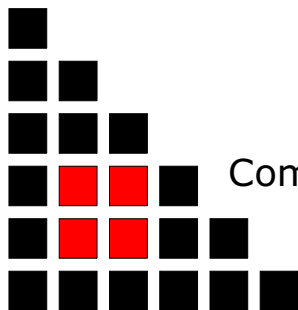


City of Darwin HOUSING STUDY

August 2016

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



Community Partners Research, Inc.
Lake Elmo, MN 55042

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Introduction

Overview

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

Methodology

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

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

Limitations

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

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

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

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

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Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources. The Minnesota State Demographer's Office has released demographic estimates for the year 2014 for Cedar Mills and Meeker County. The Census Bureau has released annual estimates for 2015. However, these estimates are generally limited to basic counts, such as population and household levels.

For some detailed demographic variables, the 2010 Census is still viewed as the most reliable data source. To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households. The American Community Survey does provide detailed demographic characteristics. However, because the American Community Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate. The following tables incorporate the American Community Survey data, when it is viewed as reliable.

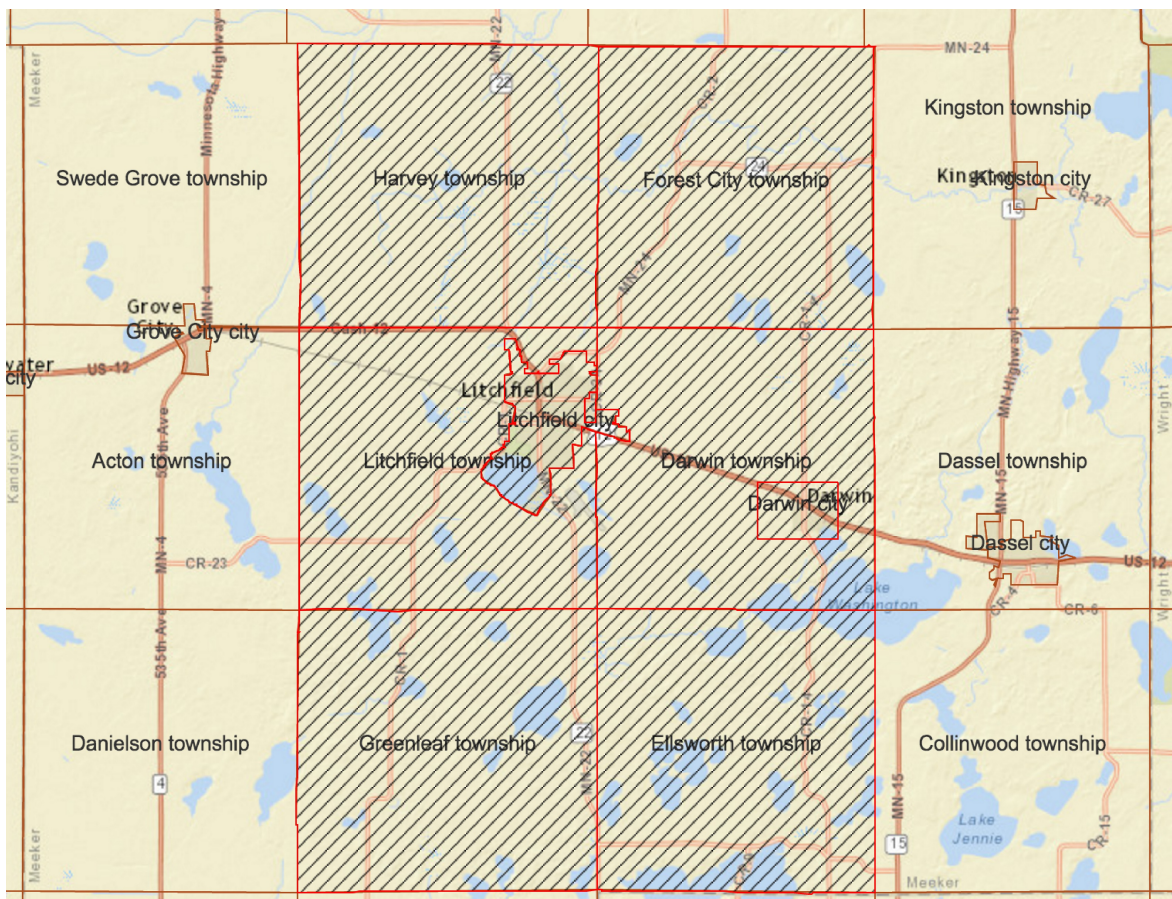
The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For the City of Darwin and for all of Meeker County, the 2014 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between 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 Darwin is located in close proximity to larger communities, including Litchfield, approximately six miles to the northwest, and Dassel, approximately five miles to the southeast along Highway 12. With these nearby cities, only a limited primary market area surrounds Darwin that is not impacted by these larger communities.

To be consistent with previous housing studies completed for Darwin, a primary market area definition has been used that is based on Litchfield, and includes the Cities of Darwin and Litchfield, 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 Minnesota State Demographer's most recent official population estimates for the year 2014, and these are included in the following table. The Census Bureau and Esri estimates for 2015 are contained in the text that follows.

Table 1 Population Trends - 1990 to 2014						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Darwin	252	276	9.5%	350	26.8%	353
Market Area	10,158	11,050	8.8%	11,140	0.8%	11,127
Meeker County	20,846	22,664	8.7%	23,300	2.8%	23,122

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

The City of Darwin has experienced a long-term pattern of population growth, as tracked by the decennial census. However, since 2010, some of the estimates show that population growth has largely stopped, or possibly reversed.

The most recent estimate from the Minnesota State Demographer shows the City adding three people between 2010 and 2014. The Census Bureau also issues annual estimates, and they believe that the City's population increased by two people from 2010 to 2015.

The lowest recent population estimate is from Esri, a private data reporting service. Esri estimated the City's population at 340 people in 2015. Based on this estimate, the City lost 10 residents between 2010 and 2015.

Although some minor differences exist between the available estimating sources, all three show no significant change after 2010. It appears that the City's population level has been relatively stable.

Some differences also exist in the recent population trends for the Market Area. 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 5-year period.

The State Demographer's 2014 estimate for the Market Area shows a loss of only 13 people between 2010 and 2014. The Census Bureau's annual estimates show a loss of 101 people from 2010 to 2015. Most of the reduction in population in the Census Bureau's estimate is attributable to the City of Litchfield.

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

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

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

Population by Race and Ethnicity

Darwin's population is primarily White and non-Hispanic. At the time of the 2010 Census, nearly 97% of the City's residents identified themselves as White for race, and only 3.4% of City residents identified themselves as Hispanic/Latino for ethnicity. Due to the City's limited diversity, no additional information has been provided in this Study.

Group Quarters Population

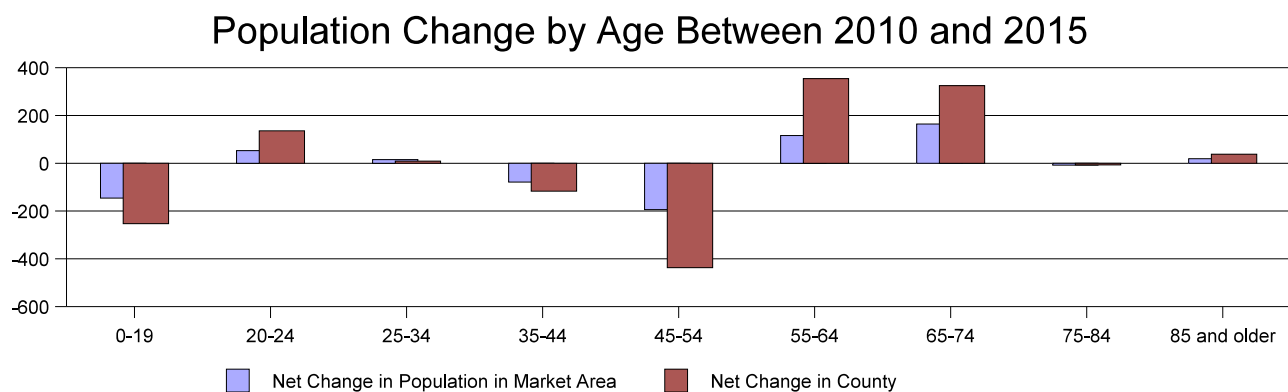
In 2010, the decennial Census counted no group quarters residents in the City.

