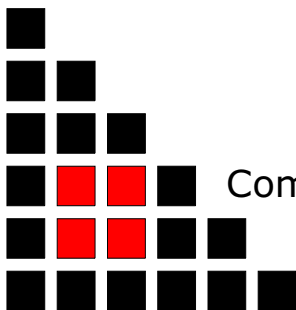


# City of Litchfield HOUSING STUDY

August 2016

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



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 August 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.

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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 2015 for Litchfield and Meeker County. The Census Bureau has also released annual estimates for 2015. However, the estimates from these sources 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.

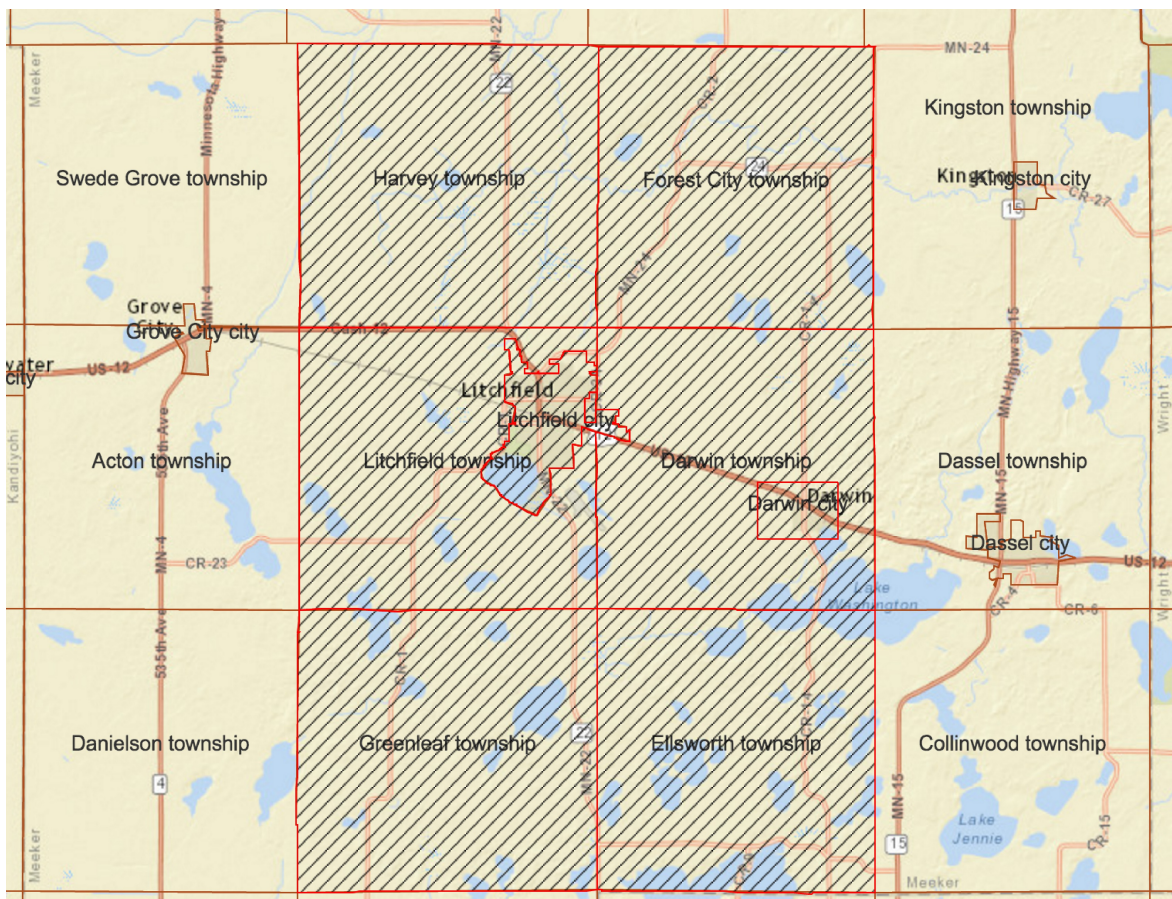
The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For the City of Litchfield and for all of Meeker County, the 2014 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between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

## Market Area Definition

The City of Litchfield is the largest city in Meeker County. For some types of housing, especially more specialized units, the entire County serves as a potential market area. For most of the demographic components that follow, information has been presented for Meeker County.

To place the City in a regional context, and to be consistent with previous housing studies completed for Litchfield, a more specific primary market area definition has been used for Litchfield. The aggregated jurisdictions include the Cities of Litchfield and Darwin, and the Townships of Darwin, Ellsworth, Forest City, Greenleaf, Harvey and Litchfield. In this Study, this aggregated area is referred to as the Market Area.





## Population Data and Trends

The following table includes the 2015 population estimates from the Minnesota State Demographer. The 2015 Census Bureau and Esri estimates are contained in the text that follows.

<b>Table 1 Population Trends - 1990 to 2015</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2015 Estimate
Litchfield	6,041	6,562	8.6%	6,726	2.5%	6,761
Market Area	10,158	11,050	8.8%	11,140	0.8%	11,144
Meeker County	20,846	22,664	8.7%	23,300	2.8%	23,110

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

The City of Litchfield has experienced ongoing population growth, but the rate of change has been relatively slow since the year 2000. As tracked by the decennial census, Litchfield's population increased by only 2.5% between 2000 and 2010. Since 2010, the Minnesota State Demographer's most recent estimate shows the addition of only 35 people over a five-year period.

The Census Bureau also issues annual estimates, and they believe that Litchfield has lost population after 2010. Their 2015 estimate showed 6,657 City residents in 2015, down by 69 people from 2010.

The recent population estimate from Esri, a private data reporting service, is very similar to the Census Bureau's. Esri estimated the City's population at 6,679 people in 2015. Based on this estimate, the City lost 47 residents between 2010 and 2015.

Although differences exist between the available estimating sources, all three show limited change in the City's population after 2010. If reduced to an annual average, these estimates range from -14 to +7 people per year.

Some differences also exist in the recent population trends for the larger Market Area is examined. Esri shows 11,080 people living in the aggregated jurisdictions in 2015, compared to 11,140 in 2010, a decrease of 60 people over the five-year time period.

The State Demographer's 2015 estimate for the Market Area shows a gain of only four people between 2010 and 2015. The Census Bureau's annual estimates show a loss of 81 people from 2010 to 2015.



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 23,110 from the State Demographer. While this difference is only 238 people, the estimates do reflect differing trends, as Esri shows some minor growth in the County's population after 2010, while the Demographer shows a loss of population countywide after 2010.

Once again, the annual estimate from the Census Bureau for 2015 is very similar to the State Demographer's, and also tracks a loss of population after 2010.

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**

Litchfield's population is primarily White and non-Hispanic. At the time of the 2010 Census, nearly 96% of the City's residents identified themselves as White for race, and nearly 93% of City residents identified themselves as not being Hispanic/Latino for ethnicity. Due to the City's limited diversity, no additional information has been provided in this Study.

### **Group Quarters Population**

In 2010, the decennial Census counted 222 group quarters residents in the City. There were 100 people living in skilled nursing homes, 37 adults in correctional facilities, 39 people in other types of institutions, and 48 people in noninstitutional facilities.

The group quarter's population was down from 325 people in 2000. Much of the decrease was due to nursing home residents, as 249 people were counted in 2000, compared to 100 in 2010. However, the group quarter's population in facilities other than nursing homes did increase over the decade.

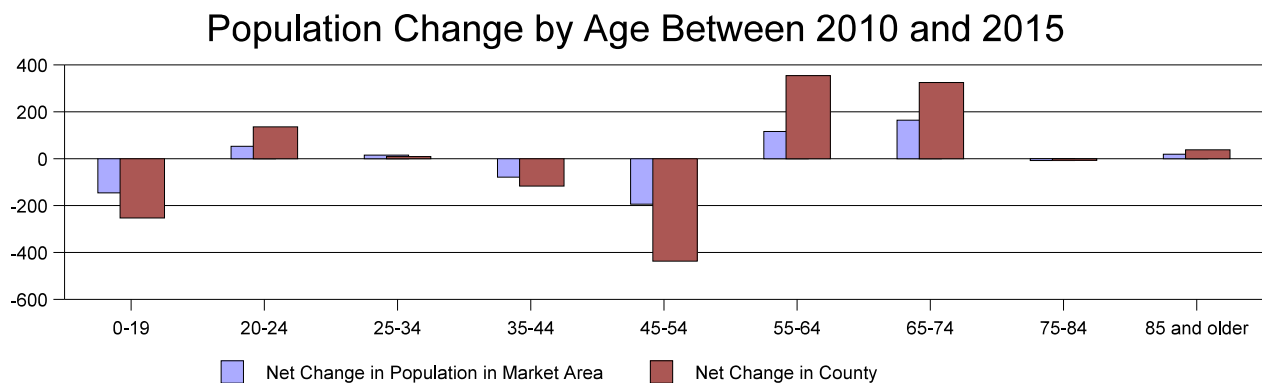
The State Demographer's 2015 estimate for Litchfield showed 233 people living in group quarters housing, up slightly from the level recorded by the 2010 Census.

## Population by Age Trends: 2010 to 2015

Esri provides 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 Litchfield Market Area and for all of Meeker County. The City of Litchfield represents approximately 60% of the Market Area total in 2015.

<b>Table 2 Population by Age - 2010 to 2015</b>						
Age	Market Area			Meeker County		
	2010	2015	Change	2010	2015	Change
0-19	2,845	2,699	-146	6,406	6,153	-253
20-24	515	568	+53	1,067	1,203	+136
25-34	1,217	1,232	+15	2,543	2,552	+9
35-44	1,295	1,216	-79	2,709	2,592	-117
45-54	1,710	1,516	-194	3,645	3,208	-437
55-64	1,604	1,720	+116	3,095	3,449	+354
65-74	961	1,125	+164	1,947	2,272	+325
75-84	653	645	-8	1,290	1,283	-7
85+	340	359	+19	598	636	+38
Total	11,140	11,080	-60	23,300	23,348	+48

Source: U.S. Census; Esri

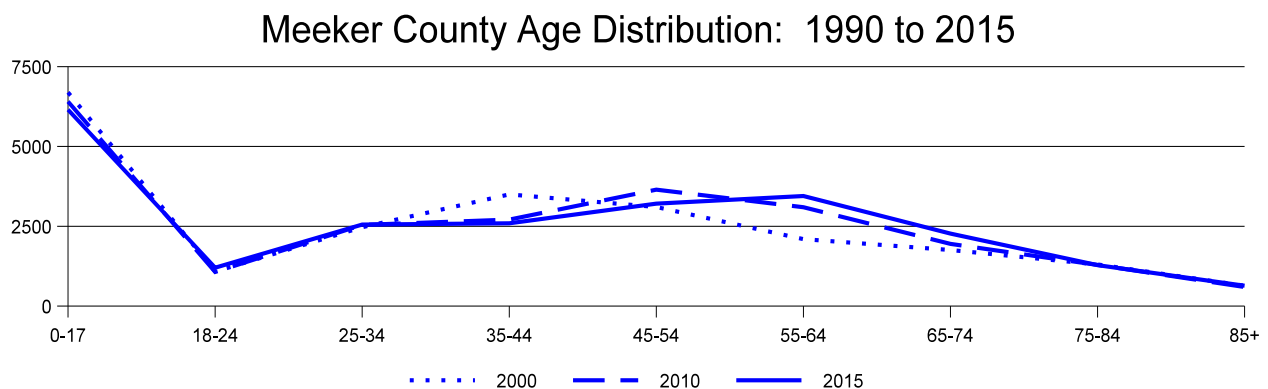


For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been very evident in the Market Area. Between 2010 and 2015, the Litchfield Market Area had a net loss of 60 people according to Esri, but added approximately 290 people in the age ranges 55 and older. This was then offset by a reduction of approximately 350 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. 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 Litchfield 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.



## Household Data and Trends

The Minnesota State Demographer's Office has issued 2015 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.

<b>Table 3 Household Trends - 1990 to 2015</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2015 Estimate
Litchfield	2,406	2,624	9.1%	2,747	4.7%	2,784
Market Area	3,942	4,314	9.4%	4,545	5.4%	4,587
Meeker County	7,651	8,590	12.3%	9,176	6.8%	9,177

Source: U.S. Census; MN State Demographer

Litchfield has experienced ongoing household growth in recent decades, but the annual rate of growth has been slowing over time. According to the State Demographer's most recent estimate, the City added 37 households between 2010 and 2015, or an average of seven to eight households per year. In the 2000s, the City was averaging 12 to 13 households per year, and in the 1990s, the annual average was nearly 22 households per year.

The estimate from Esri shows less growth occurring in the City, with the addition of only five households from 2010 to 2015.

When the entire Litchfield Market Area is analyzed, the Demographer has tracked the addition of 42 households between 2010 and 2015. According to the Demographer's Office, most of the Market Area household growth after 2010 is attributed to Litchfield.

Esri has estimated a lower level of growth for the Market Area, with the net addition of only five households between 2010 and 2015. Esri's conservative estimate for the Market Area is consistent with their view of limited growth in Litchfield.

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

## Household by Age Trends: 2010 to 2015

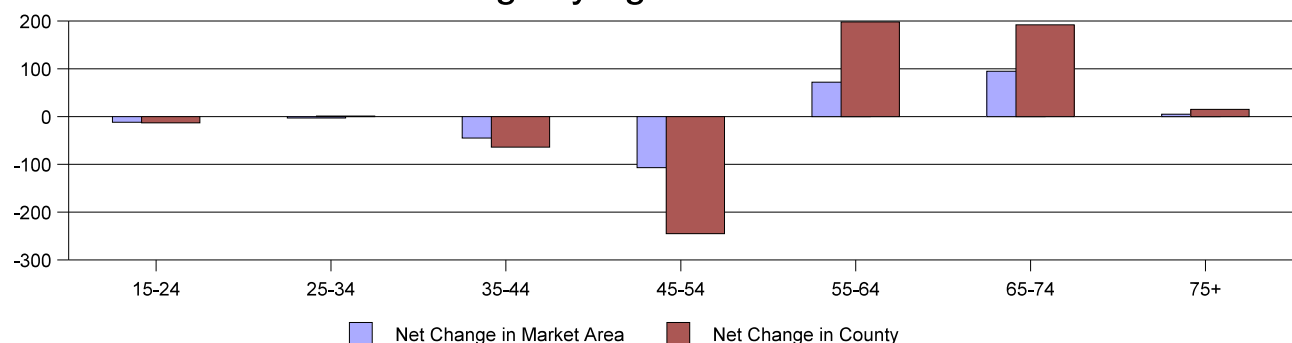
Esri has slightly different household estimates than from other sources, but Esri also provides a level of detail not available elsewhere. The following table uses the Esri data to compare households by age of householder in 2010 and 2015, along with the numeric changes.

<b>Table 4 Households by Age - 2010 to 2015</b>						
Age	Market Area			Meeker County		
	2010	2015	Change	2010	2015	Change
15-24	145	133	-12	309	296	-13
25-34	590	587	-3	1,198	1,199	+1
35-44	697	652	-45	1,448	1,384	-64
45-54	923	816	-107	1,998	1,753	-245
55-64	920	992	+72	1,763	1,961	+198
65-74	584	679	+95	1,199	1,391	+192
75+	686	691	+5	1,261	1,276	+15
Total	4,545	4,550	+5	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 Market Area, the largest net growth in households occurred in the 10-year age group between 65 and 74 years old.

Household Change by Age Between 2010 and 2015



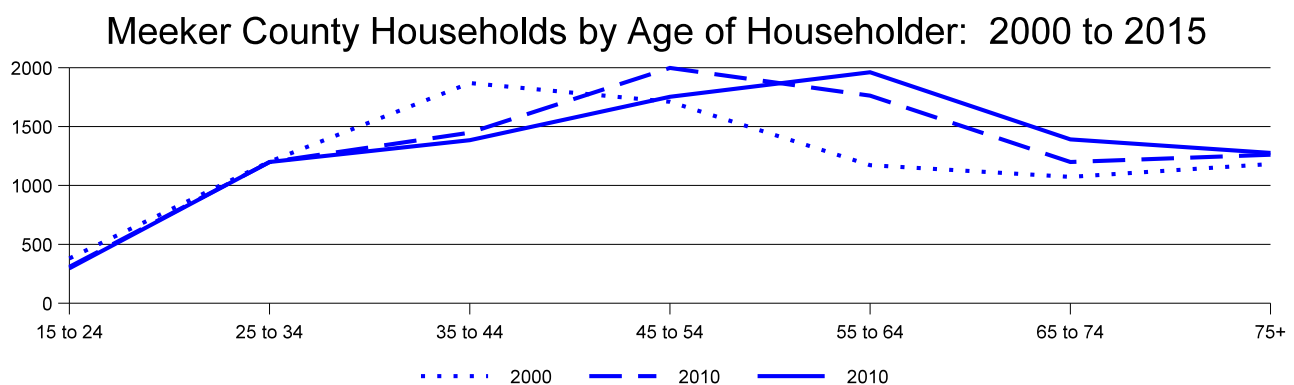
For the Litchfield Market Area, each of the defined age ranges 55 and older added some households over the last five years according to Esri. However, all of the younger age ranges experienced a net reduction in the number of households. The biggest decline occurred in the 45 to 54 year old range, as the advancing baby boomers were not replaced by the succeeding generation.

Overall, the estimates show that the Market Area had an increase of 172 households age 55 and older, but a net reduction of 167 households age 54 and younger.

Patterns were generally similar Countywide, as increases occurred 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.

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.



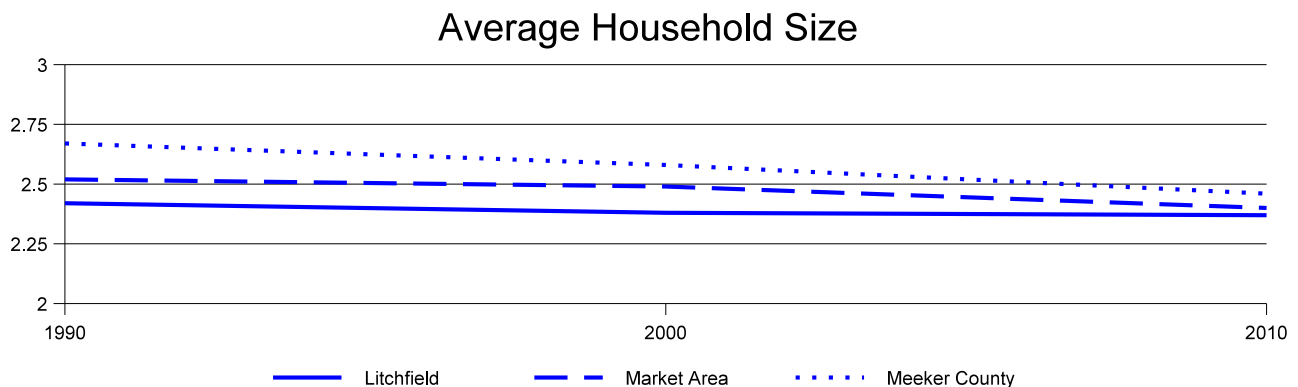
## Average Household Size

The following table provides decennial Census information on average household size. Estimates from the State Demographer for 2015 are also included.

<b>Table 5 Average Number of Persons Per Household 1990 to 2015</b>				
	1990 Census	2000 Census	2010 Census	2015 Estimate
Litchfield	2.42	2.38	2.37	2.34
Market Area	2.52	2.49	2.40	2.38
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 Litchfield, the average household size has been gradually decreasing over time, from 2.42 persons per household in 1990, to 2.34 persons in 2015.

