research, all of the market rate projects with eight or more units and all of the tax credit, subsidized, and senior with services rental projects in Pelican Rapids were surveyed.

The units that were successfully contacted include:

- ▶ 102 market rate units
- ▶ 40 tax credit units
- ▶ 84 federally subsidized units
- ▶ 60 senior with services units/beds
- ▶ 38 nursing home beds

The findings of the survey are provided below.

Market Rate Summary

There are eight market rate multifamily projects with 102 total rental units included in the survey. Occupancy information was provided for all eight projects. Seven of the eight projects are intended for general occupancy. One project, River Oaks Senior Apartments, is senior-designated for tenants age 55 and older. All of the market rate rental projects are more than 20 years old.

Unit Mix

The following information is the bedroom mix for 102 market rate units surveyed:

- ▶ 1 efficiency (0.9%)
- ▶ 43 one-bedroom (42.2%)
- ▶ 58 two-bedroom (56.9%)
- ▶ 0 three-bedroom (0%)
- ▶ 0 four-bedroom (0%)

There are no three and four bedroom rental units in the multifamily market rate rental projects. However, there are rental single family homes with three or four bedrooms.

Occupancy / Vacancy

Usable occupancy information was obtained from all of the eight projects. At the time of our survey, there were four vacant units, thus, there was a 3.9% vacancy rate. At the time of the 2008 Pelican Rapids Housing Study, there were nine vacant market rate units, which was a 9.2% vacancy rate.

Rental Rates

Rental rate information was obtained from all eight projects with a combined 102 units. Some of the units include the primary utility payments with the rent, while in other cases, the tenant pays the major utilities in addition to rent. We have attempted to estimate tenant-paid utilities into a gross rent estimate for the following ranges:

<u>Units Type</u>	<u>Prevailing Range</u>
efficiency	\$365
one-bedroom	\$300-\$575
two-bedroom	\$410-\$795

Tax Credit Summary

There are two rental projects in Pelican Rapids that were developed using federal low income housing tax credits. The Townhomes of Pelican Rapids, with 40 apartment units, was awarded tax credits in 1997. Ridgecrest Apartments has 16 units and was awarded tax credits in 1992. Ridgecrest Apartments was also developed utilizing Rural Development funds, thus, we have included this project in the subsidized section. The Townhomes of Pelican Rapids serve households at or below 60% of median County income.

Unit Mix

The unit mix for tax credit units in the Townhomes of Pelican Rapids is as follows:

- ▶ 18 two-bedroom units
- ▶ 22 three-bedroom units

Occupancy / Vacancy

At the time of our rental survey, the manager reported that there were no vacant units in the Townhomes of Pelican Rapids and there is a waiting list. The 2008 Pelican Rapids Housing Study also reported no vacancies in the Townhomes of Pelican Rapids.

Rental Rates

The rents in the Townhomes of Pelican Rapids are below the maximum tax credit rent limits, which are capped at 60% of median. The project also has income limits requiring tenants to be below 60% of the median income level. The contract rents are \$720 for a two-bedroom unit and \$825 for a three-bedroom unit. Tenants must also pay heat and electricity. The current gross rents are below the 60% limits and closer to the limits set at 55% of median income.

Thirteen households are utilizing the Housing Voucher Program, which reduces their monthly rent to 30% of the household income.

The maximum rents allowable under the tax credit program are above the prevailing rates for most market rate units in Pelican Rapids. To stay competitive with other rental projects in the City, the Townhomes of Pelican Rapids charge rents that are below the maximum federal limits.

Subsidized Summary

There are two federally subsidized apartment projects and a Public Housing duplex in Pelican Rapids. Combined, these projects have 84 units of subsidized rental housing. The three subsidized rental projects include:

- ▶ **Mill Pond View Apartments** - Mill Pond View Apartments, with a total 66 units, is a Rural Development Project designated for seniors age 62 and over and disabled individuals. The 66 units include 65 one-bedroom units and one two-bedroom unit. Some of the tenants receive assisted living services from Lutheran Social Services.
- ▶ **Ridgecrest Apartments** - Ridgecrest Apartments, with 16 units, is an MHFA/Section 8 project designated for families. The 16 units include 12 two-bedroom and four three-bedroom units.
- ▶ **Public Housing duplex** - The HUD Public Housing duplex is designated for families. Both units have three bedrooms.

Unit Mix

The mix of the 84 total units in the projects is as follows:

- ▶ 65 one-bedroom (77.4%)
- ▶ 13 two-bedroom (15.5%)
- ▶ 6 three-bedroom (7.1%)

Occupancy/Vacancy

At the time of the survey, Ridgecrest Apartments and the Public Housing units were fully occupied, and the managers reported that they had waiting lists. Mill Pond View Apartments reported two vacancies and the project averages approximately a 96% occupancy rate.

Rental Rates

All of the subsidized units in Pelican Rapids have rent subsidies available for tenants, so households pay rent based on 30% of income up to a maximum rent. The maximum rent for Ridgecrest Apartments is \$609 for a two-bedroom unit and \$653 for a three-bedroom unit. Mill Pond View Apartments has a maximum rent of \$725 for a one-bedroom unit and \$793 for a two-bedroom unit. However, the large majority of tenants pay less than the market rent.

Subsidized Unit Gains and Losses

Some subsidized projects around the State of Minnesota have met their contractual obligations to provide affordable housing and have been converting to market rate housing. At the time of this study, none of the subsidized projects in Pelican Rapids had started the procedure to opt-out of the subsidy program. However, Nordic Village Apartments, with 12 units, was developed as a Rural Development project and many years ago converted to a market rate project.

Tenant-Based Rent Assistance

In addition to the subsidized projects in Pelican Rapids, Otter Tail County has a rent assistance program. The HUD Housing Choice Voucher Program (formerly Section 8 Existing Program) provides rent assistance to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for rent, with the program subsidy paying any additional rent amounts.

In 2015, 114 Otter Tail County households are utilizing the Housing Choice Voucher Program, and of this total, 38 are living in Pelican Rapids. Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month.

Based on the findings of our rental survey, most of the one, two and three-bedroom units in Pelican Rapids would have gross rent levels below the rent levels established for the Voucher Program.

Senior Housing with Services

There are four facilities in Pelican Rapids that provide senior housing with services. There is also a 15-unit assisted living project in Vergas, which is part of the Pelican Rapids Market Area. These facilities include:

- ▶ **Riverfront Manor** - Riverfront Manor, with 20 units, provides the full array of assisted living services. The 20 units include 10 studio and 10 one-bedroom units. The facility was constructed in 2002. Riverfront Manor has eight vacancies and has an average 50% occupancy rate. Tenants pay a base rent that includes a noon meal and housekeeping. Tenants can purchase additional assisted living services as needed.
- ▶ **Riverfront on Main** - Riverfront on Main is a 25-unit assisted living facility that includes studio and one-bedroom units. The facility is located in the building that was previously the Good Samaritan Nursing Home. Residents pay a base rent that includes a noon meal and housekeeping. Residents can purchase additional assisted living services as needed. The facility has the capacity to provide a high level of assisted living services. Currently, the facility averages an 80% occupancy rate.
- ▶ **Vergas Assisted Living** - This is a 15-unit project located in Vergas. The project was constructed in 1994 and currently has no vacancies. The facility includes all assisted living services including three daily meals, housekeeping, 24-hour staffing, bathing, etc.
- ▶ **Mill Pond View Apartments** - Mill Pond View Apartments provides customized living services for its tenants through Lutheran Social Services. This option is an opportunity for low/moderate income seniors to receive senior services.

- ▶ **Pelican Valley Health Center** - There is one skilled nursing home in Pelican Rapids. Pelican Valley Health Center is licensed for 38 beds. The facility is currently operating at a 75% occupancy rate. At the time of the 2008 Pelican Rapids Housing Study, the City had a second nursing home, the Good Samaritan Center, which had 50 beds. However, the Good Samaritan Center has been converted to an assisted living facility, Riverfront on Main.

Table 26 Pelican Rapids Area Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Hillside Apartments	<u>16 - 1 bedroom</u> 16 total units	\$300-\$350	No vacancies	Mostly singles	Hillside Apartments includes 16 one-bedroom units. Owner pays utilities. Owner reports no vacancies and the units are usually fully occupied.
Mill Manor Apartments	1 - efficiency <u>17 - 2 bedroom</u> 18 total units	\$325 \$430-\$475	1 vacant efficiency	General occupancy	Market rate building constructed in the early 1970s. Heat, water, sewer and garbage are included in rent. Manager reported one vacant efficiency at the time of the survey.
Nordic Village Apartments	1 -1 bedroom <u>11 - 2 bedroom</u> 12 total units	\$510 \$550	1 vacancy	General occupancy	Market rate apartment constructed in the early 1970s. Owner reports one vacancy. Rent includes all utilities.
Parkway Apartments	2 - 1 bedroom <u>2 - 2 bedroom</u> 4 total units	\$350-\$400 \$550-\$600	No vacancies	General occupancy	Parkway Apartments includes four rental units in a downtown mixed-use building. There are two one-bedroom and two two-bedroom units. Rent is \$350-\$400 for a one-bedroom unit and \$550-\$600 for a two-bedroom unit. Rent includes water sewer, heat and garbage. The manager reports no vacancies.
Pelican Rapids Apartments	7 - 1 bedroom <u>7 - 2 bedroom</u> 14 total units	\$575 \$660	No vacancies	General occupancy	Pelican Rapids Apartments, previously known as Creamery Apartments, is a downtown building renovated from a creamery to 14 rental units, which includes seven one-bedroom and seven two-bedroom units. Rents include utilities. Manager reports no vacancies.
River Oaks Senior Apartments	<u>8 - 2 bedroom</u> 8 total units	\$725-\$755	No vacancies	55 and over	Market rate senior project constructed in 1994. Owner reports that there are currently no vacancies; there is a waiting list. Rent includes all utilities except electricity. Rent also includes a garage.