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, which includes Darwin, and for all of Meeker County.

Table 2 Population by Age - 2010 to 2015						
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

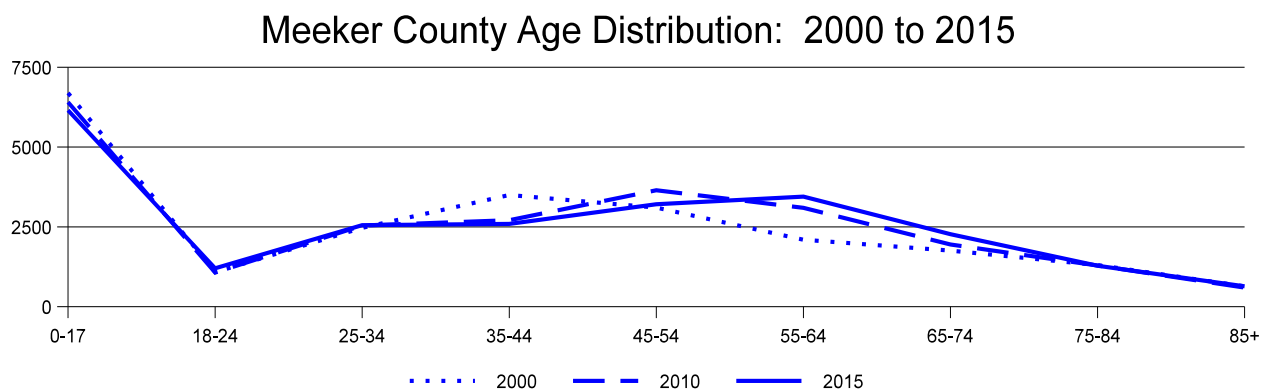


For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been very evident in the Market Area. Between 2010 and 2015, the Litchfield Market Area had a net loss of 60 people according to 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 Darwin 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 2014 household estimates for individual jurisdictions, which are displayed in the following table, along with totals from previous Censuses. Esri estimates are discussed in the text that follows. The Census Bureau does not issue annual household estimates.

Table 3 Household Trends - 1980 to 2014						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Darwin	110	119	8.2%	139	16.8%	141
Market Area	3,942	4,314	9.4%	4,545	5.4%	4,570
Meeker County	7,651	8,590	12.3%	9,176	6.8%	9,185

Source: U.S. Census; MN State Demographer

Darwin has experienced significant household growth in recent decades. However, after 2010, the rate of growth has slowed.

According to the State Demographer's most recent estimate, the City has added two households over the past four years, but in the 2000s, growth was averaging two households per year.

The estimate from Esri shows the City losing three households from 2010 to 2015.

When the entire Litchfield Market Area is analyzed, the Demographer has tracked the addition of 25 households between 2010 and 2014. However, this is a large aggregation of jurisdictions, and most of the 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. Of the jurisdictions that form the Market Area, Esri has attributed the greatest household growth to the City of Litchfield.

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

Household by Age Trends: 2010 to 2015

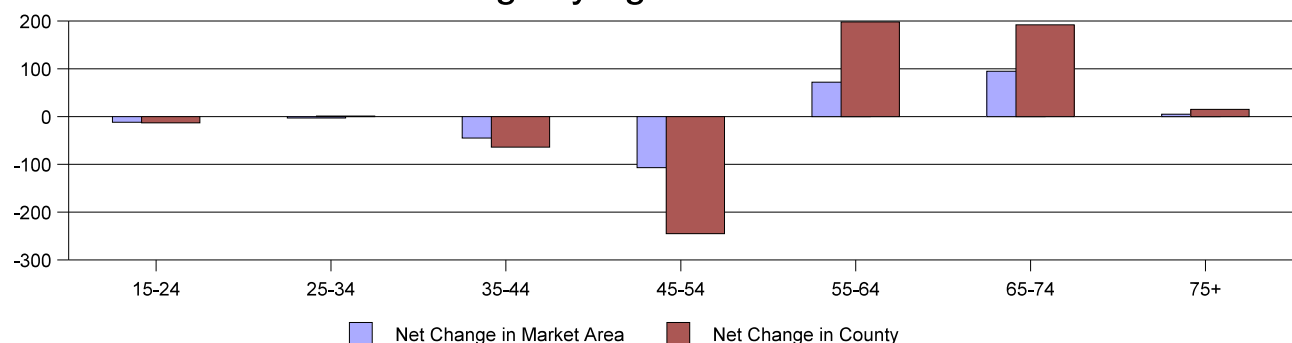
Esri has slightly different household estimates than from other sources, but Esri also provides a level of detail not available elsewhere. The following table uses the Esri data to compare households by age of householder in 2010 and 2015, along with the numeric changes.

Table 4 Households by Age - 2010 to 2015						
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



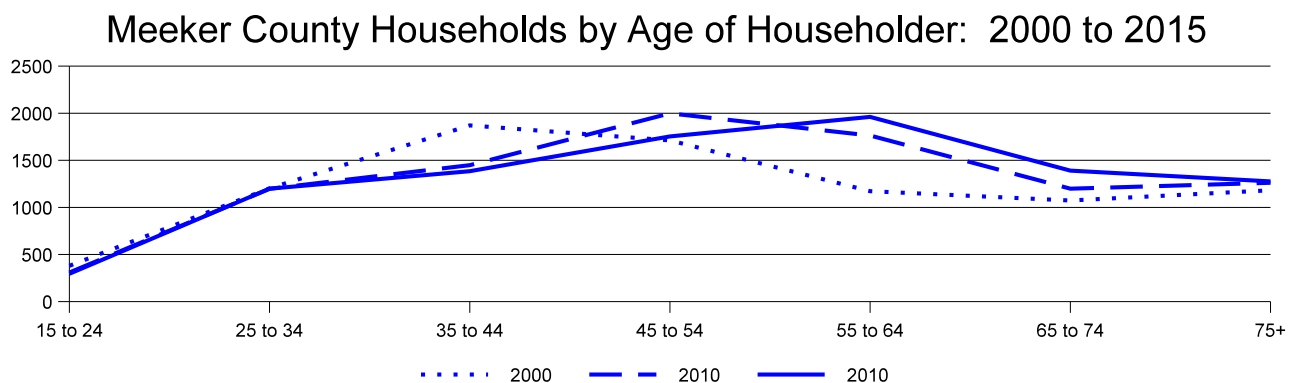
For the Litchfield Market Area, each of the defined age ranges 55 and older added some households over the last five years according to Esri. However, all of the younger age ranges experienced a net reduction in the number of households. The biggest decline occurred in the 45 to 54 year old range, as 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.



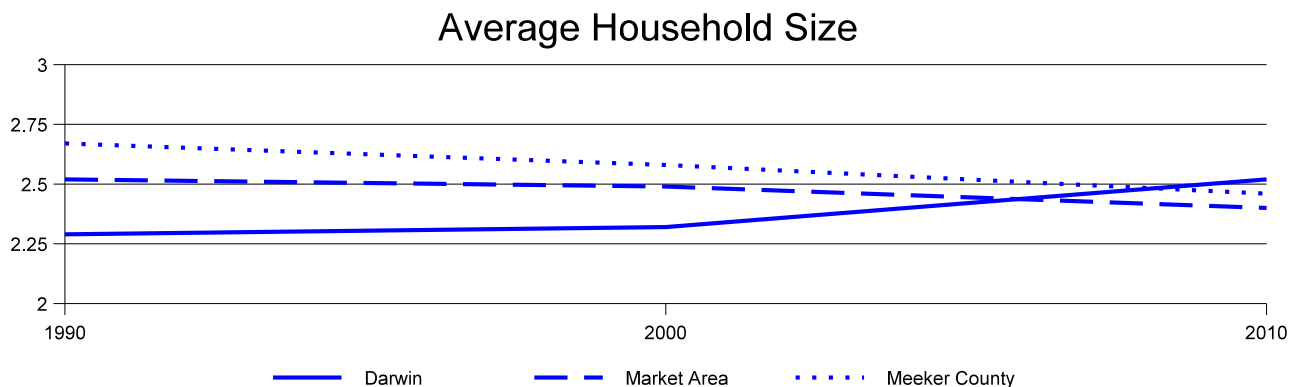
Average Household Size

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

Table 5 Average Number of Persons Per Household 1990 to 2014				
	1990 Census	2000 Census	2010 Census	2014 Estimate
Darwin	2.29	2.32	2.52	2.50
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 Darwin, the average household size has actually increased over time, from 2.29 persons per household in 1990, to 2.50 persons in 2014. However, during this same time, the average size for the entire Market Area has been gradually growing smaller.