During this same time, the average household sizes for the entire Market Area and for Meeker County have also been gradually growing smaller. However, they do remain larger than in Litchfield.



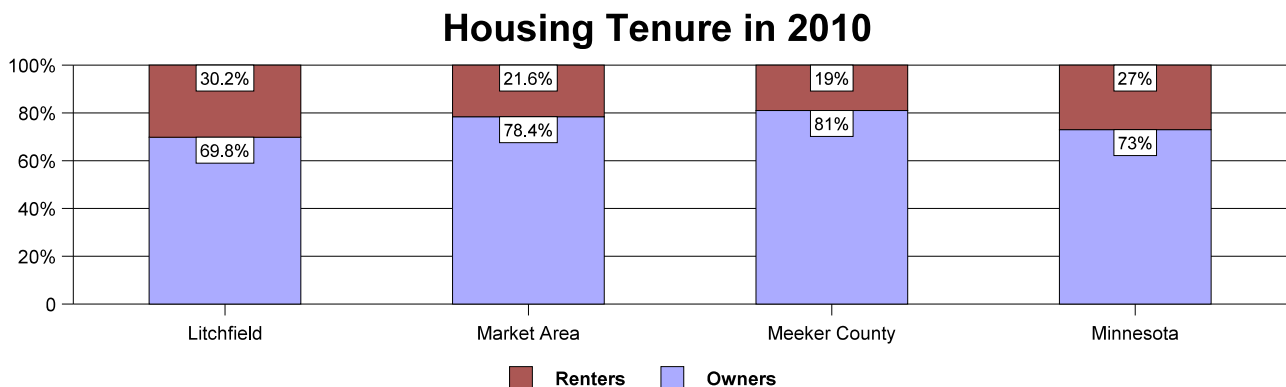
## Housing Tenure

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.

<b>Table 6 Household Tenure - 2010</b>				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
City of Litchfield	1,917	69.8%	830	30.2%
Market Area	3,562	78.4%	983	21.6%
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 Litchfield was 69.8%, with the remaining 30.2% of households renting their unit. In 2010, nearly 48% of all renter-occupancy households in Meeker County were living in Litchfield.



When the entire Market Area aggregation was reviewed, the home ownership rate increased to 78.4%, and was 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	Litchfield			Meeker County		
	2000	2010	Change	2000	2010	Change
Owners	1,880	1,917	+37	7,018	7,437	+419
Renters	744	830	+86	1,572	1,739	+167
Total	2,624	2,747	+123	8,590	9,176	+586

Source: U.S. Census

The rental tenure rate for Litchfield increased over the last decade, as the City added more renter than owner households. At the time of the 2000 Census, the City's rental tenure rate was 28.4%. By 2010, it had decreased to 30.2%.

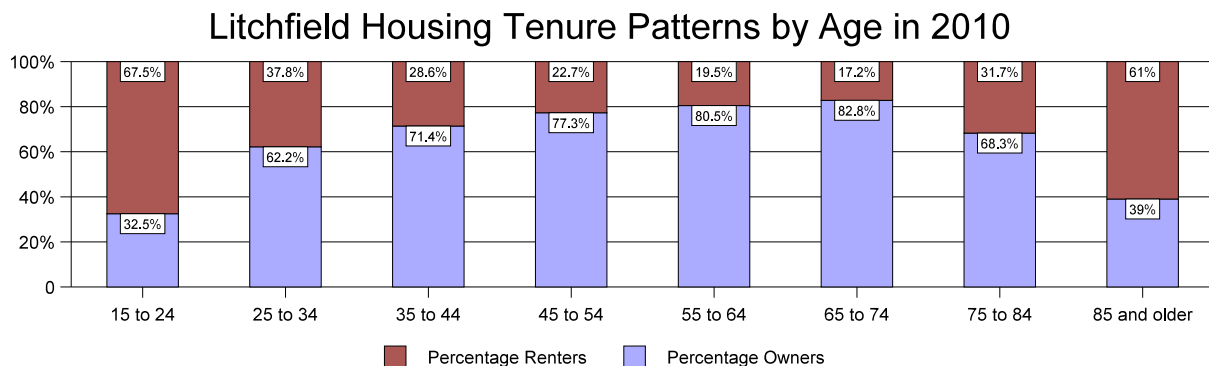
In 2000, the Meeker County rental tenure rate was at 18.3%. By 2010, it had increased to 19.0%.

## 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 Litchfield.

<b>Table 8 Litchfield Tenure by Age of Householder - 2010</b>				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	37	32.5%	77	67.5%
25-34	263	62.2%	160	37.8%
35-44	294	71.4%	118	28.6%
45-54	395	77.3%	116	22.7%
55-64	387	80.5%	94	19.5%
65-74	250	82.8%	52	17.2%
75-84	220	68.3%	102	31.7%
85+	71	39.0%	111	61.0%
Total	1,917	69.8%	830	30.2%

Source: U.S. Census



Within the defined age ranges, typical tenure patterns were present, with households at the lowest and highest ends of the age spectrum showing a higher preference for rental housing, while middle-aged adult households were home owners. Among households age 24 and younger, nearly 68% rented their unit, and 61% of households age 85 and older were renters. Home ownership rates for each of the 10-year age cohorts between 25 and 84 years old were above 62%.

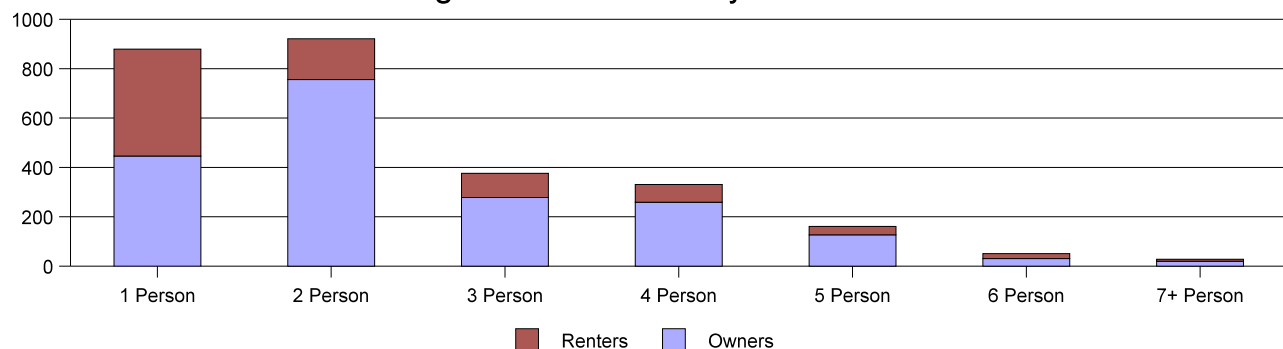
## Tenure by Household Size

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 Litchfield.

<b>Table 9 Litchfield Tenure by Household Size: 2000 to 2010</b>						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	419	446	+27	423	433	+10
2-Person	672	756	+84	163	165	+2
3-Person	305	278	-27	84	98	+14
4-Person	291	259	-32	46	72	+26
5-Person	132	127	-5	20	34	+14
6-Person	42	31	-11	6	20	+14
7-Persons+	19	20	+1	2	8	+6
Total	1,880	1,917	+37	744	830	+86

Source: U.S. Census

Litchfield Housing Tenure Patterns by Household Size in 2010



Although most households in Litchfield have only one or two members, there was some growth in the number of larger renter households in the prior decade. Among home owners, all of the growth was due to more households with two or fewer members. Among renters, there was some increase from all household sizes.

At the time of the 2010 Census, nearly 63% of all home owners and more than 72% 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 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 2009 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.

<b>Table 10 Median Income - 2009 to 2014</b>			
	2009 Median	2014 Median	% Change
Households			
Litchfield	\$45,744	\$50,668	10.7%
Meeker County	\$52,031	\$54,049	3.9%
Minnesota	\$57,070	\$60,828	6.6%
Families			
Litchfield	\$54,288	\$61,147	12.6%
Meeker County	\$59,864	\$65,247	9.0%
Minnesota	\$70,887	\$76,190	7.5%

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 Litchfield has grown in recent years. When compared to the level estimated in 2009, the City's median household income increased by nearly 11%, and the median family income increased by nearly 13% over that time. However, the median levels in Litchfield were still below the comparable countywide and statewide medians.

Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Litchfield could afford approximately \$1,267 per month for ownership or rental housing in 2014.

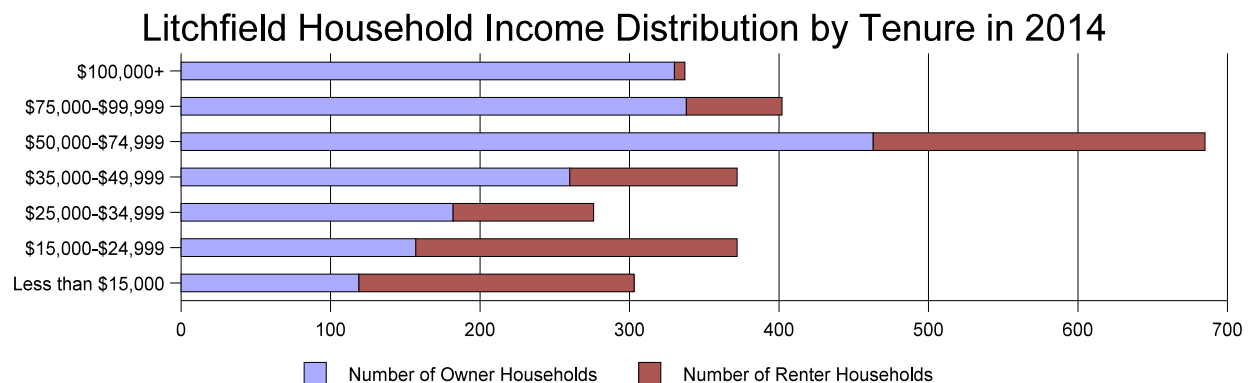
## Litchfield Income Distribution by Housing Tenure

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

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 Litchfield, the American Community Survey estimate appears to be accurate. The ACS estimated that 2,747 households were present, while the State Demographer believed that 2,776 households were present. However, the ACS estimates appear to be slightly low for owner households but slightly high for renter households, when compared to the tenure distribution present at the time of the 2010 Census.

<b>Table 11 Litchfield Income Distribution by Tenure - 2014</b>			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	119	184	303
\$15,000 - \$24,999	157	215	372
\$25,000 - \$34,999	182	94	276
\$35,000 - \$49,999	260	112	372
\$50,000 - \$74,999	463	222	685
\$75,000 - \$99,999	338	64	402
\$100,000+	330	7	337
<b>Total</b>	<b>1,849</b>	<b>898</b>	<b>2,747</b>

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 55% of renter households in Litchfield 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. More than 61% of owner households had an annual income of \$50,000 or more. However, approximately 25% 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 \$30,875, while the median income for home owners was \$60,088.



## 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 Litchfield.

<b>Table 12 Gross Rent as a Percentage of Household Income - Litchfield</b>		
Percent of Income for Housing	Number of Renter Households	Percent of all Renter Households
Less than 20%	334	37.2%
20% to 29.9%	139	15.5%
30% to 34.9%	118	13.1%
35% or more	298	33.2%
Not Computed	9	1.0%
Total	898	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 46% 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 Litchfield it was primarily due to low income levels for renters. Nearly all 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 Litchfield that are paying different percentages of their gross household income for housing costs.

<b>Table 13 Ownership Costs as a Percentage of Income - Litchfield</b>		
Percentage of Household Income for Housing Costs	Number of Owner Households 2014	Percent of All Owner Households 2014
0% to 19.9%	987	53.4%
20% to 29.9%	402	21.7%
30% to 34.9%	125	6.8%
35% or more	327	17.7%
Not Computed	8	0.4%
Total	1,849	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, nearly 25% of all home owners reported that they paid 30% or more of their income for housing, including many that 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. However, nearly 20% of owners reporting a cost burden had no mortgage. In these cases, it was generally a low annual income that has caused the cost burden, such as a retiree that lived on a fixed income.

## 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 year 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.

<b>Table 14 Population Projections Through 2020</b>				
	Esri Projection		State Demographer	
	2015 Estimate	2020 Projection	2015 Estimate	2020 Projection
Litchfield	6,679	6,690	6,761	6,978
Market Area	11,080	11,107	11,144	N/A
Meeker County	23,348	23,523	23,110	24,185

Source: Esri, Inc.; MN State Demographer

As stated previously, Esri's 2015 population estimate for Litchfield does show a minor loss of population after 2010. While consistent with the Census Bureau's most recent estimate, Esri's belief that the City has been losing residents differs from the Minnesota State Demographer's 2015 estimate, which showed the City adding a few people so far this decade.

Despite their lower current-year estimate for 2015, Esri has projected a small increase in Litchfield's population through the year 2020. Over the five-year period, Esri expects the City to add 11 residents. However, the projected population level in 2020 would still be lower than the level that existed in 2010.

The city-level population projection from the State Demographer is significantly higher for Litchfield, but is not consistent when compared to the most recent patterns. Over the course of the entire decade, the Demographer had expected Litchfield to add more than 250 residents. However, based on the 2015 annual

estimate, the City had added only 35 people through the first four years of the decade, and was unlikely to reach the 2020 projection without a significant change in the rate of growth.

For the entire Litchfield Market Area, Esri expects that only 27 people will be added between 2015 and 2020, or an average of less than six people per year. This appears to be a conservative projection, but would be consistent with Esri's very conservative view of the growth potential for the City of Litchfield.

The MN State Demographer's Office has no current projections available for individual townships, so no Market Area projection can be assembled from this source.

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.

## 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 the average household size will decrease gradually.

<b>Table 15 Household Projections Through 2020</b>				
	Esri		State Demographer	
	2015 Estimate	2020 Projection	2015 Estimate	2020 Projection
Litchfield	2,742	2,759	2,784	2,910*
Market Area	4,550	4,586	4,587	N/A
Meeker County	9,250	9,360	9,177	9,782

Source: State Demographer; Esri

\* Extrapolated by Community Partners Research, Inc.

Esri believes that Litchfield will add only 17 total households between 2015 and 2020, or less than four households in an average year. This limited growth potential is largely a continuation of recent patterns, as estimated by Esri, which shows that Litchfield has actually lost a few households since 2010.

The State Demographer has been tracking some household growth within the City of Litchfield. Their population projection to the year 2020 did expect the addition of people and households. Over the course of the current decade, the extrapolated projections had expected the City to add an average of approximately 16 households per year. However, through the first five years of the decade, Litchfield has only been averaging fewer than eight households per year. To now reach the original projection would require a substantial increase in the level of household growth for the remainder of the decade.

For the entire Market Area, Esri projections show total growth of 38 households over a five-year period, or between seven and eight in an average year. This projected growth would be expected both within Litchfield, but also within other Market Area jurisdictions. No 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.

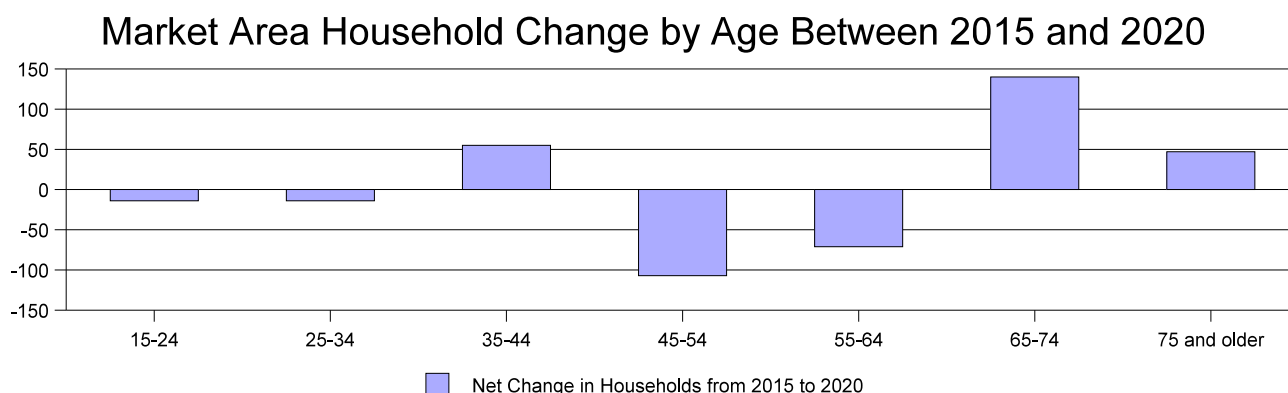
The projections from the State Demographer's Office are much higher, but appear to be unrealistic based on the most recent patterns. Over the course of the entire decade, the Demographer had expected that Meeker County would add more than 600 households. However, the most recent estimates from the Demographer show that this projected growth is not actually occurring. From 2010 through 2015, the Demographer believes that the County has only added only one household, and the original projected level of more than 60 households per year has proven to be very 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 Litchfield Market Area.

<b>Table 16 Market Area Projected Households by Age - 2015 to 2020</b>			
Age	2015 Estimate	2020 Projection	Numeric Change
15-24	133	119	-14
25-34	587	573	-14
35-44	652	707	+55
45-54	816	709	-107
55-64	992	921	-71
65-74	679	819	+140
75+	691	738	+47
Total	4,550	4,586	+36

Source: Esri; Community Partners Research, Inc.



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 and older, as the baby boom generation advances through the aging cycle, followed by growth of households age 35 to 44. 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 64 and younger, but an increase in the number of households age 65 and older.



## Building Permit Trends

Like many communities in Minnesota, Litchfield has had a reduced level of new housing construction activity over the past few years. In the first half of the previous decade, there had been a much higher level of housing construction, but after 2007, home building slowed significantly. The following table uses information from the City and from the U.S. Census Bureau on annual building permit issuance from 2000 through 2016.

<b>Table 17 Litchfield Housing Construction Activity: 2000 to 2016*</b>				
Year	Single Family	2 Unit Structure	Multifamily	Total Units
2016*	2	0	0	2
2015	6	0	0	6
2014	9	0	0	9
2013	3	0	0	3
2012	3	0	6	9
2011	3	0	15	18
2010	3	0	12	15
2010-2016 Total	29	0	33	62
2000-2009 Total	235	8	28	271

Source: City of Litchfield; U. S. Census Bureau

Between January 2010 and July 2016, 29 single family houses have been built in Litchfield, according to City records. Over the seven-year period, the City has averaged more than four new houses per year, with the possibility that additional permits may still be issued in 2016.

Although the City has continued to have some single family housing starts, the annual average has dropped significantly. Between 2000 and 2009, Census Bureau reports indicate that 235 single family houses were permitted, or an annual average of nearly 24 houses per year. There were also some units constructed in two-unit structures in the prior decade, presumably twin homes intended for owner-occupancy.

Since 2010, there has also been some multifamily rental construction in Litchfield. In 2010, the 12-unit Grace Apartments building was constructed. In 2011 and 2012, there were 21 town house-style rental units that were built as rental housing.

In the 2000s, there were 28 housing units permitted in structures with three or more units. While specific details of this construction are not available, some of this would represent rental units that were developed by the Meeker County EDA. There were phases of construction in both the late 1990s and early 2000s, creating 32 total units, but the exact number of these units that were permitted in the early 2000s is not known. There were also 16 rental units constructed on South Gorman in four-plex configurations that would be part of the unit total.

