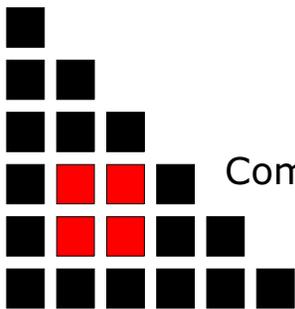


City of Cosmos HOUSING STUDY

August 2016

An analysis of the overall housing needs
of the City of Cosmos



Community Partners Research, Inc.

Lake Elmo, MN 55042

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Introduction

Overview

Community Partners Research, Inc., was hired by the Meeker Development Corporation to complete a comprehensive study of housing market conditions in each of the cities in Meeker County.

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from March to July 2016. Data sources included:

- U.S. Census Bureau
- Minnesota State Demographer
- Esri, Inc., a private data reporting service
- Records and data from each City
- Records and data maintained by Meeker County
- AdMark Resources Housing Market Demand Analysis 2005
- Data from the MN Dept. of Employment and Economic Development
- Data provided by HousingLink
- Data provided by the Multiple Listing Service
- Interviews with elected officials and staff from the City
- Interviews with community leaders
- Interviews with people familiar with the area's housing conditions including bankers, realtors, property managers, and developers
- Area housing agencies
- Rental property owner surveys

Limitations

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

In 2016, a number of issues continue to negatively impact local and national housing markets. Many of these issues represent a significant departure from conditions that were present prior to 2007, and have the potential to alter traditional supply and demand calculations for housing.

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

- ▶ High Rates of Delinquency and Foreclosure - after 2007, many communities witnessed an above-average level in the number of delinquent mortgages and foreclosures. As a result, there has been an above-average level of housing turnover, caused by "short sales", bank-owned sales and foreclosures.
- ▶ Mortgage Market Liquidity - In response to rising delinquency and foreclosure rates, the mortgage market has been altered, with both primary and secondary mortgage lenders changing their standards and the availability of credit.
- ▶ Fannie Mae and Freddie Mac Bailout - The federal government was forced to take over these quasi-public agencies to help keep home mortgages available. Changes to the federal government's role in the home mortgage market continue to be debated in Washington.
- ▶ National Retreat in Home Prices - After many years of steady gains, the median value of single family homes dropped in some major markets in the late 2000s. This had multiple effects, including a retreat of potential home buyers out of the market. While these price trends have generally reversed in recent years, market activity remains below the previous level.
- ▶ Over Supply of Housing - Strong housing market conditions earlier in this decade resulted in above-average activity in the housing development markets, including both housing units and residential lots. In some areas, an oversupply of inventory exists, which further depresses prices.
- ▶ Economic Recession - The economy of the United States was in a period of sustained recession, and recovery occurred slowly. After multiple years of above-average national unemployment, reduced consumer demand has been present in many areas, including housing.

This study was prepared by:
Community Partners Research, Inc.
Lake Elmo, MN 55042
(651) 777-1813

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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. The Minnesota State Demographer's Office has released demographic estimates for the year 2014 for Cedar Mills and Meeker County. The Census Bureau has released annual estimates for 2015. However, these estimates are generally limited to basic counts, such as population and household levels.

For some detailed demographic variables, the 2010 Census is still viewed as the most reliable data source. 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 Community Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate. The following tables incorporate the American Community Survey data, when it is viewed as reliable.

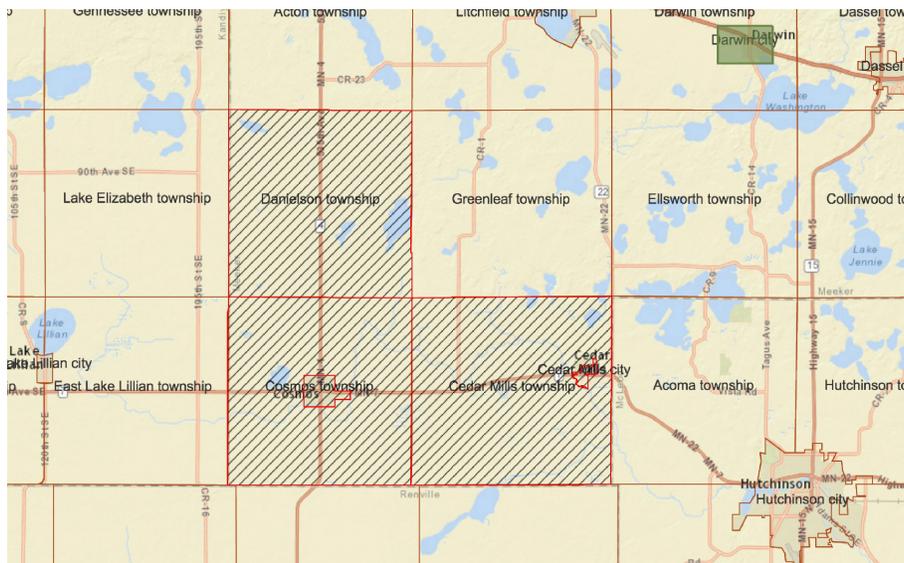
The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For the City of Cosmos and for all of Meeker County, the 2014 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between 2010 and 2014.

Community Partners Research also obtained some demographic estimates and projections from Esri, a private company that produces demographic reports. The Esri estimates are for the year 2015, and this company produces 5-year projections to the year 2020.

Cosmos Market Area Definition

The City of Cosmos is located in close proximity to other, similar-sized or larger communities, including Litchfield (20 miles), Hutchinson (18 miles), Lake Lillian (10 miles), Grove City (15 miles), and Hector (14 miles). As a result, only a limited primary market area surrounds the City that is not impacted by these other nearby communities.

To be consistent with previous housing studies completed for Cosmos, a primary market area definition includes the Cities of Cosmos and Cedar Mills, and the Townships of Cedar Mills, Cosmos and Danielson. In this Study, this aggregated area is referred to as the Market Area.



Population Data and Trends

The Minnesota State Demographer's most recent official population estimates for the year 2014, and these are included in the following table. The Census Bureau and Esri estimates for 2015 are contained in the text that follows.

Table 1 Population Trends - 1990 to 2014						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Cosmos	610	582	-4.6%	473	-18.7%	463
Market Area	1,817	1,690	-7.0%	1,501	-11.2%	1,435
Meeker County	20,846	22,664	8.7%	23,300	2.8%	23,122

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

The City of Cosmos has experienced a long-term pattern of population loss, as tracked by the decennial census. However, since 2010, some of the estimates show that the population has slowed when compared to the past.

The most optimistic recent population estimate is from the Minnesota State Demographer's Office, which showed the City with 463 residents in 2014, down by 10 people from the 2010 Census. If accurate, the City's population loss since 2010 is between two and three people per year.

Esri, a private data reporting service, estimated the City's population at 453 people in 2015. Based on this estimate, the City lost 20 people between 2010 and 2015, or an average of four people per year. It is possible that some of Esri's estimated loss occurred between 2014 and 2015, which is not yet reflected in the 2014 estimate from the Demographer.

One other recent estimate that exists is from the Census Bureau, which is also effective for 2015. According to the Census Bureau, there were 458 people living in Cosmos, an estimate that is between the other available sources.

Similar minor differences in the recent population trends that exist for the larger Market Area. Esri show 1,466 people living in the aggregated jurisdictions in 2015, compared to 1,501 in 2010, a decrease of 36 people over the five-year time period. This recent loss would include 20 people in Cosmos, and 16 people in the other Market Area jurisdictions.

The State Demographer's 2014 estimate for the Market Area shows a loss of 66 people between 2010 and 2014. The Census Bureau's annual estimates for 2015 show 1,479 people living in the Market Area, down by only 22 people from 2010.

The available estimates for all of Meeker County reflect similar differences in recent trends. Esri estimates that there were 23,348 people countywide in 2015, compared to 23,122 from the State Demographer. While the difference is only 226 people, and a one-year difference also exists in the effective dates, they do reflect differing trends. Esri's estimate shows some minor growth in the County's population after 2010, while the Demographer shows a loss of population countywide after 2010.

The annual estimate from the Census Bureau for 2015 shows the lowest population level, at 23,102. However, it is one year forward from the State Demographer's most recent estimate.

In their estimates, the Census Bureau does identify contributing factors. For all of Meeker County, the Census Bureau attributes the declining population to an out-migration of residents. The County has had some natural increase due to births exceeding deaths, but this was not equal to the level of people that have moved out of the County.

Population by Race and Ethnicity

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

Group Quarters Population

In 2010, there were no group quarter's residents in the City of Cosmos. The City did have a skilled nursing home at the time of the 2000 Census, but in 2003 this was converted to a senior assisted living facility, and the Census no longer counts the occupants as group quarters residents.

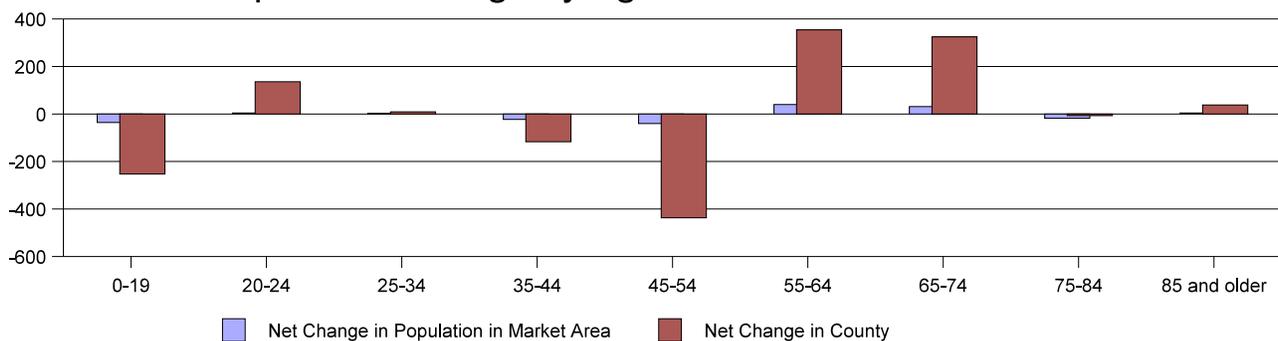
Population by Age Trends: 2010 to 2015

Esri’s estimates for Cosmos and the Market Area provide some additional details on population characteristics, including an estimate of the area’s changing age patterns. The following table compares estimated population by age in 2010 and 2015, along with the numeric changes. Age changes are examined for the Cosmos Market Area and for all of Meeker County.

Table 2 Population by Age - 2010 to 2015						
Age	Cosmos Market Area			Meeker County		
	2010	2015	Change	2010	2015	Change
0-19	354	318	-36	6,406	6,153	-253
20-24	67	71	+4	1,067	1,203	+136
25-34	148	151	+3	2,543	2,552	+9
35-44	197	174	-23	2,709	2,592	-117
45-54	275	235	-40	3,645	3,208	-437
55-64	218	258	+40	3,095	3,449	+354
65-74	129	160	+31	1,947	2,272	+325
75-84	90	72	-18	1,290	1,283	-7
85+	23	27	+4	598	636	+38
Total	1,501	1,466	-35	23,300	23,348	+48

Source: U.S. Census; Esri

Population Change by Age Between 2010 and 2015



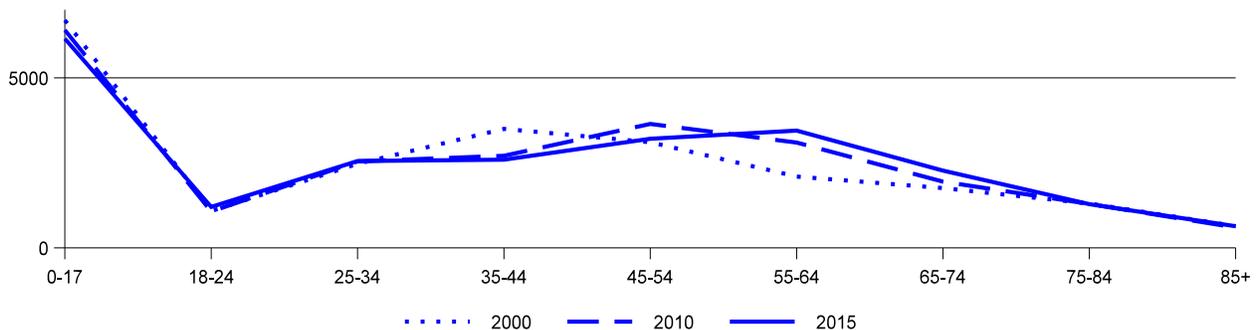
For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been very evident in the Cosmos area. Between 2010 and 2015, the Cosmos Market Area had a net loss of 35 people according to Esri, but added 57 people in the age ranges 55 and older. This was then offset by a reduction of more than 90 people age 54 and younger.