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

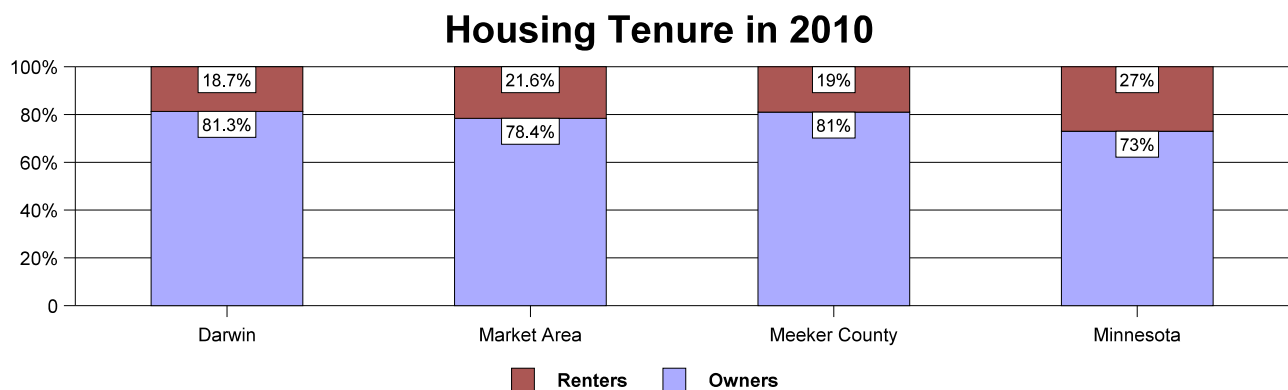
Housing Tenure

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

Table 6 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
City of Darwin	113	81.3%	26	18.7%
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 Darwin was high, at 81.3%, with the remaining 18.7% of households renting their unit. When the entire Market Area aggregation was reviewed, the home ownership rate decreased to 78.4%, but this was still 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	Darwin			Meeker County		
	2000	2010	Change	2000	2010	Change
Owners	93	113	+20	7,018	7,437	+419
Renters	26	26	0	1,572	1,739	+167
Total	119	139	+20	8,590	9,176	+586

Source: U.S. Census

The home ownership tenure rate for Darwin increased over the last decade, as the City added owner households but no renters. At the time of the 2000 Census, the City's rental tenure rate was 21.8%. By 2010, it had decreased to 18.7%.

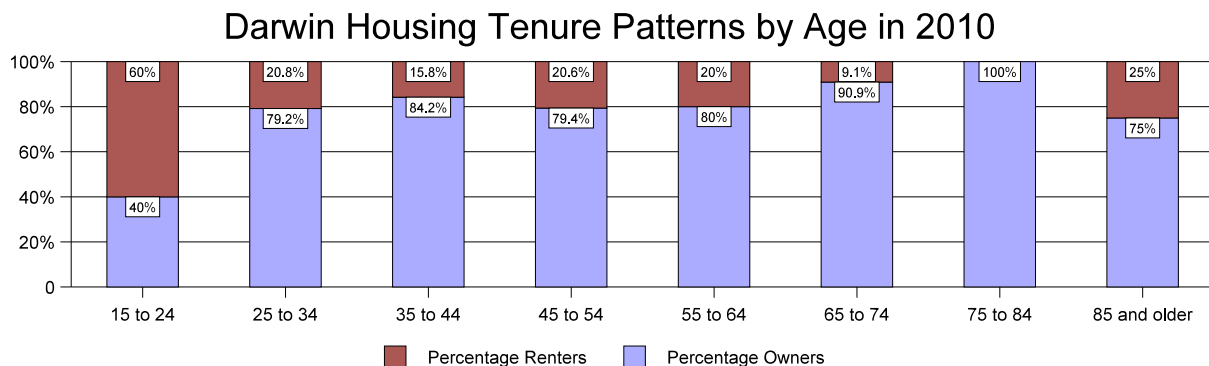
In 2000, the Meeker County rental tenure rate was at 18.3%. By 2010, it had increased to 19.0%.

Tenure by Age of Householder

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

Table 8 Darwin Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	2	40.0%	3	60.0%
25-34	19	79.2%	5	20.8%
35-44	16	84.2%	3	15.8%
45-54	27	79.4%	7	20.6%
55-64	20	80.0%	5	20.0%
65-74	20	90.9%	2	9.1%
75-84	6	100%	0	0%
85+	3	75.0%	1	25.0%
Total	113	81.3%	26	18.7%

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 some higher preference for rental housing, while middle-aged adult households were home owners. Among households age 24 and younger, 60% rented their unit, and 25% 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 79%.

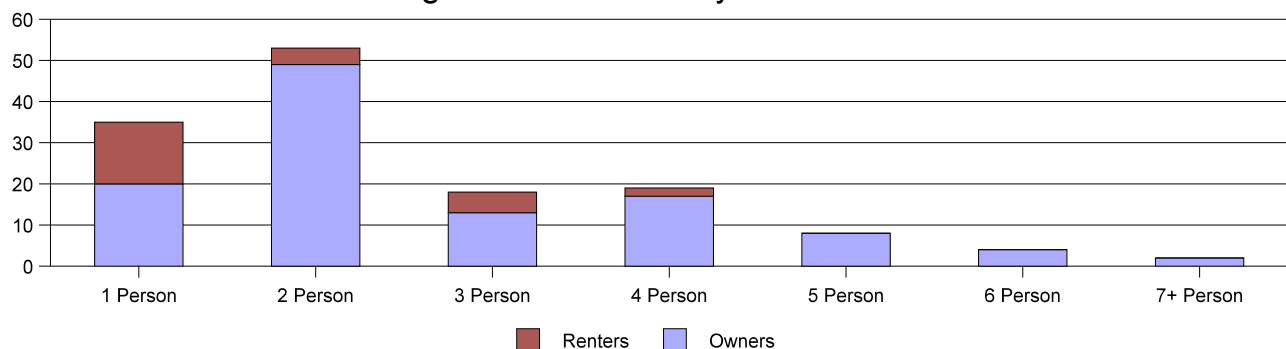
Tenure by Household Size

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 Darwin.

Table 9 Darwin Tenure by Household Size: 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	23	20	-3	12	15	+3
2-Person	39	49	+10	6	4	-2
3-Person	13	13	0	4	5	+1
4-Person	12	17	+5	2	2	0
5-Person	4	8	+4	2	0	-2
6-Person	1	4	+3	0	0	0
7-Persons+	1	2	+1	0	0	0
Total	93	113	+20	26	26	0

Source: U.S. Census

Darwin Housing Tenure Patterns by Household Size in 2010



Although most households in Darwin have only one or two members, there was some growth in the number of larger households in the prior decade. Among home owners, there was some growth from households with four or more members. There was very limited change among renter households, but some increase from people living alone.

At the time of the 2010 Census, more than 61% of all home owners and more than 73% of all renter households had two or fewer household members.

2014 Median Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the City, Township and County level through the American Community Survey. No median income information was available for the jurisdictions that form the 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.

Table 10 Median Income - 2009 to 2014			
	2009 Median	2014 Median	% Change
Households			
Darwin	\$36,563	\$43,750	19.7%
Meeker County	\$52,031	\$54,049	3.9%
Minnesota	\$57,070	\$60,828	6.6%
Families			
Darwin	\$58,125	\$53,750	-7.5%
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 Darwin has grown in recent years. When compared to the level estimated in 2009, the City's median household income increased by 20%. However, the City's median family income did increase by more than 7% over that time. The median levels in Darwin were well 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 Darwin could afford approximately \$1,095 per month for ownership or rental housing in 2014.