### **Reconciliation with Census Records**

At the time of the 2000 Census, there were 2,741 housing units counted in Litchfield. By 2010, there were 2,930 housing units recorded. Based on this reconciliation, there were 189 total units added during the decade. This total is substantially lower than the 271 units that appear to have been constructed during the decade. It is therefore possible that some older housing was also removed during the prior decade. It is also possible that the unit loss could be attributable to mobile homes that were removed from the community.

While the City did achieve a significantly higher level of single family construction in the previous decade, there is some evidence that this was a time of over building. From 2000 to 2009, between 235 and 243 single family housing units were permitted in Litchfield, including some probable twin homes. However, based on Census records, only 37 owner-occupancy households were added to the community between 2000 and 2010, well below the level of new unit construction. This implies that actual demand for houses was lower than the production level.

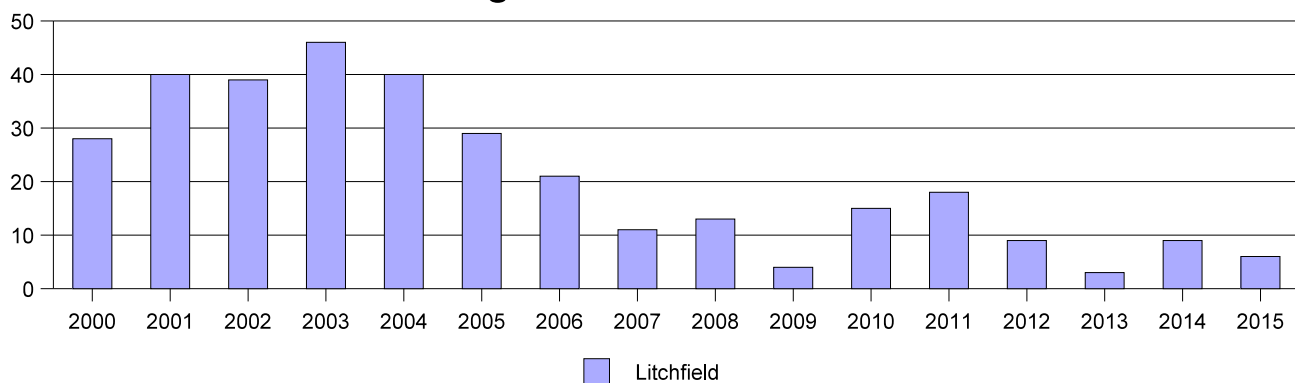
There are possible explanations for some of this discrepancy. One was the foreclosure crisis that impacted the region late in the decade. Prior to the completion of the 2010 Census, a number of former home owners may have lost their houses to foreclosure or distressed sales. Some of the houses may have been vacant and listed for sale at the time of the 2010 Census.

Some of the discrepancy between housing construction and owner-occupancy can be explained by unit conversion, as Litchfield added only 28 housing units in multifamily structures between 2000 and 2009, assumed to be for renter-occupancy. However, the City added 86 renter households between 2000 and 2010, implying that most of these renters may have occupied units that had once been intended for home owners, but that had switched to rental use by 2010.

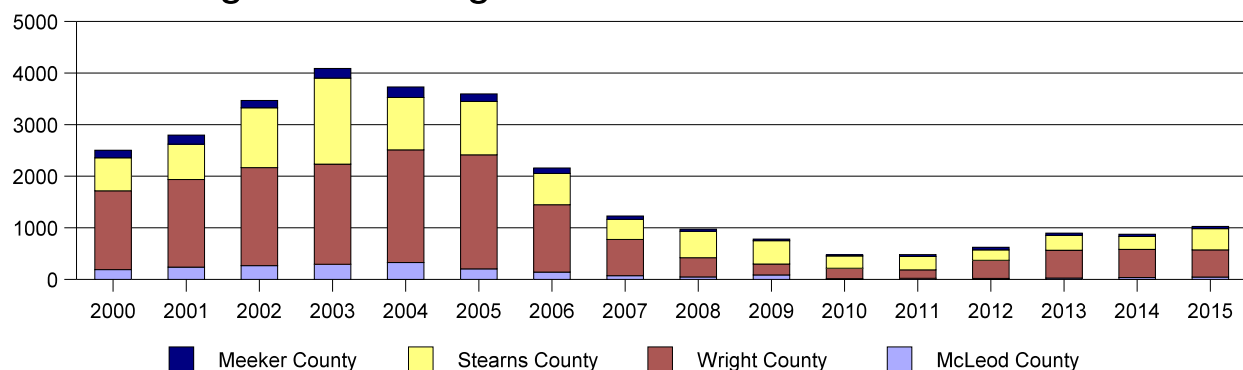
## Regional Building Permits

The significant slowdown in new home construction in Litchfield largely followed trends that were evident in the larger region. The following charts display the housing construction patterns for Litchfield and four of the four Counties of Meeker, Stearns, Wright and McLeod from the year 2000 forward. These charts display all units, including multifamily rental housing that may have been built.

### Litchfield Housing Unit Construction: 2000 to 2015



### Regional Housing Unit Construction: 2000 to 2015



One noticeable difference in the patterns is the improvement that occurred in Litchfield in 2011 and 2012, when activity in the larger region was still suppressed. In 2011 and 2012, 21 town house rental units were built in Litchfield.

## **Median Year of Construction**

The 2014 American Community Survey included an estimate of the median year of construction for housing. In Litchfield, the median year for owner-occupancy units was 1967. The median year of construction for rental housing was 1965.

The age of the owner-occupancy housing stock in Litchfield is slightly older than the Countywide average. For all owner 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 75% of the housing units in Litchfield were identified as one-unit structures, such as single family detached houses, single family attached units or mobile homes.

The City does have some multifamily rental buildings, but less than 14% of all housing options were in multiple unit structures with five or more units. The remaining 11% of the City's housing was in structures with two to four units.

## **Mobile Homes**

According to City staff, there are two mobile home parks in Litchfield. However, only one of these was successfully contacted. Park Village reported 82 owner-occupied mobile homes, and 66 vacant pads when contacted. However, a visual inspection of the park counted only 78 units.

The other park, Litchfield Mobile Home Park, could not be contacted. A visual inspection counted 28 homes in this park. There may be as many as nine vacant lots, but this could not be directly verified.

At the time of the 2000 Census, there were 124 mobile homes counted in Litchfield. Within the two parks, there were 106 mobile homes counted by Community Partners Research in 2016.

## **Municipal Services**

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

## **Residential Lots**

In 2016, there were a number of active subdivisions with available residential lots in Litchfield. Some changes were being proposed, which would alter the use of some lots in the future, but at the time the research was conducted, the following lot inventory was present.

***Cottonwood/Capwood Avenues*** - This subdivision for single family detached houses was developed in 2005. In June 2016 there were 39 vacant lots available for sale. No lots were sold in 2015, but in most recent years, a few new homes have been built. Average lot pricing is \$39,000, with all special assessments paid.

***Harmon Meadows*** - This development area was platted for 24 lots, intended for slab-on-grade patio homes. In 2016, 13 lots had been sold, and 11 were still available. One speculative patio home had recently been constructed and sold, and a new spec unit was expected to start construction soon. In 2015 and 2016, as many as five patio homes were constructed or were being planned. The typical pricing has been in the mid-\$250,000s for a completed unit. Most buyers are empty-nesters/seniors. It is an association-managed development.

***Natures Edge*** - This 27-lot subdivision was developed in 2007 for single family detached houses. Only two lots have been sold, with 25 available in June 2016. No lots have sold in the past few years. Lot prices are generally in a range between \$37,000 and \$40,000, with all special assessments paid. The two houses that have been built are split-entry design, and are generally targeted to the more affordable market segment.

***Cedar Meadows*** - This is a 16-lot subdivision intended for single family detached houses. The lots are large, at approximately ½ acre. Approximately lot pricing is \$50,000, with all special assessments paid. Three houses have been built and 13 vacant lots remain available.

There was one twin home lot listed on the MLS. The listing price was \$40,000 and appeared to include both lots. It was not clear from the listing if this lot was in one of the subdivisions described above, or in a different area.

According to City staff, none of the subdivision in the City went into default or tax forfeiture during the housing market crash of the late 2000s. The active subdivisions are still privately owned.

## **Pending Developments**

At the time of the research for this Housing Study, a development proposal was advancing to re-plat some of the existing development areas in Litchfield into a new, senior-oriented community. Known as ***The Meadows***, the proposed project would utilize the remaining land in Natures Edge and Cedar Meadows, along with additional vacant parcels to create a senior-designated community with up to 170 total housing units.

The Meadows would be association-managed, and intended for patio home construction. The anticipated target price would be in the mid-\$300,000s. The community would be gated, and would include amenities for residents, such as a club house.

If all planning approvals are obtained, the first development activity could still begin in 2016.

## **Existing Home Sales**

This section examines houses that have been sold within recent years in the City of Litchfield. 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 Litchfield the large majority of all annual 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.

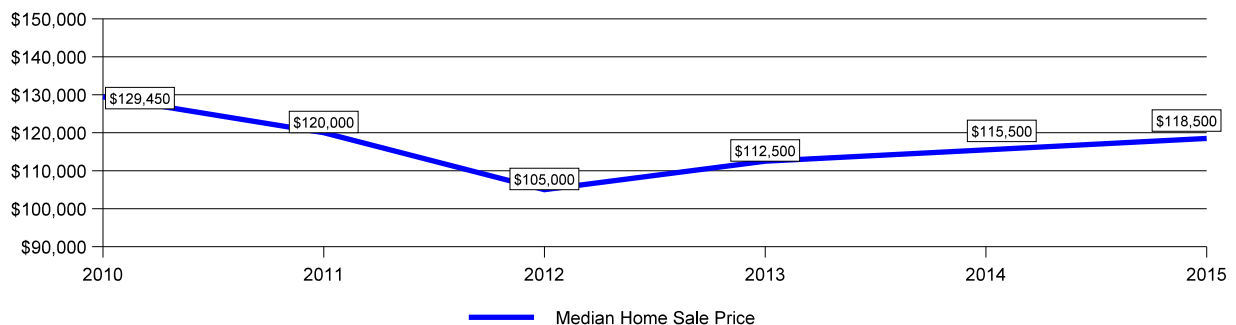


**Table 18 Litchfield Residential Sales Activity - 2010 to 2016\***

Sales Year	Number of Sales	Median Price	Highest Sale	Lowest Sale
2016 (partial)	11	\$108,730	\$152,000	\$14,500
2015	72	\$118,500	\$240,000	\$25,000
2014	67	\$115,500	\$542,000	\$18,500
2013	65	\$112,250	\$455,000	\$33,000
2012	51	\$105,000	\$250,000	\$47,000
2011	43	\$120,000	\$525,000	\$50,000
2010	40	\$129,450	\$269,900	\$63,500

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

Home prices in Litchfield are generally in a moderate range. Over the past six full years, there was some variation in the annual median, from a low of \$105,000 in 2012, to a high of \$129,450 in 2010. However, in the past three years, the median has been more consistent, between \$112,000 and \$119,000.

**Median Home Sale Prices in Litchfield: 2010 to 2015**

In each of the recent years the number of good sales has been increasing. The highest recent annual median occurred in 2010, when the smallest number of good sales was recorded, and the median price may not have been a good reflection of overall values.

In most of the years reviewed, at least one house has been sold for \$250,000 or more, and at least one house has sold for \$50,000 or less.

An alternate home value estimate exists in the 2014 American Community Survey, based on home owner responses. This source placed the median owner-occupied home value at \$127,800, higher than the median home sale price in the past few years.

## Recent Home Sales by Price Range

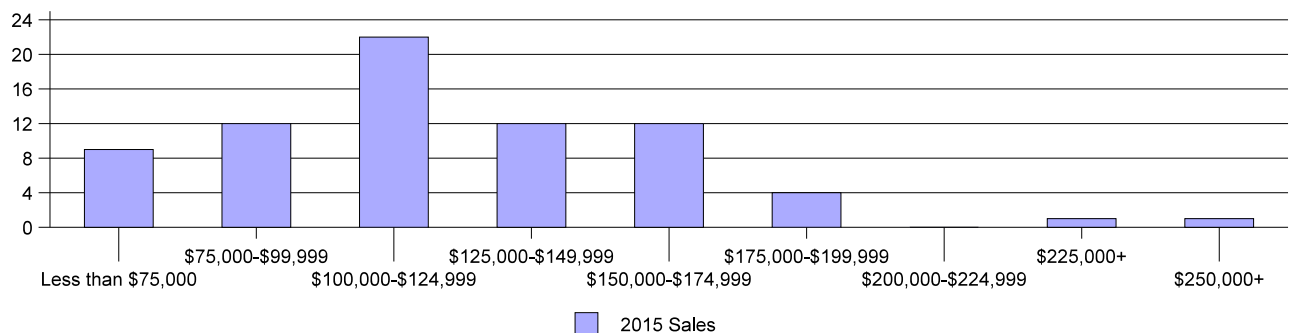
The following table looks at single family houses that sold in 2015 in Litchfield by defined price ranges. This information is from Meeker County's sales records.

<b>Table 19 Litchfield Home Sales by Price Range: 2015</b>		
Sale Price	Number of Sales	Percent of Sales
Less than \$75,000	9	12.5%
\$75,000 - \$99,999	12	16.7%
\$100,000 - \$124,999	22	30.6%
\$125,000 - \$149,999	12	16.7%
\$150,000 - \$174,999	12	16.7%
\$175,000 - \$199,999	4	5.6%
\$200,000 - \$224,999	0	0%
\$225,000 - \$249,999	1	1.4%
\$250,000+	0	0%
<b>Total</b>	<b>72</b>	<b>100%</b>

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

While there was a broad distribution for home sale prices in 2015, more than 76% of the sales were in a range below \$150,000. Only four recent sales were for \$175,000 or more, and only one of these was above \$200,000.

Litchfield Home Sales by Price Range: 2015



## 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 Litchfield. A review in May 2015 found 56 single family homes listed for sale. There were additional properties that appeared to be outside of the city limits but with a Litchfield mailing address.

It is important to note that the active properties are those included in the Multiple Listing Service (MLS) and would generally be offered through a real estate agent. There are other properties that are posted for sale in Litchfield that would not be part of the MLS, including most homes being offered "for sale by owner".

The following table examines the MLS listings by listing price. It includes all types of homes as posted on Realtor.com, including attached single family units. Some of the listings were identified as foreclosures.

<b>Table 20 Litchfield Active MLS Listings by Price - May 2016</b>		
Asking Price	Number of Listings	Percent of Listings
Less than \$100,000	15	21.4%
\$100,000 - \$124,999	10	0%
\$125,000 - \$149,999	14	42.9%
\$150,000 - \$174,999	9	14.3%
\$175,000 - \$199,999	2	7.1%
\$200,000 - \$224,999	2	3.6%
\$225,000 - \$249,999	0	3.6%
\$250,000+	4	7.1%
Total	56	100%

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

Based on the listings on Realtor.com, most of the houses being offered for sale were priced below \$150,000. Overall, nearly 70% of active listings in May 2016 were priced at \$149,999 or less.

## 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.

<b>Table 21 Meeker County Home Foreclosures - 2005 to 2013</b>									
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 20<sup>th</sup> 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 in selected neighborhoods in Litchfield. Houses that appeared to contain three or more residential units were excluded from the survey. Mobile homes in two parks were also surveyed.

Much of the older part of the community has a relatively similar housing stock. Three older neighborhoods were defined, as representative samples of the older houses in the City. The neighborhood boundaries are defined as follows:

Neighborhood #1:      East border - Sibley Avenue North  
                             West border - Austin Ave North/Miller Ave North  
                             North border - 2<sup>nd</sup> Street South  
                             South border - 7<sup>th</sup> Street South

Neighborhood #2:      East border - Litchfield Avenue South  
                             West border - Sibley Avenue South  
                             North border - Ripley Street  
                             South border - Pacific Street East

Neighborhood #3:      East border - Armstrong Avenue North  
                             West border - Sibley Avenue North  
                             North border - 10<sup>th</sup> Street East  
                             South border - 7<sup>th</sup> Street East

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.

<b>Table 22 Windshield Survey Condition Estimate - 2016</b>					
Neighborhood	Sound	Minor Repair	Major Repair	Dilapidated	Total
#1	46/30.9%	63/42.3%	33/22.1%	7/4.7%	149
#2	53/35.6%	68/45.6%	27/18.1%	1/0.7%	149
#3	40/40.8%	47/48.0%	11/11.2%	0/0%	98
Total	139/35.1%	178/44.9%	71/17.9%	8/2.0%	396

Source: Community Partners Research, Inc.

In total, 396 single family-style houses were viewed and rated in three older neighborhoods in Litchfield.

Approximately 80% of all rated houses were in the top two condition categories, but most of these houses did need some repairs, with 35.1% rated as Sound and 44.9% rated in the Minor Repair category.

Nearly 18% were rated as needing Major Repair. Depending on the actual value of these houses, they may not be economically feasible to rehabilitate.

There were eight houses rated as Dilapidated, the lowest rating used. After a more detailed analysis, these structures may be suitable for clearance. Seven of the Dilapidated houses were in a single neighborhood.

## Mobile Home Housing Condition

Community Partners Research, Inc. Also conducted a visual 'windshield' survey of 106 mobile homes located in two mobile home parks in Litchfield. The same four-level rating system was used.

**Table 23 Mobile Home Windshield Survey Condition Estimate - 2016**

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Litchfield Park	0/0%	2/7.1%	8/28.6%	18/64.3%	28
Park Village	25/32.1%	32/41.0%	17/21.8%	4/5.1%	78
Total	25/23.6%	34/32.1%	25/23.6%	22/20.8%	106

Source: Community Partners Research, Inc.

There was a significant difference in the quality of the mobile homes between the two parks. In the Litchfield Mobile Home Park homes were generally in very poor condition, and nearly 93% were rated in the two lowest condition categories.

In Park Village, more than 73% of the mobile homes were rated with the two highest condition categories. However, there were still 21 homes in this park that were rated in the lower categories, including four considered to be Dilapidated.

## **Rental Housing Data**

According to the 2010 Census, the City of Litchfield had 830 occupied rental housing units, and at least 58 unoccupied rental units, for a total estimated rental inventory of 888 units. The City's rental tenure rate was 30.2% in 2010, above the Statewide rental rate of 27%.

At the time of 2000 Census, Litchfield had 744 occupied rental units, and at least 42 vacant units, for a total rental housing inventory of 786 units. The City's percentage of occupied rental units in 2000, at 28.4%, was also above the Statewide rate of 25.4%.

Based on a reconciliation of Census data, the City added 86 renter-occupancy households, and at least 102 rental housing units over the previous decade. During the prior decade there was very limited development of new rental housing in Litchfield. Based on building permit reports, only 28 multifamily units were constructed in the City between 2000 and 2009. Eight additional units were built as twin homes or duplexes, but these are believed to be for owner-occupancy. Based on the net gain in renter households and units as counted by the Census, it is probable that a significant level of unit conversion occurred, as units that had formerly been owner-occupied were changed to rental use.

The belief that units changed from owner to renter-occupancy is supported by statistics on home ownership. Between 2000 and 2009, there were more than 240 single family houses (both detached and attached) that were issued a building permit in Litchfield. Nearly all of these permitted units would have been available for occupancy when the Census was conducted in April 2010.

During the decade from 2000 to 2010, the City had an increase of only 37 owner-occupancy households, approximately 200 lower than the level of new single family construction. This would imply that much of the net gain of rental units in Litchfield was the result of single family housing/mobile homes being converted into rental use. The level of overall unit vacancy also increased over the decade.