Table 26 Pelican Rapids Area Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Riverside Apartments	12 - 1 bedroom <u>12 - 2 bedroom</u> 24 total units	\$450 \$475	2 vacancies	General occupancy	Riverside Apartments is a 24-unit market rate project with 12 one-bedroom and 12 two-bedroom units. Owner reports that there are two vacancies. Tenants pay electricity and heat. Rent includes water, sewer and garbage.
Viking Apartments	5 -1 bedroom <u>1 - 2 bedroom</u> 6 total units	\$350 \$410	No vacancies	Mostly singles	Viking Apartments includes five one-bedroom units and one two-bedroom unit. The owner pays utilities. Owner reports no vacancies and the units are usually fully occupied.
Tax Credit					
Townhomes of Pelican Rapids	18 - 2 bedroom <u>22 - 3 bedroom</u> 40 total units	\$720 \$825	No vacancies	Families	Section 42 Tax Credit project constructed in 1997. Rent includes water, sewer and garbage. Income limits are 60% of median. Manager reports no vacancies and a waiting list. Thirteen tenants receive rental assistance through the Housing Voucher Program. Approximately 78% of the tenants are Somali households.

Table 26 Pelican Rapids Area Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Mill Pond View Apartments	65 - 1 bedroom <u>1 - 2 bedroom</u> 66 total units	\$725 \$793 30% of income	Average 96% occupancy rate	62 and over and disabled	MHFA/ Section 8 senior and disabled project. Currently, fully occupied. The project has 66 units, including 65 one-bedroom units and one two-bedroom unit. Lutheran Social Services provides customized service living to tenants on site. Tenants pay 30% of income up to the maximum rent. Rent includes a \$53 utility allowance. Project operates at a 96% occupancy rate.
Otter Tail County HRA	<u>2 - 3 bedroom</u> 2 total units	30% of income	No vacancies	Families	Two public housing units owned by the Otter Tail County/Fergus Falls HRA. Manager reports that the units are always occupied and there is a waiting list.
Ridgecrest Apartments	12 - 2 bedroom <u>4 - 3 bedroom</u> 16 total units	\$483-\$609 \$609-\$653 30% of income	No vacancies	Families	Rural Development/Tax Credit project constructed in 1992 with 16 units, including 12 two-bedroom and four three-bedroom units. Seven of the 16 units have rent assistance, tenants in nine units pay the market rent. Currently, there are no vacancies and there is a waiting list. Base and maximum rents include utilities.

Table 26 Pelican Rapids Area Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior with services					
Riverfront Manor	10 - studio <u>10 - 1 bedroom</u> 20 total units	\$1,871 \$2,126 Base rent	Currently 8 vacancies Average 50% occupancy rate	Assisted Living	Assisted living project constructed in 2002. Director reports eight vacancies and an average 50% occupancy rate. Base rents of \$1,871 and \$2,126 include one daily meal and housekeeping. Tenants can purchase additional assisted living services as needed.
Riverfront on Main	Studio <u>1 bedroom</u> 25 total units	Based on level of services	Average 80% occupancy rate	Assisted Living	Riverfront on Main is a 25-unit assisted living project. The building was previously the Good Samaritan Nursing Home. Tenants pay a base rent that includes a daily meal and housekeeping. Tenants purchase additional assisted living services as needed. The facility has the capacity to provide a high level of assisted living services. Director reports that the facility has an average 80% occupancy rate.
Vergas Assisted Living	<u>15 - 1 bedroom</u> 15 total units	Varies based on level of services	No vacancies	Assisted Living	Assisted living project in the City of Vergas constructed in 1994. Facility includes all assisted living services, including three meals a day, housekeeping, bathing, 24-hour staffing, medication distribution, etc. Staff reports no vacancies at the time of the survey, but there are occasional vacancies.
Pelican Valley Health Center	38 beds	Based on level of services	Average 75% occupancy rate	Skilled nursing home	Pelican Valley Health Center is a 38-unit bed skilled nursing facility. Administrator reports a 75% occupancy rate.

Source: Community Partners Research, Inc.

Employment and Economy

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 are provided by a broad range of private and public business sectors. 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.

Labor Force, Work Force and Unemployment

The MN Department of Employment and Economic Development provides labor force and employment information for all of Otter Tail County. Due to the size of the community, similar information is not available specifically for Pelican Rapids. The following table looks at information for the County since 2000.

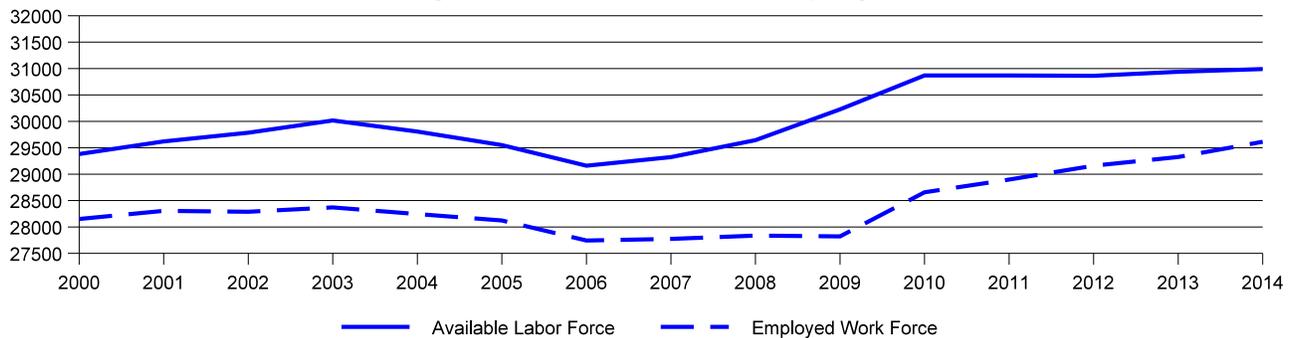
Table 27 Otter Tail County Labor Statistics: 2000 to 2014						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2000	29,381	28,152	1,229	4.2%	3.2%	4.0%
2001	29,620	28,306	1,314	4.4%	3.8%	4.7%
2002	29,785	28,288	1,497	5.0%	4.5%	5.8%
2003	30,016	28,371	1,645	5.5%	4.9%	6.0%
2004	29,806	28,245	1,561	5.2%	4.7%	5.6%
2005	29,550	28,123	1,427	4.8%	4.1%	5.1%
2006	29,160	27,742	1,418	4.9%	4.0%	4.6%
2007	29,322	27,773	1,549	5.3%	4.6%	4.6%
2008	29,643	27,837	1,806	6.1%	5.4%	5.8%
2009	30,228	27,822	2,406	8.0%	7.8%	9.3%
2010	30,869	28,657	2,212	7.2%	7.4%	9.6%
2011	30,869	28,898	1,971	6.4%	6.5%	8.9%
2012	30,862	29,159	1,703	5.5%	5.6%	8.1%
2013	30,939	29,325	1,614	5.2%	4.9%	7.4%
2014	30,991	29,613	1,378	4.4%	4.1%	6.2%

Source: MN Department of Employment and Economic Development

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

When viewed over a longer time period there has been growth in the size of the County’s available labor force, even though there has been upward and downward movement from year to year. When comparing 2014 to 2000, the County’s labor force increased by more than 1,600 people, or 5.5%.

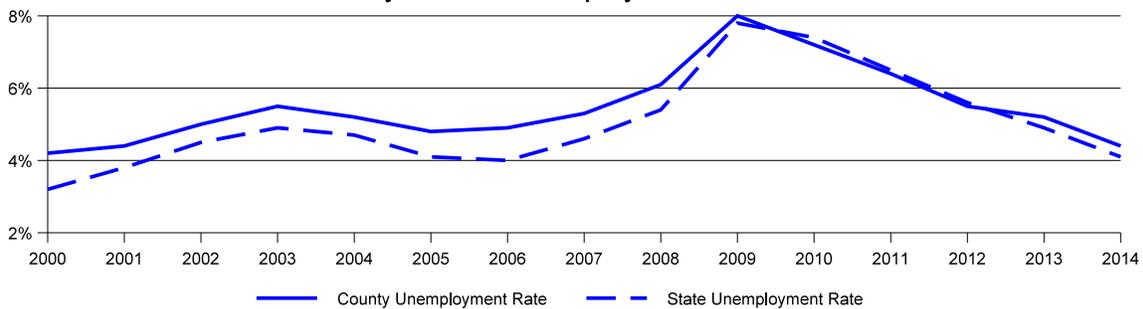
Otter Tail County Labor Force and Employed Work Force



The employed work force has also increased in size, when viewed over a 15-year time period. From 2000 to 2014, the number of employed County residents increased by nearly 1,500, or 5.2%. Since the employed resident population increased at a lower rate than the growth in the available work force, the County’s unemployment rate increased slightly, from 4.2% in 2000 to 4.4% in 2014.

The County’s unemployment rate reached its highest level in 2009, at 8.0%, but has steadily declined since that time. Over the last five years the Otter Tail County unemployment rate has generally been similar to the Statewide rate, and well below the national unemployment rate.

Otter Tail County Annual Unemployment Rate: 2000 to 2014



Employment and Wages by Industry

The following table shows the annual employment and average annual wages by major employment sector for the first three quarters of 2014. It is important to note that the major employment sectors listed do not represent all employment in the City. Some groups, including self-employment, are not represented.