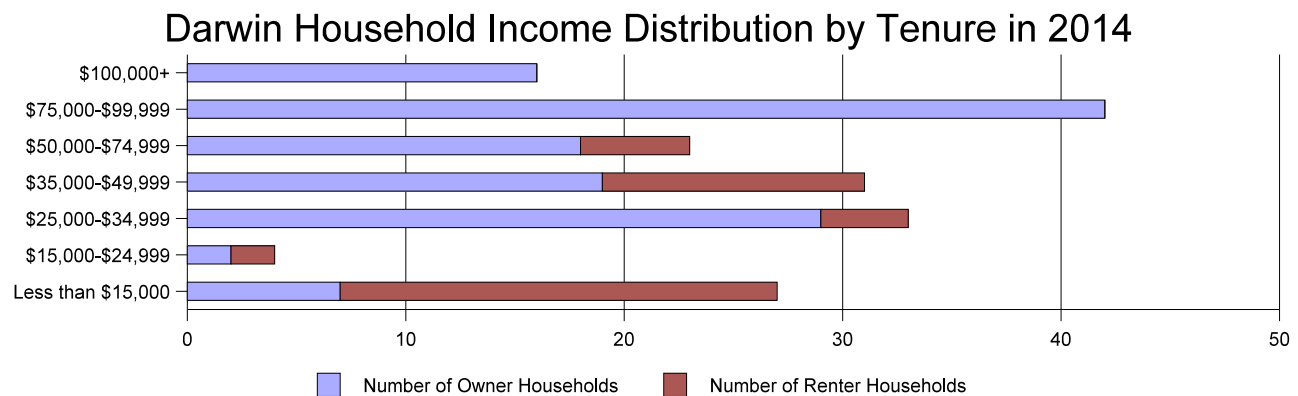
Darwin Income Distribution by Housing Tenure

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

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 Darwin, the American Community Survey estimate appears to be too high. The ACS estimated that 176 households were present, while the State Demographer believed that only 141 households were present. The ACS estimates appear to be slightly high for both owner and renter households, when compared to the tenure distribution present at the time of the 2010 Census.

Table 11 Darwin Income Distribution by Tenure - 2014			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	7	20	27
\$15,000 - \$24,999	2	2	4
\$25,000 - \$34,999	29	4	33
\$35,000 - \$49,999	19	12	31
\$50,000 - \$74,999	18	5	23
\$75,000 - \$99,999	42	0	42
\$100,000+	16	0	16
Total	133	43	176

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, more than 60% of renter households in Darwin 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 57% of owner households had an annual income of \$50,000 or more. However, approximately 29% 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 \$21,875, while the median income for home owners was \$59,375.

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 Darwin.

Table 12 Gross Rent as a Percentage of Household Income - Darwin		
Percent of Income for Housing	Number of Renter Households	Percent of all Renter Households
Less than 20%	15	34.9%
20% to 29.9%	6	14.0%
30% to 34.9%	1	2.3%
35% or more	20	46.5%
Not Computed	1	2.3%
Total	43	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, nearly 49% 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 Darwin 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 \$20,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$500 or less.

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

Table 13 Ownership Costs as a Percentage of Income - Darwin		
Percentage of Household Income for Housing Costs	Number of Owner Households 2014	Percent of All Owner Households 2014
0% to 19.9%	47	35.3%
20% to 29.9%	51	38.3%
30% to 34.9%	16	12.0%
35% or more	18	13.5%
Not Computed	1	0.8%
Total	133	100%

Source: 2014 ACS

Most owner-occupants, which would include both households with and without a mortgage, reported paying less than 30% of their income for housing. However, more than 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 15% 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 years 2015 and 2020. The State Demographer's Office has actually issued three sets of county-level projections since the 2010 Census was released. The most recent projections tend to be substantially higher for most counties, and do not reflect the patterns that have emerged after 2010. As a result, the first projection set, which is also the lowest, has been presented for Meeker County.

Table 14 Population Projections Through 2020				
	Esri Projection		State Demographer	
	2015 Estimate	2020 Projection	2014 Estimate	2020 Projection
Darwin	340	334	353	364
Market Area	11,080	11,107	11,127	N/A
Meeker County	23,348	23,523	23,122	24,185

Source: Esri, Inc.; MN State Demographer

As stated previously, Esri's 2015 population estimate for Darwin does show a minor loss of population after 2010, which differs from other recent estimates that show a more stable number of residents. Based on the lower current-year estimate, Esri also has the lowest projected population level for the year 2020. However, the projected loss is very minor, at a rate of approximately one person per year.

The city-level population projections from the State Demographer are slightly higher. Over the course of the decade, this projection had expected the City to add 14 people. To reach the 2020 projection, the City would need to add approximately two residents per year for the remainder of the decade.

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 very conservative projection, as the Market Area includes Litchfield, the largest city in Meeker County.

The MN State Demographer's Office has no current projections available for individual townships.

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

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

Household Projections

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

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

Table 15 Household Projections Through 2020				
	Esri		State Demographer	
	2015 Estimate	2020 Projection	2014 Estimate	2020 Projection
Darwin	136	135	141	147*
Market Area	4,550	4,586	4,570	N/A
Meeker County	9,250	9,360	9,185	9,782

Source: State Demographer; Esri

* Extrapolated by Community Partners Research, Inc.

Esri believes that Darwin lose one household between 2015 and 2020. This is a continuation of the pattern, as estimated by Esri, which shows that Darwin has lost three households from 2010 to 2015.

The State Demographer has been tracking some minor growth within the City of Darwin. Their population projection to the year 2020 did expect the addition of people and households. However, over the course of the current decade, the extrapolated projections would yield average annual growth of one household in a typical year.

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. Most of this growth would be expected to occur within Darwin, but some additional increase in the townships is also anticipated. 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 2014, the Demographer believes that the County has only added an average of two households per year, well below the projected level of more than 60 households per year. As a result, the Demographer's 2020 projection is now viewed as unreliable.

Household by Age Projections: 2015 to 2020

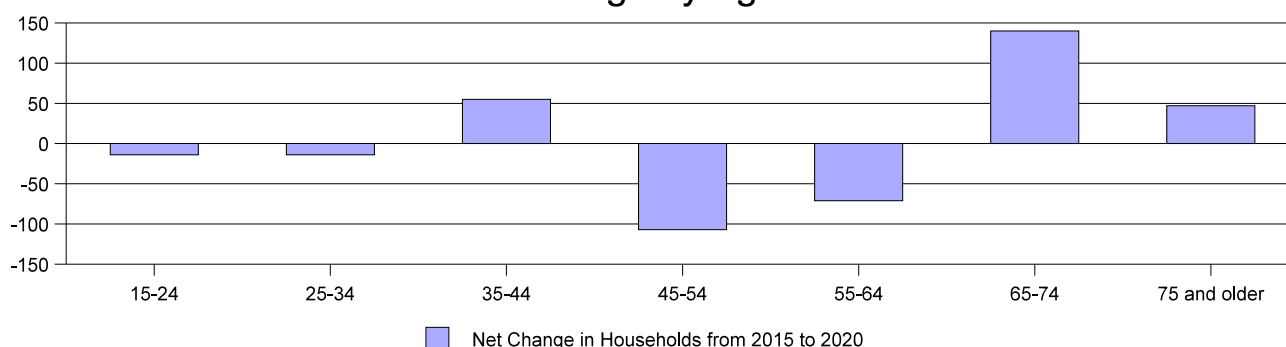
Esri has generated age-based projections for households to the year 2020. These projections can be compared to the data contained in the 2015 Esri estimate to examine the change projected over the next few years. These age-based forecasts are for the entire Litchfield Market Area.

Table 16 Market Area Projected Households by Age - 2015 to 2020

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.

Market Area Household Change by Age Between 2015 and 2020



According to Esri's projections, most of the change in households by age of householder will occur within three defined age groups. The largest net growth should occur among households age 65 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 small communities in Minnesota, Darwin has had very little new housing construction activity over the past few years. The following table uses information from the U.S. Census Bureau on annual building permit issuance from 2000 through 2015.

Table 17 Darwin Housing Construction Activity: 2000 to 2015				
Year	Single Family	2 Unit Structure	Multifamily	Total Units
2015	0	0	0	0
2014	1	0	0	1
2013	2	0	0	2
2012	1	0	0	1
2011	0	0	0	0
2010	1	0	0	0
2010-2015 Total	5	0	0	5
2000-2009 Total	12	0	0	12

Source: U. S. Census Bureau - City did not report every year; City of Darwin

There were a number of years between 2000 and 2009 when the City did not submit annual building permit reports to the Census Bureau. In the years reported, there were 12 single family homes that were permitted in Darwin.