## **Construction After 2010**

After the 2010 Census was completed, two traditional rental housing construction projects can be identified. In 2010, a 12-unit building was constructed in the Grace Apartments project, joining 19 units that had previously existed. In a separate development, approximately 21 cottage-style rental units were constructed on Cottonwood Avenue.

While it is possible that some minor unit conversion/unit removal has occurred since 2010, it is assumed that the City's total rental inventory in 2016 is approximately 30 to 35 units larger than the level that existed at the time of the 2010 Census.

## **Rental Housing Survey**

In July and August 2016, a telephone survey was conducted of multifamily rental developments in Litchfield. 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 189 independent housing units of all types that were contacted in the survey. This total includes assisted living apartments, since they would probably be counted as an individual living unit by the Census. However, memory care rooms and nursing home rooms have been excluded from the rental count. The fully functional rental housing units that were surveyed represent approximately 65% to 75% of the City's estimated total of rental housing units.

The units that were successfully contacted include:

- ▶ 125 market rate units
- ▶ 40 subsidized units for senior/disabled occupancy (including occupancy preference)
- ▶ 24 subsidized units for general occupancy

In addition to these independent living units, information was also obtained from specialized care housing providers.

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

## **Market Rate Summary**

Usable information was available from 13 different market rate properties with a combined total of 218 market rate units. All of the individual properties that were successfully contacted contained three or more rental units.

### **Unit Mix**

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

- ▶ Efficiency/Studio - 17 units (7.8% of all units)
- ▶ One-bedroom - 53 units (24.3%)
- ▶ Two-bedroom - 140 units (64.2%)
- ▶ Three-bedroom - 8 units (3.7%)

### **Occupancy / Vacancy**

Within the market rate multifamily segment there were only five units reported as vacant, but one of these was being renovated, and was not currently available for occupancy. The four remaining vacant units represented a vacancy rate of 1.8%.

Each of the four reported vacancies was in a unit that had recently turned-over. In all cases, the owner/manager indicated that good demand existed and they expected the open unit to be leased soon.

Three of the unoccupied units had two bedrooms, and the fourth was not defined, but may have been a one-bedroom unit.

### **Rental Rates**

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

The lowest and highest gross rents have been listed, as reported to the telephone survey. There is a fairly limited prevailing range in Litchfield, and the rents listed are generally representative of the gross rents being charged in Litchfield.

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
Efficiency/Studio	\$310-\$550
1-bedroom	\$460-\$630
2-bedroom	\$580-\$825
3-bedroom	\$900-\$925

It is important to note that there can be significant variation in the age and style of units reflected in the rent ranges above. All of the three-bedroom options are in a single project.

## **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 only been one tax credit project that was funded in all of Meeker County, the Terraceview Townhomes project in Litchfield, which received an allocation of tax credits in 1995 and opened for occupancy in 1998.

In 2013, Terraceview entered its extended compliance phase as tax credit housing. During the extended compliance period, rent restrictions still apply and new tenants must be income-certified, but some requirements are eased for existing tenants.

### **Unit Mix**

All 22 units in Terraceview are tax credit-assisted, and regulations apply. There are four two-bedroom units and 18 three-bedroom units in the project.

### **Occupancy / Vacancy**

At the time of the rental survey, all of the tax credit units were occupied and a waiting list was maintained for both two-bedroom and three-bedroom units. There are only four two-bedrooms, and annual turnover is limited, so there can be a long wait time.

### **Rental Rates**

The monthly contract rent in Terraceview includes garbage, with tenants paying gas heat, water, sewer and electricity.

The project is undergoing renovation as units turn over, and the new contract rent for completed units is \$655 for a two-bedroom and \$725 for a three-bedroom. With the inclusion of tenant-paid utilities, the estimated gross monthly rent would be approximately \$800 for a two-bedroom, and \$875 for a three-bedroom. As estimated, these monthly gross rents would be between the limits set for households at 50% to 55% of median income for Meeker County. The tax credit program would actually allow rents up to 60% of median income, but in response to market forces, the units need to remain competitive with other rental options in the community.

## **Subsidized Summary**

Litchfield has four rental projects that provide subsidized rental housing.

- ▶ Lincoln Apartments is a HUD Public Housing project that provides a preference for senior and/or disabled applicant, and has 60 units.
- ▶ Gloria Dei is a HUD Section 8 project that offers mixed-income housing, with six units having access to project-based rent assistance. Gloria Dei is designated for senior/disabled occupancy.
- ▶ Edgewood Townhomes is a HUD Section 8 project with 30 units that is designated for general occupancy.
- ▶ Park Village Apartments is a USDA Rural Development general occupancy project with 16 units.

Combined, the four subsidized projects offer 112 total units. However, there is no project-based rent assistance in Park Village, and all tenants must pay a basic monthly rent amount, so only 96 units can serve very low income renters.

## **Unit Mix**

The bedroom mix is as follows:

- ▶ Efficiency/One-bedroom - 77 units (68.8% of all units)
- ▶ Two-bedroom - 25 units (22.3%)
- ▶ Three-bedroom - 10 units (8.9%)

The largest single subsidized project in Litchfield, Lincoln Apartments, was originally designated for senior/disabled occupancy and all apartments have one bedroom. A later HUD rule change converted the building to general occupancy. However, an occupancy preference is in place for applicants, and all current tenants are either seniors (age 62+) or disabled. However, it is possible that in the future some of the apartments could be available for general occupancy.

Most of the apartments in Park Village also have only one bedroom, although this project is designated as general occupancy housing. All of the units in Edgewood have two or three bedrooms.

## **Occupancy / Vacancy**

The rental survey found no vacant subsidized units in Litchfield. There was one vacant efficiency unit in Gloria Dei at the time of the survey, but it was not defined as one of the units with project-based rent assistance.

All of the projects reported the presence of a waiting list. The waiting list at Edgewood Townhomes was very long. Edgewood has most of the subsidized two-bedroom units, and all of the three-bedroom options that offer project-based rent assistance.

## **Rental Rates**

Although most of the subsidized units in Litchfield can access project-based rent assistance, allowing rent based on 30% of income, the 16 units in Park Village require that all tenants pay no less than a basic rent amount of \$435 for a one-bedroom and \$455 for a two-bedroom.

Park Village reported only a short waiting list, while Edgewood Townhomes, which can offer project-based rent assistance, maintained a long waiting list.

## **Tenant-based Rent Assistance Vouchers**

In addition to the subsidized projects with project-based rent subsidies, Litchfield also has 36 households being assisted with HUD Housing Choice Vouchers in 2016. 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. The rent assistance is administered by the Meeker County HRA, which is based in Dassel.

In all of Meeker County, approximately 50 Vouchers are typically in use, with only 14 outside of 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.

## **Subsidized Housing Total Inventory**

When tenant-based rent assistance is combined with the units in the subsidized projects, there are as many as 148 households with access to some form of subsidized housing. This represents approximately 16% to 17% of all renter households that are estimated to be present in the City in 2016.

## **Subsidized Unit Losses**

At one time, there had been 24 additional subsidized units in Litchfield, subsidized through USDA Rural Development. Known as the Wagoner Apartments, these buildings were converted to market rate housing more than 10 years ago.

A review of the subsidized housing opt-out log maintained by the Minnesota Housing Finance Agency did not list any of the current projects in Litchfield as “at risk” of leaving their subsidy program.

**Table 24 Litchfield Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Market Rate</b>					
Armstrong Apartments 320 N Armstrong Ave	1 - Efficiency <u>2 - 2 Bedroom</u> 3 Total Units	\$250 \$425-\$550 +most utilities	No vacant units	Mix of tenants	Older Victorian house that was converted into rental units many years ago. Rent includes water and garbage, with tenants paying all other utilities. Manager reported full occupancy and good demand. Most tenants are younger or middle-aged.
Cottonwood Ave	21 Total Units	N/A	N/A	N/A	Manager unwilling to participate.
Creekside Apartments 205-211 W 9 <sup>th</sup> St	20 - 1 Bedroom <u>20 - 2 Bedroom</u> 40 Total Units	\$529-\$575 \$599-\$675 +electric, sewer	1 vacant unit	Mix of tenants	Apartment building constructed in the 1970s. Rent includes heat, water, garbage and cable, with tenant paying electric and sewer. Amenities include stove, refrigerator, wall AC, dishwashers in some units and 6 detached garages for extra fee. One-bedrooms have 630 sq ft and 1 bathroom, 2-bedrooms have 780 sq ft and 1 bathroom. New owner is renovating units as they turn over and higher end of rent range reflects completed units. One apartment vacant at time of survey, but good demand exists. Mix of tenants from seniors to younger working-age residents.
609-709 S Gorman	<u>16 - 2 Bedroom</u> 16 Total Units	\$650 +most utilities	No vacant units	Mix of tenants	Four 4-plexes constructed in 2003, 2004, 2005 and 2008. Rent includes garbage and detached garage, with tenants paying heat, electric water and sewer. Amenities include stove, refrigerator, wall AC and in-unit laundry hookup. Units have 920 sq ft and 1 bathroom. Owner reports full occupancy and good demand. Most tenants are working-age people employed in Litchfield, with some retirees. Owner may look to construct additional units in the future.



**Table 24 Litchfield Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Market Rate</b>					
Grace Apartments 1205 S Sibley Ave	1 - Studio 7 - 1 Bedroom 4 - 2 Bedroom 12 Total Units	\$398 \$560 \$595 +heat, electric	No vacant units	Mostly working age tenants	Apartments in two buildings - 12 units are in a 2-level walkup that was constructed in 2010, and the other 19 units are in a former 1-level motel. Rent includes water, sewer, garbage, internet and cable, with tenant paying electric and electric heat. Amenities include stove, refrigerator, wall AC, disposal and community laundry. Sq ft not available but all units have 1 bathroom. Manager states that most tenants are working-age. Building is full with good demand.
Grace Apartments (formerly Lake Ripley Motel) 1205 S Sibley	13 - Studio 2 - 1 Bedroom 4 - 2 Bedroom 19 Total Units	\$500 \$500 \$600 +heat, electric	No vacant units	Mostly working age tenants	Apartments in two buildings - 19 units are in a former 1-level motel and 12 units in a 2-level walkup apartment building constructed in 2010. Rent includes water, sewer, garbage, internet and cable, with tenant paying electric and electric heat. Amenities include stove, refrigerator, wall AC, disposal and community laundry. Sq ft not available but all units have 1 bathroom. Manager states that most tenants are working-age. Building is full with good demand.
Highlander Apartments 810 E 2 <sup>nd</sup> St	1 - 1 Bedroom 23 - 2 Bedroom 24 Total Units	\$450 \$500 +heat, sewer, electric	1 vacant unit	Mix of tenants	Three-level walkup apartment building constructed in 1977. Rent includes water, hot water and garbage, with tenants paying heat, sewer and electric. Amenities include stove, refrigerator, dishwasher, wall AC and community laundry. Detached garage available for \$30/month. One-bedroom has 575 sq ft and 2-bedrooms have 840 sq ft; all units have 1 bathroom. One unit vacant at time of survey due to turnover, but good demand exists and unit will fill soon. A general mix of tenants including seniors on ground level.

**Table 24 Litchfield Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Market Rate</b>					
Mattson Properties Miller Ave W 8 <sup>th</sup> St	5 - 1 Bedroom <u>3 - 2 Bedroom</u> 8 Total Units	\$500 \$550 +utilities	No vacant units	Mix of tenants	Row house rental units constructed in the 1960s. Rent includes garbage but tenant pays all other utilities. Amenities include in-unit laundry. Units have an entry step, but then are one-level living. Manager reported full occupancy and good demand. Mix of tenants including some seniors.
Mattson Properties N Swift Ave W 6 <sup>th</sup> St	<u>10 - 2 Bedroom</u> 10 Total Units	\$625 +utilities	No vacant units	Mix of tenants	Two buildings with 5 units each constructed as condos in the 1970s but used as rental housing. Units have 2-level living, and include in-unit laundry and a detached garage. Rent includes garbage but tenants pay all other utilities. Manager reported full occupancy and good demand. Most tenants are younger or middle-aged - seniors do not want stairs.
Meeker County Rentals Stearns Ave	24 - 2 Bedroom <u>8 - 3 Bedroom</u> 32 Total Units	\$700 \$755 +utilities	No vacant units, waiting list	Primarily seniors	Publicly-owned market rate rental units constructed in 1999 and 2002. Units are 1-level townhouse-style with attached garage parking for extra \$65/month. 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. 1500 sq ft 1.75 bathrooms. Full occupancy reported and 17-name waiting list - 3-bedrooms rarely turn over. Most tenants are seniors, but also some younger households.

**Table 24 Litchfield Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Market Rate</b>					
Sunrise 8 Apartments (Formerly Wagoner) 802 E 2 <sup>nd</sup> St	1 - 1 Bedroom <u>7 - 2 Bedroom</u> 8 Total Units	\$550 \$600-\$675 +heat, sewer, electric	1 vacant unit 1 - 2 Bdrm	Mix of tenants	Formerly a Rural Development subsidized 2-story walkup apartment building that converted to market rate housing many years ago. Rent includes water and garbage, with tenants paying heat, electric and sewer. Amenities include stove, refrigerator, dishwasher in some units, wall AC and community laundry. Building is being gradually remodeled and higher rent reflects completed units, with dishwasher added. One unit vacant at time of survey due to recent turnover. Manager reports a mix of tenants including some referral of disabled tenants through County.
Sunrise 16 Apartments (Formerly Wagoner) 910 E 2 <sup>nd</sup> St	8 - 1 Bedroom <u>8 - 2 Bedroom</u> 16 Total Units	\$525-\$550 \$600-\$675 +heat, sewer, electric	1 unit vacant for remodeling	Mix of tenants	Formerly a Rural Development subsidized 2-story walkup apartment building that converted to market rate housing. Rent includes water and garbage, with tenants paying heat, electric and sewer. Amenities include stove, refrigerator, dishwasher in some units, wall AC and community laundry. Building is being gradually remodeled and higher rent reflects completed units, with dishwasher added. One unit intentionally vacant at time of survey for remodeling. Manager reports a mix of tenants.
Town Square Apartments 514 N Sibley Ave	<u>14 - 2 Bedroom</u> 14 Total Units	\$545 +heat, sewer, electric	1 vacant unit	Mix of tenants	Former grocery store that was converted into rental housing in about 1980. Tenants pay electric heat, electricity and sewer in addition to rent. Amenities include stove, refrigerator, dishwasher, disposal, AC and detached garage. Units have approx. 700 sq ft and 1 bathroom. General mix of tenants including seniors, as building is 1-level. One unit vacant at time of survey due to turnover, but will fill through advertising.

**Table 24 Litchfield Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Market Rate</b>					
Tri-Way Apartments 15 11 <sup>th</sup> St W	2 - Efficiency 9 - 1 Bedroom <u>1 - 2 Bedroom</u> 12 Total Units	\$260-\$440 \$380-\$450 \$525 +heat, sewer electric	No vacant units	Primarily older singles	Former motel from the 1950s that was converted into rental housing more than 25 years ago. Tenants pay electric heat, electricity and sewer in addition to rent. Amenities include stove, refrigerator, AC and community laundry. Units can vary in size and configuration but typically about 400 sq ft with 1 bathroom. Manager reports good demand due to affordable price. Most tenants are single and age 50+.
Weisel Street Apartments 324 W Weisel	<u>4 - 2 Bedroom</u> 4 Total Units	\$550 +electric	No vacant units	Mix of tenants	Split-level apartment building constructed in the 1970s. Rent includes heat but tenant pays electricity. Amenities include in-unit laundry. Manager reported full occupancy and good demand. Most tenants are younger or middle-aged - seniors do not want stairs.

**Table 24 Litchfield Multifamily Rental Housing Inventory**

Tax Credit					
Terraceview Townhomes 462 Terrace View Dr	4 - 2 Bedroom <u>18 - 3 Bedroom</u> 22 Total Units	\$595-\$655 \$670-\$725 + heat, sewer, electric	No vacant units, waiting list	Households at or below 60% of median income	<p>Low income housing tax credit project awarded credits in 1995 and opened for occupancy in 1998 - entered extended compliance in 2013. Units are town house-style with attached garage. Rent includes garbage, with tenants paying other utilities including gas heat. Amenities include stove, refrigerator, central AC, microwave and in-unit laundry. Two-bedrooms have 982 sq ft and 1 bathroom, and 2-bedrooms have 1184 sq ft and 1.5 bathrooms. Units are being renovated and upper end of range reflects completed units. Manager reports full occupancy, good demand and waiting list for both 2 and 3-bedrooms.</p>

**Table 24 Litchfield Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Subsidized</b>					
Edgewood Townhomes 901 E 5 <sup>th</sup> St	20 - 2 Bedroom <u>10 - 3 Bedroom</u> 30 Total Units	\$679 \$751 30% of income	No vacant units, long waiting list	General Occupancy	HUD Section 8/MHFA subsidized town houses constructed in 1978 for general occupancy. Two-bedroom units are 1-level and 3-bedrooms are or 2-level. All tenants have access to rent assistance that allows rent based on 30% of income up to maximum gross rents listed. Amenities include stove, refrigerator, in-unit laundry hookup and detached garage available for \$45/month. Two-bedrooms have 839 sq ft and 1 bathroom and 3-bedrooms have 1262 sq ft and 1.5 bathrooms. Manager reported full occupancy and 50 name waiting list for 2-bedroom and 25 names for 3-bedroom.
Lincoln Apartments 122 W 4 <sup>th</sup> St	<u>60 - 1 Bedroom</u> 60 Total Units	\$475 30% of income	No vacant units, waiting list	Preference for senior/ disabled tenants	Public Housing highrise constructed in 1971. Preference given to senior/disabled applicants and all current tenants meet preference. Rent is based on 30% of income up to flat rent of \$475. Amenities include stove, refrigerator, community laundry and community rooms. Units range from 366 to 495 sq ft and have 1 bathroom. Building has home health care office with 24-hour staffing, and approximately 40% of tenants contract for some level of services. Home health care option has contributed to strong demand, with all units filled and a waiting list.

**Table 24 Litchfield Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Subsidized</b>					
Park Village Apartments 402-410 W 7 <sup>th</sup> St	11 - 1 Bedroom <u>5 - 2 Bedroom</u> 16 Total Units	\$435-\$545 \$455-\$585 30% of income	No vacant units, short waiting list	General occupancy	USDA Rural Development subsidized apartments constructed in 1983. Two-level walkup building that is designated for general occupancy. No project based rent assistance - all tenants pay rent based on 30% of income but not less than basic or more than market rent listed. Tenants pay electric in addition to rent. Approx. Half of current tenants have Vouchers or other tenant-based rent assistance. Amenities include stove, refrigerator, AC sleeve and community laundry. One-bedrooms have approx. 600 sq ft and 2-bedrooms have 700 sq ft; all units have 1 bathroom. Manager reports full occupancy and 2-name waiting list. Most low income tenants need immediate housing and do not go on waiting list. When vacancies occur, the manager contacts the HRA and Social Services for referrals.
Section 8 Housing Choice Vouchers	36 households in Litchfield	30% of income	N/A	N/A	HUD Housing Choice Vouchers provide tenant-based rent assistance that can be used in any suitable rental unit. Tenant rent contribution is based on 30% of income, with the assistance program paying additional subsidy. In May 2016, there were 36 households in Litchfield participating in the Meeker County program, with 50 households countywide. Waiting list is closed due to length of 112 names.