Within the younger age groups, Esri believes that only the 20 to 34 year old ranges have increased in size between 2010 and 2015, and growth among these age groups was very limited. In the older adult ranges, most of the growth has been in the 20-year group between 55 and 74 years old. In 2015, most of the baby boomers were within these age groups.

Age progression patterns for all of Meeker County were often similar to the changes in the Cosmos area. Once again, growth was especially strong in the primary baby boomer age groups, between 55 and 74 years old. Countywide there was also a net reduction in the number of people age 54 and younger. Countywide, there was an increase in senior citizens, age 65 and older, but this was primarily due to strong growth in the youngest senior group, age 65 to 74.

The aging trends present in Meeker County can be traced back over the previous decades to see the movement of the baby boom generation. One notable trend that is evident in Meeker County is the advancing ‘wave’ created by the baby boom age ranges.

Meeker County Age Distribution: 2000 to 2015



Household Data and Trends

The Minnesota State Demographer’s Office has issued 2014 household estimates for individual jurisdictions, which are displayed in the following table, along with totals from previous Censuses. Esri estimates are discussed in the text that follows. The Census Bureau does not issue annual household estimates.

Table 3 Household Trends - 1980 to 2014						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Cosmos	234	240	2.6%	229	-4.8%	228
Market Area	633	647	2.2%	633	-2.2%	613
Meeker County	7,651	8,590	12.3%	9,176	6.8%	9,185

Source: U.S. Census; MN State Demographer

Despite a long-term pattern of population loss in Cosmos, the City’s household level has remained more stable in recent decades. If the State Demographer’s 2014 household estimate is compared to the 1990 Census, Cosmos has only lost six households over a 25-year period.

According to the State Demographer’s most recent estimate, Cosmos lost only one household from 2010 to 2014. However, Esri believes that more losses have occurred. Their 2015 estimate showed 422 households, down by seven households from the 2010 Census.

A similar pattern exists for the entire Market Area, as the estimated number of households in 2014 is only 20 lower than in 1990. However, according to the Demographer, the Market Area has lost 20 households between 2010 and 2014. The number of households in the Market Area in 2010 was identical to the level that existed in 1990.

For the entire Cosmos Market Area, Esri tracked a loss of 14 households between 2010 and 2015.

For all of Meeker County, the Demographer believes that nine households were added between 2010 and 2015, while Esri believes that 74 households were added between 2010 and 2015.

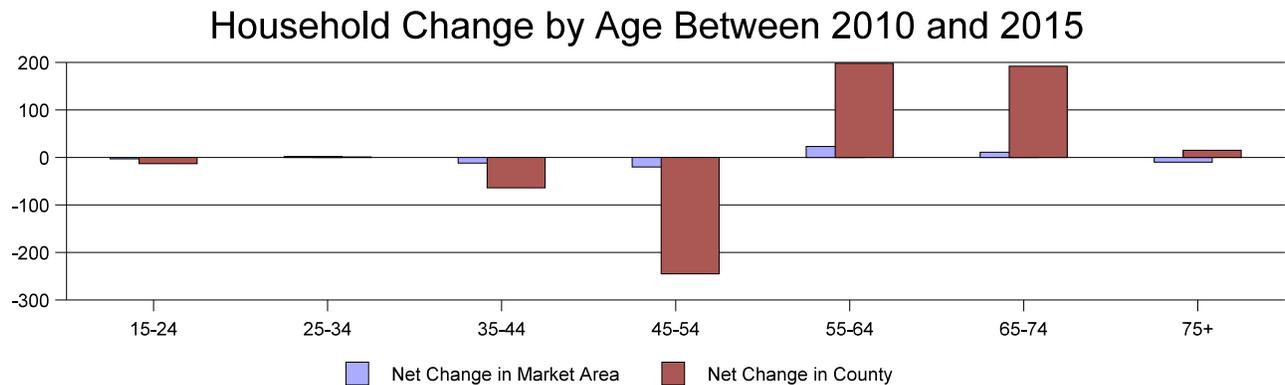
Household by Age Trends: 2010 to 2015

Esri estimates also include a level of detail not available elsewhere. The following table uses the Esri data to compare households by age of householder in 2010 and 2015, along with the numeric changes.

Table 4 Households by Age - 2010 to 2015						
Age	Cosmos Market Area			Meeker County		
	2010	2015	Change	2010	2015	Change
15-24	21	18	-3	309	296	-13
25-34	63	65	+2	1,198	1,199	+1
35-44	101	89	-12	1,448	1,384	-64
45-54	151	131	-20	1,998	1,753	-245
55-64	133	156	+23	1,763	1,961	+198
65-74	81	92	+11	1,199	1,391	+192
75+	83	73	-10	1,261	1,276	+15
Total	633	624	-9	9,176	9,260	+84

Source: U.S. Census; Esri

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

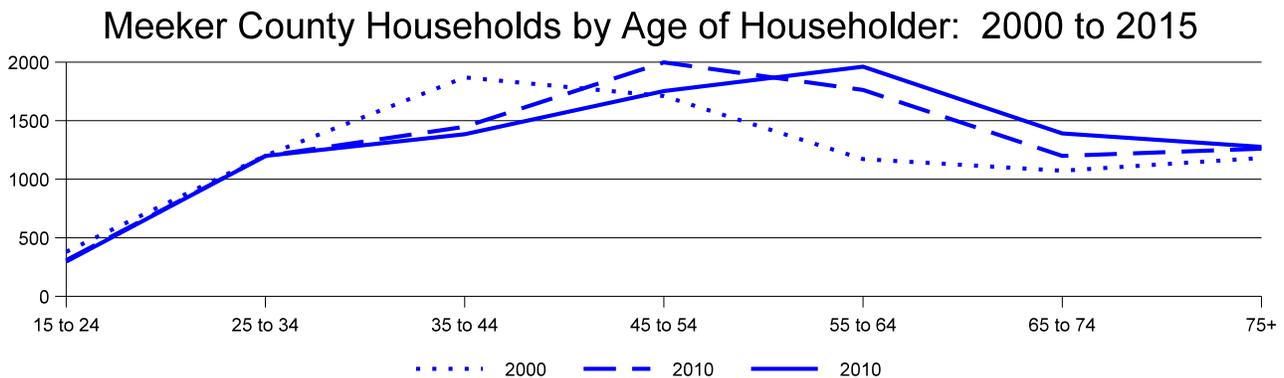


For the Cosmos Market Area the aggregated age ranges 55 and older added 24 households over the last five years according to Esri. However, the combined younger age ranges, 54 and under, experienced a net reduction of 33 households. The biggest decline occurred in the 45 to 54 year old range, as the advancing baby boomers were not replaced by the succeeding generation.

Patterns were generally similar Countywide, with increases in all of the age groups 55 and older, while the number of young adult households, age 54 and younger, decreased during the last five years. Countywide, growth was especially strong in the 20-year range between 55 to 74 years old, as the baby boom generation increased in numbers in Meeker County.

There was an overall increase in the number of senior-headed households in Meeker County, but most of this was in the youngest senior range between 65 and 74 years old. In the Cosmos Market Area, there was a slight decrease in the number of older senior households, age 75 and above.

As with the longer-term patterns for population, it is possible to track the progression of the baby boomer households over the past 15 years, using information for households by the age of householder.



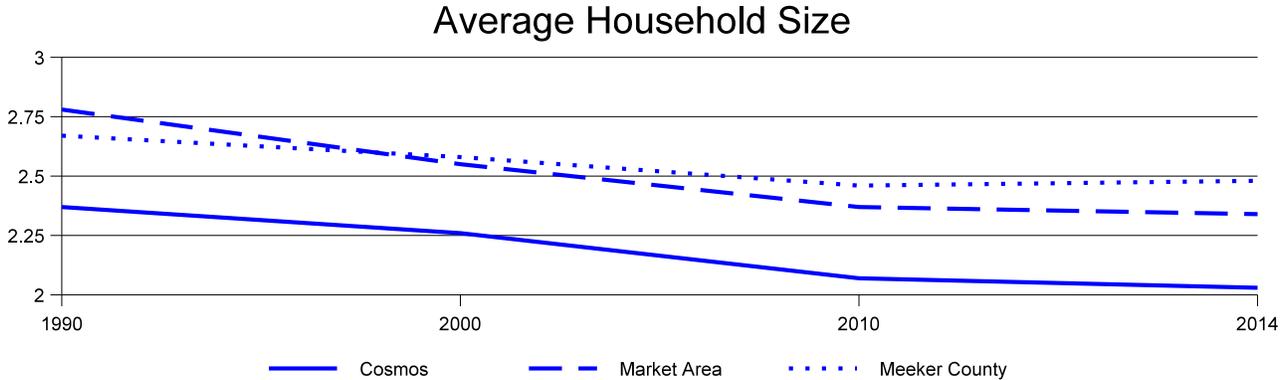
Average Household Size

The following table provides Census information on average household size. The 2014 estimates from the State Demographer are also included.

Table 5 Average Number of Persons Per Household 1990 to 2014				
	1990 Census	2000 Census	2010 Census	2014 Estimate
Cosmos	2.37	2.26	2.07	2.03
Market Area	2.78	2.55	2.37	2.34
Meeker County	2.67	2.58	2.46	2.48

Source: U.S. Census; MN State Demographer

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



For the City of Cosmos, the average household size has decreased significantly over time, 2.37 persons per household in 1990, to only 2.03 persons in 2014. The City’s average household size is very small when compared to most other cities in the State.

During this same time, the average size for the entire Market Area has also been declining, due in part to the impact of Cosmos. But the average household in the Market Area remains substantially larger than in Cosmos.

The average household size for all of Meeker County has declined in recent decades, but still remains relatively large, by comparable standards.

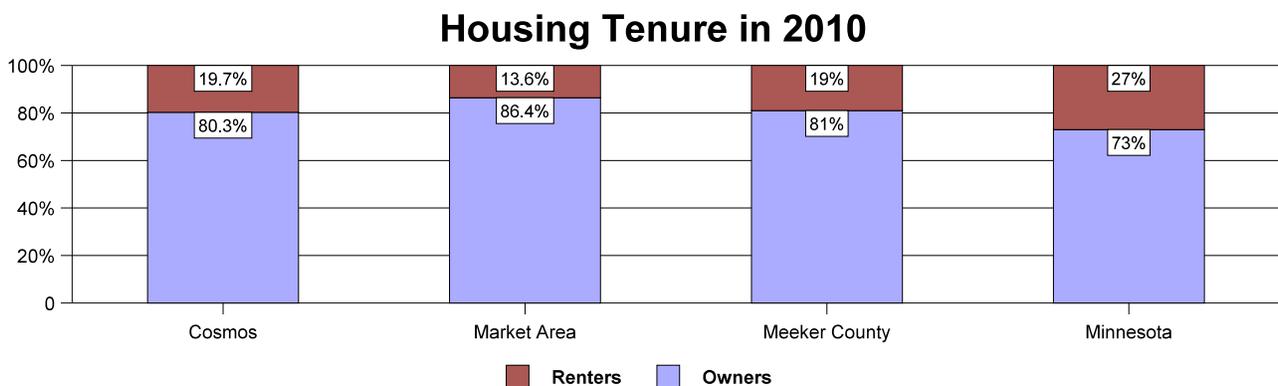
Housing Tenure

The 2010 Census provided an updated look at ownership versus rental housing tenure patterns. The following tables examine overall tenure rates, along with the changes that have occurred since 2000.