Since 2010, five new single family houses have been built in Darwin. According to City officials, it is probable that a building permit will be issued for another new house in 2016.

During the entire 16-year period reviewed, there is no evidence of multifamily activity.

At the time of the 2000 Census, there were 130 housing units recorded in Darwin. By 2010, there were 153 housing units counted in the City. Based on this reconciliation, there were 23 total units added during the decade. This total is higher than the 12 units that can be tracked through annual building permit reports during the decade.

Between 2000 and 2010, the City added 20 home owners but no renter-occupancy households. This tenure change largely mirrored the new construction activity, as only single family houses were built during the decade.

Median Year of Construction

The 2014 American Community Survey included an estimate of the median year of construction for housing. In Darwin, the median year for owner-occupancy units was 1991. The median year of construction for rental housing was 1966.

The age of the owner-occupancy housing stock in Darwin is newer than the Countywide average. For all owner-occupied 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, nearly 90% of the housing units in Darwin were identified as one-unit structures, such as single family detached houses or mobile homes.

The City does have some multifamily rental buildings. But the American Community Survey estimated that only 10% of all housing options were in multiple unit structures with two or more units.

Mobile Homes

According to City officials, there is one area of the City that has some mobile homes. An estimated seven mobile homes are present in 2016, although some of these have been vacant for some time.

At the time of the 2000 Census, there were 24 mobile homes counted in Darwin. If accurate, there has been some removal of mobile homes over time.

Municipal Services

According to City staff, Darwin's municipal sewer and water systems are in good condition with adequate capacity to accommodate some future growth. Many of the houses that have been built over the past 15 years are outside of the water and sewer service area.

Residential Lots

According to City staff, Darwin has multiple lots and building sites available.

The largest supply of lots exists in a large lot subdivision known as **Rice City Circle/Karen Court**. This area is not served by municipal sewer and water. Lots are larger to accommodate on-site septic systems and wells. This area has approximately 12 vacant lots, and approximately 12 houses have been built over the past 16 years.

There are some additional lots that exist within the sewer and water-serviced portion of the City. There are also some potential infill lots, as some vacant structures exist that would be suitable for clearance.

Existing Home Sales

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

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

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

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

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

Table 18 Darwin Residential Sales Activity - 2010 to 2016*

Sales Year	Number of Sales	Median Price	Highest Sale	Lowest Sale
2016 (partial)	2	-	\$390,000	\$225,000
2015	2	-	\$275,000	\$127,500
2014	4	\$179,450*	\$210,000	\$38,000
2013	3	\$95,000	\$115,000	\$80,000
2012	0	-	-	-
2011	2	-	\$88,800	\$40,000
2010	1	\$75,500	-	-

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

* Median extrapolated from two nearest sales

As evident in the table, there are a limited number of houses that sell in any 12-month time period in Darwin. Since January 1, 2010, only 14 good sales have been recorded. Over the entire time period reviewed, the calculated median sale price was \$121,250.

Over the 5+ year time period, four houses have been sold for more than \$200,000, and three houses have sold for \$75,000 or less.

An alternate home value estimate exists in the 2014 American Community Survey. Based on the sampling of home owners, the estimated median value was \$142,700, higher than the amount derived from sales data. The American Community Survey median value for houses in Darwin was higher than in most of the other cities in Meeker County.

Active Residential Listings

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Darwin. A review in May 2016 found only one single family house listed for sale. This house was listed for \$239,900. It is important to note that the active properties are those included in the Multiple Listing Service (MLS) and would generally be offered through a real estate agent. There may be other properties that are posted for sale in Darwin that would not be part of the MLS, including most homes being offered "for sale by owner".

There were additional listings with a Darwin address that appeared to be outside the city limits.

Meeker County Home Foreclosure Activity

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

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

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

Table 19 Meeker County Home Foreclosures - 2005 to 2013									
Foreclosures	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number	86	94	114	95	87	114	94	82	63
Rate	0.99%	1.07%	1.28%	1.06%	0.97%	1.27%	1.05%	0.92%	0.71%

Source: HousingLink; Community Partners Research

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

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

Housing Condition

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

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

Neighborhood #1: All houses west of 1st Street

Neighborhood #2: North border - Curran Street
South border - Pacific Street
East border - 4th Street
West border - 1st Street

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

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

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

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

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

Table 20 Windshield Survey Condition Estimate - 2016

Neighborhood	Sound	Minor Repair	Major Repair	Dilapidated	Total
#1	9/32.1%	9/32.1%	7/25.0%	3/10.8%	28
#2	18/46.1%	14/35.9%	6/15.4%	1/2.6%	39
Total	27/40.3%	23/34.3%	13/19.4%	4/6.0%	67

Source: Community Partners Research, Inc.

In total, 67 single family style structures were viewed and rated in Darwin.

Nearly 75% of all rated structures were in the top two condition categories, with more than 40% rated as sound, and more than 34% rated as needing only minor repair. It should be noted that the percentage of sound houses would be higher if the newest areas of the City were included.

There were 13 houses that were rated as needing major repair. Depending on the actual value of these houses, they may not be economically feasible to rehabilitate.

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

Rental Housing Data

According to the 2010 Census, the City of Darwin had 26 occupied rental housing units, and at least 1 unoccupied rental unit, for a total estimated rental inventory of 27 units. The City's rental tenure rate was 18.7% in 2010, below the Statewide rental rate of 27%.

At the time of 2000 Census, Darwin also had 26 occupied rental units, and at least 1 vacant unit, for a total rental housing inventory of 27 units. The City's percentage of occupied rental units in 2000, at 21.8%, was also below the Statewide rate of 25.4%.

Based on a reconciliation of Census data, there was no change in the number of renter-occupancy households or rental housing units over the previous decade.

Construction After 2010

After the 2010 Census was completed, no new traditional rental housing construction has occurred, based on building permit reports. 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 2015 is generally similar to the level that existed at the time of the 2010 Census.

Rental Housing Survey

In April 2016, a telephone survey was conducted of multifamily rental developments in Darwin. The survey focused on rental properties with six or more units.

In Darwin, only two multifamily projects were identified. One of these, Lakeview Ranch, is actually outside the city limits but has a Darwin address. Lakeview Ranch provides specialized senior housing, primarily for people with memory loss.

The other multifamily rental project is Meadowwood Apartments, an 8-unit building that is subsidized through USDA Rural Development.

Market Rate Summary

No information was obtained from conventional market rate housing in Darwin. No market rate multifamily structures are known to exist. Nearly all of the conventional rental housing is believed to exist in single family houses.

According to the 2014 American Community Survey, the median gross rent for all types of rental housing in Darwin was \$615.

Subsidized Summary

Darwin has one rental project that provides subsidized rental housing. Meadowwood Apartments provides general occupancy housing and has eight one-bedroom units. The project is subsidized through USDA Rural Development.

When originally built, Meadowwood was designated for senior/disabled occupancy, although the units were later changed to allow for general occupancy. All of the apartments have only one bedroom.

Occupancy / Vacancy

The rental survey found no vacant units in Meadowwood, and a waiting list existed.

Rental Rates

Five of the units can access project-based rent assistance, allowing rent based on 30% of income. In the remaining three units, the tenant must pay at least the basic rent amount that applies to their unit. The current basic rent is \$480.

Tenant-based Rent Assistance Vouchers

In addition to the subsidized projects with project-based rent subsidies, Darwin also has three 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, primarily in Litchfield. The HRA maintains a waiting list of households looking to secure a rent assistance Voucher. In May 2016, the waiting list had 112 names, and due to its length, was closed to new applicants.

Subsidized Housing Total Inventory

When tenant-based rent assistance is combined with the units in the subsidized projects, there are as many as 11 households with access to some form of subsidized housing. This represents approximately 42% of all renter households that are estimated to be present in the City in 2016.

Senior Housing with Services Summary

Lakeview Ranch is licensed as a housing with services provider. It is located in a rural township and is outside of the Darwin city limits, but has a Darwin mailing address.