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

Table 28 Pelican Rapids Average Annual Wages by Industry - 2014*		
Industry	Employment	Average Annual Wage
Total All Industry	1,620	\$33,211
Natural Resources, Mining	N/A	N/A
Construction	N/A	N/A
Manufacturing	N/A	N/A
Trade, Transportation, Utilities	290	\$37,388
Information	N/A	N/A
Financial Activities	48	\$29,363
Professional and Business Services	111	\$27,508
Education and Health Services	305	\$30,975
Leisure and Hospitality	40	\$12,012
Other Services	29	\$21,320
Public Administration	40	\$26,485

Source: MN Department of Employment and Economic Development

* Jan.-Sept. 2014

The average annual wage in Pelican Rapids for all industry was \$33,211 through the first three-quarters of 2014. This assumes full-time employment for 52 weeks at the average weekly wage rate.

The highest paying wage sectors were Trade, Transportation and Utilities, at more than \$37,000, and Education and Health Services, at nearly \$31,468. These were the only two identified industry sectors with an average wage above \$30,000.

Much of the employment in Pelican Rapids is in food processing operations, which do not appear to be represented in the specific industry sector detail that is available. However, these jobs do appear in the total employment number and in the average wage data.

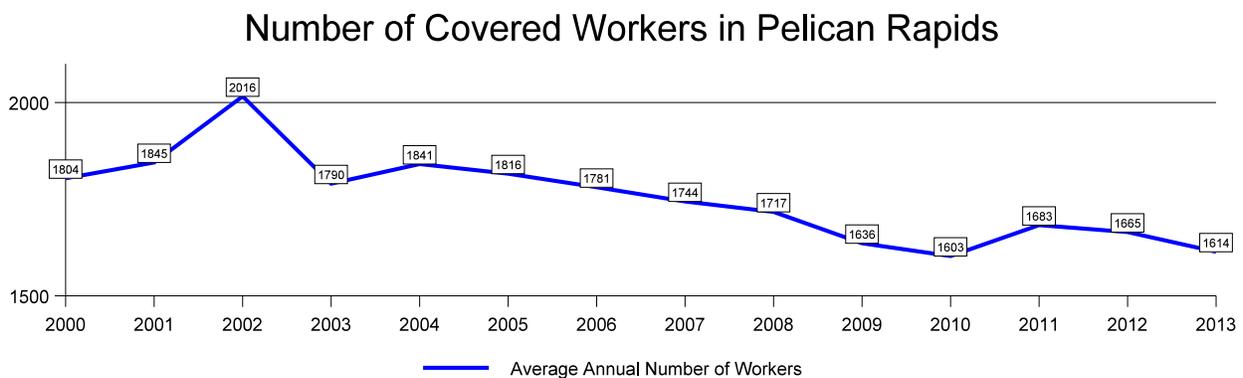
The lowest paying wage sector was Leisure and Hospitality, with an average annual wage of just over \$12,000.

Pelican Rapids 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 Pelican Rapids from 2000 to 2013.

Table 29 Pelican Rapids Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	1,804	2007	1,744
2001	1,845	2008	1,717
2002	2,016	2009	1,636
2003	1,790	2010	1,603
2004	1,841	2011	1,683
2005	1,816	2012	1,665
2006	1,781	2013	1,614

Source: QCEW - MN Department of Employment and Economic Development



There has been a long-term pattern of loss in the number of employees working in Pelican Rapids. Growth had been occurring until 2002, but since that peak year there has been a reduction of more than 400 jobs in the City. However, the employment level has generally remained stable since 2009.

Projected Employment

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

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

Commuting Patterns of Area Workers

Some information is available on area workers that commute for employment. The best information is from the 2013 American Community Survey, and has been examined for the City of Pelican Rapids. The first table only examines people that lived in Pelican Rapids, and tracked their drive time to work. It excludes people that work at home.

Table 30 Commuting Times for Pelican Rapids Residents - 2013		
Travel Time	Number	Percent
Less than 10 minutes	809	73.5%
10 to 19 minutes	129	11.7%
20 to 29 minutes	67	6.1%
30 minutes or more	96	8.7%
Total	1,101	100%

Source: 2013 American Community Survey 5-year estimates

The large majority of Pelican Rapids residents were commuting less than 20 minutes to work in 2012. Presumably, most residents were working within the City limits, or in the immediately surrounding area. Overall, more than 85% of residents commuted 19 minutes or less to work. Fewer than 9% of the City’s residents commuted a half hour or more for employment.

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

Table 31 Commuting Times for Pelican Rapids Employees - 2013		
Travel Time	Number	Percent
Less than 10 minutes	913	49.6%
10 to 19 minutes	500	27.1%
20 to 29 minutes	223	12.1%
30 minutes +	206	11.2%
Total	1,842	100%

Source: 2013 American Community Survey 5-year estimates

Most people that worked in Pelican Rapids lived in the immediate area, with nearly 77% traveling less than 20 minutes to the City. Only 11.2% of workers traveled 30 or more to work in Pelican Rapids.

Census On the Map

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

According to the report for Pelican Rapids, there were 1,812 people that were employed within the city limits in 2011. Only 535 (29.5%) of these Pelican Rapids-based employees actually lived within the City. The remaining 1,277 (70.5%) employees lived outside the City limits.

The On The Map data also tracks worker outflow patterns. In 2011 there were 840 Pelican Rapids residents that were employed. Most of these residents also worked within the City, but 305 people (36.3%) did leave the City for employment.

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

Table 32 Employee Inflow/Outflow Analysis - 2011			
City	Number of People Employed in the City	Percent of City Employees that also Reside in the City	Percent of City Employees that Live Outside of the City
Pelican Rapids	1,812	29.5%	70.5%
Perham	3,843	17.7%	82.3%
New York Mills	960	6.7%	93.3%
Fergus Falls	8,485	40.4%	59.6%
Detroit Lakes	9,936	18.4%	81.6%
Wadena	3,145	24.1%	75.9%

Source: Census Bureau, Center for Economic Studies

As indicated in the table above, in most communities there are a relatively small percentage of the jobs that are actually filled by people that live within each city. In 2011, more than 70% of the people working within Pelican Rapids lived outside of the city limits. However, Pelican Rapids generally outperformed most of the other regional employment centers, with only Fergus Falls having a higher percentage of city-based jobs filled by residents.

Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for the City of Pelican Rapids, the Market Area and Otter Tail 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.

Pelican Rapids and Otter Tail County's population increased from 2000 to 2010. From 2000 to 2010, Pelican Rapids' population increased by 90 people and Otter Tail County's population increased by 144 people. The Market Area's population decreased by 60 people from 2000 to 2010. ESRI estimates that Pelican Rapids added 22 people, the Market Area added 78 people and Otter Tail County added 296 people from 2010 to 2014.

Pelican Rapids, the Market Area and Otter Tail County all had household gains from 2000 to 2010. The City of Pelican Rapids had a gain of 20 households, the Market Area had a gain of 242 households and Otter Tail County added 1,384 households from 2000 to 2010. The 2014 estimate shows Pelican Rapids gaining 14 households, the Market Area gaining 79 households and Otter Tail County gaining 173 households from 2010 to 2014.

Findings on Projected Growth

ESRI forecasts that Pelican Rapids, the Pelican Rapids Market Area and Otter Tail County will gain population and households from 2014 to 2019. ESRI projects that Pelican Rapids will gain 24 people and 14 households, the Pelican Rapids Market Area is projected to gain 105 people and 76 households and Otter Tail County will gain 519 people and 414 households from 2014 to 2019.

Summary of Pelican Rapids Growth Projections by Age - 2010 to 2019

The Demographic section of this Study presented projection information on anticipated changes in the City of Pelican Rapids from 2010 to 2019. 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 2019 in Pelican Rapids expect a gain of 83 households in the 55 and older age ranges. There is a projected net loss of 55 households in the 54 and younger age ranges.

The following forecast shows the expected net change in the number of Pelican Rapids households in each 10-year age cohort between 2010 and 2019.

<u>Age Range</u>	<u>Projected Change in Households 2010 to 2019</u>
15 to 24	-11
25 to 34	8
35 to 44	-19
45 to 54	-33
55 to 64	28
65 to 74	49
75 and Older	<u>6</u>
Total	28

Findings on Unit Demand by Type of Housing

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

Age 24 and Younger - The projection used for this Study expects a decrease of approximately 11 households in the 15 to 24 age range through the year 2019. Past tenure patterns indicate that as many as 67% of the households in this younger range in Pelican Rapids will rent their housing. The decrease in the number of households in this age range should mean that rental demand from younger households will decrease during the projection period.

25 to 34 Years Old - The projection shows a gain of eight households in this age cohort by 2019. Within this age range, households often move from rental to ownership housing. The ownership rate among these households in Pelican Rapids was approximately 47% in 2010. A gain in the number of households within this age range will result in an increase in the demand for both first-time home buyer and rental opportunities.

35 to 44 Years Old - This 10-year age cohort has a projected loss of 19 households between 2010 and 2019 in the City of Pelican Rapids. In the past, this age group has had approximately a 66% rate of home ownership in Pelican Rapids. Households within this age range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house. Household losses in this age cohort may result in a decrease in overall demand for owner-occupied housing.

45 to 54 Years Old - By 2019, 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 Pelican Rapids, this projection shows a decrease of 33 households in this range. This age group historically has had a high rate of home ownership, approximately 77% in Pelican Rapids in 2010, and will often look for trade-up housing opportunities. With a household decrease in this age group, the demand for trade-up housing from this age range will decrease through the year 2019.

55 to 64 Years Old - This age range is part of the baby boom generation. The projection shows an expected increase of 28 households in this 10-year age range by the year 2019 in the City. This age range has traditionally had a high rate of home ownership in Pelican Rapids, at approximately 76% 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 49 households is expected in Pelican Rapids within this age range by the year 2019. 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 71% of households in this age range owned their housing in Pelican Rapids. Once again, preferences for age-appropriate units should increase from household growth within this age cohort.

75 Years and Older - There is a projected gain of six households in Pelican Rapids in this age range between 2010 and 2019. In the past, households age 75 and older, have had a relatively low rate of home ownership, at approximately 47% in Pelican Rapids. 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.