Table 6 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
City of Cosmos	184	80.3%	45	19.7%
Market Area	547	86.4%	86	13.6%
Meeker County	7,437	81.0%	1,739	19.0%
State	-	73.0%	-	27.0%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in the City of Cosmos was high, at 80.3%, with only 19.7% of households renting their unit. When the entire Cosmos Market Area aggregation was reviewed, the home ownership rate increased to more than 86%, well above the Statewide ownership tenure rate of 73% in 2010. For all of Meeker County, the home ownership rate was also high, at 81%.



Meeker County has experienced a significant amount of growth in recent decades. Much of the County's growth has been oriented to owner-occupancy housing, as reflected in an ownership tenure rate that was well above the Statewide average in 2010.

Table 7 Change in Households by Housing Tenure - 2000 to 2010

Tenure	Cosmos			Meeker County		
	2000	2010	Change	2000	2010	Change
Owners	192	184	-8	7,018	7,437	+419
Renters	48	45	-3	1,572	1,739	+167
Total	240	229	-11	8,590	9,176	+586

Source: U.S. Census

The housing tenure rates for Cosmos remained largely unchanged over the last decade, as the City lost both renter than owner-occupancy households. At the time of the 2000 Census, the City’s rental tenure rate was 20%. By 2010, it was at 19.7%.

In 2000, the Meeker County rental tenure rate was at 18.3%. By 2010, it had increased to 19.0%.

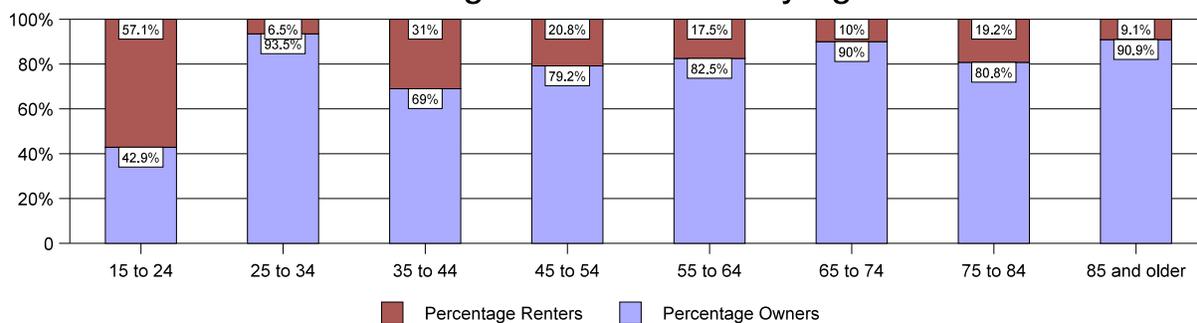
Tenure by Age of Householder

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

Table 8 Cosmos Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	6	42.9%	8	57.1%
25-34	29	93.5%	2	6.5%
35-44	20	69.0%	9	31.0%
45-54	38	79.2%	10	20.8%
55-64	33	82.5%	7	17.5%
65-74	27	90.0%	3	10.0%
75-84	21	80.8%	5	9.2%
85+	10	90.9%	1	9.1%
Total	184	80.3%	45	19.7%

Source: U.S. Census

Cosmos Housing Tenure Patterns by Age in 2010



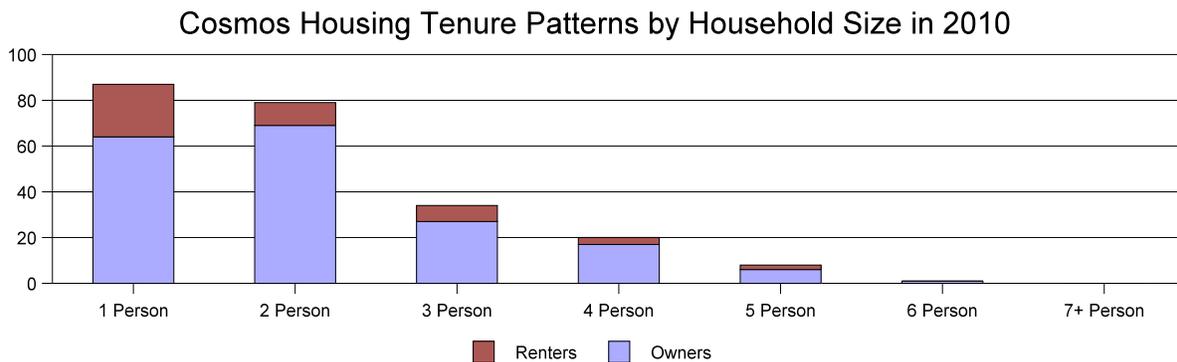
Within the defined age ranges, typical tenure patterns were generally present, with households at the lowest end of the age spectrum showing greater preference for rental housing, while middle-aged adult households were primarily home owners. However, rental rates generally increase as seniors age, but the home ownership rates for older seniors in Cosmos remained very high in Cosmos in 2010. Home ownership rates for each of the 10-year age cohorts age 25 and older were at 69% or higher.

Tenure by Household Size

The 2010 Census did provide information on housing tenure by household size. This can be compared to 2000 Census information to better understand trends for housing unit needs. This information is for the City of Cosmos.

Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	44	64	+20	25	23	-2
2-Person	86	69	-17	13	10	-3
3-Person	32	27	-5	5	7	2
4-Person	17	17	0	2	3	1
5-Person	8	6	-2	3	2	-1
6-Person	2	1	-1	0	0	0
7-Persons+	3	0	-3	0	0	0
Total	192	184	-8	48	45	-3

Source: U.S. Census



Most households in Cosmos have only one or two members. Among home owners, only household with one member increased in number between 2000 and 2010. There were decreases among all other household sizes. This would be very consistent with the decrease in the City’s average household size.

Among renter households there were limited changes. Although the number of one and two person renter households did decrease slightly between 2000 and 2010, overall, more than 73% of all renter households had two or fewer household members.

2014 Median Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the City, Township and County level through the American Community Survey. No median income information was available for the jurisdictions that form the Cosmos Market Area, since these are separate jurisdictions that have been aggregated for analysis in this Study. Income information from the 2014 American Community Survey can be compared to similar estimates from 2010 to track recent changes. 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 10 Median Income - 2010 to 2014			
	2010 Median	2014 Median	% Change
Households			
Cosmos	\$42,734	\$34,688	-18.8%
Meeker County	\$51,173	\$54,049	5.6%
Minnesota	\$57,243	\$60,828	6.3%
Families			
Cosmos	\$42,917	\$46,429	8.2%
Meeker County	\$59,495	\$65,247	9.7%
Minnesota	\$71,307	\$76,190	6.8%

Source: American Community Survey 5-year survey

Income information contained in the American Community Survey showed that the median household income within the City of Cosmos has decreased in recent years. When compared to the level estimated in 2010, the City's median household income in 2014 was nearly 19% lower. This may have been a sampling flaw in the American Community Survey, but it could also reflect the City's aging population, as more households may have moved to fixed retirement incomes. While the City's median household income may have decreased since 2010, the median family income has been increasing. The median levels in Cosmos were well below the comparable countywide and statewide medians in 2014.

Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses, a median income household in Cosmos could afford approximately \$870 per month for ownership or rental housing in 2014.

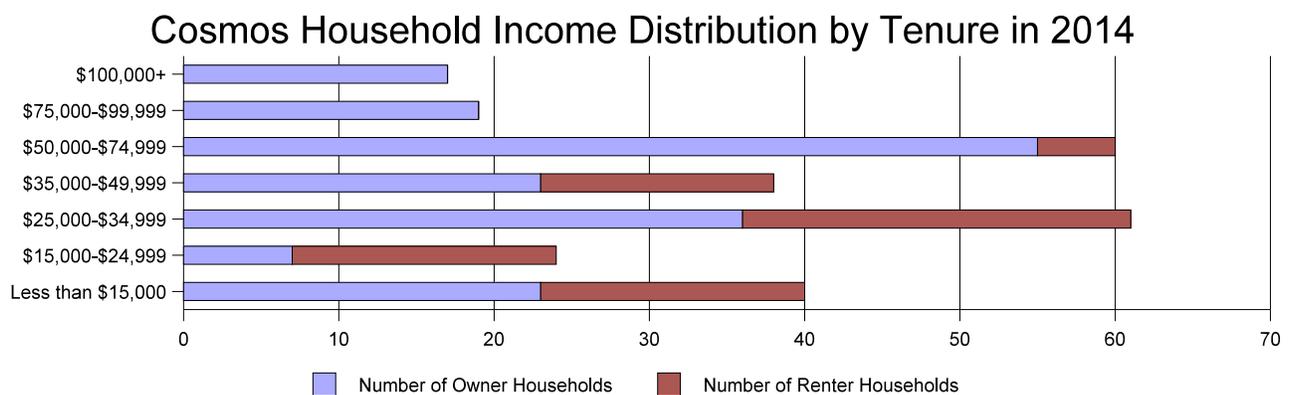
Cosmos Income Distribution by Housing Tenure

The 2014 American Community Survey provides an estimate by owner and renter status. The following table examines income distribution within the City of Cosmos.

The American Community Survey is an estimate, based on limited sampling data, and a margin of error exists for each estimate. For total households in Cosmos, the American Community Survey estimate appears to be too high. The ACS estimated that 269 households were present, while the State Demographer believed that only 228 households were present. The ACS estimates appear to be slightly high for owner households but very high for renter households, when compared to the tenure distribution present at the time of the 2010 Census.

Table 11 Cosmos Income Distribution by Tenure - 2014			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	23	27	50
\$15,000 - \$24,999	7	17	24
\$25,000 - \$34,999	36	25	61
\$35,000 - \$49,999	23	15	38
\$50,000 - \$74,999	55	5	60
\$75,000 - \$99,999	19	0	19
\$100,000+	17	0	17
Total	180	89	269

Source: 2014 American Community Survey



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

In 2014, nearly 78% of renter households in Cosmos had an annual income below \$35,000. At 30% of income, these low and moderate income renter households would have \$875, or less, that could be applied to monthly housing costs.

Owner households generally had a higher income level. Nearly 51% of owner households had an annual income of \$50,000 or more. However, approximately 37% of all owner households had an annual income below \$35,000, and had a limited amount that could be applied to housing costs.

According to the American Community Survey, the median household income level for all renters in 2014 was \$25,089, while the median income for home owners was \$50,883.

2014 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 Cosmos. As stated previously, the American Community Survey did overestimate the number of renter households in the City, but it is assumed that the percentages for housing costs would remain relatively accurate.

Table 12 Gross Rent as a Percentage of Household Income - Cosmos		
Percent of Income for Housing	Number of Renter Households	Percent of all Renter Households
Less than 20%	9	10.1%
20% to 29.9%	24	27.0%
30% to 34.9%	19	21.3%
35% or more	31	34.8%
Not Computed	6	6.7%
Total	89	100%

Source: 2014 American Community Survey

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".

According to the American Community Survey, more than 56% of all renters in the City were paying 30% or more of their income for rent. The large majority of these households were actually paying 35% or more of their income for housing.

Although a housing cost burden could be caused by either high housing costs or low household income, in Cosmos it was primarily due to low income levels for renters. Approximately 94% of the renter households with a housing cost burden had an annual household income below \$35,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$875 or less.

2014 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 Cosmos that are paying different percentages of their gross household income for housing costs.