Lakeview Ranch has a companion facility in Dassel. The Lakeview Ranch facilities primarily provide housing for people with advanced memory loss needs. A high staffing ratio allows for challenging behavioral issues to be admitted. Due to specialized care offered, residents may come from a larger region.

One bed in Darwin was unoccupied at time of survey and no waiting list existed, as most applicants need immediate housing. County EW and CADI assistance is used to assist lower income residents.

Table 21 Darwin Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Subsidized					
Meadowwood Apartments 321 E Curran St	<u>8 - 1 Bedroom</u> 8 Total Units	\$480-\$601 30% of income	No vacant units, waiting list	General occupancy	Rural Development subsidized apartments for general occupancy in one-level building. Project was originally constructed for senior/disabled occupancy but later converted to general occupancy. Five units have project-based rent assistance allowing rent based on 30% of income up to maximum rent levels listed. Rent calculation includes utilities allowance. Unit amenities include stove, refrigerator and wall AC sleeve. Building amenities include coin laundry, day room and off-street parking. Sq ft not available but all units have 1 bathroom. No vacant units at time of survey and a waiting list exists.
Section 8 Housing Choice Vouchers	3 households in Darwin	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 3 households in Darwin participating in the Meeker County program, with 50 households countywide. Waiting list is closed due to length of 112 names.
Senior Housing with Services					
Lakeview Ranch Darwin	17 person capacity in private and shared occupancy rooms	N/A	1 open bed	Memory care	Facility providing memory care housing - high staffing ratio allows for challenging behavioral issues to be admitted. Companion facility in Dassel has 14 person capacity. Rooms can be private occupancy with private or shared bathroom, to shared occupancy with shared bathrooms. Due to specialized care offered, residents may come from larger region. One bed in Darwin unoccupied at time of survey and no waiting list exists as most applicants need immediate housing. County EW and CADI assistance is used.

Source: Community Partners Research, Inc.

Employment and Economy

While many factors influence the need for housing, employment opportunities represent a predominant demand-generator. Without jobs and corresponding wages, the means to afford housing is severely limited. Employment opportunities are provided by a broad range of business sectors. Jobs are available in manufacturing, commercial services, agriculture, and other industries. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what price level.

Labor Force, Work Force and Unemployment

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

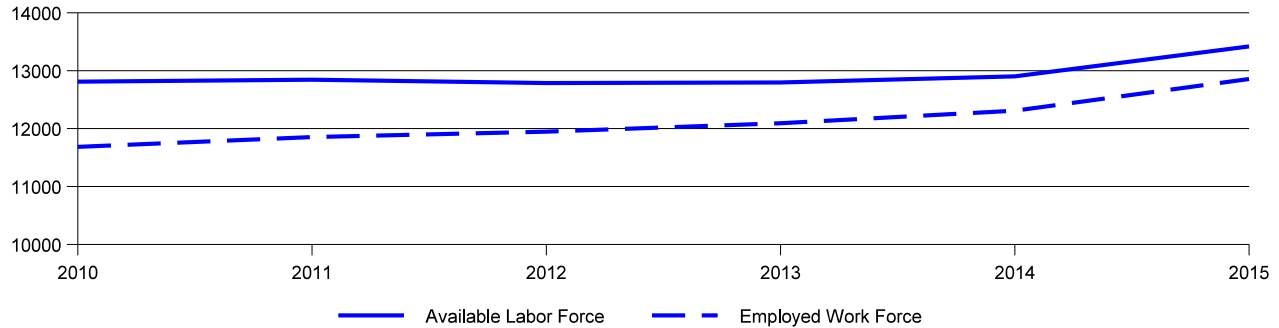
Table 22 Meeker County Labor Statistics: 2010 to 2015						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2010	12,811	11,684	1,127	8.8%	7.4%	9.6%
2011	12,844	11,853	991	7.7%	6.5%	8.9%
2012	12,786	11,948	838	6.6%	5.6%	8.1%
2013	12,797	12,093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

Source: MN Department of Employment and Economic Development

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

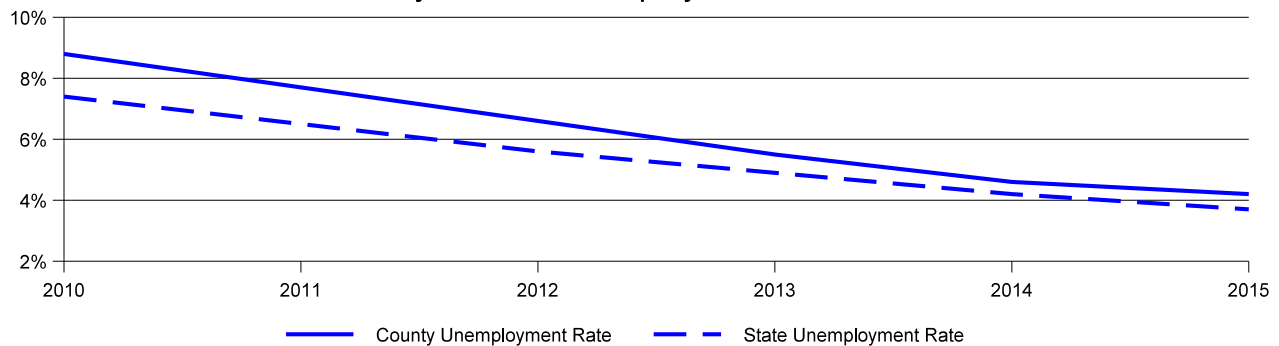
Since 2010, there has been growth in the size of the County's available labor force. If 2015 is compared to the year 2010, the County's resident labor force had actually increased by 609 people, or 4.8%. However, most of this reported growth occurred between 2014 and 2015. It is possible that some revisions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

Meeker County Labor Force and Employed Work Force



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

Meeker County Annual Unemployment Rate: 2010 to 2015



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

Employment and Wages by Industry

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

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

Table 23 Darwin Average Annual Wages by Industry - 2014		
Industry	Employment	Average Annual Wage
Total All Industry	51	\$21,580
Leisure and Hospitality	23	\$7,878

Source: MN Department of Employment and Economic Development

The average annual wage in Darwin for all industry in 2014 was only \$21,580. This assumes full-time employment for 52 weeks at the average weekly wage rate.

There were only 51 reported workers in Darwin, and the only reported industry sector was Leisure and Hospitality, which had a very low wage rate.

Darwin Annual Covered Employment

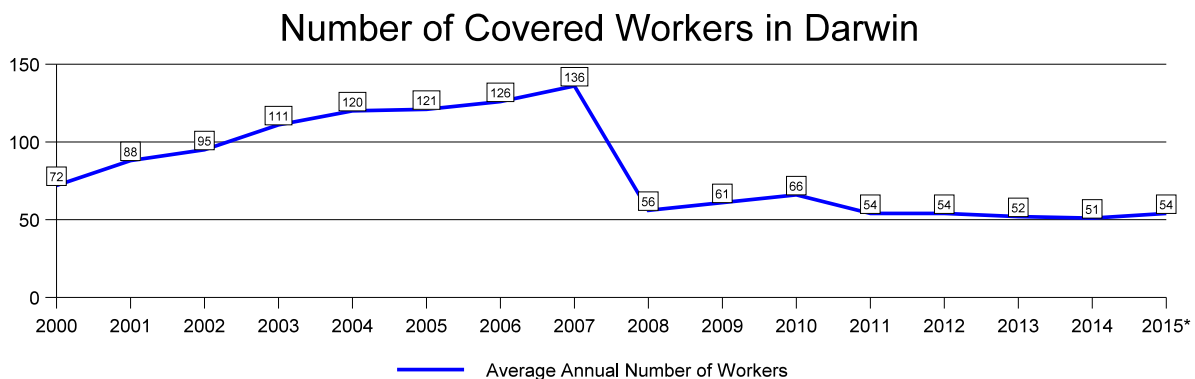
Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker, it is possible to examine longer-term patterns in the employment level. The following table displays the total number of workers reported in Darwin back to the year 2000.