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

Pelican Rapids - Strengths and Barriers for Housing Development

Strengths for Housing Development

The following strengths of the community were identified through statistical data, local interviews, research, an on-site review of the local housing stock and a review of strengths identified in the 2008 Housing Study.

- ▶ **Pelican Rapids is located within commuting distance of Fergus Falls and Detroit Lakes** - The City of Pelican Rapids is located within commuting distance of Fergus Falls and Detroit Lakes, which have employment, service, commercial, retail and entertainment opportunities.
- ▶ **Household and population growth** - Since 1990, the City has sustained population and household growth and the City is projected to experience limited household and population growth in the future.
- ▶ **Adequate land for future development** - The City has land available for future residential and commercial/industrial development. However, some of this land needs to be serviced with infrastructure improvements and/or annexed into the City limits.
- ▶ **Natural amenities and recreational opportunities** - Pelican Rapids is located in a lakes and recreational area that provides excellent fishing, hunting and other recreational and tourism opportunities.
- ▶ **City government** - The City is promoting housing development.
- ▶ **Economic Development Organization** - The Pelican Rapids Economic Development Authority is active in addressing the City's economic development and housing needs.
- ▶ **Commercial development** - Pelican Rapids's commercial district is adequate to meet daily needs.
- ▶ **Large Employers** - The City of Pelican Rapids has several large employers that provide employment opportunities.
- ▶ **Municipal water and sewer systems** - The City of Pelican Rapids municipal water and sewer systems can accommodate future growth.
- ▶ **Housing Agencies** - Several housing agencies have the capacity to provide financing and administrative services for housing projects and programs in the City of Pelican Rapids.

- ▶ **Pelican Rapids serves as a small regional center** - Pelican Rapids provides employment opportunities, retail/service options, governmental services, health and professional services and recreational facilities for the Pelican Rapids Market Area.
- ▶ **Public School System** - The City has an excellent public school system and grades K-12 are located in Pelican Rapids.
- ▶ **Ethnic and Cultural Diversity** - Over the past 20 years, Pelican Rapids has become more diversified with refugees and immigrants locating in the City.
- ▶ **Commuters** - Nearly 1,300 employees are commuting into Pelican Rapids daily for work. These commuters are a potential market for future housing development.
- ▶ **Health facilities** - Pelican Rapids has excellent health facilities including a medical clinic and senior with services facilities.

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 Pelican Rapids.

- ▶ **Lower incomes limit housing choices** - Household and family incomes for Pelican Rapids are lower than the Statewide medians. The City's estimated median household income for 2013 was \$34,688, which translates into an approximate housing affordability level of \$867 per month. While this income level matches up well with prices for low-valued existing homes and rental housing in the City of Pelican Rapids, it is not as well matched to the prices for new housing construction.
- ▶ **Lower paying jobs** - Many jobs in Pelican Rapids are at the lower end of the pay scale and the employees with these jobs have limited housing choices.
- ▶ **Low rent structure** - The City's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Competition with Fergus Falls and Detroit Lakes** - Although it is an asset to be located within commuting distance of Fergus Falls and Detroit Lakes, it can also be a barrier to new housing development. These Cities have more employment, service, retail and entertainment opportunities. The amenities Fergus Falls and Detroit Lakes have to offer will often make them a preferred location for some households.
- ▶ **Competition with rural and lake lots** - There are many high amenity rural and lake lots in Otter Tail County. These lots are competition for lots that are for sale in the City of Pelican Rapids.
- ▶ **Distance from a Major Regional Center** - Pelican Rapids is located approximately 50 miles from Fargo, the nearest large regional center, and 18 miles from Fergus Falls and 20 miles from Detroit Lakes, the nearest medium size regional centers. Many households prefer to live in or near a large regional center for the services, employment and amenities that are provided.
- ▶ **Age and condition of the housing stock** - Some of the housing in Pelican Rapids is in need of improvements to meet expectations of potential buyers.

- ▶ **Shortage of buildable lots** - Currently, there are very few residential lots for sale in Pelican Rapids. This limits opportunities for new housing construction.
- ▶ **Value gap deters owner-occupied construction** - Based on market values from recent residential sales, we estimate that the median priced home in Pelican Rapids is approximately \$86,400. This is well below the comparable cost for new home construction, which will generally be above \$175,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building and can also deter customized construction, unless the owner is willing to accept a potential loss on their investment.

Pelican Rapids - 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 Pelican Rapids. 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 Pelican Rapids 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 Pelican Rapids.

Summary of Findings/Recommendations

The findings/recommendations for the City of Pelican Rapids have been formulated through the analysis of the information provided in the previous sections and include a total of 25 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 Pelican Rapids	
Rental Housing Development	
1.	Develop 20 to 24 general occupancy market rate rental units
2.	Promote the development/conversion of five to six affordable market rate rental housing units
3.	Develop 16 to 20 units of subsidized/tax credit rental housing
4.	Develop 10 to 12 senior designated market rate rental units
5.	Preserve the existing supply of subsidized housing
6.	Senior with services housing needs
7.	Develop a 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
New Construction	
11.	Lot availability and development
12.	Develop 16 to 20 residential lots
13.	Strategies to encourage residential lot sales and new home construction

Findings and Recommendations for the City of Pelican Rapids	
14.	Promote town house and twin home development
15.	Coordinate with agencies/nonprofits that develop affordable housing
Housing Rehabilitation	
16.	Promote rental housing rehabilitation programs
17.	Promote owner-occupied housing rehabilitation programs
18.	Continue the Rental Housing Licensing and Inspection Program
Other Housing Initiatives	
19.	Encourage employer involvement in housing programs
20.	Consider the implementation of a time-of-sale/rent mobile home program
21.	Acquire and demolish dilapidated structures
22.	Create a plan and continue coordination among housing agencies
23.	Develop home ownership and new construction marketing programs and strategies
24.	Promote commercial rehabilitation and development
25.	Racial and Ethnic Minority Housing Issues

Pelican Rapids - 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 2015, based on City of Pelican Rapids and U.S. Census data, only one rental project was constructed in Pelican Rapids. Riverfront Manor, a 20-unit assisted living project was constructed in 2002. Also, the Good Samaritan Nursing Home was converted into 25 assisted living units.

Also, based on U.S. Census information, some single family homes were converted from owner-occupied to rental use between 2000 and 2010.

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 Pelican Rapids and the Pelican Rapids Market Area expect household growth, although some of this growth will result in demand for owner-occupied housing. From 2014 to 2019, it is projected that there will be approximately a 14-household gain in Pelican Rapids and a 78-household gain in the Market Area. Approximately 30% of the households in the Market Area will be rental households, thus, there will be growth-generated demand for approximately 23 total rental units over the five-year period.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City will lose approximately four to five rental units per year. As a result, approximately 15 to 20 total 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.

As part of this study, a rental survey was conducted. In total, 324 rental units/beds were contacted and surveyed. The survey found four vacancies in the general occupancy market rate units, which is a 3.9% vacancy rate, no vacancies in the tax credit project and two vacancies in the subsidized units, which is a 2.4% vacancy rate. The three senior with services projects reported a substantial number of vacancies. The assisted living project in Vergas reported full occupancy.

We have identified pent-up demand for new high quality market rate rental units, affordable workforce rental units, and senior memory care units. There currently is adequate subsidized housing.

In addition to these three demand factors, Otter Tail County and Pelican Rapids have another demand generator related to job creation. Several industries in Otter Tail County cities including Pelican Rapids, Perham, New York Mills and Fergus Falls have created a significant number of jobs and some of the industries are planning to add more jobs over the next several years. Also, several industries cannot fill existing jobs due to a lack of workers. It is projected that most new employees currently live in the area, however, there is an opportunity to develop housing for some new employees moving into the area.

These four demand generators, after factoring current vacancy rates, show a demand potential for 61 to 74 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	20-24 units
▶ Affordable/Conversions	5-6 units
▶ Subsidized/Tax Credit	16-20 units
▶ Senior Designated	10-12 units
▶ Senior Memory Care	<u>10-12 units</u>
Total	61-74 units

It is important to recognize that this is the potential demand within 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 20 to 24 general occupancy market rate rental units

Findings: Approximately 68% of the rental housing in the City of Pelican Rapids 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 384 total units in 2010. We believe that approximately 260 of these units are best described as market rate rental housing. The market rate rental housing in Pelican Rapids is in multi-family buildings, mixed-use buildings, single family homes and mobile homes. There are a limited number of market rate multi-family buildings in Pelican Rapids that have 'state of the art' amenities. River Oaks Senior Apartments is the newest market rate rental project in the City. River Oaks was constructed in 1994 and is designated for tenants age 55 and older. Most of the market rate projects in Pelican Rapids are more than 30 years old.

Of the market rate rental units we surveyed, we found only four vacancies. The owners of rental housing reported high occupancy rates and strong demand.

Nearly 1,300 employees are commuting into Pelican Rapids daily for work. Some of these employees would potentially move to Pelican Rapids if additional housing was available. Also, employers in the community report that their employees have difficulty finding adequate housing. Additionally, there are people employed in other Otter Tail communities that are seeking housing in the area.

Through the year 2019, there is a projected growth of 76 households in the Market Area, which is approximately 15 households annually. Many of these households would prefer to rent.

There is a fairly wide variation in rental rates in the market rate segment in the City of Pelican Rapids. The gross rents range from approximately \$365 for an efficiency unit up to \$795 for a two-bedroom unit. The survey did not identify any three or four-bedroom units in the market rate rental projects. However, it is assumed that some of the single family homes have three or four bedrooms.

From 2000 to 2014, no market rate rental units were constructed in Pelican Rapids. However, 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 significant need for additional rental housing.

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

Based on this combination of demand generators, we believe that it is reasonable to plan for production of 20 to 24 market rate rental units over the next five years or approximately four to five units annually.