Table 13 Ownership Costs as a Percentage of Income - Cosmos		
Percentage of Household Income for Housing Costs	Number of Owner Households 2014	Percent of All Owner Households 2014
0% to 19.9%	92	51.1%
20% to 29.9%	35	19.4%
30% to 34.9%	24	13.3%
35% or more	29	16.1%
Not Computed	0	0%
Total	180	100%

Source: 2014 ACS

Most owner-occupants, which would include both households with and without a mortgage, reported paying less than 30% of their income for housing. However, more than 29% of all home owners reported that they paid 30% or more of their income for housing. Most of these households were paying more than 35% of income for housing costs.

As would be expected, the large majority of cost-burden home owners had a mortgage on their home.

Population Projections

The following table presents population projections using two different sources. The first set of projections has been generated by Esri, a private data reporting service. Esri’s projections span the period from 2015 to 2020.

The second projection set is from the Minnesota State Demographer’s Office, which has generated population forecasts for individual jurisdictions and counties in the State. Projections are provided for the years 2015 and 2020. The State Demographer’s Office has actually issued three sets of county-level projections since the 2010 Census was released. The most recent projections tend to be substantially higher for most counties, and do not reflect the patterns that have emerged after 2010. As a result, the first projection set, which is also the lowest, has been presented for Meeker County.

Table 14 Population Projections Through 2020				
	Esri Projection		State Demographer	
	2015 Estimate	2020 Projection	2014 Estimate	2020 Projection
Cosmos	453	444	463	490
Market Area	1,466	1,446	1,435	N/A
Meeker County	23,348	23,523	23,122	24,185

Source: Esri, Inc.; MN State Demographer

As stated previously, Esri’s recent population estimate for Cosmos is the lowest of the available sources, and shows the largest loss in population after 2010. Based on their estimate that the City has been losing population, Esri’s projection to the year 2020 expects future losses.

The State Demographer had once projected some minor population growth to occur in Cosmos, but the more recent estimate does not show this to be materializing. From 2010 to 2014, the Demographer believes that the City has lost 10 people, making future population growth for the remainder of the decade unlikely.

For the entire Cosmos Market Area, Esri also expects some minor reduction in the population level between 2015 and 2020. This projection would expect losses for both the City of Cosmos and for the remainder of the Market Area.

The MN State Demographer’s Office has no current projections available for individual townships that are part of the Market Area.

There is some variation in the projections for all of Meeker County. Esri projects that the County will add only 175 people from 2015 to 2020, or average annual growth of only 35 people per year.

The projections from the State Demographer's Office had expected the County to have a substantially larger population by the year 2020. However, the Demographer had expected that the County's population would also be larger by 2015, which is not accurate based on recent estimates. If only the projected incremental growth from the base 2015 and 2020 projections is reviewed, the Demographer had anticipated that the County would add an average of only 86 people per year.

Household Projections

The following table presents household projections. As with population, Community Partners Research, Inc., has reviewed projections to the year 2020 from Esri, a private data reporting service.

The State Demographer’s Office has only issued household projections at the county level. At the city level, it is possible to extrapolate household forecasts from the population projections provided earlier in this section. In converting population to households, it is assumed that group quarter’s populations will remain largely unchanged, and that the average household size will decrease gradually.

Table 15 Household Projections Through 2020				
	Esri		State Demographer	
	2015 Estimate	2020 Projection	2014 Estimate	2020 Projection
Cosmos	222	218	228	239*
Market Area	622	619	613	N/A
Meeker County	9,250	9,360	9,185	9,782

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

Esri believes that Cosmos will lose four households between 2015 and 2020, or an average of nearly one household in a typical year. This is a continuation of the pattern of recent growth, as estimated by Esri, which shows that Cosmos has lost seven households from 2010 to 2015.

The State Demographer has not been tracking recent growth within the City of Cosmos. However, their population projection to the year 2020 had originally expected the addition of people and households. Over the course of the current decade, the extrapolated projections would yield average annual growth of approximately one household in a typical year. However, through 2014, this expected growth had not been materializing. To now reach the 2020 projection, the City would need to add approximately two households per year for the remainder of the decade.

For the entire Market Area, Esri projections show a minor reduction of only three households over a five-year period. Excluding Cosmos, the household level in the remainder of the Market Area is projected to remain relatively unchanged for the remainder of the decade. No Market Area household projection can be derived from the State Demographer’s data.

There is a significant variation in the available forecasts for all of Meeker County. Esri has a conservative countywide projection. Over the five-year period from 2015 to 2020, Esri expects that Meeker County will add only 110 total households, or an average of approximately 22 households per year.

The projections from the State Demographer's Office are much higher, but appear to be unrealistic based on the most recent patterns. Over the course of the entire decade, the Demographer had expected that Meeker County would add more than 600 households. However, the most recent estimates from the Demographer show that this projected growth is not actually occurring. From 2010 through 2014, the Demographer believes that the County has only added an average of two households per year, well below the projected level of more than 60 households per year. As a result, the Demographer's 2020 projection is now viewed as unreliable.

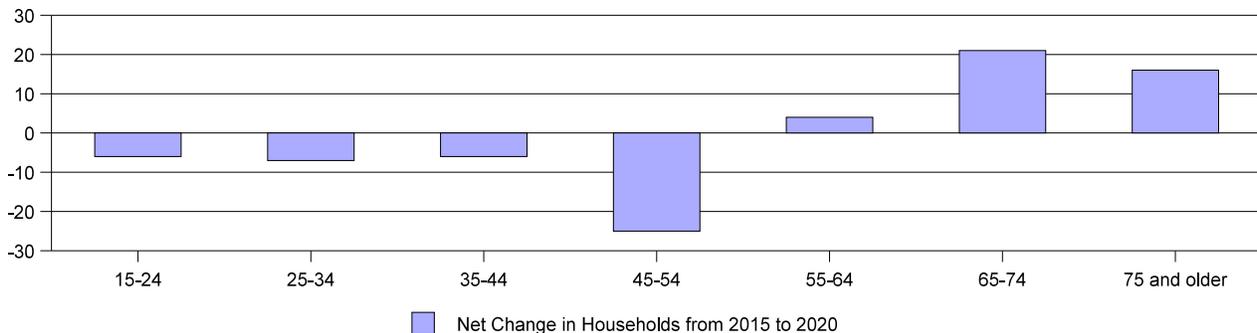
Household by Age Projections: 2015 to 2020

Esri has generated age-based projections for households to the year 2020. These projections can be compared to the data contained in the 2015 Esri estimate to examine the change projected over the next few years. These age-based forecasts are for the entire Cosmos Market Area.

Table 16 Market Area Projected Households by Age - 2015 to 2020			
Age	2015 Estimate	2020 Projection	Numeric Change
15-24	18	12	-6
25-34	65	58	-7
35-44	89	83	-6
45-54	130	105	-25
55-64	155	159	+4
65-74	92	113	+21
75+	73	89	+16
Total	622	619	-3

Source: Esri; Community Partners Research, Inc.

Cosmos Household Change by Age Between 2015 and 2020



According to Esri’s projections, most of the change in households by age of householder will occur within three defined age groups. The largest net growth should occur among households age 65 to 74 years old, followed by growth of households age 75 and older, as the baby boom generation advances through the aging cycle. Most of the net decrease will occur among households age 45 to 54 years old, as the age range behind the baby boomers was not as large. Overall, the Market Area should have a decrease of households age 54 and younger, but an increase in the number of households age 55 and older.

Building Permit Trends

According to City staff, no new housing has been built in Cosmos in many years. A review of Census Bureau annual building permit reports does show that six single family houses were permitted between 2000 and 2005, but there is no record of any new home construction after 2005.

In 2000, the second phase of construction at the County EDA's rental project was permitted, with four units. The first phase had been permitted in 1998.

Census Housing Unit Reconciliation

At the time of the 2000 Census, there were 261 total housing units counted in the City of Cosmos. This included 240 occupied units and 21 vacant units. The total unit count was unchanged in the 2010 Census, although there were 11 fewer occupied units, and 11 more vacant units.

A stable housing unit count was maintained despite the fact that six houses and four rental units were apparently constructed in Cosmos between 2000 and 2005. This would indicate that as many as 10 older housing units were also removed during the last decade.

Median Year of Construction

The 2014 American Community Survey included an estimate of the median year of construction for housing. In Cosmos, the median year for owner-occupancy units was 1955. The median year of construction for rental housing was 1958.

The age of the owner-occupancy housing stock in Cosmos is much older than the Countywide average. For all owner-occupancy housing in Meeker County, the estimated median year of construction was 1974. The County's median year of construction was 1967 for rental units.

Units by Structure Type

The 2010 Census did not collect information about structure types. However, according to the 2014 American Community Survey estimates, more than 72% of the housing units in Cosmos were identified as one-unit structures, such as single family detached houses single family attached units or mobile homes.

The City also has some multifamily rental buildings. But the American Community Survey estimated that less than 25% of all housing options were in multiple unit structures with three or more units.

Mobile Homes

According to City staff, there is one mobile home park in Cosmos. There are 16 mobile homes present in 2016. There are as many as four vacant lots. Some of these mobile homes were recently added.

At the time of the 2000 Census, there were 15 mobile homes counted in Cosmos.

Municipal Services

According to City staff, Cosmos's municipal sewer and water systems are in good condition with adequate capacity to accommodate future growth.

Residential Lots

According to City staff, Cosmos does not have any newer residential subdivisions. Very limited housing construction has occurred in recent decades, and no subdivisions were created in the previous decade.

City staff believes that some vacant infill lots may exist in the community.

Existing Home Sales

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

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

The County sorts the sales data into "qualified" and "unqualified" groupings. Qualified sales are also referred to as good sales, because they are fair market transactions. Unqualified sales are rejected because they are not considered to be fair market transactions, and could include sales of "bank-owned" properties, foreclosures/short sales, transfers between related parties, or sales that were not conducted in the open market.

The sales reports obtained from the County did not differentiate between different styles of houses. All of the sales are for single family units, but may include attached housing units, such as twin homes, town houses or condominiums. However, in the small cities, including Cosmos, nearly all of the sales are believed to be in the form of detached single family houses.

Information was available for each calendar year, from 2010 to 2015. Sales activity for the first few months of 2016 was also available, but this partial-year data may not be an accurate indicator of full-year activity.

Table 17 Cosmos Residential Sales Activity - 2010 to 2016*				
Sales Year	Number of Sales	Median Price	Highest Sale	Lowest Sale
2016 (partial)	0	-	-	-
2015	3	\$51,700	\$58,000	\$38,000
2014	7	\$55,000	\$81,000	\$23,000
2013	2	\$34,500*	\$37,000	\$32,000
2012	7	\$55,000	\$78,700	10,000
2011	1	\$37,100	-	-
2010	4	\$45,500*	\$160,000	\$25,000

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

* Median extrapolated from two nearest sales

As evident in the table, there are a limited number of houses that sell in any 12-month time period in Cosmos. Since January 1, 2010, only 24 good sales have been recorded.

In the two years with the greatest volume of sales, 2014 and 2012, the median sale price was \$55,000 in each year.

Over the 5+ year time period, only one house has sold for more than \$100,000, when a \$160,000 sale occurred in 2010.

If all 24 sales over the five-year period are aggregated, the median price was \$52,850.

An alternate home value estimate exists in the 2014 American Community Survey. Based on the sampling of home owners, the estimated median value was \$71,100, higher than the amount derived from sales data. However, the median value for houses in Cosmos was still lower than in most of the other cities in Meeker County.

Active Residential Listings

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Cosmos. A review in May 2016 found six single family homes listed for sale. It is important to note that the active properties are those included in the Multiple Listing Service (MLS) and would generally be offered through a real estate agent. There may be other properties that are posted for sale in Cosmos that would not be part of the MLS, including most homes being offered "for sale by owner".

The six listed houses ranged in price from \$45,000 to \$99,000.