**Table 24 Litchfield Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Senior Housing with Services</b>					
Bethany Assisted Living 203 N Armstrong	<u>11 - Efficiency</u> 11 Total Units	N/A	95% annual occupancy, waiting list	Assisted Living	Facility providing assisted living and memory care housing - part of the Ecumen senior community. Originally constructed in the 1960s and remodeled in 2012. Building has 25 total units with 11 used for assisted living. Units range from 203 to 241 sq ft with a private bathroom. Meals, services and 24-hour staffing are provided. High rate of annual occupancy reported, at approximately 95%, and waiting list exists and units are filled as they become available. County assistance programs accepted and approx. 30% of residents typically receive assistance.
Bethany Memory Care 203 N Armstrong	<u>14 - Efficiency</u> 14 Total Units	N/A	95% annual occupancy	Memory Care	Facility providing assisted living and memory care housing - part of the Ecumen senior community. Originally constructed in the 1960s and remodeled in 2012. Building has 25 total units with 14 used for memory care. Units range from 203 to 241 sq ft with a private bathroom. Meals, services and 24-hour staffing are provided. High rate of annual occupancy reported, at approximately 95%, but no waiting list exists and units are filled as they become available. County assistance programs accepted and approx. 30% of residents typically receive assistance.



**Table 24 Litchfield Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Senior Housing with Services</b>					
Emmaus Place 200 N Holcombe	28 - 1 Bedroom <u>17 - 2 Bedroom</u> 45 Total Units	\$945-\$1044 \$1180-\$1407	No vacant units, waiting list	Housing with services	Senior-designated (age 55+) apartment building constructed in 1997 and renovated within the past 5 years. Part of the Ecumen senior campus. Residents can live independently and pay the rents as listed, but meals and services are available for purchase as needed a la carte or in packages. Manager estimates that 80% of tenants buy a higher level of services. One-bedrooms have 603 sq ft and 1 bathroom, and 2-bedrooms have 890 sq ft and 1 or 2 bathrooms. County assistance programs are not accepted, but can be used in companion Gloria Dei and Bethany Assisted Living projects. Full occupancy reported and a shared waiting list exists with Gloria Dei that has 35 names.
Gloria Dei Manor 218 N Holcombe Ave	4 - Efficiency <u>57 - 1 Bedroom</u> 61 Total Units	\$403 \$519-\$681 +\$157 for noon meal	1 vacant unit, 1 - Effic. waiting list	Housing with services	Senior apartment building constructed in 1963 that utilized HUD Section 202/Section 8 assistance. Designated for senior (62+) or disabled tenant occupancy. Part of the Ecumen senior campus. Only 6 tenants have access to project-based rent assistance allowing rent based on 30% of income. Remaining tenants pay market rents listed. Residents are required to also purchase noon meal for \$157/month. Additional services can then be purchased as needed a la carte or in packages. Manager estimates that 30% of tenants buy a higher level of services. County assistance such as Elderly Waiver is used by most residents receiving services. One efficiency unit was open at time of survey, and efficiencies can be more difficult to fill than 1-bedrooms. One-bedrooms have 624 sq ft and 1 bathroom. A shared waiting list exists with Emmaus House with 35 names.

<b>Table 24 Litchfield Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Occupancy Type</b>	<b>Comments</b>
<b>Senior Housing with Services</b>					
Meeker Manor Rehab Center (formerly Emmanuel Home) 600 S Davis	licensed for 90 beds	N/A	83% annual occupancy	Skilled nursing home	Skilled nursing home constructed in 1979 - ownership and name change in 2016 and no longer part of Ecumen. Current licensing is for 90 beds, down from as many as 120 beds originally, but last de-licensing occurred about 5 years ago. More rooms now available for private occupancy. Prior to owner change 16 beds were in rehab/recovery wing and 74 beds for longer-term residents with annual occupancy of approximately 83%.

Source: Community Partners Research, Inc.

## **Senior Housing with Services Summary**

Litchfield has a senior housing campus with multiple facilities that are part of the Ecumen system. Ecumen had also owned a skilled nursing home but in 2016 this was sold to a new owner and renamed Meeker Manor Rehab Center. With the exception of the skilled nursing home, the remaining specialized housing options are clustered together in a campus setting.

Ecumen had been able to offer a “continuum of care” for seniors in different residential facilities. Although the skilled nursing home will remain open under the new ownership, there will no longer be the in-house system that was available when all facilities were affiliated.

### **Skilled Nursing Home**

Meeker Manor is currently licensed for 90 beds. At one time, the licensing was as high as 120 beds, but gradual downsizing has occurred over the years. The last de-licensing occurred approximately five years ago. As beds have been de-licensed, more rooms have become available for private occupancy.

When part of the Ecumen system, 16 of the 90 beds were designated for rehab/recovery stays, and were typically used by limited-stay residents. The remaining 74 beds were be available to more permanent residents. The annual occupancy rate in the facility is approximately 83%.

It is possible that the use of beds may change under the new ownership.

### **Memory Care**

There is one facility in Litchfield with a dedicated memory care wing. Bethany Memory Care has 14 efficiency-style units for this specialized use. The annual occupancy rate was described at approximately 95%. No waiting list exists, but this is attributed in part to the need for people to secure immediate housing to meet their specialized needs.

### **Assisted Living**

There are three facilities in Litchfield that can offer more intensive services for residents. All of these are part of the Ecumen campus.

Bethany Assisted living has 11 efficiency-style units offering assisted living in addition to the 14 memory care units.

Gloria Dei offers flexible housing with services, which can range from largely independent housing, although the purchase of a noon meal is required, to very service-intensive assisted living. Six of the units in Gloria Dei are subsidized through HUD, and all units have a relatively low rent structure, making this facility more affordable for lower income seniors. The manager estimates that approximately 30% of the 61 total units in this project are being used by residents acquiring a higher level of services.

Emmaus House has 45 total apartment units and can also offer flexible housing with services purchased as needed. The manager estimates that approximately 80% of residents acquire a higher level of services. This percentage has been increasing over time.

Occupancy rates in each of these facilities are generally high, and only one efficiency unit in Gloria Dei was vacant at the time of the rental survey. Waiting lists exist, including internal Ecumen waiting lists for existing residents looking to move to a different facility.

### **Housing with Light Services**

There are three facilities in Litchfield that can address seniors needing lighter services that do not reach the higher level of assisted living. As described above, both Gloria Dei and Emmaus House on the Ecumen campus can offer largely independent housing, but tenants can purchase items such as meals, laundry and housekeeping, or other care services as needed. Approximately 70% of the tenants in Gloria Dei and 20% of the tenants in Emmaus House are living independently or acquiring only lighter services.

The third facility that can serve this need is Lincoln Apartments, the City's Public Housing highrise. One apartment in this building has been converted to a home health care provider office that has 24-hour staffing. The services are contracted directly between the tenant and the home health care provider, but the staffed office makes this a desirable and efficient option. The manager estimates that approximately 40% of the tenants are contracting for some level of services. All of the units in Lincoln Apartments were occupied at the time of the survey, and a waiting list existed.

## Overview

To analyze the supply of units in Litchfield, Community Partners Research examined licensing records maintained by the Minnesota Department of Health. Projects that were identified as licensed for “housing with services” were identified and each facility was contacted for more detailed information. Information was also collected on the skilled nursing home, although a long-standing moratorium has been in place that limits any expansion within this specialized housing segment.

While some industry definitions exist that identify the different types of specialized senior housing, there can also be variation in how these definitions are used. For example, some projects may identify themselves as independent housing for seniors, but they are licensed by the State of Minnesota as housing with services providers. The features that differentiate these units from truly independent housing are the availability of services in-house, such as a daily meal, weekly assistance with house keeping and laundry, or similar offerings that are included in the monthly rent package. Truly independent senior housing projects, where no services are available, have not been included in this section of the Study.

For the analysis that follows, the State-licensed housing with services providers have been grouped into four separate categories:

- Skilled nursing homes
- Memory care
- Assisted living
- Senior housing with light services

## Summary

Housing providers in Litchfield offer different levels of care, serving senior residents as they move through the aging cycle. These senior facilities range from subsidized senior apartment buildings, including Lincoln Apartments and Gloria Dei, to a skilled nursing home, Meeker Manor.

With the exception of the publicly-owned Lincoln Apartments, all of the other specialized senior options in Litchfield were part of the Ecumen system at the start of the research for this Study. However, the nursing home was in the process of being sold to Monarch Healthcare, and will operate under new ownership later in 2016. The name has been changed to Meeker Manor Rehab Center.

The following summary examines the senior housing options based on the type of housing and care provided:

### **Skilled Nursing Home**

Meeker Manor is a skilled nursing facility that is licensed for 90 beds in 2016. It has downsized its bed count over time, but the last de-licensing of beds was approximately five years ago. Originally, the facility had been licensed for 120 beds.

Under Ecumen's ownership there were 16 beds dedicated to rehab/recovery stays, typically for shorter-term residents. The best available information indicated that as many as 74 beds were typically available to longer-term residents. This use of beds may change under the new ownership.

The estimated annual occupancy rate was 83%. Assuming that this percentage applies to all beds, approximately 60 to 65 older seniors would typically be living in the facility on a more permanent basis. Capacity would generally exist for immediate occupancy.

### **Memory Care**

There is one facility in Litchfield with a dedicated memory care wing. Bethany Memory Care has 14 efficiency-style units for this specialized use. The annual occupancy rate was described at approximately 95%. No waiting list exists, but this is attributed in part to the need for people to secure immediate housing to meet their specialized needs.

Although the supply of specific memory care units/beds in Litchfield is limited, it is probable that people with memory loss are also being housed in other facilities, if their behaviors and needs do not exceed those facilities' limitations. For example, less ambulatory seniors with memory loss can often be housed in traditional nursing homes.

There is also a large supply of memory care units located in two companion projects in the Dassel/Darwin area. Combined, the two Lakeview Ranch properties have 31 beds for memory care needs. The Darwin project, with 17 beds, is located within the boundaries of the Litchfield Market Area, as defined in this Study.

## **Assisted Living**

Assisted living providers are able to offer a higher level of care and services for their senior residents. Assisted living will have 24-hour on-site staffing, and the availability of nursing staff. Although some facilities offer bundled service packages in addition to the monthly rent, others offer the services 'a la carte'.

There are three options in Litchfield where more service-intensive assisted living care is available. All of these are part of the Ecumen campus.

Bethany Assisted living has 11 efficiency-style units offering assisted living in addition to the 14 memory care units.

Gloria Dei offers flexible housing with services, which can range from largely independent housing, although the purchase of a noon meal is required, to very service-intensive assisted living. Six of the units in Gloria Dei are subsidized through HUD, and all units have a relatively low rent structure, making this facility more affordable for lower income seniors. The manager estimates that approximately 30% of the 61 total units in this project are being used by residents acquiring a higher level of services.

Emmaus House has 45 total apartment units and can also offer flexible housing with services purchased as needed. The manager estimates that approximately 80% of residents acquire a higher level of services. This percentage has been increasing over time.

Combined, the three Ecumen facilities could house approximately 60 to 70 people requiring more advanced, assisted living care. This would represent a mix of both private-pay and County-assisted residents.

Occupancy rates in each of these facilities are generally high, and only one efficiency unit in Gloria Dei was vacant at the time of the rental survey. Waiting lists exist, including internal Ecumen waiting lists for existing residents looking to move to a different facility.

## **Housing with Light Services**

As used in this Study, senior housing with light services defines a housing project where the basic monthly rent amount is either inclusive of certain mandatory offerings, such as a daily meal and access to an emergency call system, or these services are readily available for purchase.

All of the housing projects listed in this section are classified as “Housing with Services” by the MN Department of Health.

There are three facilities in Litchfield that can address seniors needing lighter services that do not reach the higher level of assisted living. As described above, both Gloria Dei and Emmaus House on the Ecumen campus can offer largely independent housing, but tenants can purchase items such as meals, laundry and housekeeping, or other care services as needed. Approximately 70% of the tenants in Gloria Dei and 20% of the tenants in Emmaus House are living independently or acquiring only lighter services.

The third facility that can serve this need is Lincoln Apartments, the City’s Public Housing highrise. One apartment in this building has been converted to a home health care provider office that has 24-hour staffing. The services are contracted directly between the tenant and the home health care provider, but the staffed office makes this a desirable and efficient option. The manager estimates that approximately 40% of the tenants are contracting for some level of services. All of the units in Lincoln Apartments were occupied at the time of the survey, and a waiting list existed.

## **Specialized Senior Housing Market Share**

As the largest city in Meeker County, it can be argued that Litchfield has the potential to attract seniors from all portions of the County, plus people in neighboring counties. However, it must also be acknowledged that most of the surrounding communities also have specialized care options for seniors, limiting the size of the primary market area.

Although no occupancy survey was conducted for senior housing options in communities outside of Meeker County, the presence of competing facilities in all of the adjoining counties does result in limitations on the primary market area that would principally orient to Litchfield. Residents may come from a more distant location if they cannot gain access to their preferred community, but they would initially look at facilities that are closer to where they live. As a result, in the opinion of the analysts, there is a limited geographical area that contains seniors that would primarily view Litchfield as their preferred location for advanced housing with services.



To better understand the demand for units, Community Partners Research has compared the current supply of units in Litchfield with the area defined in this Study as the Litchfield Market Area, which also includes the City of Darwin and six townships.

At the time of the 2010 Census, there were approximately 1,950 senior citizens, age 65 and above, that were residing in the Litchfield Market Area. However, specialized senior housing with services tends to primarily serve older seniors age 75 and above. In 2010, there were 993 older seniors living in this primary area. These older seniors formed 686 households, with a head-of-household age 75 or older.

The age-based estimates for the year 2015 from Esri show that the Litchfield Market Area added only 11 people age 75 and older, and only five older senior households between 2010 and 2015.

The projections contained in this Study anticipate some continued increase in older seniors within this market area during the current decade. When 2020 projections from Esri are compared to the 2015 estimates, approximately 90 additional older seniors and 47 older senior households are expected over the remainder of the current decade. The increase in households would be less than 7%.

It is important to note that the senior estimates and projections would include people already residing in existing senior housing, including the skilled nursing home, assisted living and memory care options that already exist in Litchfield and Darwin.

In 2016, approximately 60 older seniors were living permanently in the skilled nursing home in Litchfield. This represented a capture rate of only 3.1% of the older senior population. Although only limited growth is projected in the older senior population, by 2020 Meeker Manor would only need to capture 3.0% of all older seniors to maintain a similar rate of annual occupancy. When compared to other skilled nursing home options in Meeker County, this represents a very low capture rate.

After subtracting the older seniors living in Meeker Manor, approximately 1,900 people remained in the Market Area, age 75 or older in 2015. This would include approximately 30 people living in specialized memory care housing options in Bethany Memory Care in Litchfield and Lakeview Ranch in Darwin. To fill all 31 available beds in these two facilities, a capture rate of approximately 1.6% is required. By 2020, this capture rate will be below 1.6%.

Estimating the capture rate for other forms of senior housing is more difficult, since some facilities, such as Emmaus Place, can offer very flexible housing options. If an assumption is made that approximately 80% of the units in Emmaus Place are used for assisted living, then between 60 and 70 units would generally be available in Litchfield. When compared to the estimated number of approximately 690 older senior households in 2015, a capture rate between approximately 8.7% and 10.1% would be needed to fill all units. By 2020, this capture rate would drop to approximately 8.1% to 9.5% of the projected older senior households. These capture rates are relatively high, and probably reflect the reduced usage of skilled nursing home beds.

For lighter services housing, approximately 70 units would be available in the Ecumen community, primarily in Gloria Dei, but also in some flexible units in Emmaus House. There is also an option for some older seniors in Lincoln Apartments, where a home health care office is staffed on-site. However, Lincoln Apartments does not offer many of the other amenities, typically available in housing with services projects, such as the ability to purchase additional meals. While Lincoln Apartments does serve seniors, it has not been included with the light services inventory for the analysis that follows.

After subtracting older seniors living in assisted living, there would have been approximately 620 to 630 older senior households in the Market Area in 2015. To fill the inventory of approximately 70 lighter services units in Litchfield, a capture rate of approximately 11.2% would be required. By 2020, this percentage would drop to approximately 10.5%. If the units in Lincoln Apartments are added, this capture rate would be even higher.

## **Demand Calculations for Market Rate Rental Housing**

### **Overview**

The following calculations are based on information for the Litchfield Market Area. These calculations examine the demand potential, adjusted by number of households that would be income-qualified to live in a unit at prevailing market rate rents.

For the purposes of this Study, an income-qualified household has an estimated annual income of \$30,000, or more. If 30% of household income is applied to monthly housing costs, then these households can afford a gross rent of \$750 or more. For market rate housing, it is assumed that gross rental rates will generally need to be at or above this level. For households at \$30,000, it is probable that an even larger percentage of income would be needed to afford a newly constructed market rate rental unit.

As the largest city in Meeker County, it can be argued that Litchfield has the potential to attract renter households from an even larger geographical area. However, the analysts have proceeded under the assumption that other communities in the County will also look to develop new rental housing in the future, and that part of the countywide demand will be addressed in these cities. As a result, most rental demand will be more locally-oriented.

### **Demand from Household Growth**

The projections provided earlier in this study have been based on the Litchfield Market Area adding between seven and nine households per year, with approximately 35 to 45 households added over a five-year period. In the calculation that follows, annual growth of nine households per year has been used, at the upper end of the indicated range. This is largely due to the strong local economy, and employment opportunities that currently exist in Litchfield.

Although some additional households may elect to live in Darwin or in one of the surrounding Market Area townships, most renter-occupancy households are likely to live in Litchfield. For projected tenure, we have used a percentage of 35% for renter-occupancy. This rental tenure rate is higher than the level reported in Litchfield in the 2010 Census, but recognizes that near-term demand has the potential to be more heavily oriented to rental housing, as single family housing construction remains well below the levels achieved in the past.

**Income-Qualified Demand from New Household Growth Calculation**

Projected household growth 2015-2020	45
Percentage of renter-occupied households	35%
Projected rental household growth	16
Percentage of renter households in target income range	50%
Demand from income-qualified renter households	8

Utilizing the best available information on growth patterns, income levels and tenure rates, future household growth using normal assumptions is projected to add demand for approximately eight additional market rate units by the year 2020 to serve the targeted income range.

It is important to note that additional demand will be present from even lower income groups that would benefit from lower rent or subsidized housing. If the same calculations are applied to all income ranges, the estimated demand from growth would increase to 16 rental units over the five-year period.

**Pent-Up Demand from Existing Households and Movership**

Litchfield has a relatively average distribution of rental housing units, although only limited rental construction has occurred since the year 2000. Much of the ongoing growth in the rental inventory has occurred through conversion of older units, as it appears that some houses may have changed from owner-occupancy to rental use.

The survey of existing rental properties found almost no market rate vacancies, and reports of strong demand with multiple phone calls received when turnover units were advertised.

Demand for new rental housing would be generated from existing renters that would elect to move from their older housing unit, and potentially from current home owners, who have stayed in their single family home due to few acceptable new rental options in the community. For this calculation, existing renter households in the Litchfield Market Area have been examined, although the large majority of existing renters already live within the City.

To determine the number of potential renter households that would be expected to move on an annual basis if good quality, affordable units were vacant and available in the area, we have performed the following calculation using an annual turnover rate of only 10%, or less than 1% per month.

**Income-Qualified Movership/Competitive Advantage**

Total renter households in the Litchfield area in 2016	1,015
Percentage in income-qualified range	50%
Total income-qualified households	508
Annual turnover @ 10%	51

Once again, this potential demand is even larger if all income ranges are examined, as nearly half of all current renter households could not afford the rent typically associated with a new rental unit.