Based on our research, there is a lack of three and four-bedroom units, thus, the new units constructed over the next five years should include three and four-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. We recommend that the new units 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 Pelican Rapids. 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 will 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 Pelican Rapids EDA or a regional housing agency could potentially utilize essential function bonds or similar funding sources to construct market rate rental housing.

In the 2008 Pelican Rapids Housing Study, the development of 16 to 20 market rate units was recommended. Due primarily to the recession and the housing crisis, no units were constructed.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	4-5	700 - 850	\$650 - \$775
Two Bedroom	10-12	900 - 1,000	\$750 - \$950
Three Bedroom	4-5	1,100 - 1,200	\$800 - \$1,100
Four Bedroom	<u>2</u>	1,300 - 1,400	\$1,150 - \$1,250
Total	20-24		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2015 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 - \$512
- ▶ 2 bedroom - \$643
- ▶ 3 bedroom - \$918
- ▶ 4 bedroom - \$944

2. Promote the development/conversion of five to six affordable market rate rental housing units

Findings: The previous recommendation addressed the market potential to develop high quality rental units in Pelican Rapids. Unfortunately, these units would tend to be beyond the financial capability of many area renters. A majority of Pelican Rapids’ 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 Pelican Rapids has lost some rental housing over the years and will continue to lose units due to deterioration and demolition or from units converting from renter to owner occupied. Part of the need for additional rental units in Pelican Rapids is to provide for unit replacement. Unfortunately, most of the lost units are probably 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.

Recommendation: We would encourage the City to promote the development/conversion of more affordable rental units. A goal of five to six 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 commercial buildings, or through the purchase and rehabilitation of existing single family homes. Several single family homes have been rehabilitated in Pelican Rapids for rental housing by local individuals.

Creating additional units with gross 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. Develop 16 to 20 Units of General Occupancy Subsidized/Tax Credit Rental Housing

Findings: The City of Pelican Rapids has three subsidized housing projects and one tax credit project, Townhomes of Pelican Rapids. The three subsidized rental projects are as follows:

- ▶ **Mill Pond View Apartments** - Mill Pond View Apartments, with a total 66 units, is a Rural Development Project designated for seniors and disabled individuals age 62 and over. The 66 units include 65 one-bedroom units and one two-bedroom unit. Some of the tenants receive assisted living services from Lutheran Social Services.
- ▶ **Ridgecrest Apartments** - Ridgecrest Apartments, with 16 units, is an MHFA/Section 8 project designated for families. The 16 units include 12 two-bedroom and four three-bedroom units.
- ▶ **Public Housing duplex** - The HUD Public Housing duplex is designated for families. Both units have three bedrooms.

- ▶ **Townhomes of Pelican Rapids** - The tax credit project in Pelican Rapids is the Townhomes of Pelican Rapids. The project has 40 units and was constructed in 1997. The 40 units include 18 two-bedroom and 22 three-bedroom units. There are currently no vacancies and a waiting list. The rents for the Townhomes are \$720 for a two-bedroom unit and \$825 for a three-bedroom unit.

Very few subsidized units have been created in the last 20 years. 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 lower income renters, but does serve moderate income households that are at or below 60% of the median income level.

Several Cities and housing agencies have utilized funding sources in addition to tax credits to lower development costs, which ultimately reduces the rent structure. Several tax credit projects serve low income households as low as 30% of median income.

With the Townhomes of Pelican Rapids serving moderate income households and Mill Pond View Apartments serving senior and disabled households, only the seven units with rental assistance in Ridgecrest Apartments and the two Public Housing units are available for low income households.

According to the American Community Survey in 2013, there were 197 households in Pelican Rapids paying more than 30% of their income for rent.

Recommendation: We would recommend the construction of 16 to 20 General Occupancy Subsidized/Tax Credit housing units in Pelican Rapids to serve low and moderate income renters.

At this time, it is very difficult to construct new subsidized housing units to serve very low income people. Very few subsidy production resources remain available at the State or Federal level for 'deep subsidy' housing.

We believe that the best opportunity to create affordable rental housing in Pelican Rapids would be through the federal low income housing tax credit program. However, in addition to tax credits, we believe that additional subsidies will be needed to achieve a lower unit rent structure that can serve low income households. A future subsidized/tax credit project would need to target a low rent level. In some projects, additional subsidy sources have been used along with tax credits to generate more affordable units. A future project in Pelican Rapids that could serve low and moderate income renters would greatly expand the affordable choices available in the community.

We would recommend that an equal mix of two-bedroom, three-bedroom and four-bedroom units be provided to primarily serve families with children. We recommend that the rents are in a range that serves households from 30% to 60% of County median income.

We believe that 16 to 20 subsidized/tax credit units would be an appropriately sized project to address the demand for low and moderate income general occupancy rental units in Pelican Rapids.

The Townhomes of Pelican Rapids site has land available for additional units. There are also other potential sites available in the community.

4. Develop 10 to 12 senior designated market rate rental units

Findings: The City of Pelican Rapids has one senior designated market rate rental project, River Oaks Apartments. The Project was constructed in 1994 and has eight units. The rent structure ranges from \$725 to \$755 plus electricity. There currently are no vacancies.

Although this rental option exists for senior households in Pelican Rapids, it is our opinion that a 10 to 12 unit senior designated market rate rental project would address a gap that currently exists in the Pelican Rapids rental inventory.

According to ESRI estimates in 2014, the City of Pelican Rapids had 461 households and the Pelican Rapids Market Area had 2,241 households age 55 and over. ESRI also projects that the 55 and older population will increase by 31 households in Pelican Rapids and by 197 households in the Market Area over the next five years.

Recommendation: We recommend the construction of a 10 to 12 unit market rate 55 and older rental units with 'state of the art' amenities over the next five years.

Unit features should include ample closet space since prospective tenants will have numerous belongings they will be moving from single family homes. At a minimum, a walk-in closet should be included with each unit. If possible, a separate storage room should also be incorporated into each unit. Washers and dryers should be provided in each unit. Other standard design features for senior buildings should be included such as raised outlets, lever door handles and lowered kitchen cabinets. Expansive window area is an asset for senior units since many seniors spend a significant portion of their time in their units and enjoy ample daylight and views to the outdoors. Patios for each unit are also strongly recommended.

The location of the project should be close to services as the project will be primarily occupied by older seniors. If possible, a high amenity location such as a site with a river view would be ideal for a senior project.

We recommend the following unit type, number of units, size and rent structure:

Senior Market Rate Units:

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	2-3	850-900	\$800-\$875
Two Bedroom	8-9	1,000-1,100	\$900-\$975
Total	10-12		

Note: Rents are quoted in 2015 dollars and include all utilities.

5. Preserve the existing supply of subsidized housing

Findings: The Pelican Rapids Market Area has three “deep subsidy” rental housing projects that allow tenants to pay rent based on 30% of income. 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.

Two of the three “deep subsidy” rental housing projects, Ridgecrest Apartments and Mill Pond View Apartments, 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 Pelican Rapids Market Area subsidized projects were on the MHFA list.

Regional housing agencies should check with MHFA on an ongoing basis to determine if any Pelican Rapids Market Area 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.

The Pelican Rapids Market Area has five specialized projects that provide housing with supportive services for an elderly population. These senior with services projects include:

- ▶ **Riverfront Manor** - Riverfront Manor, with 20 units, provides the full array of assisted living services. The 20 units include 10 studio and 10 one-bedroom units. The facility was constructed in 2002. Riverfront Manor has eight vacancies and has an average 50% occupancy rate. Tenants pay a base rent that includes a noon meal and housekeeping. Tenants can purchase additional assisted living services as needed.
- ▶ **Riverfront on Main** - Riverfront on Main is a 25-unit assisted living facility that includes studio and one-bedroom units. The facility is located in the building that was previously in Good Samaritan Nursing Home. Residents pay a base rent that includes a noon meal and housekeeping. Residents can purchase additional assisted living services as needed. The facility has the capacity to provide a high level of assisted living services. Currently, the facility averages an 80% occupancy rate.
- ▶ **Vergas Assisted Living** - This is a 15-unit project located in Vergas. The project was constructed in 1994 and currently has no vacancies. The facility includes all assisted living services including three daily meals, housekeeping, 24-hour staffing, bathing, etc.
- ▶ **Mill Pond View Apartments** - Mill Pond View Apartments provides customized living services for its tenants through Lutheran Social Services. This option is an opportunity for low/moderate income seniors to receive senior services.
- ▶ **Pelican Valley Health Center** - Pelican Valley Health Center is licensed for 38 beds. The facility is currently operating at a 75% occupancy rate. At the time of the 2008 Pelican Rapids Housing Study, the City had a second nursing home, the Good Samaritan Center, which had 50 beds. However, the Good Samaritan Center has been converted to an assisted living facility, Riverfront on Main.

Recommendation: To determine future senior with services housing demand in Pelican Rapids, we have identified the number of seniors in the Pelican Rapids Market Area. In 2014, the Pelican Rapids Market Area had approximately 1,191 people between the age of 65 and 74 and approximately 829 people over the age of 75. The growth projections show growth in the market area's senior population over the next five years. The Market Area will add approximately 236 people in the 65 to 74 age range and 97 people in the 75 and older age range from 2014 to 2019.

- ▶ ***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 Market Area has a well-established provider that serves this segment of the market. This facility is currently operating at a 75% occupancy rate. No recommendations are offered for this type of housing.

- ▶ ***Memory Care Housing*** - We have not identified any memory care units in the Pelican Rapids Market Area. If 1.5% of the older seniors in the Market Area need a memory care bed, there would be demand for up to 12 memory care beds. Based on this calculation, there is the potential to develop 10 to 12 memory care beds in the Market Area. A small memory care project in Pelican Rapids, in our opinion, would be successful and address the housing needs of this segment of the population.