Meeker County Home Foreclosure Activity

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

HousingLink and the Greater Minnesota Housing Fund have been tracking mortgage foreclosure activity across the State for the past few years. They produced annual foreclosure reports from 2007 to 2013. Their reports provide details on foreclosure activity at the County level back to the year 2005, as well as a comparison with other Counties in the State.

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

Table 18 Meeker County Home Foreclosures - 2005 to 2013									
Foreclosures	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number	86	94	114	95	87	114	94	82	63
Rate	0.99%	1.07%	1.28%	1.06%	0.97%	1.27%	1.05%	0.92%	0.71%

Source: HousingLink; Community Partners Research

Based on the HousingLink data, Meeker County was significantly impacted by home foreclosures. This was especially true for the years 2007 and 2010. After 2010, the number of annual foreclosures dropped steadily through 2013.

HousingLink also attempts to put the rate of foreclosure in perspective, by comparing the number of foreclosures to the total number of residential parcels in the County. For comparative purposes, Meeker County still had the 20th highest rate of foreclosure among Minnesota's 87 Counties in 2013, the last full year of data.

Housing Condition

Community Partners Research, Inc., representatives conducted a visual 'windshield' survey of single family/duplex houses and mobile homes in Cosmos. Houses that appeared to contain three or more residential units were excluded from the survey.

The community was divided into two neighborhoods, as defined below. The newest portions of the City were not included in the survey.

Neighborhood #1: All houses south of Highway 7

Neighborhood #2: North of Highway 7 to Capricorn Avenue

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

Dilapidated was the lowest rating used. These houses need major renovation to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and may be candidates for demolition and clearance.

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

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

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

Table 19 Windshield Survey Condition Estimate - 2016

Neighborhood	Sound	Minor Repair	Major Repair	Dilapidated	Total
#1	34/34.7%	40/40.8%	18/18.4%	6/6.1%	98
#2	33/47.1%	28/40.0%	9/12.9%	0/0%	70
Total	67/39.9%	68/40.5%	27/16.1%	6/3.6%	168

Source: Community Partners Research, Inc.

In total, 168 single family-style houses were viewed and rated in Cosmos.

More than 80% of all rated houses were in the top two condition categories, with nearly 40% rated as sound, and more than 40% rated as needing only minor repair. It should be noted that the percentage of sound houses would be higher if the newest areas of the City were included.

There were 27 houses that were rated as needing major repair. Depending on the actual value of these houses, they may not be economically feasible to rehabilitate.

There were six houses rated as dilapidated, the lowest rating used. After a more detailed analysis, these structures may be suitable for clearance.

There were also 16 mobile homes in a park in Cosmos that were also viewed and rated.

Table 20 Mobile Home Survey Condition Estimate - 2016

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile Homes	3/18.8%	4/25.0%	3/18.8%	6/37.4%	16

Source: Community Partners Research, Inc.

Fewer than 50% of the mobile homes in Cosmos were rated as sound or minor repair, the two highest condition categories.

There were three mobile homes rated as needing major repair, and six mobile homes rated as dilapidated.

Rental Housing Data

According to the 2010 Census, the City of Cosmos had 45 occupied rental housing units, and at least 11 unoccupied rental units, for a total estimated rental inventory of 56 units. The City's rental tenure rate was 19.7% in 2010, below the Statewide rental rate of 27%. However, part of the below-average rate of rental housing was due to the number of unoccupied units.

At the time of 2000 Census, Cosmos had 48 occupied rental units, and at least six vacant units, for a total rental housing inventory of 54 units. The City's percentage of occupied rental units in 2000, at 20.0%, was also below the Statewide rate of 25.4%.

Based on a reconciliation of Census data, the City lost three renter-occupancy households, but added one or two rental housing units over the previous decade. As a result, the number of vacant rental units increased slightly over that time.

It is not clear how the Census classified the rooms that are available in Cedar Crest, the assisted living facility in Cosmos. At the time of the 2000 Census, this building was a skilled nursing home, and the occupants were counted by the Census as group quarters residents. By 2010, the nursing home had closed, and the rooms were used for assisted living. However, the occupants were no longer counted as group quarters residents. But the rooms do not appear to have been counted as rental housing either.

If the 29 rooms in Cedar Crest were viewed as rental housing, Cosmos would have had more than 60 units in multifamily structures, plus any single family or mobile home rental units. The rental unit count contained in the 2010 Census therefore does not seem to include Cedar Crest.

Rental Housing Survey

In May and June 2016, a telephone survey was conducted of multifamily rental developments in Cosmos. The survey focused on rental properties with six or more units. The table that follows presents information for market rate, subsidized, and senior housing with services projects separately.

There were 32 independent housing units of all types that were contacted in the survey. There were also 29 rooms in an assisted living building that were surveyed.

The findings of the survey for different market segments are provided below.

Market Rate Summary

Usable information was available from three different market rate properties with a combined total of 28 market rate units. All of the individual properties contained eight or more rental units.

Two of the market rate projects, Cosmos Apartments and Cherrywood Apartments, were originally constructed as subsidized rental housing. At some point in the past, these buildings ended their subsidy contract and converted to market rate housing.

The third project was developed by the Meeker County EDA, as publicly-owned market rate housing.

Unit Mix

Specific unit mix information was available for all of the market rate units, as follows:

- ▶ One-bedroom - 13 units (46.4%)
- ▶ Two-bedroom - 15 units (53.6%)

Occupancy / Vacancy

Within the market rate multifamily segment there were two units reported as vacant. Both of these were one-bedroom apartments. The estimated vacancy rate was 7.1%.

Although most of the market rate units were occupied, including all of the two-bedroom options, there was little evidence of unmet demand. All three of the property managers stated that it was sometimes difficult to fill units in Cosmos, as the community is relatively small, and is farther removed from the larger cities in the region.

Rental Rates

Rental rates in Cosmos are relatively low, when compared to other communities in the County. The EDA units use a variable rent structure, with different rates charged in each community. Cosmos has the lowest two-bedroom rent structure of the six participating communities. The rental rates in the former subsidized buildings are also fairly low.

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

<u>Bedroom Size</u>	<u>Gross Rent Range</u>
One-bedroom	\$430-\$480
Two-bedroom	\$500-\$750

The highest gross rent in multifamily market rate housing is being charged in the EDA units, with a monthly contract rent of \$595, plus all utilities for a two-bedroom option. All of the one-bedroom units have an estimated gross rent that is less than \$500.

Tax Credit Summary

Since the late 1980s, the primary federal incentive program for the production of affordable rental housing has been through federal low income housing tax credits, also referred to as Section 42 housing. In Minnesota, tax credits are awarded annually on a competitive basis.

There has never been an award of tax credits for affordable housing within the City of Cosmos. There has only been one tax credit project that was funded in all of Meeker County, the Terraceview Townhomes project in Litchfield in 1997.

Subsidized Summary

Cosmos has only one rental project that provides subsidized rental housing for lower income people. The County HRA has four scattered site Public Housing units in Cosmos.

There had previously been two subsidized apartment buildings in Cosmos, both assisted through USDA Rural Development. However, both of these have left the subsidy program within the past 10 years. According to the property manager, there is still one tenant in the Cosmos Apartments that is receiving rent assistance as a carry-over from the conversion that occurred when the federal subsidy contract ended.

Unit Mix

The bedroom mix is as follows:

- ▶ Two-bedroom - 1 unit
- ▶ Three-bedroom - 3 units

Occupancy / Vacancy

At the time of the rental survey, all four units in Cosmos were occupied, and a long wait list existed. However, the Public Housing units in Cosmos are part of the Meeker County Public Housing program that also includes units in other communities. Households are on a master waiting list, and are offered a unit when turnover occurs. The waiting list is not specifically for Cosmos.

Rental Rates

The Public Housing units in Cosmos can access project-based rent assistance, allowing rent based on 30% of income.

Tenant-based Rent Assistance Vouchers

In addition to the subsidized projects with project-based rent subsidies, Cosmos residents do have access to HUD Housing Choice Vouchers through the Meeker County HRA. However, in May 2016 there were no participating households living in Cosmos. 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.

Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts.

In all of Meeker County, approximately 50 Vouchers are typically in use, primarily in Litchfield. The HRA maintains a waiting list of households looking to secure a rent assistance Voucher. In May 2016, the waiting list had 112 names, and due to its length, was closed to new applicants.

There is one tenant in Cosmos Apartments that still has rent assistance, as part of the mitigation plan that was used when that building converted from Rural Development subsidized housing to conventional market rate housing.

Subsidized Housing Total Inventory

When tenant-based rent assistance is combined with the units in the subsidized projects, there are five households with access to some form of subsidized housing. This represented approximately 11% of all renter households that were present in the City.

Senior Housing with Services Summary

Cosmos has one senior housing option that can provide services to residents. Cedar Crest of Cosmos is licensed as a provider of assisted living services. There are 29 rooms available. These are private occupancy rooms but they do have a shared bathroom.

Occupancy / Vacancy

In May 2016, there were three unoccupied rooms in Cedar Crest. There can be a high rate of turnover in this project, resulting in some level of vacancy. Some occupants come for limited duration rehab/recovery stays.

Rental Rates

In senior housing with services projects, monthly rates are largely impacted by the services being accessed by the resident. As a result, rent information was collected, but would need to be compared to type and level of services that are included.

The entry-level price at Cedar Crest is \$3,508. But additional costs for services may then be added.

Cedar Crest does accept residents with County Elderly Waiver assistance or similar public programs. Some assisted living facilities will not accept residents on County assistance because of the low reimbursement rate. In other assisted living facilities, the number of assisted residents may be capped, or restricted to existing private-pay residents who have later depleted their financial resources. In Cedar Crest, up to 50% of residents may be receiving public assistance.

Table 21 Cosmos Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate					
Cherrywood Apartments 23 Neptune	<u>12 - 1 Bedroom</u> 12 Total Units	\$400-\$450 +electric	2 vacant units	Mix of tenants	Originally constructed in 1983 as a Rural Development subsidized project for senior/disabled occupancy, this project ended its subsidy contract and was converted to market rate housing. Prior to conversion, there was no project-based rent assistance, so all tenants had to pay at least the basic rent amount, so rent levels may not have changed significantly. One-level building with community room and community laundry. Tenants pay electric in addition to rent but heat is provided. Amenities include stove and refrigerator. One-bedrooms have approx. 500 sq ft and have 1 bathroom. Two units vacant at time of survey due to recent turnover, but manager said it is hard to attract new tenants to Cosmos. Most tenants are working age - while some work locally most commute out of City.
Cosmos Apartments 140 Gemini Ave	<u>1 - 1 Bedroom</u> <u>7 - 2 Bedroom</u> 8 Total Units	\$380 \$435 +heat, electric	No vacant units	Mix of tenants	Originally constructed as a Rural Development subsidized project for general occupancy, this project ended its subsidy contract and was converted to market rate housing. Prior to conversion, 7 of the 8 units had access to project-based rent assistance, allowing tenants to pay rent based on 30% of income. One tenant still remains and has a rent subsidy. Two-level walkup building. Rent includes water, sewer and garbage, with tenant paying electric heat and electricity. Amenities include stove, refrigerator and community laundry. One-bedrooms have approx. 500 sq ft and 2-bedrooms have 700 sq ft; all units have 1 bathroom. All units occupied at time of survey, but limited demand exists and turnover units can be difficult to fill. Mix of tenants, including people that work locally and commuters.