## **Potential Demand from Employment Options**

As documented earlier in this Study, Litchfield provides employment opportunities for a larger trade area. In recent years, the number of jobs within the City has been growing, after contracting somewhat during the years between 2004 and 2012. However, a commensurate level of housing unit growth has not been occurring, especially since 2012, indicating potential pent-up demand from local employees. Increasingly, job opportunities within Litchfield must be filled by people that do not live within the community.

Like many of the larger cities in the immediate area, Litchfield has tended to import workers from other areas to fill the jobs that exist in the community. The best analysis of these patterns is contained in the Census Bureau's inflow/outflow job count analysis, through the Center for Economic Studies. That research indicated that more than 59% of the people employed within the City of Litchfield did not live within the community in 2014.

Although this disparity between people working in the City and people living outside the City would seem to generate significant potential for future housing development that is not necessarily supported by other information that was also collected. Of all the cities in Meeker County, Litchfield actually has the largest share of people that both live and work in the same community. In most of the small cities, a much larger percentage of residents commute out for employment. This implies that area residents do not consider commuting to be a significant deterrent when deciding where they choose to live, especially when the travel time is under 30 minutes.

While the analysts acknowledge limits on the potential attraction of households from local job options, it is also recognized that Litchfield does have some ability to increase the percentage of local workers that reside within the City.

Recent gains have been made in the number of local employment opportunities, recovering nearly all of the jobs that were lost in the mid to late 2000s, yet the level of both household growth and housing unit growth has lagged well behind the level that was present between 2000 and 2006. As the number of local jobs continues to grow, this points to potential demand from employment options that is not being captured within the City.

The following analysis is based on the estimated job growth that has occurred over the past three years, and the potential demand for rental housing that would be needed if up to 40% of these jobs could be filled by people that would both live and work in Litchfield.

**Income-Qualified Employee Pent-Up Rental Demand Calculation**

Estimated job growth between 2012 and 2015	331
Times percentage goal to be filled by City residents	40%
Potential demand from Litchfield new employees	132
Divided by 1.5 for household formation	88
Rental tenure rate	35%
Estimated total rental demand	31
Percentage in income-qualified range	50%
Estimated demand for market rate rental housing	16

While this can be viewed as a very conservative calculation of potential demand, it recognizes the pre-existing pattern that most workers in the area do not move for employment reasons. It also recognizes that new construction market rate rental housing does not have the ability to serve all workers in the community.

It is also important to note that there have been periods of employment contraction in the past in Litchfield, especially between 2003 and 2007, and then again between 2008 and 2010. While all the past job losses have later been recovered, the willingness of households to move for employment will be based in part on their belief in job security.

## **Demand from Unit Replacement/Obsolescence**

Demand created by unit replacement and obsolescence may also occur. This would be in addition to normal tenant movership that occurs when people voluntarily move to a better or more suitable unit. Displacement caused by unit obsolescence and demolition is not voluntary.

Research completed for this Study did not indicate that many housing units were removed from the City between 2000 and 2010. Instead, it appears that some level of unit conversion has been occurring, as housing formerly used for owner-occupancy has changed to rental use. However, as the home ownership market stabilizes, the rate of conversion should slow or even reverse, as people look for affordable home ownership options. As a result, no allowance has been made for demand created by unit replacement.

## **Total Demand and Market Share**

The combination of demand generators identified above results in market potential from approximately 75 households that are income-qualified for the gross rental rates typically required by market rate housing. Although some of this demand is growth-generated and increases over the projection period, most of the calculated demand exists from under-served market segments, such as people already employed in the City but living elsewhere.

Typically, Community Partners Research would recommend that a single rental project can only capture a share of the overall demand. Therefore, a series of phased rental development projects would be recommended, that creates the 75 units in two or three construction phases. This would help to prevent a saturation of units if a single larger-scale project was constructed at one time.

## **Additional Considerations**

There are some additional factors that should also be considered by a potential developer of rental housing in Litchfield that could impact future development.

- ▶ The recommendations made in this Study are based on calculations of household growth, pent-up demand, and similar demand-generators, but do not include competitive positioning of a specific project. No specific sites or design ideas have been considered by the analysts. It is probable that newly constructed units would have certain competitive advantages over other apartment projects in the immediate area, but this is not assured until a development concept is identified.
- ▶ The research completed for this Study did not identify any pending projects that would directly compete for a share of the market, but there is no guarantee that other projects will not advance in Litchfield or neighboring communities.
- ▶ Any new rental project should attempt to serve a broad segment of the potential market. Projections on expected growth point to a growing demographic segment of older adults, age 55 and above, as the baby boomers move through the aging cycle. Any new housing should be designed to appeal to older adult renters, with age-appropriate features and amenities.
- ▶ Part of the demand calculation is based on serving people that work in Litchfield. However, no reliable projections exist for future jobs located in the City. Over the past 15 years, there have been periods of both employment growth and job reductions in the City. While hiring has been ongoing in recent years, and all of the jobs lost in the last reduction have been recovered, the analysts have no information about future employment levels.

The opinion of Community Partners Research has been formed with information on general market conditions in Litchfield. The analysts have assumed that high quality construction and materials will be used, and that the property will be professionally managed. Community Partners Research has not reviewed construction plans or architectural drawings. We have not reviewed any project pro forma information, or cash flow scenarios based on proposed rents compared to total development costs.



## 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

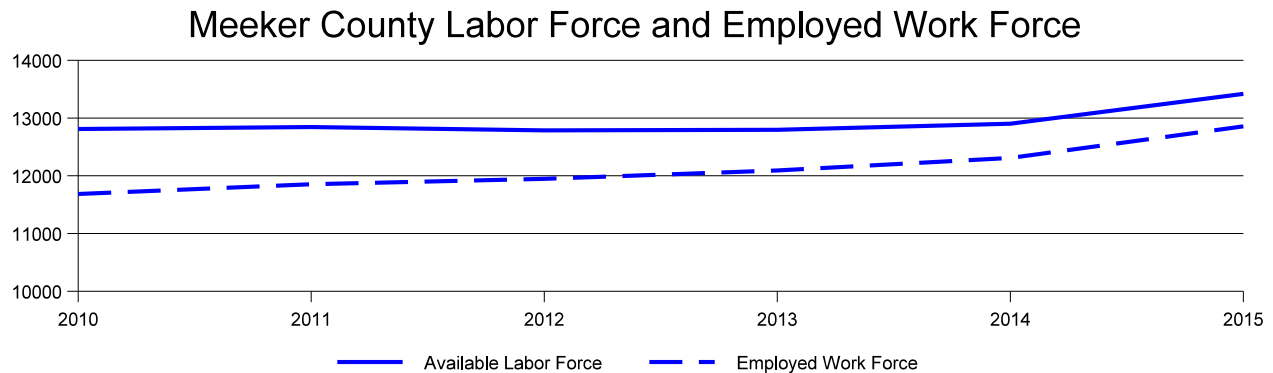
The MN Department of Employment and Economic Development provides labor force and employment information for all of Meeker County. Due to the size of the community, similar information is not available specifically for Litchfield. The following table looks at information for the County since 2010.

<b>Table 25 Meeker County Labor Statistics: 2010 to 2015</b>						
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%

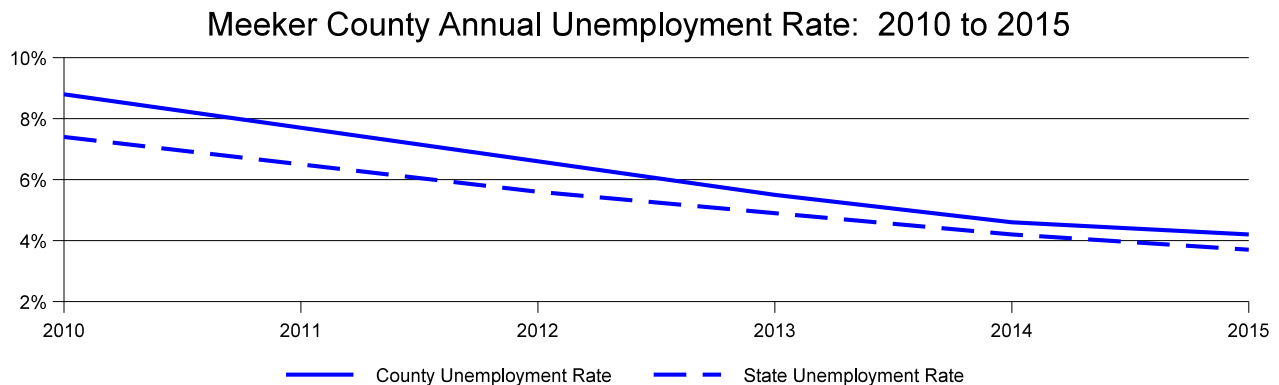
Source: MN Department of Employment and Economic Development

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.



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.



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 by major employment sector for jobs within the City of Litchfield in 2015. It is important to note that the major employment sectors listed do not represent all employment in the City. Some groups, including self-employment, are not represented.

The table only provides information for the City. 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.

<b>Table 26 Litchfield Average Annual Wages by Industry - 2015</b>		
Industry	Employment	Average Annual Wage
Total All Industry	3,718	\$35,568
Natural Resources and Mining	120	\$35,620
Construction	33	\$40,976
Manufacturing	618	\$49,660
Trade, Transportation, Utilities	693	\$31,512
Financial Activities	117	\$54,236
Professional and Business Services	260	\$39,832
Education and Health Services	1,106	\$33,800
Leisure and Hospitality	307	\$10,764
Other Services	100	\$15,028
Public Administration	335	\$43,732

Source: MN Department of Employment and Economic Development

The average annual wage in Litchfield for all industry in 2015 was \$35,568. This assumes full-time employment for 52 weeks at the average weekly rate.

The highest paying wage sectors in Litchfield were Financial Activities and Manufacturing, both with an annual wage of more than \$49,000. Manufacturing was also the third largest industry sector for average employment. The lowest paying wage sector was Leisure and Hospitality, with an average annual wage of approximately \$10,800 at full-time employment.

## Litchfield Annual Covered Employment

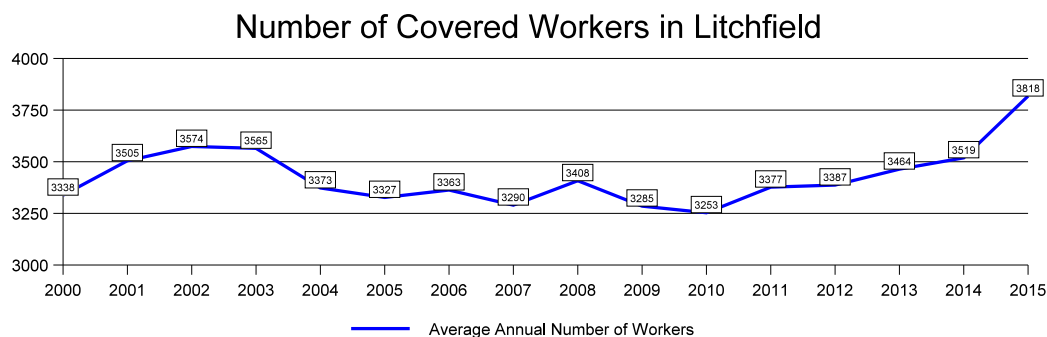
Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location, it is possible to examine longer-term patterns in the employment level. The following table displays the total number of workers reported in Litchfield back to the year 2000.

Table 27 Litchfield Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	3,338	2008	3,408
2001	3,505	2009	3,285
2002	3,574	2010	3,253
2003	3,565	2011	3,377
2004	3,373	2012	3,387
2005	3,327	2013	3,464
2006	3,363	2014	3,519
2007	3,290	2015	3,718

Source: QCEW - MN Dept. of Employment and Economic Development

When viewed over a longer-term there has been some employment growth in Litchfield, as tracked by reporting for unemployment compensation. If employment in 2015 is compared to the year 2000, there had been an increase of 380 workers, or growth of 11.4% over this longer period. However, if 2015 is compared with 2002, the City has only added 144 jobs, or growth of 4%.

There has been some minor year-to-year fluctuation, but the lowest employment was 3,253 jobs in 2010, while the highest had been 3,574 jobs in 2002. However, in 2015, a new peak employment level was reached in Litchfield, surpassing the job total from 2002, and up nearly 200 jobs from 2014.



## Commuting Patterns of Area Workers

While a large number of jobs exist within Litchfield, many 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 Litchfield. The first table only examines travel time for City residents, and excludes people that work at home.

<b>Table 28 Commuting Times for Litchfield Residents - 2014</b>		
Travel Time	Number	Percent
Less than 10 minutes	1,388	43.5%
10 to 19 minutes	656	20.6%
20 to 29 minutes	346	10.8%
30 minutes +	802	25.1%
Total	3,192	100%

Source: 2014 American Community Survey 5-year estimates

Most Litchfield appeared to be working in the City or in the immediate area for their primary employment in 2014. Given the City's size, a travel time of 15 minutes or less would be required to reach the job options that exist within the community. Approximately 57% of the City's residents were traveling 14 minutes or less to their job. More than 25% of the City's residents were traveling 30 minutes or more for employment.

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

<b>Table 29 Commuting Times for Litchfield Employees - 2014</b>		
Travel Time	Number	Percent
Less than 10 minutes	1,502	36.4%
10 to 19 minutes	1,348	32.7%
20 to 29 minutes	616	14.9%
30 minutes +	657	15.9%
Total	4,123	100%

Source: 2014 American Community Survey 5-year estimates

A large majority of the people that worked in Litchfield lived within the surrounding area, as more than 69% had a travel time of less than 20 minutes. This total would include people that both lived and worked within the City. However, nearly 16% of people employed in Litchfield had a commute time of 30 minutes or more.

## 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.

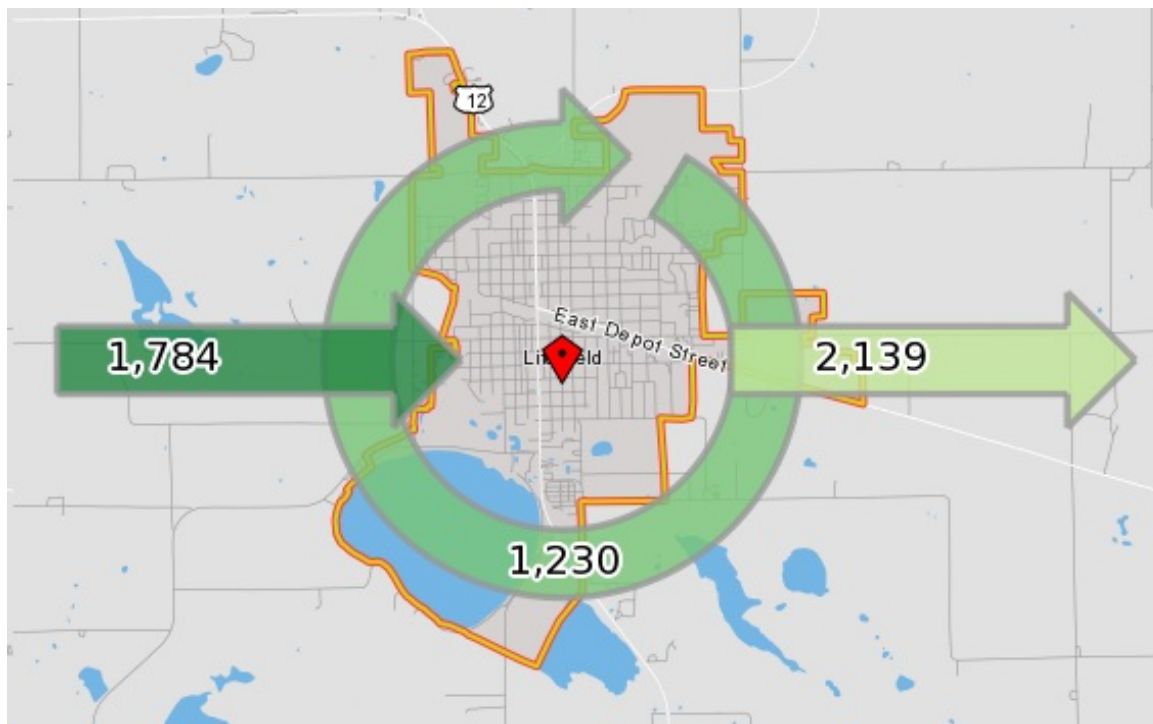
According to the report for Litchfield, there were 3,014 people that were employed within the city limits in 2014. Approximately 41% of these Litchfield-based employees also lived within the City. The remaining 59 employees lived outside the City limits.

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.

<b>Table 30 Employee Inflow/Outflow Analysis - 2014</b>				
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
Litchfield	3,014	40.8%	59.2%	1,784
Cedar Mills	7	0%	100%	7
Cosmos	75	1.3%	98.7%	74
Dassel	825	9.7%	90.3%	745
Darwin	45	2.2%	97.8%	44
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

While a majority of Litchfield-based workers were commuters, this pattern was not unique. In each of the smaller cities in Meeker County, most residents left their home community for employment. Presumably, many of the residents of these surrounding small communities were traveling to Litchfield.



# Findings and Recommendations

## Overview

This Study has focused on the growth potential that exists for the City of Litchfield and a surrounding market area, 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:

## Litchfield Growth Potential

This Study has used the assumption that the Litchfield area has the potential to add between seven and nine households per year in an average year through the remainder of this decade. But it is important to recognize this as potential growth. Some of the available estimates through the year 2015 indicate that the City has not realized this level of growth in the recent past. However, the most reliable 2015 estimate, from the Minnesota State Demographer's Office, does show that Litchfield has been adding households so far this decade.

Although this has been identified as the growth potential for the entire Market Area, which extends beyond the Litchfield, in the opinion of the analysts, the City is the most logical location for new housing development. This is especially true for rental housing, which will generally be constructed in multifamily structures. As a result, Litchfield is viewed as the primary location for future housing construction activity.

There have been some years in the recent past when seven or more new housing units were constructed in Litchfield, but in other years, growth within the housing stock has not reached the projection potential identified in this Study. It is possible that some vacant housing remains in the community, which could also accommodate more household growth, but the supply of vacant housing is limited.

Prior to the national housing market crash and economic recession of the late 2000s, the City had established a sustained period of housing unit growth. That occurred at a time when there was significant pressure occurring from the western Twin Cities area and from the St. Cloud area to the north. Many of the communities in the peripheral counties adjoining these metropolitan areas were seeing substantial housing construction activity.



In Litchfield, growth of approximately 35 housing units per year was occurring from 2000 to 2006. However, when the boom ended, Litchfield and most of the other regional communities that had once been growing rapidly saw housing construction largely end. By 2010, only three new houses were built in Litchfield. Over the past 10 years, the City has averaged fewer than eight new housing units per year through new construction. The latest demographic forecasts do not expect a large-scale recovery to occur anytime soon.

For Litchfield to achieve the modest growth potential outlined in this Study it is probable that proactive efforts will be required. Over the last four or five years, the City has averaged fewer than 10 new households per year, according to most sources, and some of this was probably due to the availability of vacant housing units, a pattern that cannot be sustained once vacancies are absorbed.

To reach a sustained level of new unit construction in the future may require efforts that are not typically associated with the private market, such as potential development subsidies, recruitment of developers and community promotional efforts that encourage new households to locate within the City.

It is important to note that the annual growth potential of up to nine households would include both ownership and rental housing opportunities. Historically, between 30% and 35% of the households in Litchfield have rented their unit, and this Study has recommended that rental production should also occur to meet growth-generated demand.