Table 24 Darwin Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	72	2008	56
2001	88	2009	61
2002	95	2010	66
2003	111	2011	54
2004	120	2012	54
2005	121	2013	52
2006	126	2014	51
2007	136	2015*	54

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

* 2015 reflects first three quarters only

Although there has been a relatively stable level of employment in Darwin for the past five years, as tracked by reporting for unemployment compensation, there has been a loss of jobs over the past 15 years. If employment in 2014 (the last full year of data) is compared to the year 2000, there had been a decrease of 18 workers, or -25% over this longer period. The actual peak year for employment was 2007, and since that year, more than 80 jobs have been lost.



Commuting Patterns of Area Workers

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

Table 25 Commuting Times for Darwin Residents - 2014		
Travel Time	Number	Percent
Less than 10 minutes	88	38.6%
10 to 19 minutes	57	25.0%
20 to 29 minutes	44	19.3%
30 minutes +	39	17.1%
Total	228	100%

Source: 2014 American Community Survey 5-year estimates

The large majority of Darwin residents were leaving the City for employment in 2014. Given the City's size, a travel time of 5 minutes or less would be required to reach the job options that exist within the community. However, more than 92% of the City's residents were traveling 5 minutes or more for employment.

While most residents appeared to be leaving the community each day for their primary job, nearly 64% had a travel time that was less than 20 minutes, including people that actually worked in Darwin. A travel time of 5 to 19 minutes would generally be consistent with employment in the larger regional communities of Litchfield and Dassel.

Approximately 17% of the City's residents were traveling 30 minutes or more for employment.

Because there are few employment options in Darwin, the American Community Survey did not include an estimate of the travel time to work for Darwin-based jobs.

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 Darwin, there were 45 people that were employed within the city limits in 2014. Only one of these Darwin-based employees actually lived within the City. The remaining 44 employees lived outside the City limits. The percentage of City-based workers that were also residents was only 2.2%.

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

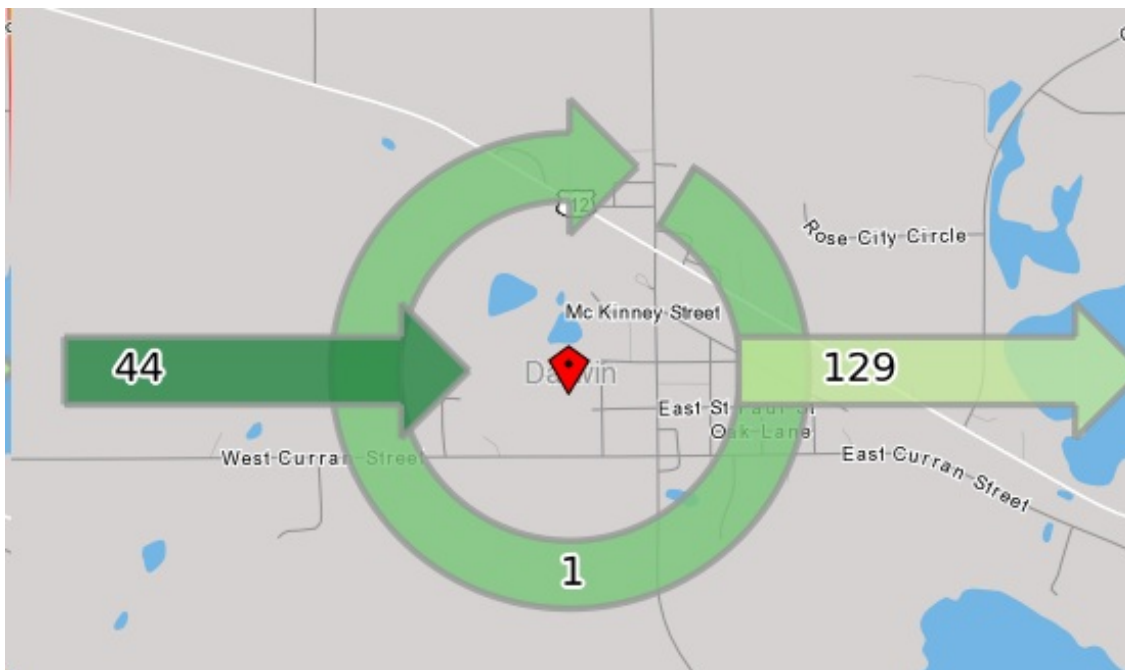
Table 26 Employee Inflow/Outflow Analysis - 2014				
City	Number of People Employed in the City	Percent Employees that also Reside in the City	Percent Employees that Live Outside of the City	Number Employees that Live Outside of the City
Darwin	45	2.2%	97.8%	44
Litchfield	3,014	40.8%	59.2%	1,784
Cedar Mills	7	0%	100%	7
Cosmos	75	1.3%	98.7%	74
Dassel	825	9.7%	90.3%	745
Eden Valley	425	7.3%	92.7%	394
Grove City	169	6.5%	93.5%	158
Kingston	N/A	N/A	N/A	N/A
Watkins	311	5.8%	94.2%	293

Source: Census Bureau, Center for Economic Studies

As indicated in the table above, a very small percentage of the jobs based in Darwin were actually filled by people that live within the City. In 2014, more than 97% of the people working within the City actually lived outside of the city limits.

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

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



Findings and Recommendations

Overview

This Study has focused on the growth potential that exists for the City of Darwin, 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:

Darwin Growth Potential

This Study has used the assumption that the Litchfield Market Area, which includes the City of Darwin, has some household growth potential, but the City of Litchfield is the most likely location for these new households. Since 2010, Darwin has probably added a few households, but most estimates show little change in the City's population or household count over the past five years.

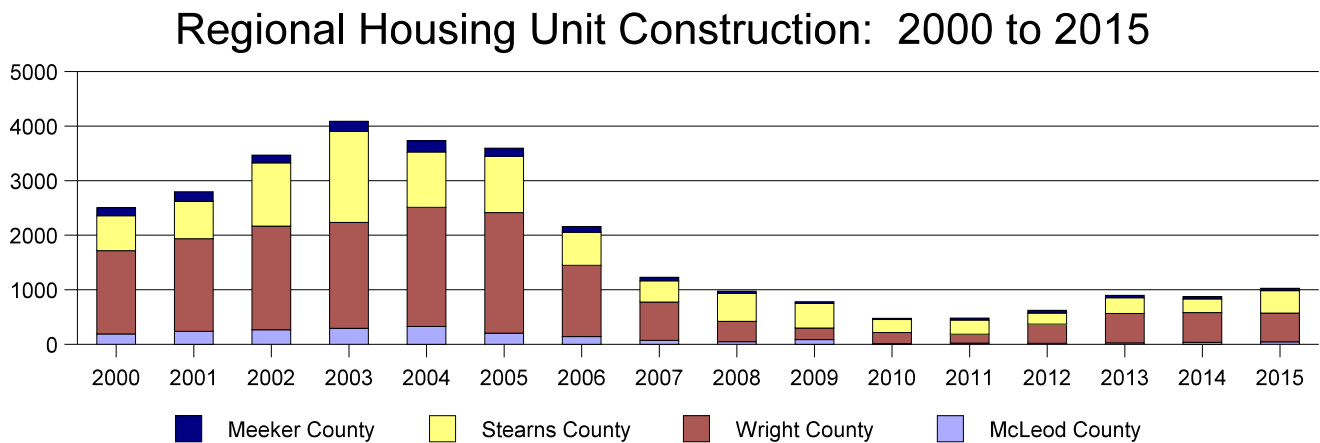
While the analysts believe that most future Market Area growth will probably occur within Litchfield, this has not been the case in the recent past. Most estimates actually show Litchfield losing population and households after 2010. However, as the largest city in the County and the regional employment base, Litchfield is viewed as the strongest local market for new housing construction.

Due to the limited change that has probably occurred in the Market Area over the past five years, available projections anticipate limited change going forward. The household projection from Esri expects the entire Litchfield Market Area to add approximately seven to eight households per year in an average year between 2015 and 2020. The growth that would be forecasted within the City of Darwin would typically be one or fewer households per year over the next five years.

If realized, this pace of growth within Darwin would be consistent with identified changes in the local housing stock, as the City has generally been seeing construction of approximately one new housing unit per year. While it is certainly possible that more than one new house per year will be constructed in the future, Darwin will compete with both Litchfield and Dassel to attract home building activity. Over the past few years, the volume of new housing construction activity in these neighboring larger cities has also been very limited.