- ▶ ***Assisted Living*** - Currently, there are 60 assisted living units/beds in the Market Area. These 60 units/beds are in three facilities, Riverfront Manor with 20 units, Riverfront on Main with 25 units and Vergas Assisted Living with 15 units. In addition, Mill Pond View Apartments offers assisted living services through private contracts with Lutheran Social Services. Riverfront Manor and Riverfront on Main have a significant number of vacancies. However, Vergas Assisted Living is fully occupied. 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 41 to 53 assisted living beds. With 60 assisted living units/beds in the three facilities, it is our opinion that an adequate number of assisted living units/beds currently exist in the Market Area.

- ▶ ***Housing with Light Services*** - We have not identified any light service developments in the Market Area. However, all three assisted living facilities and Mill Pond View Apartments allow the tenant to purchase services as needed.

Our calculations show demand for as many as 15 to 20 units of housing with light services to serve the Market Area.

A project with light services would typically cater to seniors that can largely live an independent lifestyle, but who can benefit from such services as a daily meal, weekly housekeeping and weekly laundry services.

As indicated above, several projects in the Market Area do provide a light services option, thus, it appears the need for light services units could be met by these projects. Also, there are vacant units in three of these facilities. Additionally, if a new senior designated market rate project is developed, light services may be provided.

Although the demand for housing with light services can be met within existing facilities, the need for light services units should continue to be monitored. Also, the existing facilities should consider a review of their rental rates and service fees to determine if rates can be lowered for residents that need a minimal level of services. This would broaden the market and make existing options affordable for more seniors.

The purpose of the senior housing with services recommendations is to provide general guidance to potential developers. A developer planning a specific project should have a project-specific study conducted.

7. Develop a Mixed-Use Commercial/Housing Project

Findings: A new mixed-use rental housing/commercial project would be an asset to Downtown Pelican Rapids. New mixed-use projects have been developed in several Minnesota cities comparable to the size of Pelican Rapids. Some of these projects were developed because of market demand, while others were developed to enhance the downtown or a commercial area, to introduce a new product to the market or to serve as a catalyst for redevelopment.

Recommendation: We recommend the development of a mixed-use building in Pelican Rapids. We recommend commercial space on the first floor and six to ten rental units on the second and third floors. Prior to construction, a portion of the commercial space should be leased to an anchor tenant that would complement the existing commercial businesses. Also, the project site should have adequate parking available.

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.

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 Otter Tail County is administered by the Otter Tail County/Fergus Falls Housing and Redevelopment Authority (HRA). Currently, the Otter Tail County/Fergus Falls HRA has funding for approximately 114 Vouchers for Otter Tail County. Of the total 114 Vouchers, 38 are being utilized by Pelican Rapids households.

Recommendation: From a practical standpoint, the Housing Choice Voucher Program is the single best way that Pelican Rapids 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 Otter Tail/Fergus Falls HRA to apply for additional Vouchers.

Also, the Otter Tail County/Fergus Falls HRA should continue to publicize the Housing Choice Voucher Program in Pelican Rapids to assure that City households have access to and are aware of the Program.

Pelican Rapids - 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 Pelican Rapids, based on 2014 sales, is estimated to be approximately \$86,400. With approximately 50% of the homes in Pelican Rapids valued less than \$86,400, Pelican Rapids has a market for first time home buyers and households seeking moderately priced homes.

With the projected job creation in the Pelican Rapids area, there will be households that are seeking home ownership. Some of these households may need the assistance of special programs to help them purchase a home. Also, some of these households will be seeking affordable homes, such as many of the homes in Pelican Rapids.

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 Pelican Rapids 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 Pelican Rapids. 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 \$86,400, many of the homes in the existing housing stock in Pelican Rapids 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 Pelican Rapids 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 Pelican Rapids and agencies, such as the Otter Tail County/Fergus Falls HRA and Mahube-Otwa Community Action Partnership, should utilize all available home ownership assistance programs to promote home ownership.

The City, in coordination with other Otter Tail 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 and the Greater Minnesota Housing Fund.

10. Consider the development of a Purchase/Rehabilitation Program

Findings: Pelican Rapids has a large stock of older, lower valued homes, some of which need repairs. Based on 2014 sales, approximately 50% of the homes in the City are valued less than \$86,400. 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.

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.

In the past, the Minnesota Housing Finance Agency has provided funding for the Minnesota Urban Homestead Program (MURL). 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. Two Pelican Rapids homes have been purchased, rehabilitated and sold to low/moderate income Somali families through the MURL Program. However, MHFA is no longer providing funding for the MURL Program.

Recommendation: We recommend that the City of Pelican Rapids and a regional housing agency consider the creation of a rehab/purchase program for existing houses that is similar to the previous MURL Program. Regional housing agencies and financial institutions could assist by offering some rehabilitation assistance in conjunction with first-time buyer programs to make the 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.

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

Pelican Rapids - New Housing Construction

New Housing Construction

Findings: Pelican Rapids has experienced some limited single family owner-occupied housing construction over the past 15 years. According to City and U.S. Census records, from 2000 to 2014, 37 single family owner-occupied units were constructed in Pelican Rapids.

During the eight-year period from 2000 to 2007, 22 owner-occupancy units were constructed, which is approximately three units annually. During the past seven years, from 2008 to 2014, 15 single family owner-occupied units were constructed, which is approximately two units annually.

The attractiveness of the area and new job creation should result in the construction of new homes over the next several years. However, attractive residential lot options must be available for new home construction.

Overall household projections for Pelican Rapids indicate demand for owner-occupied housing construction. 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.

The number of households in the 25 to 34 year old range is projected to increase slightly through the year 2020. Many of the households in this age range are seeking entry level homes. However, there is a projected loss of households in the 35 to 54 age ranges.

It is our opinion that if the city, regional housing agencies and private developers/builders are proactive, five to seven owner-occupied housing units could be constructed in Pelican Rapids 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 five to seven new owner-occupied housing units annually is as follows:

▶ Higher & median price homes	2-3 homes
▶ Affordable homes	1-2 homes
▶ Twin homes/town homes	<u>2 units</u>
Total	5-7 homes/ units

11. 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 Pelican Rapids. Currently, there are approximately 10 buildable lots available in Pelican Rapids subdivisions.

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, dilapidated homes are being acquired and demolished in Pelican Rapids. 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 five to seven new owner-occupied housing units will be constructed per year, the City should have approximately 13 to 18 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With approximately 10 available buildable lots, plus infill lots, the City currently does not have an adequate supply of lots. Therefore, it will be advantageous to develop additional residential lots that expand the choices available for potential builders of newly constructed homes.

12. Develop a 16 to 20 Residential Lots

Findings: Currently, Pelican Rapids has few residential lots available in newer subdivisions. If five to seven housing units are going to be constructed in Pelican Rapids annually, it will be necessary to develop new high amenity lots.

The City of Pelican Rapids and Pelican Rapids Market Area are projected to add new households over the next five years. The number of households in the 25 to 34 year old age range is projected to increase in Pelican Rapids and the Market Area by 15 households between 2015 to 2020. This age group typically represents first-time home buyers.

Over the next five years, the number of households in the 55 to 74 year old ranges is projected to increase by 21 households in Pelican Rapids and increase by 131 households in the Market Area. Households in these age groups have some of the highest rates of home ownership of all age cohorts and will often look to sell their existing home to buy a new house. Growth within these age ranges should generate demand for both trade-up housing and housing that provides low maintenance/no maintenance living.

Growth projections could be improved by job creation. Otter Tail County has several employers that plan to expand in the future. There are also jobs currently available in Pelican Rapids and Otter Tail County.

While there are some positive factors to support new housing construction, it should be noted that many of the City's existing houses have low values. The median price of recent residential sales was \$86,400 in 2014 and is significantly below the cost for new home construction.

Recommendation: We recommend the development of 16 to 20 additional lots over the next five years. The lots should be created with the projection that up to five to seven homes will be constructed annually. The lots could be developed by a private developer, with assistance from the EDA and the City, or they could be developed by the City/EDA as a publicly owned project.

In planning the lots, the following should be considered:

- ▶ The lots could be developed at multiple locations.
- ▶ The site or sites, to the extent that is feasible, should have land for future phases of lot development.
- ▶ The City and the EDA should support the project through TIF financing, tax abatement or other sources of funding.
- ▶ A mix of home designs, sizes and prices should be encouraged.
- ▶ Employers could be involved in financing and with publicity.
- ▶ The lots must be as aesthetically acceptable as possible, and include high-level amenities.
- ▶ Lots should be as affordable as possible.
- ▶ Financing programs for builders and buyers should be provided to the extent possible. Examples of financial assistance include down payment assistance, low interest mortgage programs, soft second mortgages, low interest construction financing, deferred payment for the lot, tax abatement, etc.

- ▶ The lots should be adequately publicized and advertised, both locally and around the region. To be successful, the project must attract new households into the community.
- ▶ The lots should be covenants that assure quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ A cluster of lots should be available for twin home/town home development.
- ▶ The building process must be user-friendly - the process should be as streamlined as possible for the buyers.
- ▶ Home sale prices must be at a level that provides a better product with more amenities at a lower price than competing cities.
- ▶ The City of Pelican Rapids and its institutions must stay competitive and Pelican Rapids should be perceived as a desirable City to live in. Local government, schools, parks, health services, retail stores, employers, etc., all have a role in making Pelican Rapids a desirable residential community.

Several sites in and around Pelican Rapids have been identified as good locations for lot development. We have not attempted to analyze potential sites in terms of availability, land costs, infrastructure costs, annexation feasibility, etc.

13. Strategies to encourage residential lot sales and new home construction in Pelican Rapids

Findings: Over the past seven years, there has only been an average of one to two owner-occupied housing units constructed annually in Pelican Rapids.