## **Regional Growth Potential**

In the early half of the previous decade, the larger region that includes Meeker County and Litchfield was growing at a rapid rate. In 2003, the four combined Counties of Stearns, Meeker, Wright and McLeod had more than 4,000 new housing units constructed in a 12-month period. But by the year 2011, fewer than 500 new units were built in the four-county region.

However, even during the boom years, Meeker County's annual unit construction total was well below the level in Stearns and Wright Counties, but there was significant growth potential in the surrounding region. While it is highly unlikely that the past level of unit construction will return to the region, some gradual recovery continues to occur, and home building in the future should improve upon the levels of the recent past.

## Home Ownership Recommendations

**Overview:** Housing constructed for owner-occupants was the past strength of Litchfield's new construction market. Between 2000 and 2009, building permit reports point to as many as 235 detached single family houses, and possibly eight twin home units.

However, growth in home ownership did not keep pace with construction activity. Between 2000 and 2010, Litchfield had a net gain of only 37 owner-occupancy households, well below the level of new home construction. By the end of that decade, the City had added more renter households than home owners. It is probable that the overproduction of new single family houses resulted in some conversion of older homes to rental use. The number of unoccupied houses also increased.

In Litchfield, the peak years for single family construction occurred from 2000 to 2005. During this six-year period, the City was averaging between 30 and 35 single family units per year. In 2006, 21 single family-style units were permitted, but this was the last year that 20 or more houses were constructed in a single year. In the six-year period from 2010 through 2015, the City averaged fewer than five single family housing starts per year.

The housing boom that occurred in Litchfield and other communities in the region prior to 2006 can be attributed to a number of factors. In hindsight, one of the factors was probably "over exuberance" among potential home owners. This was evident in the home foreclosure period that followed, as some buyers could simply not afford the house that they had purchased.

Another factor that probably influenced the region's housing boom was the demographic pattern that existed at the time. In the year 2000, all members of the baby boom generation were in the age ranges from 35 to 55 years old. Baby boomer households at the younger end of this range probably accounted for much of the out-migration that was occurring from the Twin Cities and St. Cloud metropolitan areas. By the year 2020, all of the baby boomer generation will be age 55 or older, and most will be age 60 and above.

The demographic patterns that helped to fuel above-average single family home construction in Litchfield are unlikely to be repeated. Behind the baby boomers came a smaller demographic segment. The projections used for this Study point to a decreasing number of younger households in Litchfield, age 54 and under, through the remainder of this decade.

However, as the baby boomers advance through the aging cycle, they should begin to gravitate toward reduced maintenance housing options, such as twin homes or town house units. In their older years, an increased preference for rental housing should appear.

Even though the construction boom years of the past are unlikely to return, the City does have the potential to grow and add households. Much of this can be attributed to the strong local economy, and the multiple employment opportunities that exist both in the City and within a reasonable commuting distance.

The growth projections for Litchfield expect annual average growth potential of between seven and nine households in a typical year over the next five years. With the expectation that between two and three of these households will be looking for rental opportunities, this results in potential home ownership demand from four to seven households annually, due to growth.

Some additional single family production can be justified for unit replacement and pent-up demand for under-served market segments. In the past, it is evident that actual unit construction has exceeded growth-generated demand, as some houses will be replaced over time. With some upward adjustment for factors other than household growth, an additional one to two owner-occupancy units per year can be justified, yielding total demand potential of five to nine units per year, or 25 to 45 units over a five-year projection period.

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

## **1. Potential Demand for 4 to 7 moderate to higher priced houses annually**

**Findings:** The research for this Study has indicated that the potential annual demand for new owner-occupancy housing construction will be approximately five to nine units in a typical year. Demographic patterns strongly support that most of this demand will be from moderate to higher-priced housing. The aging patterns for the Litchfield area continue to show growth in the number of older adult households, primarily in the 55 to 74 year old age ranges. At the same time, trend-based projections would point to a declining number of younger adult households, age 54 and younger.

People age 55 and older have historically shown a strong preference for home ownership. In their peak earning years, and with time for asset accumulation, households in the 55 to 74 year old age groups tend to represent market potential for housing that is age-appropriate and contains amenities typical of the trade-up segment of the market.

At the time of the 2010 Census, households in the age groups 55 and older represented approximately 48% of all Litchfield Market Area households. By 2015, these older adult age groups represented approximately 52% of all households. Trend-based projections to the year 2020 point to more than 54% of all households in these older adult age ranges.

Demand for moderate to higher priced housing will also be impacted by income levels. The comparison of median income levels for Litchfield households presented earlier in this document showed that most households have an annual income above \$50,000. Households in the moderate to higher income ranges can apply a significant portion of their income to housing costs.

Existing home values also appear to be relatively strong, and the median sale price has been improving since reaching a recent low in 2012. Since most of the moderate to higher income households already own their housing, people that look to move into a newly constructed house should also have improved equity available from the sale of their previous home.

While these are all positive market trends, it should be noted that they have been gradually evolving over the past few years, and they have not necessarily resulted in increased demand for trade-up and/or age-appropriate housing. Over the past six years, an annual average of fewer than five houses per year have been built in Litchfield.

While none of the recent housing starts are believed to be in the form of attached single family housing such as twin homes or town houses, some association-managed cottage homes have been built. There were also some rental town houses that have been constructed.

**Recommendation:** Even though Litchfield has not achieved much recent success, moderate to higher-priced single family housing should represent nearly all of the future demand. Based on the construction forecasts, this would yield potential for approximately four to seven units in an average year. Since demand for moderate to higher-priced houses is market driven, there is no direct public role required within this market segment, although it is possible that local incentive programs could be offered, as will be discussed later in this section.

Newly constructed units in the moderate to higher price ranges should continue to appeal to mature households as they age. While attached housing units would be well-matched to life-cycle needs, it is likely that this segment of the market will remain somewhat suppressed until people regain full confidence in the strength of the home ownership market.

Since households age 55 and older will typically already own a house, the decision to purchase a different 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. Demand will exist for 1 to 2 entry-level new construction houses annually**

**Findings:** There were various reasons for the large-scale growth that occurred in the surrounding region in the early 2000s, but one of the primary drivers was outward movement from the Twin Cities and St. Cloud areas. This was often due to the availability of more affordable home ownership options. When compared to the metropolitan areas, smaller communities located in the region were often viewed as a location to find for a quality house at a lower price. While higher-priced homes were also built, affordable housing was a primary concern for many young families.

Although the growth forecasts used for this Study do anticipate some improved demand for new single family housing construction in Litchfield over the next five years, the City will generally see limited demand in the lower priced, entry-level segment of the new construction market.

Part of this is due to demographic considerations. But it is also due to the significant competition that will exist within the most affordable market segment. Many communities within the larger region had an oversupply of residential lots following the housing market retreat, and subdivisions went into default. Many emerged under bank or public ownership, and lots have subsequently been sold at below-market prices.

In Meeker County, distressed subdivisions exist in Dassel and Watkins. In Wright County, a large volume of foreclosed lots exists in communities such as Cokato, Howard Lake and Waverly. Very low lot pricing has been offered in recent years, making these communities attractive locations for lower-priced home construction. Unlike most of the other cities in the immediate region, Litchfield did not have any lots default into bank ownership, and lots are being offered at market prices.

In addition to the competition that exists within the surrounding communities, it should also be noted that Litchfield tends to have very moderate prices for existing houses. While there is some evidence of recent price escalation, in the past few years the median sales price in the City for existing houses has been less than \$120,000. With affordable options in the used home market, there is less incentive for entry-level buyers to look at new construction alternatives.

**Recommendation:** There will always be some demand that exists for lower-priced, entry level homes. However, in most cases, Litchfield will have a competitive disadvantage when trying to attract activity within this segment of the market. The possible exception would be when older infill lots can be used. For the remainder of the decade, the potential exists for between one and two entry-level homes per year.

In some Wright County communities such as Howard Lake, Waverly and Montrose, improved lots have been available for less than \$10,000. New houses built on these lots can sell for significantly less than a comparable lot in Litchfield that would be developed and sold at the current market prices. Until this regional inventory is absorbed, other cities in the region will have a competitive advantage for entry-level new construction.

### **3. Attached single family housing should continue to gain market share**

**Findings:** Prior to the housing market downturn of the late 2000s, there had been some construction of attached single family housing units in Litchfield, primarily in the form of twin homes. One of the City's newer subdivisions, Harmon Meadows has lots for association-managed patio homes. In 2016, construction was being planned for some new units in this development area. A speculative patio home was recently constructed and sold.

Prior to the housing market downturn in the late 2000s, many communities were seeing a higher level of activity in the attached single family housing segment. One contributing factor was cost savings, as reduced land, infrastructure and construction costs per unit resulted in a lower sale price. Another factor was lifestyle preference, as no/low maintenance housing appealed to the area's growing number of empty-nester and senior citizen households.

However, as national economic and housing market conditions began to change, construction activity slowed significantly. As the national housing markets retreated in the late 2000s, alternative housing products, such as attached single family, often suffered the greatest hit. When people became concerned about owning or investing in new construction, they became even more concerned about less traditional products. Although recovery within this market segment generally remains slow in most communities, there is some evidence of twin home and town house construction gaining in popularity in other communities.

After 2006, the building permit summary reports used for this Study do not show the construction of any attached units in Litchfield, although it does appear that some patio homes have been built in Harmon Meadows, including a few constructed as spec homes. These homes are association-managed, and offer many of the low-maintenance features of attached single family units.

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



**Recommendation:** The calculations used for this Update expect that overall demand for single family housing should improve to an annual average level of five to nine units per year. Within the owner-occupancy segment, approximately two to three units per year could potentially be met through attached single family housing, such as twin homes or town house units. In Litchfield, association-managed patio homes are addressing part of this market segment.

As consumer confidence returns, it would not be surprising to see an even greater level of activity within this housing segment. Since attached housing projects occur in clustered phases, it is very possible that the volume of units constructed in a single year will be above or below this annual average.

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

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

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



#### **4. Monitor plans for a senior retirement community in Litchfield**

**Findings:** As research was being completed on this Meeker County Housing Study, the City of Litchfield was in the preliminary planning process for a larger-scale senior retirement community. While located in Litchfield, the developers viewed the project as serving a large region that extended well beyond the borders of Meeker County.

The development proposal involved re-platting of some of the existing development areas in Litchfield into a new, senior-oriented community. Known as The Meadows, the proposed project would utilize the remaining land in Natures Edge and Cedar Meadows, along with additional vacant parcels to create a gated community with up to 170 total housing units.

The Meadows would be association-managed, with lots intended for patio home construction. The anticipated target price would be in the mid-\$300,000s. The community would include amenities for residents, such as a club house. If all planning approvals are obtained, the first development activity could still begin in 2016.

**Recommendation:** The scale of this proposed senior community is larger than the locally-generated demand from the Litchfield area. Community Partners Research has not conducted research into the larger surrounding multi-county region, and has no direct comments on the proposed project. We are not aware of any comparable development project in Greater Minnesota that could be used for direct comparison.

It is assumed that project-specific research has been conducted as part of the financing plan. This project-specific study would have access to unit details and marketing plans that were not available to Community Partners Research. We would therefore defer to more detailed information and analysis that should be available.

## **5. Promote affordable existing home ownership options**

**Findings:** This Study tracked the sales activity in Litchfield back to the year 2010. During this time, the annual median home sale price in the City has not exceeded \$130,000 in any year. Although sales records were not available for the years prior to 2010, it is very possible that the median sale price was higher before the impact of the housing market downturn.

For the 2015 sales year, there were 72 “good” sales in the City, as tracked by the County Assessor’s Office. More than 64% of the 2015 sales were priced below \$150,000, and fewer than 11% of the sales were for \$200,000 or more. These moderately priced homes can represent a very attractive ownership option for potential home buyers in the larger region.

**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.

There is evidence that over time that some of the City’s existing single family homes have been converted to rental housing. While this expands rental options, it is probably in the City’s best long-term interest to attract home owners, and increase the rate of home ownership. Efforts to promote affordable home ownership can help to limit the conversion of houses to rental use.

## **6. Consider the creation of home ownership incentives using available resources**

**Findings:** After the large drop in home building that occurred Statewide in the last years of the previous decade, many communities were left with large inventories of unsold lots, and significant investment in public infrastructure. In an effort to spur a higher level of new home construction, it has become more common to see special municipal incentives being offered.

In 2014, the City of Watertown in Carver County started a program that waived connection fees for sewer/water/storm sewer for the first 15 single family units that were permitted. The approximate value of the waived fees was \$9,500.

In the first two months of the program, 10 single family permits had been issued. In 2012 and 2013, the City had a cumulative two-year total of only six new single family homes. While the incentive program cannot be directly linked to increased home building, 2014 did represent a substantial improvement over the recent past. However, the incentives were discontinued in 2015 due to the high price tag for the program.

Maple Lake in Wright County also started some incentives in 2014 to encourage home construction. The City dropped the escrow deposit requirement for home builders that had required \$3,500 to be deposited for proper landscaping and site grading. This deposit was refundable to the builder after successful completion of the project, but did increase the initial investment for builders. Maple Lake has also allowed \$2,000 in home owner connection fees to be assessed against the property, once again lowering the initial costs for new houses.

These examples have been compiled from research completed for other projects, and are not intended to represent all of the different approaches being used in the surrounding area. However, they do provide an indication of some of the proactive efforts that are being utilized as communities attempt to restart a higher volume of new home construction.

Some Minnesota communities have also worked with local employers to create employer-assisted housing programs. The Greater Minnesota Housing Fund (GMHF) may still be able to match employer contributions to expand the available resources. Meeker County has a number of large private employers that have an incentive to attract and retain a local quality work force. Employer financial contributions matched with GMHF funds could be a financial resource in the future.

**Recommendation:** New home construction has been ongoing in Litchfield, but not at the potential level projected in this Study. Over the past six years, the City has only achieved nine single family housing starts in one year, and has only exceeded five single family starts in two recent years. To reach the projected level of up to nine new houses annually per year may require the community to become actively involved in providing financial assistance and/or development subsidies.

Communities that have taken proactive steps, such as Watertown, have seen some increase in the level of new home construction. However, due to the substantial costs involved, the financial incentives in Watertown were only offered for one year, and were limited to 15 houses.

It should be noted that in the examples identified above, city involvement appears to have been caused in part by troubled subdivisions, an issue that is not present in Litchfield in 2016.

One final consideration that may impact the discussion of construction incentives is based on the legal power to waive fees. As part of the research on this issue, the League of Minnesota Cities was consulted concerning other examples of municipal efforts. Staff cautioned that the City Attorney may need to be consulted before any incentives are offered to be sure that they meet a “public purpose” test.

## **7. Monitor the residential lot inventory**

**Findings:** Prior to the housing market retreat of the late 2000s, the private development community had been very active in creating subdivisions and residential lots. In Litchfield, multiple residential subdivisions were created, serving different market segments. Due to the slowdown in construction that began in the mid-2000s, most of these subdivisions still have an unsold lot inventory.

Since 2010, Litchfield has been averaging approximately five single family housing starts per year. With at least four active subdivisions, the number of annual sales in any single development area has been low.

The best available estimate places the vacant lot inventory for single family houses at approximately 80 to 90 lots in 2016 in the four primary subdivisions. It is probable that some additional sites exist as remnant lots in older areas, or as infill parcels where other structures have been removed.

While Litchfield does have a relatively large inventory of vacant lots, when compared to annual construction activity, none of the subdivisions have reverted to bank or public ownership. In many other communities in the region, subdivisions went into default and changed ownership. In some cases, the lots were then sold at deeply discounted prices.

In area communities including Dassel and Howard Lake, there are still distressed subdivisions that are in the process of being addressed. In these cases, lots have not been actively listed for sale in recent years as ownership issues are being resolved. It is assumed that these lots will be offered for sale in the future, possibly at below-market prices.

**Recommendation:** Based on the projected demand used in this Study, Litchfield could average up to nine new single family houses per year going forward. This would include both detached and attached single family units intended for owner-occupancy. If achieved, over a five-year period, this would absorb approximately 45 lots. The current inventory, estimated to contain more than 80 vacant lots, should be adequate unless actual demand significantly exceeds our expectations.

It should be noted that two of the development areas in Litchfield, Natures Edge and Cedar Meadows, are in the process of possible re-platting. In 2016, approximately 38 vacant lots were present in these areas. The re-platting would add some adjoining vacant land to create a senior housing community that could contain up to 170 total lots. The community would be gated, and would include amenities for residents, such as a club house.

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

## **Rental Housing Recommendations**

**Overview:** According to the 2010 Census, approximately 30% of all households in Litchfield rented their housing. This percentage has been growing, as the City added substantially more renter-occupancy households than owner-occupants between 2000 and 2010.

There are no reliable tenure estimates that exist for 2016, but the best available evidence would indicate that renter household growth has continued to exceed owner household growth, as more rental housing has been constructed so far this decade. Occupancy rates remain high in rental units, and some ongoing single family conversion may also be continuing.

Despite the fact that the percentage of renter households has been growing, Litchfield has had only limited new rental unit development in recent decades. In the 2000s, approximately 28 multifamily units were permitted, often in four or eight unit configurations. The construction in the early 2000s included some market rate rental units developed by the Meeker County EDA, and some privately-owned four-plexes on South Gorman.

Although only 28 multifamily units were permitted in the 2000s, the City added 86 renter-occupancy households during that decade. It is probable that some single family houses were converted to rental use during the decade, as rental unit construction lagged well behind growth in demand.

Since 2010, two rental projects can be identified. There were 12 traditional apartment units constructed in 2010 in Grace Apartments, and in 2011 and 2012, approximately 21 cottage-style rental units were built along Cottonwood Avenue.

Going forward, this Study has allocated up to 35% of the annual household growth potential in Litchfield to rental housing. Other demand-generators also exist, including unmet demand from people that already live or work in the area. A separate section of this document has calculated approximate demand for 75 conventional market rate units in the City over the next five years. Additional demand would exist for more affordable rental housing, to serve households needing below-market prices. However, constructing more affordable units is not easily achieved with the resources that are available.

The following findings recommendations are made concerning rental housing issues:

## **8. Develop 20 to 24 units of town house-style market rate housing**

**Findings:** A specific section of this Study has examined the potential market for conventional, market rate rental units in Litchfield. This methodology calculated potential demand for approximately 75 rental units over a five-year projection period to serve households that can afford the rent structure typically required for market rate housing.

Additional demand would exist for more affordable rental housing, but for market rate units, an assumption was made that qualifying households would need an annual income of \$30,000 or more. Approximately 50% of the existing renter households are within this income range.

With up to 75 additional units recommended in Litchfield over the next five years, different development concepts could be pursued. The most successful development approach used in the past in Litchfield created town house or cottage-style rental units, with an attached garage. This design has appealed to both senior households and younger, working-age renters.

In the late 1990s and early 2000s, the Meeker County EDA constructed 32 market rate rental units. These have been very successful over time, with a high rate of occupancy and a waiting list with 17-names in 2016. While most tenants are senior citizens, there are also younger tenants in residence.

In 2011 and 2012, there were 21 cottage-style rental units constructed in a development cluster on Cottonwood Avenue. No information could be obtained from the owner/manager of these units. However, a visual inspection indicated that the units are occupied, and there was no advertising on-site indicating open units. It is probable, but not confirmed, that the rent structure for these units is equal to or greater than the Meeker County EDA project.

**Recommendation:** Typically, Community Partners Research would recommend that a single rental project can only capture a share of the overall demand. Therefore, as part of the effort to develop up to 75 market rate units, a town house-style rental project with 20 to 24 units would be recommended. The design and style could replicate the successful projects that already exist, including the EDA rentals.