Table 21 Cosmos Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate					
Meeker County Rentals 310-380 N Neptune	<u>8 - 2 Bedroom</u> 8 Total Units	\$595 +utilities	No vacant units	Mix of tenants	Publicly-owned market rate rental units constructed in 1999 and 2000. Units are 1-level townhouse-style with attached garage. Amenities include stove, refrigerator, dishwasher, water softener, and in-unit laundry hookup. Each unit has a furnace and central air unit, with tenant paying all utilities in addition to rent. Two-bedrooms have approx. 1100 sq ft and 1 bathroom, and 3-bedrooms have approx. 1450 sq ft and 1.75 bathrooms. Full occupancy reported but no waiting list. Most tenants are younger households but also some seniors.
Subsidized - General Occupancy					
Public Housing Scattered Sites	<u>1 - 2 Bedroom</u> <u>3 - 3 Bedroom</u> 4 Total Units	30% of income	No vacant units, waiting list	General occupancy	HUD Public Housing scattered site units for general occupancy built in 1982. All units have project-based rent assistance allowing rent based on 30% of income up to maximum rent levels listed. Rent calculation includes utilities allowance. Units are single family houses with attached garage. No vacant units at time of survey and a long waiting list exists.
Senior Housing with Services					
Cedar Crest of Cosmos 130 Neptune St	29 Rooms	\$3508 +additional services as needed	3 vacant rooms	Assisted Living	Senior assisted living facility providing enhanced care, created in 2003 when a former nursing home was closed and converted into assisted living. Rooms are private occupancy with shared bathroom. All meals are provided, along with assistance with daily living. Facility is secured and suitable for people with memory loss. Lowest entry cost is \$3508 with additional fees dependent on care needs. Three units vacant at time of survey - turnover occurs as some residents are only short-term rehab/recovery stays. Waiting list is kept and advertising is done. Approx. 50% of residents receive County assistance such as Elderly Waiver.

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 business sectors. Jobs are available in manufacturing, commercial services, agriculture, and other industries. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what price level.

Labor Force, Work Force and Unemployment

The MN Department of Employment and Economic Development provides labor force and employment information for all of Meeker County. Due to the size of the community, similar information is not available specifically for Cosmos. The following table looks at information for the County since 2010.

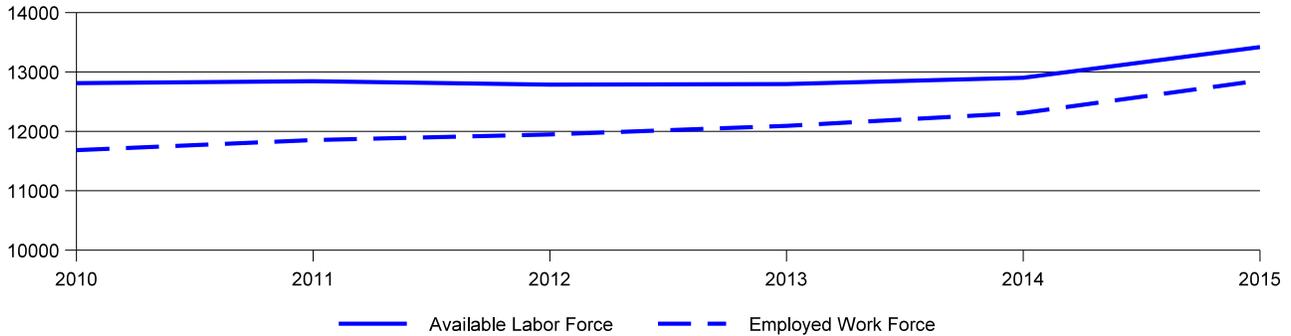
Table 22 Meeker County Labor Statistics: 2010 to 2015						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2010	12,811	11,684	1,127	8.8%	7.4%	9.6%
2011	12,844	11,853	991	7.7%	6.5%	8.9%
2012	12,786	11,948	838	6.6%	5.6%	8.1%
2013	12,797	12,093	704	5.5%	4.9%	7.4%
2014	12,902	12,310	592	4.6%	4.2%	6.2%
2015	13,420	12,857	563	4.2%	3.7%	5.3%

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 work.

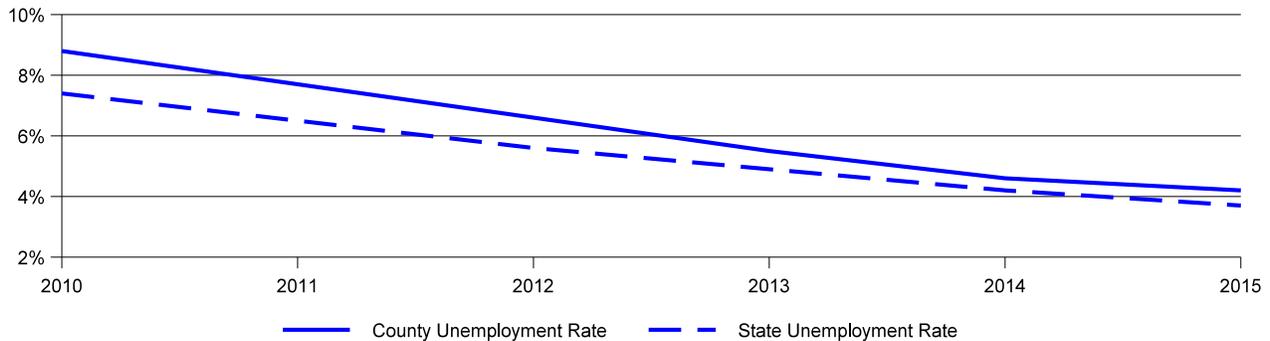
Since 2010, there has been growth in the size of the County’s available labor force. If 2015 is compared to the year 2010, the County’s resident labor force had actually increased by 609 people, or 4.8%. However, most of this reported growth occurred between 2014 and 2015. It is possible that some revisions may yet be made to the 2015 statistics as more information becomes available.

Meeker County Labor Force and Employed Work Force



There has been even stronger growth in the employed resident work force. From 2010 to 2015, the number of employed County residents creased by more than 1,170 people, or 10%. Since the employed resident population increased at an even greater level than the available labor force, the County’s unemployment rate decreased over this time, from 8.8% in 2010 to 4.2% in 2015.

Meeker County Annual Unemployment Rate: 2010 to 2015



The County’s unemployment has been steadily declining since 2010. However, the Meeker County unemployment rate has consistently been higher than the Statewide rate over the last six years.

Employment and Wages by Industry

The following table shows the annual employment and average annual wages within the City of Cosmos in 2014. In Cosmos, there is no real information available for individual industry sectors. It is important to note that some groups, including self-employment, are not represented.

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

Table 23 Cosmos Average Annual Wages by Industry - 2014		
Industry	Employment	Average Annual Wage
Total All Industry	102	\$25,220
Public Administration	5	\$30,524

Source: MN Department of Employment and Economic Development

The average annual wage in Cosmos for all industry in 2014 was only \$25,220. This assumes full-time employment for 52 weeks at the average weekly wage rate.

There were 102 reported workers in Cosmos, and the only reported individual industry sector was Public Administration, which had only five employees.

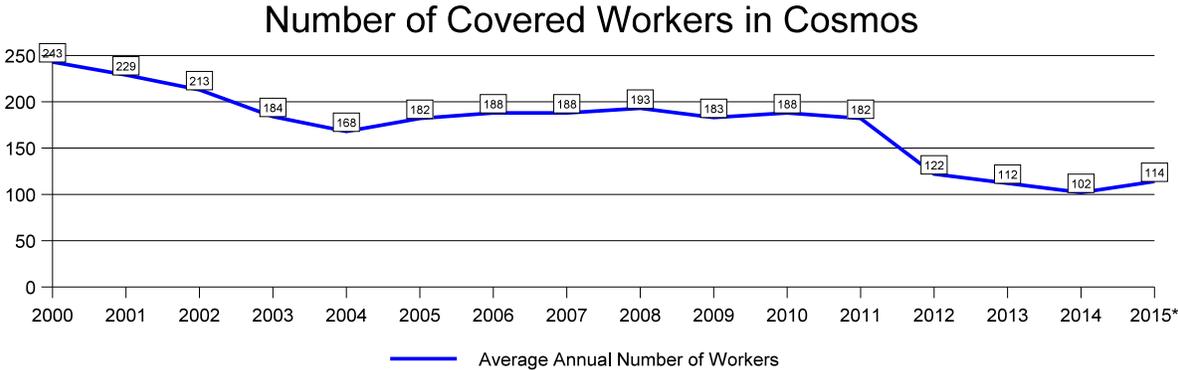
Cosmos Annual Covered Employment

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 Cosmos back to the year 2000.

Table 24 Cosmos Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	243	2008	193
2001	229	2009	183
2002	213	2010	188
2003	184	2011	182
2004	168	2012	122
2005	182	2013	112
2006	188	2014	102
2007	188	2015*	114

Source: QCEW - MN Dept. of Employment and Economic Development
 * 2015 reflects first three quarters only

Over time there has been a significant loss of employment in Cosmos, as tracked by reporting for unemployment compensation. If employment in 2014 (the last full year of data) is compared to the year 2000, there had been a decrease of 141 workers, or -58% over this longer period. Although only partial-year data exist for 2015, it is possible that the number of jobs did increase somewhat between 2014 and 2015.



Commuting Patterns of Area Workers

While some jobs exist within Cosmos, most City residents commute for employment. The best information on commuting patterns is from the 2014 American Community Survey, and has been examined for the City of Cosmos. The first table only examines travel time for City residents, and excludes people that work at home.

Table 25 Commuting Times for Cosmos Residents - 2014		
Travel Time	Number	Percent
Less than 10 minutes	44	18.0%
10 to 19 minutes	40	16.3%
20 to 29 minutes	76	31.0%
30 minutes +	85	34.7%
Total	245	100%

Source: 2014 American Community Survey 5-year estimates

The large majority of Cosmos residents were leaving the City for employment in 2014. Given the City’s size, a travel time of 5 minutes or less would be required to reach the job options that exist within the community. However, approximately 82% of the City’s residents were traveling 5 minutes or more for employment.

Most residents had a travel time that was 20 minutes or more, and nearly 35% of the City’s residents were traveling 30 minutes or more for employment.

The American Community Survey also includes an estimate of the travel time to work for Cosmos-based jobs.

Table 26 Commuting Times for Cosmos Employees - 2014		
Travel Time	Number	Percent
Less than 10 minutes	70	38.3%
10 to 19 minutes	45	24.6%
20 to 29 minutes	12	6.6%
30 minutes +	56	30.6%
Total	183	100%

Source: 2014 American Community Survey 5-year estimates

According to the American Community Survey, there were 183 people working in the City of Cosmos in 2014. This estimated employment level was greater than the other data source presented previously, but this estimate did contain a margin of error, since it was based on sampling.

According to the estimate, most people working in Cosmos were living in the immediate area. Nearly 63% of city-based workers had a travel time of 19 minutes or less. This does include people that both lived and worked in Cosmos. However, nearly 31% of the people working in Cosmos in 2014 traveled 30 minutes or more to their job.

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 2014, and provides a further breakdown of worker movement patterns.

According to the report for Cosmos, there were 73 people that were employed within the city limits in 2014, a lower estimate than the number based on unemployment insurance. Only one of these Cosmos-based employees actually lived within the City. The remaining 72 employees lived outside the City limits. The percentage of City-based workers that were also residents was only 1.3%.

The **On the Map** reporting service can be used to make comparisons between communities in the County. The following table presents information for other communities in Meeker County. This table 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.