Recommendation: We recommend that the City of Pelican Rapids, the Pelican Rapids EDA, builders, realtors, employers and other housing stakeholders 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 throughout the region. To stay competitive, Pelican Rapids should continue to offer lots at a competitive price.
- ▶ ***Plan for long-term absorption*** - The research completed for this Study expects limited annual absorption of lots in Pelican Rapids. We are projecting the construction of five to seven housing units per year. It is therefore necessary to view lot sales and housing development as a long-term plan.
- ▶ ***Generate initial activity*** - The first households electing to build a home in a new area may have concerns about the long-term future of the remaining lots. It may 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 a designated timeframe. 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. It should be assured, however, that the builder is obligated to construct 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 Pelican Rapids 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.

- ▶ ***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. Smaller lots with fewer amenities could be marketed for affordable homes and the larger lots with more amenities could be marketed for medium and higher priced homes.
- ▶ ***User-Friendly*** - The lot purchase and homebuilding process must be 'user-friendly.' This includes the construction of spec homes, and builders are readily available to build custom homes.
- ▶ ***Incentives*** - Many cities throughout Minnesota are offering incentives to construct homes including reduced lot prices, reduced water and sewer hookup fees, tax abatement, cash incentives, etc. Incentives should be considered to promote new home construction.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/townhomes over the next five years. Lots should be available for twin home/town home lot development.
- ▶ ***Marketing*** - The City of Pelican Rapids and the Pelican Rapids EDA should develop a comprehensive marketing strategy to sell the available lots. All stakeholders including realtors, financial institutions, builders, developers, employers, etc. should be included in marketing strategies. In addition to marketing the lots, the City of Pelican Rapids and its amenities should be marketed.

14. Promote town house and twin home development

Findings: Pelican Rapids has experienced some owner-occupied attached housing development in recent years. Many communities over the past two decades have seen attached housing take an increasingly large share of new construction. In cities the size of Pelican Rapids, 20% to 30% of the housing starts are typically twin homes/town homes. Over the past 15 years, 14 of the 37 single family housing units constructed in Pelican Rapids were in twin homes.

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 2014, based on ESRI estimates, there were 277 households in Pelican Rapids with a head of household in the 55 to 74 year old age ranges. ESRI estimates that the Pelican Rapids Market Area had 1,677 households in the 55 to 74 age range in 2014. 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 Pelican Rapids' new owner single family units per year should be twin homes or town houses over the next five years, which is a total of 10 units during the five-year 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.

15. 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. There are housing agencies, nonprofits and private developers that may have the capacity to construct affordable housing in Pelican Rapids. These sources can help generate new homes for lower and moderate income families in Pelican Rapids.

Recommendation: We recommend that the City coordinate with housing agencies, nonprofit groups and private sector builders to produce housing units for lower and moderate income ownership. A goal of constructing one moderately priced housing unit annually over the next five years appears to be realistic. The City may be able to contribute to the project through land donations, TIF, tax abatement, 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.

Pelican Rapids - Housing Rehabilitation

Housing Rehabilitation

Findings: Pelican Rapids has a strong 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.

New housing construction has been occurring in a price range that is beyond the affordability level for many Pelican Rapids households. 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.

16. Promote rental housing rehabilitation programs

Findings: Based on the U.S. Census data and building permit data, we are estimating that in 2014 there are approximately 384 rental units in Pelican Rapids. The rental units include single family homes, mixed use buildings, duplexes, mobile home units and apartment buildings. Many of these rental structures are more than 30 years old and in poor condition.

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

Also, rental property owners that have to make improvements to comply with the Rental Registration and Inspection Program, will need resources to make improvements to their rental properties.

Recommendation: The City of Pelican Rapids and the Otter Tail County/Fergus Falls HRA should continue to seek Small Cities Development Program (SCDP) grant funds that allow for program design flexibility and makes a rental rehabilitation program workable. The SCDP program provides funds for a rental rehabilitation program that is structured by the community. Rental

Rehabilitation Programs have been implemented in Pelican Rapids in the past utilizing SCDP funds.

Also, the Clay County HRA administers MHFA's Rental Rehabilitation Program in the region, including Otter Tail County. The City should encourage rental property owners to apply for MHFA funds for rental rehabilitation.

17. Promote owner-occupied housing rehabilitation programs

Findings: Pelican Rapids has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the affordable owner-occupied 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 owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities.

The affordability of the existing housing stock in Pelican Rapids will continue to be a major attraction for families that are seeking housing in the area.

The Minnesota Small Cities Development Program (SCDP) continues to be the major source of funding for housing rehabilitation. An SCDP Owner Occupied Housing Rehabilitation Program was recently implemented in the City. Seventeen single family homes were rehabilitated through the program. The Minnesota Housing Finance Agency also provides funding for housing rehabilitation. The Otter Tail/Fergus Falls HRA administers the housing rehabilitation programs for Pelican Rapids, including the SCDP Program, the MHFA Home Improvement Program and the Fix-Up Fund. The Mahube-Otwa Community Action Partnership administers the Weatherization Program.

Our housing condition survey rated all 564 houses in Pelican Rapids. Our survey found that 181 homes need minor repairs and 82 homes need major repairs in Pelican Rapids. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink in the City of Pelican Rapids.

Recommendation: We recommend that the City of Pelican Rapids and area housing agencies continue to utilize available funding sources to rehabilitate homes in Pelican Rapids. The Minnesota Small Cities Development Program, USDA Rural Development, the Minnesota Housing Finance Agency, the Greater Minnesota Housing Fund and the Federal Home Loan Bank are all potential funding sources.

18. Continue to implement a Rental Housing Licensing and Inspection Program

Findings: The City of Pelican Rapids is currently implementing a Rental Housing Licensing and Inspection Program. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Housing Licensing and Inspection Program is successfully implemented. There are approximately 384 rental units in the City of Pelican Rapids.

The benefits of implementing a Rental Housing Licensing and Inspection Program include 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 Pelican Rapids is more than 50 years old.
- ▶ Older housing needs continued rehabilitation and maintenance.
- ▶ Older housing often has difficulty complying with current codes.

Conversions

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

Trends of Conversions

- ▶ Today's buyers want more amenities and conveniences, and less maintenance; thus, they are less likely to purchase the older homes, which results in the continuation of converting old homes to rental units and magnifies the problem.

Maintenance Efforts

- ▶ A large number of rental property owners 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

- ▶ Pelican Rapids has a significant number of rental property owners and many of these landlords do an excellent job. However, some landlords are not reinvesting in their properties. Often these landlords are absentee landlords, or landlords that have inherited the properties or received the land through default, and do not have the interest or expertise to maintain rental property.

Neighborhood Stabilization

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

Zoning and Codes

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

Substandard Units Removed From Rental Stock

- ▶ Rental units that are substandard and cannot cost effectively be brought into compliance with codes are removed from the rental housing stock.

Housing Condition Survey

- ▶ Community Partners Research, Inc. staff conducted a housing condition survey of 539 homes in four Pelican Rapids neighborhoods. The 73 mobile homes in the mobile home park were also surveyed. Of the 564 homes surveyed, 281 need rehabilitation. Forty-one of the mobile homes need rehabilitation. Many of these substandard homes and mobile homes are rental properties.

Coordination

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

Recommendation: We recommend the ongoing implementation of the Rental Housing Licensing and Inspection Program to assure that all rental units in Pelican Rapids comply with housing laws and codes. The Rental Housing Licensing and Inspection Program assures that Pelican Rapids rental units are safe and sanitary, and that blighted and unsafe conditions are removed.

Pelican Rapids - Other Housing Initiatives

Other Housing Initiatives

19. Encourage employer involvement in housing

Findings: The connection between economic development and housing availability has become an increasingly important issue as local employers have the need to attract new workers to the community. 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 Pelican Rapids' 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. Consider the implementation of a Time of Sale/Rent Mobile Home Program

Findings: Based on our mobile home survey, there are approximately 73 mobile homes in the City's mobile home park. Approximately 22% of the mobile homes need minor repair and 19% need major repair. Eleven homes (15%) are dilapidated and possibly beyond repair.

Based on information from the City, the owner of the mobile home park has been very active in assuring that the park is well maintained.

Recommendation: We recommend that the City of Pelican Rapids consider implementation of a Time of Sale/Rent Inspection Program. This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their rent or sale. All identified safety hazards must be corrected before the mobile home is sold or rented.

21. Acquire and demolish dilapidated structures

Findings: Our housing condition survey identified 18 houses in Pelican Rapids that are dilapidated and too deteriorated to rehabilitate. Also, we identified 82 homes that need major repair. Some of these homes may be too dilapidated to rehabilitate. The 18 dilapidated homes make up approximately 3.2% of the City's single family housing stock.

Recommendation: We recommend that the City of Pelican Rapids continue to take an aggressive approach to demolishing severely dilapidated structures. Over the last several years, the City has worked with property owners to demolish a significant number of homes in the City. The City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can be utilized for the construction of new affordable housing units.

The City could also develop partnerships with housing agencies and private developers to construct new housing on cleared parcels. Tax increment financing, Greater Minnesota Housing Funds, MHFA funds, and SCDP funds are potential funding sources for this initiative. Funding may be available for both acquisition/demolition and new construction activities.

Also, we recommend that the City continue to maintain an inventory of structures that may be candidates for future demolition. Additionally, an inventory of in-fill lots for future development should be maintained.

22. Create a plan and develop coordination among housing agencies

Findings: Pelican Rapids needs staff resources in addition to existing City staff to plan and implement many of the housing recommendations advanced in this Study. The City has access to the Otter Tail County/Fergus Falls Housing and Redevelopment Authority, the Mahube-Otwa Community Action Partnership, the Mid Minnesota Community Development Corporation and the local Rural Development Office. These agencies all have experience with housing and community development programs.

Recommendation: The City of Pelican Rapids 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 Otter Tail County Cities to address housing issues. With the number of small 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.

23. 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 had 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.