The EDA has used a skewed rent structure which varies by community. Dassel actually has the highest contract rent amount for a two-bedroom unit, which is \$65 more per month than charged in Litchfield. With the inclusion of tenant-paid utilities and garage parking, the gross monthly rent would be between \$950 and \$1,000 per month for a two-bedroom, and above \$1,000 per month for a three-bedroom EDA unit in Dassel.

Despite the fact that this gross rent charged by the EDA in Dassel is relatively high when compared to other options in the County, it still represents a relatively low rent structure when viewed as a gross rent per square foot calculation. The EDA units would still charge between \$0.75 and \$0.90 per foot, a price that would be difficult to replicate.

If new units are constructed in the future to serve the market rate segment, it is probable that a gross rent per square foot amount of approximately \$1.00/sq ft would be required. To achieve a rent structure that is somewhat similar to the existing projects, it is probable that a smaller unit size would be needed. However, it may be possible to add amenities, such as a two-car garage, to help mitigate the impact of a smaller floor plan.

It should be noted that the County EDA had a waiting list of 17 names for the original Litchfield projects. This would imply that a newly constructed project could potentially be partially filled by pent-up demand that already exists.

If a first development phase is constructed as recommended and achieves market success, it would be possible to advance a second phase later in the five-year projection period. The calculated demand through 2021 is based in part on anticipated household growth over time, as well as attracting a larger share of local employees to both live and work in the City. As a result, additional demand for market rate units will gradually materialize in the future, making a second construction phase possible.

## **8. Develop 30 to 36 units of apartment-style market rate housing**

**Findings:** While a portion of the market rate renters can afford a higher rent structure, and will look for certain amenities and features in their unit, there is also demand for more moderate rent units. Over the past few decades, very few multifamily rental construction projects have been built offering a more traditional apartment unit.

In 2010, part of the Grace Apartments was constructed as a multi-level, 12-unit apartment building. On a smaller scale, a series of two-level four-plexes were constructed along South Gorman in the mid-2000s. Most of the units in Grace Apartments have one bedroom, while all of the South Gorman units have two bedrooms.

No unit sizes were available for Grace Apartments. In the South Gorman units, the two-bedrooms have 920 square feet of living space, with one bathroom. The South Gorman units also include a detached one-car garage.



Occupancy in both of the newest apart-style buildings was reported as high. Both reported good ongoing demand from people looking for affordable rental housing. The tenant-profile in both projects tends to represent younger, working-age residents. In both projects, at least half of the units do require stairs, which will often result in less interest from senior renters.

For newer market rate housing, the rent structure in both projects is relatively moderate. The estimated gross rent for a two-bedroom on South Gorman would be between \$800 and \$825 per month, depending on actual utility costs, and includes detached garage parking. The estimated gross rents in Grace Apartments are even lower, at approximately \$700 for a one-bedroom, and between \$750 and \$775 for a two-bedroom apartment.

The relatively affordable rent structure in these buildings is well-matched to renter household income levels. Based on the American Community Survey, the estimated median income for all renter households in the City was \$30,875 in 2014. If 30% of income is applied to housing costs, a household at the median level could afford approximately \$775 per month.

**Recommendation:** In addition to constructing town house style rental options, which will often appeal to senior renters, we would recommend that Litchfield promote the development of more moderate rent, apartment-style housing. This would help to address the need for work force housing in the community. Over the five-year projection period, approximately 30 to 36 units should be developed. Ideally, these would be introduced in smaller phases, but the scale of the project would also allow for a single phase of construction to proceed.

Although this project should contain attractive features, this is viewed as a more affordable project, rather than luxury housing. It is doubtful that the rent structure offered in the most recent projects can be replicated, especially in South Gorman where the units are large and the gross rent per square foot is low, but attempts should be made to keep rents at an affordable level.

The following rent ranges are generally comparable to other moderate rent apartment projects that have been built in Greater Minnesota communities.

- ▶ One-bedroom, one bathroom with 600 sq. ft.                      \$625-\$650
- ▶ Two-bedroom, two bathrooms with 850 sq. ft.                      \$800-\$850

This discussion of gross rental rates is provided as an indicator of potential market rents that would be competitive with similar units, but actual rents would need to be altered based on the actual size of proposed units and the particular amenities and features that would be offered.

## **9. Monitor opportunities to add to a senior housing campus**

**Findings:** Litchfield has a senior housing providers that offer different levels of care, serving seniors as they move through the aging cycle. In 2016, these facilities ranged from a senior apartment building that included some subsidized units, housing with services, assisted living, memory options, as well as a skilled nursing home. With the exception of the nursing home, all of the other specialized housing options are part of an Ecumen senior community, and operate as a unified senior campus. Ecumen sold the nursing home in 2016.

A specific section of this document has provided details on the different senior housing options that exist in Litchfield. Information on the older senior population in the area has also been included.

While the Ecumen campus can provide a wide range of senior care, no additions have been made in many years. The last building added was in 1997 when the 45-unit Emmaus Place was constructed. Emmaus Place is a flexible facility that can offer a range of services, from independent senior housing to assisted living.

Two of the facilities in the Ecumen campus date to the 1960s. Bethany Assisted Living and Memory and Gloria Dei Manor were both originally constructed in the 1960s, although both have been renovated over time.

The section on senior housing included a comparison of the unit supply in Litchfield to the number of older senior residents living in the area. A summary of this information is provided below:

**Meeker Manor** - This 90-bed skilled nursing home does utilize some beds for short term rehab/recovery stays, but in 2016, approximately 60 older seniors were living permanently in the skilled nursing home in Litchfield. This represented a capture rate of only 3.1% of the older senior population living in the primary market area. Although only limited growth is projected in the older senior population, by 2020 Meeker Manor would only need to capture 3.0% of all older seniors to maintain a similar rate of annual occupancy. When compared to other skilled nursing home options in Meeker County, this represents a very low capture rate. However, the annual occupancy rate reported in 2016 was not overly high, and beds have been de-licensed over time, indicating limited demand for this form of specialized care. Past de-licensing has allowed more rooms to be used for private occupancy, versus shared occupancy.

***Specialized Memory Care*** - Capacity exists for 31 people to live in specialized memory care housing options. This housing is available in Bethany Memory Care in Litchfield and in the Lakeview Ranch facility in Darwin. To fill all 31 available beds in these two facilities, a capture rate of approximately 1.6% is required. By 2020, this capture rate will be below 1.6%. This is a relatively low capture rate, and most of the memory care for the area is located outside of Litchfield. It is probable that some people with memory loss are being housed in other facilities, including the nursing home, even though no areas are specifically dedicated to this use.

***Assisted Living*** - The supply of assisted living units in Litchfield can vary, as some facilities, such as Emmaus Place, can offer flexible housing options. Based on an estimate of the portion of Emmaus Place that is used for higher care levels, approximately 60 to 70 assisted living units would generally be available in Litchfield. When compared to the estimated number of approximately 690 older senior households that were present in 2015, a capture rate between approximately 8.7% and 10.1% would be needed to fill all units. By 2020, this capture rate would drop to approximately 8.1% to 9.5% of the projected older senior households. These capture rates are relatively high, and probably counterbalance the reduced percentage captured by the skilled nursing home.

***Senior housing with light services*** - Approximately 70 units of more independent senior housing would be available in the Ecumen community, primarily in Gloria Dei, but also in some flexible units in Emmaus House. To fill the inventory of approximately 70 lighter services units in Litchfield, a capture rate of approximately 11.2% would be required. By 2020, this percentage would drop to approximately 10.5%. Once again this capture rate is relatively high by comparative standards.

In addition to the Ecumen facilities summarized above, there is also an option for some older seniors in Lincoln Apartments, where a home health care office is staffed on-site. However, Lincoln Apartments does not offer many of the other amenities typically available in housing with services projects, such as the ability to purchase additional meals. While Lincoln Apartments does serve seniors, it was not included in the review of required capture rates summarized above.

**Recommendation:** As explained above, Litchfield has housing options available in the primary specialized senior market segments. Some types of housing, including assisted living and housing with light services, are well-served, with a fairly large concentration of units. Other types of housing, most notably memory care, are more limited in supply. However, based on the current supply, and capture rates required, the Litchfield market is generally well-served in 2016. We would recommend that demand be monitored, but that with the exception of memory care, the current supply is largely adequate to meet the near-term needs.

Going forward, the estimates and projections used for this Study do not expect any significant growth in the primary senior target market over the next five years. The age-based estimates for the year 2015 from Esri show that the Litchfield Market Area added only 11 people age 75 and older, and only five older senior households between 2010 and 2015. When 2020 projections from Esri are compared to the 2015 estimates, approximately 90 additional older seniors and 47 older senior households are expected over the remainder of the current decade. The increase in households would be less than 7%.

While some minor growth-generated demand would be expected through 2020, this would yield only a small additional unit recommendation. Based on the current required capture rates, the most logical near-term expansion would exist in the memory care segment. While options do exist, this segment has a limited supply and most of the beds are not in Litchfield, but are located in rural Darwin.

Although the gap between supply and demand for most types of specialized senior housing is limited in Litchfield, it should be noted that many of the existing housing options are very old, with no units constructed since 1997. This creates the possibility that some new projects will be advanced based largely on competitive positioning, rather than unmet needs. While more expensive, newly constructed projects can offer amenities and features that may not be available in older housing.

One advantage of having some older senior options is the acceptance of public assistance programs, such as Elderly Waiver. Many new facilities in other communities are private-pay, and do not accept public programs. However, in Litchfield, Elderly Waiver and CADI assistance are accepted in most of the Ecumen properties, allowing lower income seniors access to housing with services. The on-site home health care office in Lincoln Apartments adds to the options that exist for lower income households.

## **10. Monitor opportunities for moderate rent income-restricted housing development**

**Findings:** There are five income-restricted housing projects that exist in Litchfield. One of these is a moderate rent project assisted through the federal low income housing tax credit program, and four are federally subsidized housing options. The subsidized segment is addressed in the next recommendation.

Terraceview Townhomes is a 22-unit project and is the only moderate rent tax credit project ever constructed in Meeker County. Another tax credit project exists in Eden Valley, but it is located in the Stearns County portion of that City.

Terraceview was developed with a tax credit award in 1995. It has completed its initial 15-year period and is now under extended compliance. All new tenants must still be below income limits that are set at 60% of median income, and rent restrictions apply to all units. Under extended compliance, some of the annual re-certification requirements are eased for existing tenants.

Although Terraceview has income restrictions for tenants, the rent structure is relatively high, when compared to other housing options in Litchfield. The estimated gross rents are \$800 or more for two-bedrooms, and \$900 or more for three-bedrooms. However, these are large town house units with an attached garage, features that are not typical in most rental options in Litchfield. The occupancy rate in Terraceview was high, and a waiting list was reported, for both two and three-bedroom units.

Moderate rent tax credit housing is sometimes referred to as “work force” housing, as it generally serves households that have more moderate incomes. While a maximum cap applies, a minimum income is also required, as the rent structure requires tenants to have at least some ability to pay. For example, the estimated gross rent of approximately \$800 for a two-bedroom unit in Terraceview would generally require a tenant to have an income of \$25,000 or more, and even at this income level, a large share of monthly income would need to be applied to housing costs. As a result, only a narrow band of low and moderate income tenants typically qualify for this type of housing.

**Recommendation:** The supply of tax credit housing in Litchfield and Meeker County is very limited. In the opinion of the analysts, Litchfield would benefit from additional tax credit units. The high quality of the housing created, along with the below-market rent structure, would prove to be successful in the local market. However, securing tax credit resources can be very difficult, given the strong competition that exists statewide. We would recommend that the community initiate discussions with one of the successful tax credit developers to determine the City's competitive position.

There are factors that would assist the City in securing tax credits. Litchfield does qualify as a job growth community, based on 2014 data, and would receive five points under this category. Part of the City is also eligible for seven application points as an economic integration zone. While eligibility for these points does make a tax credit application more feasible, Litchfield is one of many Greater Minnesota communities that qualifies under these ratings.

There are also factors that would potentially negatively impact the City's ability to secure a tax credit project. One would be the limited community growth that has been occurring in the recent past, and is projected for the future. There are also a limited number of renter households in the Litchfield Market Area that would be within the primary income ranges typically served by tax credit housing. An initial review of income distributions would indicate that approximately 20% of current renters would be within the basic income range.

Any proposed tax credit application will need to have a project-specific analysis completed, that will examine detailed information about proposed rent levels, amenities and features, and competitive positioning within the local market. This analysis will ultimately define the feasibility of a new project in Litchfield.

If a tax credit project is successfully advanced, it would potentially overlap with a recommendation provided earlier to develop moderate rent market rate apartment housing in Litchfield. That recommendation had been based on an assumption that it would be very difficult to secure a new tax credit award. If a tax credit project is constructed in the future, some of the renter households in the \$30,000 to \$40,000 annual income range would be served and a smaller project would be needed in the market rate, work force rental segment. The actual impact would need to be determined based on the size, unit configuration and rent structure of a proposed tax credit project.

## **11. Monitor resources for additional subsidized housing**

**Findings:** Litchfield has four rental projects that provide subsidized rental housing. Two of these are oriented to serving senior/disabled tenants, and two are oriented to general occupancy.

Lincoln Apartments is a HUD Public Housing project that provides a preference for senior and/or disabled applicants and has 60 units. Gloria Dei is a mixed-income project that primarily serves market rate renters, but does have six units with access to project-based HUD rent assistance.

Edgewood Townhomes is a HUD Section 8 project with 30 units that is designated for general occupancy. Park Village Apartments is a USDA Rural Development general occupancy project with 16 units.

Combined, the three subsidized projects offer 112 total units, with 66 oriented to senior/disabled tenants, and 46 oriented to families.

There is no project-based rent assistance in Park Village, and all tenants must pay a basic monthly rent amount, so only 96 units can serve very low income renters. In the 96 units with project-based rent assistance, tenants generally pay rent based on 30% of household income.

While subsidized rental options do exist, most serve only one-bedroom households. Overall, more than 68% of the subsidized units have one bedroom or are efficiency units, and most of these are oriented to senior or disabled tenant households. Litchfield has only 35 units oriented to families that need two or more bedrooms, and some of these cannot offer project-based rent assistance.

In addition to the subsidized projects with project-based rent subsidies, Litchfield also has 36 households being assisted with HUD Housing Choice Vouchers in 2016. 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, but Litchfield is the primary location in the County for Voucher use.

When tenant-based rent assistance is combined with the units in the subsidized projects, there are as many as 148 households with access to some form of subsidized housing. This represents approximately 16% to 17% of all renter households that are estimated to be present in the City in 2016.



However, the income distribution information present earlier in this document indicates that more than 40% of all renter households in Litchfield had an annual income below \$25,000 in 2014, and most of these would have been income-eligible for a subsidized unit.

Consistent with the finding that demand exceeds supply, the rental survey found no vacant subsidized units in Litchfield, and all three projects reported the presence of a waiting list. The waiting list at Edgewood Townhomes was very long. Edgewood has most of the subsidized two-bedroom units, and all of the three-bedroom options that offer project-based rent assistance.

The Meeker County HRA maintains a waiting list for the Voucher Program. In May 2016, the waiting list had 112 names, and due to its length, was closed to new applicants.

The under-supply of deep subsidy rental housing has resulted in many lower income households with a housing cost burden. According to the American Community Survey, nearly 300 renter households were applying 35% or more of their income to rental housing costs, considered a “severe” housing cost burden.

**Recommendation:** As documented by waiting lists and cost-burden statistics, a significant amount of pent-up demand exists for subsidized housing opportunities in Litchfield. It would be appropriate to look for opportunities to expand the supply of income-based housing, especially units with two or more bedrooms. However, resources for subsidized rental construction have not existed in many years. A more realistic option would be to look to expand the use of the tenant-based rent assistance program. With a Voucher, a lower-income household can rent any suitable private unit in the community that meets the program standards.

Another community strategy concerning income-based housing is to prevent the loss of any units, through contract termination or opt-out. In 2016, none of the subsidized projects in Litchfield were identified as being “at risk” of leaving their subsidy program. However, Litchfield has lost subsidized units in the past, and other projects in Meeker County, including one in Dassel, is currently listed on the State’s opt-out log.



## **Housing Rehabilitation Recommendations**

**Overview:** Litchfield has a significant asset in its existing housing stock. Older units, both now and into the future, will represent the majority of the most 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 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.

### **12. Promote owner-occupied housing rehabilitation programs**

**Findings:** The older housing stock represents the most affordable home ownership option in the community. Investment in owner-occupied housing rehabilitation activities will be important to ongoing efforts to provide affordable housing opportunities.

According to the American Community Survey, the median year of construction for owner-occupied houses in Litchfield is 1967, so the community does have a stock of older than average single family houses. Countywide, the median year of construction is 1974.

As part of the research for this Study, a visual inspection was made of the single family housing stock in three selected neighborhoods Litchfield. The housing stock in most of the older portions of the City is relatively similar, and the three neighborhoods selected form a representative sample of older houses.

This “windshield” survey looked at the exterior conditions of each house and rated the structure on a four-point scale, from Sound to Dilapidated. In the combined neighborhoods there were 396 single family structures that were viewed and rated.

There were 71 houses that were rated as needing major repair. Eight houses were rated as dilapidated, and probably beyond the point of feasible repair.

There were 178 houses rated as needing minor repair. There were 129 houses that were rated as sound, with no observable repair needs.

While the actual owner versus renter tenure pattern could not be determined from an exterior viewing, most of the single family units in the City are owner-occupied, although there has been some level of tenure conversion over time.

**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, Litchfield has not participated in a SCDP-funded housing program in many 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.

### **13. Promote rental housing rehabilitation programs**

**Findings:** Much of the rental housing in Litchfield is in multifamily projects. However, some of this multifamily housing is older, and the estimated median year of construction was 1965, according to the American Community Survey.

In 2016, it is probable that the entire rental inventory in the City contains more than 900 housing units. Approximately 60 of these units have been constructed since the year 2000, but the large majority of the stock is more than 20 years old.

Over time, it appears that there has been ongoing conversion of single family houses to rental use. This type of tenure change typically happens in older homes that can be purchased by investors at a lower price.

The rehabilitation of older rental units can help to produce or maintain a supply of affordable housing. However, it is often difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants.

**Recommendation:** The rehabilitation of older units can be a cost-effective way to maintain a supply of decent, safe and sanitary housing that is affordable for low and moderate income households. In addition to the SCDP-funded activities, other resources are available for rental rehab include programs through the Minnesota Housing Finance Agency.

#### **14. Promote mobile home park improvements**

**Findings:** Community Partners Research did a visual condition survey of the two mobile homes in a park in Litchfield. There were significant differences in the condition, quality and age of units in these two parks.

The Litchfield Mobile Home Park, with 28 mobile homes, primarily contained units in substandard condition. Twenty-six of the homes in this park were rated in the two lowest condition categories.

The mobile homes in Park Village were in better condition, but 21 of 78 total units were still rated in one of the two lowest condition categories. Because mobile homes tend to decrease in value as they age, it is possible that repairing a deteriorated mobile home in Litchfield is not financially feasible.

**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 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 atmosphere.

## **15. Demolish and clear substandard structures**

**Findings:** This Housing Study included a visual housing condition survey of single family houses in three of the City's older neighborhoods, and mobile homes in two parks. This evaluation identified eight houses and 22 mobile homes in Litchfield that were very deteriorated, and possible candidates for demolition and clearance.

**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.