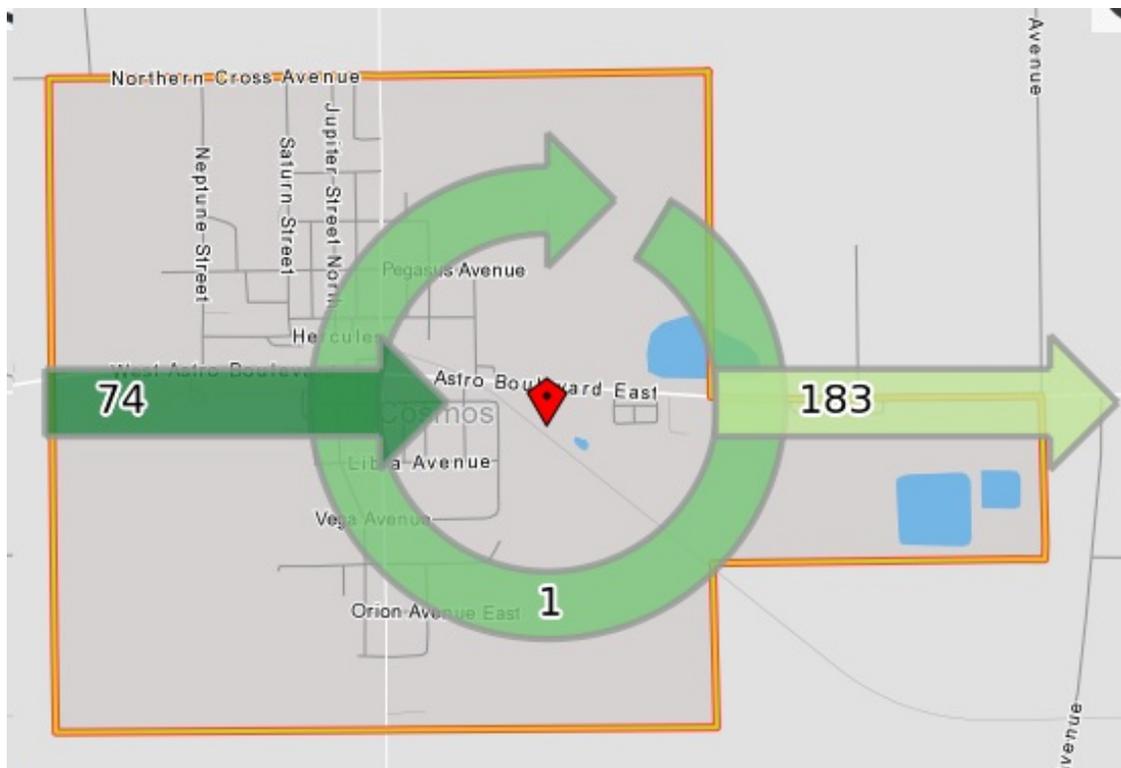
Table 27 Employee Inflow/Outflow Analysis - 2014				
City	Number of People Employed in the City	Percent Employees that also Reside in the City	Percent Employees that Live Outside of the City	Number Employees that Live Outside of the City
Cosmos	75	1.3%	98.7%	74
Litchfield	3,014	40.8%	59.2%	1,784
Cedar Mills	7	0%	100%	7
Darwin	45	2.2%	97.8%	44
Dassel	825	9.7%	90.3%	745
Eden Valley	425	7.3%	92.7%	394
Grove City	169	6.5%	93.5%	158
Kingston	N/A	N/A	N/A	N/A
Watkins	311	5.8%	94.2%	293

Source: Census Bureau, Center for Economic Studies

As indicated in the table above, a very small percentage of the jobs based in Cosmos were actually filled by people that live within the City. In 2014, more than 98% of the people working within the City actually lived outside of the city limits.

While most Cosmos-based workers were commuters, this pattern was not unique. With the exception of Litchfield, 90% or more of the jobs in each of the cities were filled by commuters. Even in Litchfield, more than 59% of the jobs were filled by people that did not live within the city limits.

Most Cosmos residents were reportedly leaving the City each day to commute for their primary job. According to this data source, more than 99% of Cosmos residents were leaving the City for employment.



Findings and Recommendations

Overview

This Study has focused on the growth potential that exists for the City of Cosmos, and the resulting housing demand that could be created. To summarize much of the information that has been presented earlier in this document, the following general observations are made:

Cosmos Growth Potential

This Study has used the assumption that the Cosmos Market Area, which includes the Cities of Cosmos and Cedar Mills, has limited growth potential over the next five years. While it is certainly possible that past patterns could reverse, both the City and the Market Area have been losing population and households since at least the year 2000. The population loss has been larger than the reduction in households, as the area ages and fewer children are present, but more senior citizens remain in the area jurisdictions.

At the time of the 2000 Census, nearly 47% of all households living in the Market Area had a head of household age 55 and older. By 2015, the percentage of households in these older ranges had increased to more than 51%, according to age-based estimates from Esri. The projections to 2020 expect that more than 58% of households will be age 55 and older.

With a large number of senior and near-seniors living in the area, the population has been growing smaller, but the number of households has been more stable. Going forward, it is probable that the City and Market Area will lose households, but the rate of loss is likely to be less than one household per year.

The change in households is consistent with past housing construction patterns, as almost no new housing has been added in Cosmos. Although official records and reports could not be obtained, there is no evidence that any new housing has been constructed in Cosmos in more than 10 years.

While growth-generated demand for new housing is unlikely, the City could have some demand based on unit replacement needs and for age-based changes that continue to occur.

Home Ownership Recommendations

Overview: Between 2000 and 2010, the City of Cosmos primarily saw a reduction in the number of home owners. However, despite a loss of eight owner-occupants over the course of the decade, the rate of home ownership did remain above 80%, well above the Statewide average.

The reduction in the number of home owners during the prior decade occurred despite the fact that some new home construction may have occurred. According to Census Bureau reports, as many as five houses were built in the City between 2000 and 2005. However, after 2005, there is no evidence of any additional home construction.

In addition to losing home owners between 2000 and 2010, Cosmos also experienced a minor reduction in the number of renter-occupancy households. In some communities in the County, there is evidence of tenure conversion, as houses once occupied by owners changed to rental use. This was not necessarily the case in Cosmos. With a reduction of both owner and renter households, the number of vacant housing units in the City increased between 2000 and 2010. The growth in vacant housing may have been due to condition and quality, or it may have been a reflection of lack of demand.

Even though only limited new home construction would be projected over the next five years, it is probable that a few new houses will be constructed in Cosmos, as housing market conditions continue to improve. However, this will probably be customized construction, as a few residents will elect to build a new house that is better suited to their needs. This would include life-cycle housing, such new homes contain features for people as they move through the aging process.

The following specific findings and recommendations are made concerning home ownership issues:

1. Potential demand will exist for less than one house annually

Findings: The research for this Study has indicated that the demand potential for new owner-occupancy housing construction in Cosmos will be limited, and is projected at less than one house annually. When a new house is built, it is likely to be customized construction, targeted to the needs of the owner. Demographic patterns strongly support that most of this demand will be from empty-nester or senior-headed households, and will contain features suitable for people as they move through the aging cycle.

The aging patterns for the Market Area continue to show growth in the number of older adult households, primarily in the 65 to 74 year old age range. At the same time, trend-based projections would point to a declining number of middle-aged and younger adult households, age 54 and under.

Recommendation: Even though Cosmos has not achieved much recent success, it is probable that a few new houses will be constructed in the future. Countywide, housing construction has generally been suppressed after the housing market crash of the late 2000s, but some improvement is expected going forward. Still, in Cosmos, this would still be projected at less than one new single family house per year.

Since households age 55 and older will typically already own a house, the decision to build a new house will be based in part on economic conditions. The perceived strength of the local economy will have an impact on the confidence to invest in new housing in the community. They will also need to sell their existing home, typically of lower value. Continued improvement in existing home values will have a positive impact on the demand for trade-up housing.

2. Promote affordable existing home ownership options

Findings: This Study tracked the sales activity in Cosmos back to the year 2010. Although only a limited number of houses sell in any 12-month time period, the median home sale price in the City has been relatively low.

In the two years with the greatest volume of sales, 2014 and 2012, the median sale price was \$55,000 in each year. Over the 5+ year time period, only one house has sold for more than \$100,000, when a \$160,000 sale occurred in 2010.

The lower priced homes can represent a very attractive ownership option for potential home buyers in the larger region. Of the cities in Meeker County, Cosmos represents one of the most affordable communities for a potential home buyer.

Recommendation: One of the community goals is to offer work force housing and attract a greater share of local workers to live in the City. Promotion of the affordable ownership options can help achieve this goal. Some communities have developed financial incentives for home buyers, which could also be offered to buyers of existing homes.

In other communities in the County, there is evidence that over time, that some of the existing single family homes have been converted to or purchased for use as rental housing. Past tenure conversion in Cosmos appears to have been limited, but there has been some increase over time in the number of vacant housing units.

It is in the City's best long-term interest to attract home owners, and keep the high rate of home ownership. Efforts to promote affordable home ownership can help to limit the conversion of houses to rental use, or to limit the amount of vacant housing.

3. Monitor the residential lot inventory

Findings: According to City staff, Cosmos does not have any newer residential subdivisions. Very limited housing construction has occurred in recent decades, and no subdivisions were created in the previous decade. City staff believes that some vacant infill lots may exist in the community.

Although Cosmos probably has only a small supply of improved lots, there is little incentive for private developers to invest in new subdivisions in 2016. Over the past 10 years, No new houses have been constructed in Cosmos. There is also an unused lot inventory within other cities in Meeker County, and very limited absorption has occurred in these communities in recent years.

In some nearby cities, including Dassel, newer subdivisions are in financial distress or have reverted back to bank or investor ownership. Lots may sometimes be sold at a deep discount to their original asking price.

Recommendation: Based on the projected demand used in this Study, Cosmos will have very limited demand for lots going forward. Over a five-year period, this would be the absorption of less than five lots would be expected. It is therefore unlikely that new lots could be cost-effectively created, unless actual demand significantly exceeds our expectations.

Any future developer needs to be aware that a significant amount of competition exists within cities that are east of Cosmos. Due to limited regional demand, some severe price concessions are being made, and in many communities, some lots are available for less than the investment amount that was initially required for development.

Rental Housing Recommendations

Overview: At the time of the 2010 Census, fewer than 20% of all households living in Cosmos rented their housing. The community has primarily been strong in owner-occupancy housing. Cosmos does have some better quality rental options, including some multifamily rental buildings, but most residents historically have owned their housing.

Cosmos was a participating city in the County EDA's rental development efforts in the late 1990s and early 2000s. Two construction phases occurred, with four units in each phase. The EDA project provides high quality market rate housing.

Cosmos also had some subsidized housing in the past that was assisted through USDA Rural Development. However, both projects, with a combined 20 units, left their subsidy program, and were converted to market rate rental housing. Although no specific details were obtained on these formerly subsidized projects, it is possible that the conversion to market rate housing was due in part to poor occupancy histories.

In 2016, only one subsidized rental project remains in Cosmos, as four scattered site Public Housing units are available, providing a very affordable rental option for families. These units are part of a countywide program, and the occupants of the units may not have originally lived in Cosmos, but have instead relocated from a different community in order to obtain very affordable housing.

Cosmos also has a specialized senior assisted living option. This facility was created in the early 2000s when a former skilled nursing home was closed, and the building changed its use. It is possible that the assisted living units were not included in the 2010 Census totals, as they did not appear as group quarters housing, but also may not have been counted as rental housing.

Despite the rental options that do exist, and the creation of some units after the year 2000, Cosmos experienced a slight reduction of renter-occupancy households between the 2000 Census and the 2010 Census. There were more vacant rental units in the City in 2010 than had existed in 2000. This may have been impacted by the confusion over the assisted living project.

Unlike some of the other cities in the County, the number of tenure conversions in Cosmos appears to have been very limited, possibly due to the limited demand that is present.

Going forward, very limited household growth is projected to occur in Cosmos. With fewer than 20% of households renting their unit, almost no growth-generated rental demand would be expected.

The following findings recommendations are made concerning rental housing issues:

4. Monitor demand for market rate rental housing

Findings: Cosmos was a participating city in the County EDA’s rental development projects in the late 1990s and early 2000s. The EDA constructed two four-plexes in the City. The EDA also built similar projects in Litchfield, Dassel, Eden Valley, Grove City and Watkins. Over time, these publicly-owned projects have been very successful, with a high rate of annual occupancy. In most of the communities, unmet demand has been present in the form of waiting lists.

According to the property manager, the project in Cosmos has maintained a high rate of occupancy in the past. However, there was no waiting list that was present at the time of the research in 2016. When the EDA units were constructed, there were actually more total households living in Cosmos and the Market Area than currently. Since that time there has been a minor decrease in households living in the area.