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 Pelican Rapids and the Pelican Rapids EDA 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
- ▶ Create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Pelican Rapids and the area) to provide employees (especially new employees) with housing opportunities in Pelican Rapids
- ▶ Work with housing agencies to provide down payment assistance, low interest loans and home owner education and home owner counseling programs
- ▶ 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
- ▶ Provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Develop strategies to sell the lots that are on the market
- ▶ 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.

24. Promote Commercial Rehabilitation and Development

Findings: The City of Pelican Rapids commercial district in good condition and several buildings have been renovated, however, there are several substandard and vacant commercial buildings in Pelican Rapids.

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 Pelican Rapids and the Pelican Rapids EDA continue to work with commercial property and business owners to rehabilitate their buildings and to continue to encourage new businesses to locate in Pelican Rapids.

The City of Pelican Rapids and the EDA should also continue to seek funding to assist property owners with rehabilitating their commercial buildings and for new businesses to locate in Pelican Rapids.

25. Racial and Ethnic Minority Housing Issues

This section provides information and recommendations on the housing needs of Pelican Rapids’ racial and ethnic minority population. There are concerns regarding the racial and ethnic minority population’s ability to obtain affordable, safe and sanitary housing.

The following information is provided:

- ▶ Population, household and household tenure data
- ▶ Problems and barriers in securing housing
- ▶ Strategies in securing housing

Population Data and Trends

2010 Population by Race - Pelican Rapids		
Race	2010 Population	Percent
White	1,827	74.1%
Black/African American	142	5.8%
American Indian	21	0.9%
Asian	79	3.2%
Hawaiian/Pacific Islander	17	0.7%
Other race Alone	286	11.6%
Two or more races	92	3.7%
Total	2,464	100%

Source: U.S. Census

- ▶ In 2010, approximately 74% of Pelican Rapids’ population was White, 11.6% was an Other Race Alone, 5.8% was Black/African American, 3.7% was Two or More Races and 3.2% was Asian.
- ▶ There were 776 City residents in 2010 that identified their ethnicity as Hispanic/Latino. The large majority of these people identified themselves as a single race, with 55% of Hispanic/Latino residents identifying their race as White. The remaining Hispanic/Latino residents were distributed in other racial groups.

2010 Households by Race - Pelican Rapids		
Race	2010 Households	Percent
White	734	81.2%
Black/African American	48	5.3%
American Indian	4	0.4%
Asian	19	2.1%
Hawaiian/Pacific Islander	4	0.4%
Other Single Race	75	8.3%
Two or More Races	20	2.2%
Total	904	100%

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

The table above identifies households by race in Pelican Rapids in the year 2010. According to the Census, 81.2% of the households were White and 5.3% were Black/African American households. More than 10% of all households in the City selected “other race” or “two or more races”.

Hispanic/Latino Populations

The Hispanic/Latino ethnic population is the largest minority group in Pelican Rapids. According to the 2010 Census, the Hispanic/Latino population and households are as follows:

Hispanic/Latino 2010 Population and Households in Pelican Rapids		
Ethnicity	2010 Population	2010 Households
Hispanic/Latino	776	177

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

In 2010, the 177 Hispanic/Latino households represented 19.6% of all households in Pelican Rapids. The population of 776 Hispanics/Latinos represented 31.5% of the total City population in 2010.

2010 Household Tenure by Race/Ethnicity in Pelican Rapids				
Race/Ethnicity	Owner Households		Renter Households	
	Number	Percent	Number	Percent
White	471	64.2%	263	35.8%
Black/African American	3	6.3%	45	93.7%
American Indian	1	25.0%	3	75.0%
Asian	16	84.2%	3	15.8%
Hawaiian/Pacific Islander	0	0%	4	100%
Other Race Alone	55	73.3%	20	26.7%
Two or More Races	11	55.0%	9	45.0%
Hispanic/Latino	123	69.5%	54	30.5%
Non-Hispanic/Latino	434	59.7%	293	40.3%

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

The most reliable tenure information for the City of Pelican Rapids is from the 2010 Census. In 2010, 64.2% of White households and 69.5% of the Hispanic/Latino households were home owners. Only three Black/African American households were home owners in 2010, compared to 45 renter households.

Housing Problems and Barriers

Housing problems and barriers were identified that impact racial and ethnic minority households, which include:

- ▶ **Same barriers as other low/moderate income households** - A significant percentage of minority households are low/moderate income and experience the same barriers as many non-minority low and moderate income households, in finding affordable, standard housing.
- ▶ **Communication** - Many minority individuals cannot speak English which causes communication problems when searching for housing.
- ▶ **Cultural Differences** - The minority households have cultural differences, which can conflict with generally accepted standards. For example, the number of people per unit may be acceptable to the individuals, but is considered overcrowding by the City Housing Code.
- ▶ **Temporary residents** - Some landlords require six month or one year leases. Some minority households are located in Pelican Rapids on a short-term basis and cannot sign a long-term lease.
- ▶ **Transportation** - Transportation is a problem because some minority individuals do not have vehicles, drivers licenses or insurance.
- ▶ **Deposit/Down payment** - Some minority households do not have the savings to pay a rent deposit or to make a down payment.
- ▶ **Discrimination** - There are isolated cases of discrimination by landlords against minority households. Although discrimination does exist, minority households are also denied housing for legitimate reasons such as no credit, no references, etc.
- ▶ **Screening process** - Some landlords have a screening process that includes credit checks, criminal background checks, reference requirements, employment requirements, etc. It is difficult for low income households to pass the screening process. Minority households often have additional hurdles in that some minority households have no established credit, have no references, may not have proper documentation to be in the country, etc.

- ▶ **Lack of large apartments** - Some minority households have large families that require three, four or five bedroom units. Large apartments are in short supply and are not meeting the demand.
- ▶ **Overcrowding** - With the lack of affordable housing and some minority households that are 'Hard to House' for the reasons stated in this Section, some households are forced to double-up which causes an overcrowded, often unhealthy living environment.
- ▶ **Condition of rental units** - During the interview process several individuals stated that substandard rental units is still an ongoing problem. Also, some minority households are fearful of complaining about needed improvements and problems in their rental units because they are afraid of being evicted.
- ▶ **Rent Burden** - According to the 2010 Census, 54% of renter households in Pelican Rapids are paying more than 30% of their income for housing. This is considered a rent burden. It is assumed that some of these households are minority households.
- ▶ **Lack of information** - Many racial and ethnic minority households arrive in Pelican Rapids and have no knowledge of what information and documentation they need to rent or purchase a home or how to begin the process. Also, many of these households cannot speak English.

Strategies in Securing Housing

Strategies to address the housing needs of the racial and ethnic minority population include:

- ▶ **Recognizing the impact the ethnic and racial minority population has on the housing market** - To address the needs of the minority population, we must recognize the impact the minority population has on the overall needs of the City. Often the minority population is low/moderate income, younger in age, need larger units based on family size and are often immigrants from distant locations.
- ▶ **Lutheran Social Services** - Lutheran Social Services has established several programs to assist immigrants with many issues, including housing.
- ▶ **Employer Involvement** - Employers should continue to take an active role in housing initiatives that address the housing needs of the minority population.
- ▶ **Renter Education Programs** - One of the major barriers for the racial and ethnic minority population is the inability to pass the screening process. Also, several landlords have shown frustration with some minority households as tenants for a variety of reasons. Lutheran Social Services and area housing agencies have developed a renter education program.
- ▶ **Leadership among the minority populations** - The racial and ethnic minority populations must continue to develop strong leadership to develop self help strategies and to work with agencies and governmental jurisdictions to address the housing needs of the minority population.
- ▶ **Financial institutions** - The financial institutions play a vital role in the minority population's opportunity to own a home and should continue to develop initiatives to address the minority population's financial needs.
- ▶ **Continue to enforce the Rental Registration and Inspection Program** - The Rental Registration and Inspection Program should continue to be enforced to eliminate unsafe and unsanitary living conditions.
- ▶ **Develop large rental units** - Large minority households have difficulty finding a rental unit large enough for their families. The need exists to develop large rental units.

- ▶ **Community education** - Local agencies, the schools, the media and employers should continue to educate the community at every opportunity about diversity and our minority populations. Education usually results in more tolerance and understanding. Conversely, the minority population must continue to educate themselves about Pelican Rapids and integrate into the community.
- ▶ **English speaking classes** - English speaking classes are offered and minority individuals should continue to take advantage of these classes.
- ▶ **Training & Education** - Employers should continue to provide training and minority individuals should take advantage of this training and also seek additional education. Training and education usually results in a better job which means a higher income. A higher income can solve many problems including housing needs.
- ▶ **Work with landlords that provide housing for the minority populations** - A number of landlords are providing housing for the minority populations. The City or a local agency should continue to meet and communicate with these landlords to address their concerns and determine how the City can work with the landlords to better address the minority population's housing needs.
- ▶ **Home ownership programs** - Several minority households have expressed an interest in gaining knowledge on how to purchase homes and what programs may be available to assist them in attaining home ownership. Minority households should be encouraged to attend Home Ownership education classes.
- ▶ **Study Recommendations** - Finally, most of the recommendations included in this study also pertain to the minority populations.

Agencies and Resources

The following local, state and federal agencies administer programs or provide funds for housing programs and projects:

Pelican Rapids Economic Development Authority

315 Broadway
P.O. Box 350
Pelican Rapids, MN 56572
Phone: (218) 863-7077

Mahube-Otwa Community Action Partnership

128 W. Cavour Ave.
Fergus Falls, MN 56537
Phone: (218) 739-3011

Otter Tail County/Fergus Falls HRA

1151 Friberg Ave.
Fergus Falls, MN 56537
Phone: (218) 739-3249

Midwest Minnesota Community Development Corporation

119 Graystone Plaza
P.O. Box 623
Detroit Lakes, MN 56502
Phone: (218) 847-3191

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