The EDA units in Cosmos have the lowest rent structure of all the projects in the County. The monthly contract rent in Cosmos is more than \$100 below the level charged in Litchfield for a two-bedroom unit.

Although Cosmos has a growing number of residents that are age 55 and older, especially in the senior age ranges 65 and older, the units in Cosmos are primarily occupied by non-seniors.

Recommendation: Although the EDA’s market rate rental units in Cosmos have been successful, it appears that the unit supply is well-matched to demand. No evidence of unmet need is demonstrated by a waiting list, and the lower rent structure indicates the price-sensitivity that exists in a small community. Community Partners Research would recommend that demand for this type of housing be monitored, and that no additional units be developed in Cosmos unless pent-up demand materializes.

One difficulty in building any future units in Cosmos would be the current rent structure, which is the lowest of the six cities that have EDA housing. It is very unlikely that any newly-built units could come close to replicating the rent structure being used in Cosmos. If new units are constructed in the future, they would directly compete with the current project, which offers substantially below-market pricing.

5. Monitor the need for additional affordable market rate rental housing

Findings: Like most of the other small cities in Meeker County, the inventory of older market rate rental housing has a very moderate rent structure. Excluding the EDA units, two-bedroom multifamily rental options in the City have an estimated gross monthly rent that is below \$550.

In Cosmos, the median household income for all renters in 2014 was only \$25,089. If a median income household were to apply 30% of income to housing costs, this would yield an affordable gross rent of approximately \$625 per month. Although the Countywide median for renters was higher, at \$28,844, half of all renter households in the County would ideally have needed a unit at or below \$720 per month.

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

In Cosmos, some affordable market rate housing exists because two projects that previously offered subsidized housing were converted into conventional housing. While this greatly decreased the supply of deep subsidy units, it did add to the supply of market rate housing, and did not place occupancy restrictions on tenants.

Based on the rental survey completed as part of this project, the demand for affordable market rate housing is fairly well balanced with supply. There was a fairly high rate of occupancy, but most property managers indicated that filling turnover units can be more difficult in Cosmos. There were some vacant one-bedrooms identified.

Recommendation: In the opinion of the analysts, Cosmos could benefit from affordable rental housing creation, especially if the added units have two or more bedrooms. Affordable units, especially priced at \$625 or less, would be well-matched to the income levels of Cosmos area renters. However, there is no easy way to address the financial gap between affordable rental housing and the costs associated with building new units.

This Study would encourage the City to look for ways to add to the rental supply, through better utilizing existing structures, such as downtown buildings with unused space, or by securing grant assistance that is intended for affordable rental housing. Target rents for affordable units should be at or below the levels allowed by the Housing Voucher Program.

Due to the affordable rent structure that would be needed, any future rental housing creation will probably require some level of public participation. At the City level, this may involve Tax Increment Financing, land donations or other cost write-downs, such as a waiver of fees and charges. In the past, rental development occurred as publicly-owned rental housing through the County EDA, as private, for-profit developers can have a difficult time producing units with a below-market rent structure.

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

6. Monitor opportunities for income-restricted housing development

Findings: In 2016, there is only one income-restricted housing project in Cosmos. The Meeker County HRA has four scattered site Public Housing units in the City. Project-based rent assistance is available for these units, allowing lower income tenants to pay rent based on 30% of income.

At one time, Cosmos had two additional apartment buildings, with a combined 20 apartment units. A Rural Development list from 2006 had included both properties, but by 2016 neither project was still in the subsidy program. It is not known when or why these projects left the subsidy program.

In some small communities, the conversion to market rate housing has been due to insufficient demand from income-eligible households, but this cannot be confirmed in Cosmos.

The Public Housing units were fully occupied at the time of the rental survey. A countywide waiting list is maintained, but it is not city-specific. While a waiting list household may be willing to occupy a vacant unit in Cosmos, the community may or may not be their preferred choice.

Recommendation: The rental cost burden statistics presented in an earlier section of this document indicated that more than 56% of existing renter households in the Cosmos were applying 30% or more of their income for housing in 2014. The large majority of these households had an annual income that was less than \$20,000, and would be income eligible for subsidized housing. Countywide, the median household income for all renters in 2014 was less than \$29,000, indicating a large number of households looking for very affordable housing.

Although the cost burden statistics would point to demand for subsidized housing, Cosmos has lost most of its subsidized housing in recent years. While the exact reasons for the loss of units could not be confirmed, it was possibly due to poor occupancy and lack of demand. Between the Rural Development and Public Housing units, more than half of Cosmos's rental stock was once in some federal subsidy program.

It is very unlikely that any resources for additional subsidized development can be secured, especially in a small city like Cosmos. If additional financial resources were available, it would be most appropriate to create additional subsidized housing in Litchfield, the County's service and employment center.

A more realistic option for expanding affordable options would be through the use of the tenant-based rent assistance program. In 2016, no Cosmos households had Vouchers. With a Voucher, a lower-income household can rent any suitable private unit in the community that meets the program standards.

7. Monitor demand for additional specialized senior housing

Findings: Cosmos has one senior housing option that can provide services to residents. Cedar Crest of Cosmos is licensed as a provider of assisted living services. Cedar Crest was created in 2003, when a former skilled nursing home was closed, and the building was converted to assisted living use. There are 29 rooms available for private occupancy, with a shared bathroom.

The facility can provide enhanced care. The building is secured and suitable for people with memory loss.

At the time of the rental survey, there were three vacant units reported. Vacancies can occur in part due to turnover that occurs. Some residents only live in the facility for short-term rehab/recovery stays. A waiting list is maintained, but advertising is also done to fill rooms.

According to the manager, approximately 50% of residents receive County assistance such as Elderly Waiver. The reimbursement rate for County assistance can be low, and some senior care options will not accept people with Elderly Waiver. In other facilities, the number of recipients may be capped. The ability of Cedar Crest to accept a large share of public assistance recipients probably contributes to the high rate of occupancy.

Based on the age-based estimates from Esri, there were only 99 people age 75 or older living in the Cosmos Market Area. These older seniors were in 73 households with a head of household age 75 and older. Based on the estimated occupancy, a very large percentage of area residents age 75 and older were already living in a room in Cedar Crest.

It is very probable that the success that Cedar Crest has experienced is directly linked to countywide demand that exists from lower income seniors receiving County assistance. It is also possible that the enhanced level of care that can be provided, including possible housing for people with memory loss issues, also contributes to the project's occupancy rate.

Recommendation: Based on the size of the primary market area that surrounds Cosmos, and the limited number of older citizens, the City has a very large supply of specialized care housing for seniors. While some growth would be expected in the number of older seniors over the next five years, the actual numeric growth is limited, and would not generate substantial unit demand.

Cedar Crest in Cosmos appears to have developed a market niche, by serving special subsets of the regional senior market, including lower income seniors and people with memory loss. While this has resulted in leasing success, it is probable that many residents come from a greater distance. To the extent that competitive projects are built in some of these other communities in the future, it is possible that demand in Cosmos could be reduced.

In the opinion of Community Partners Research, the older senior population in and around Cosmos is adequately served by the existing option offered at Cedar Crest. However, it is recognized that this facility is older, and has some marketing limitations, such as the shared bathrooms. A new project with more modern amenities would probably be well received, but it would have a negative impact on the existing rooms in Cedar Crest.

Housing Rehabilitation Recommendations

Overview: Cosmos has a significant asset in its existing housing stock. Older units, both now and into the future, will represent the 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 and in preventing the deterioration of neighborhoods. As this existing stock ages, more maintenance and repair are often 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.

8. Promote owner-occupied housing rehabilitation programs

Findings: The older housing stock will continue to represent the most affordable home ownership option in the community. Investment in owner-occupied housing rehabilitation activities will continue to make home ownership possible for low and moderate income households.

According to the American Community Survey, the median year of construction for owner-occupied houses in Cosmos is 1955, so the community does have an older than average stock of single family houses. Approximately 70% of the owner-occupied single family houses were built prior to 1960.

As part of the research for this Study, a visual inspection was made of the single family housing stock in Cosmos. This “windshield” survey looked at the exterior conditions of each house and rated the structure on a four-point scale, from Sound to Dilapidated. The City was divided into two neighborhoods and 168 single family structures that were viewed and rated.

In the combined neighborhoods, there were 27 houses that were rated as needing major repair. There were also 68 houses rated as needing minor repair. There were 77 houses that were rated as sound, with no observable repair needs. Six houses were rated as dilapidated, and probably beyond the point of feasible repair.

While the actual owner versus renter tenure pattern could not be determined from an exterior viewing, most of the single family houses in the City are owner-occupied.

Recommendation: The primary funding source for concentrated neighborhood rehabilitation programs is the Small Cities Development Program (SCDP), administered by the MN Department of Employment and Economic Development (DEED). According to City officials, Cosmos has not participated in a SCDP-funded housing program in more than 15 years.

For several years, the SCDP program had moved away from larger grant awards that were focused on larger-scale impact. Instead, smaller annual awards were made to support sustained rehabilitation approaches. The program has changed back, and larger awards are again being made, making targeted neighborhood projects more achievable. Additional resources for owner-occupied housing rehabilitation are available from the Minnesota Housing Finance Agency.

9. Promote rental housing rehabilitation programs

Findings: Although much of the rental housing in Cosmos is in multifamily buildings, between 25% and 30% of the rental stock is in single family houses. According to the American Community Survey estimates, most of the single family house rentals were constructed prior to 1960. These houses may have converted to rental use because of their condition, as most often it is lower valued homes that are purchased by investors for use as rental housing.

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

Recommendation: Although the tenure pattern of single family houses could not be determined in the housing condition survey, it is probable that some of the houses in need of repair are used as rental housing. The rehabilitation of older units can be a cost-effective way to maintain a supply of decent, safe and sanitary affordable housing. In addition to the SCDP-funded activities, other resources are available for rental rehab.

10. Promote mobile home park improvements

Findings: Community Partners Research did a visual condition survey of the mobile homes in Cosmos. Of the 16 mobile homes that were viewed and rated, six were considered to be dilapidated, and probably beyond repair. Three additional mobile homes were judged to need major repair. Because mobile homes tend to decrease in value as they age, it is possible that repairing a deteriorated mobile home in Cosmos is not financially feasible.

There were three mobile homes rated as sound and in good condition. Four mobile homes were rated as needing only minor repair.

Recommendation: Addressing the issues created by substandard mobile homes is not easily solved. Some communities have rehabilitated older units, but this is difficult to accomplish because of the type of construction of mobile homes, and it is rarely cost effective. Some communities have established programs that provide for the purchase and removal of substandard mobile home units, provided a newer unit is purchased to replace the acquired dwelling. While this approach can work well in upgrading the stock, it can be expensive, especially if there are a large number of homes in poor condition.

Several communities have initiated innovative programs that address mobile home conditions and mobile home park issues. We recommend that the City or area housing agencies consider the implementation of the following ideas:

- ▶ ***Operation Safe Mobile Home Park*** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished or salvaged. The owner could then use the funds from the sale to help purchase a new home. In some cases, housing agencies have provided funding for down payment assistance or gap financing programs to purchase new mobile homes. Also, mobile home dealerships have participated with buying the salvaged homes.
- ▶ ***Time of Sale Inspection Program*** - This inspection program is designed to provide safe living conditions to community residents through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale. All identified safety hazards must be corrected before the unit is sold and/or occupied.

- ▶ ***Cooperative/Land Trust*** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.

11. Demolish and clear substandard structures

Findings: This Housing Study included a visual housing condition survey of single family houses in Cosmos. This evaluation identified six houses in Cosmos that were very deteriorated, and possible candidates for demolition and clearance. There were also six mobile homes in the City that were in very poor condition.

Recommendation: Ongoing efforts to clear severely substandard structures are encouraged. This will help to enhance the appearance and appeal of the community as a residential location. Cleared lots could then be offered as sites for new home construction. Removed mobile homes may allow for newer units to be placed in the community.