The last year that 20 or more new housing units were constructed in Litchfield was 2006. While the number of single family starts did increase to 18 new houses in Litchfield in 2011, construction patterns have since reversed, and no new houses were permitted in 2015. In Dassel, no new houses have been built since 2012. Darwin has actually issued more building permits for new houses over the past five years than Dassel.

To put the housing construction slowdown that has occurred in Litchfield, Dassel and other cities in Meeker County, the following chart has been assembled. It tracks annual housing unit construction activity of all types, for the four Counties of Meeker, Stearns, Wright and McLeod. The annual unit permitting totals were obtained from the Census Bureau's building permit website.



It is important to note that some additional demand for rental housing could exist in Darwin, but historically, this community's strength has been in providing owner-occupancy housing. Between the 2000 Census and the 2010 Census, Darwin added 20 home owners but no renters. The City has a below-average rate of renter households. This is due in part to the above-average number of rental options that exist in Litchfield and Dassel, which represent more attractive locations for renter-occupancy households.

Home Ownership Recommendations

Overview: Housing for owner-occupants has the past strength of Darwin's new construction market in recent decades. Between 2000 and 2010, the City added 20 home owners but no renter households. The home ownership rate increased in the previous decade and has remained well above the Statewide average.

The growth in the number of home owners during the prior decade was actually greater than the level of new home construction, as tracked by building permit issuance. This may indicate that the annual building permit reports are not completely accurate. It is also possible that some new housing units were created through other means, such as conversion projects that added housing in existing structures, or through the addition of mobile homes or other housing types that did not require a building permit.

Although Darwin has been successful in adding some houses and home owners, the scale of growth has been small. Over the past 10 years, the best available information indicates that the City has averaged only one new single family house per year.

Darwin is somewhat atypical among cities in Meeker County in the lack of renter household growth. After the national housing market collapse and national economic recession of the late 2000s, most cities had some retreat in the rate of home ownership, and instead saw growth in the number of renters. This was not the case in Darwin. Although some foreclosures may have occurred, the rate of home ownership had increased to more than 81% by the time of the 2010 Census.

Annual building permit reports are not available for all past years in Darwin, but the lack of reporting is often due to no permit issuance. Based on the years that were reported, the last time Darwin issued permits for more than two houses annually was in 2002, when three houses were built. The biggest single year of construction was 2001, when eight single family permits were issued. There has only been one year since 2002 when more than one permit was issued.

The limited amount of new single family construction is generally consistent with the patterns in other Meeker County cities, outside of Litchfield. None of the other cities in the County has averaged more than one single family housing start per year since 2010. Litchfield has averaged less than seven single family units per year during this time.

Even though the construction boom years of the early 2000s are unlikely to return, the City does have the potential to grow and add some households. Much of this can be attributed to the strong local economy, and the multiple employment opportunities that exist within a reasonable commuting distance of Darwin.

The growth projections for Darwin expect annual average growth potential of approximately one household in a typical year in Darwin over the next five years. Within the larger Market Area, seven to eight households per year would be expected, although primarily within the City of Litchfield. The growth-generated demand in Darwin will primarily be looking for home ownership opportunities.

Some additional minor production can be justified for unit replacement and pent-up demand for under-served market segments. 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 two to three owner-occupancy units per year, or 10 to 15 houses in Darwin over a five-year projection period.

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

1. Potential demand will exist for 1 to 2 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 two to three units in a typical year. Demographic patterns strongly support that most of this demand will be for moderate to higher-priced housing.

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

Empty-nester and younger senior households have historically shown a strong preference for home ownership. Due to asset accumulation and the probable sale of an existing home, households in the 55 and older 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 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 income levels for Darwin households presented earlier in this document showed that the median income for owner households in Darwin was approaching \$60,000 in 2014, and nearly 44% of all home owners had an annual income of \$75,000 or more. 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, although few sales tend to happen within any 12-month time period. Over the past five years, the median sale price was above \$121,000 in Darwin. Another value estimate, from the American Community Survey, placed the City's median home value above \$142,000. Since most of the 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 in Meeker County. Over the past five years, only Litchfield has been averaging more than one new house per year through new construction of all the cities in the County.

Despite the advancing aging patterns, very few of the recent housing starts Countywide are believed to be in the form of attached single family housing. The reluctance to buy or build a new house has largely suppressed any significant activity in alternative housing styles, such as twin homes or town houses.

Recommendation: Even though Darwin has not achieved much recent success, moderate to higher-priced single family housing should represent most of the future demand. Based on the construction forecasts, this would yield potential for approximately one to two units in an average year.

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 home ownership as an asset that will increase in value over time.

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.

Darwin has a unique advantage in attracting higher-priced construction due to the large lot options that exist within the city limits. Since sewer and water extensions were not made to the newest subdivision, the lots are large in order to accommodate on-site septic and well systems. Large lots are generally not available in other communities, but have typically only been present in rural areas. The acreage lot choices in Darwin have helped to attract higher-priced home construction.

2. Darwin is generally at a competitive disadvantage for entry-level new construction

Findings: During the boom construction years of the early 2000s, there was large-scale growth that was occurring in the surrounding region, especially in the communities to the east of Darwin. One of the primary drivers of outward movement from the western Twin Cities area was the search for more affordable home ownership options. As a result, a significant improved lot inventory was created, especially in the cities in neighboring Wright County. In the nearby City of Dassel, larger-scale subdivision development also occurred.

When the housing construction boom ended in the late 2000s, many of these subdivisions went into foreclosure or tax forfeiture. While some subdivisions, including the one in Dassel, are still in an unresolved status, some others have been liquidated at “fire sale” prices. In some of the Wright County communities, such as Montrose and Waverly, bulk sales have occurred in recent years, with an average lot price below \$10,000. With large distressed lot inventories remaining in communities such as Dassel, Cokato and Howard Lake, it is probable that low-priced lots will remain available in the region for many years.

Darwin has avoided any distressed subdivision issues. But as a result, lot prices are not steeply discounted, making them more affordable for entry-level home construction.

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

In addition to the competition that exists within the surrounding communities, it should also be noted that many existing houses in Darwin tend to be in a moderate price range. Over the past five years the median sales price in the City for existing houses has been approximately \$121,000. Entry-level buyers may therefore have more affordable options in the used home market.

Recommendation: There will always be some demand that exists for lower-priced, entry-level homes. However, in most cases, Darwin 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, if they are for sale at a lower price. For the remainder of the decade, the potential exists for approximately one entry-level house per year through new construction.

With most lots in Darwin being in a large lot subdivision that require an on-site septic and well, prices tend to be higher. Any attempts to generate a greater level of construction within the affordable market segment would require the development and improvement of new lots. The resulting pricing would be substantially higher than the distressed lot inventory that still remains in other communities in the region. Until this regional inventory of distressed lots is absorbed, we would view other cities as the preferred location for most of the demand for entry-level new construction.

3. Promote affordable existing home ownership options

Findings: This Study tracked the sales activity in Darwin back to the year 2010. Although only a limited number of houses sell in any 12-month time period, the median home sale price in the City has been approximately \$121,000, when all the years are aggregated. 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.

In other communities in the County, there is evidence that over time, some of the existing single family homes have been converted to or purchased for use as rental housing. This does not appear to be the case in Darwin, which has maintained a high rate of owner-occupancy. It is probably in the City's best long-term interest to attract home owners, and keep the high rate of home ownership. Efforts to promote affordable home ownership can help to limit the conversion of houses to rental use.

4. 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 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 prior years. However, the incentives were discontinued in 2015 due to the high cost for the program.

Maple Lake in Wright County also started some incentives in 2014 to encourage home construction. The City dropped the escrow deposits for home builders that had required \$3,500 to be held 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.

Starting in 2012, the City of Belle Plaine in southern Scott County began waiving building permit and plan review fees for the first 10 houses that are constructed each year. The actual value of the waived fees is dependant on the construction price of the home, but on average the fees are typically around \$3,300. In 2014, a second incentive was added which provided a \$2,000 down payment grant for new houses that utilized a local construction contractor.

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, it does provide an indication of some of the proactive efforts that are being utilized as communities attempt to generate a higher volume of new home construction.

Some Minnesota communities have also worked with local employers to create employer-assisted housing programs. In the past, the Greater Minnesota Housing Fund (GMHF) has been able to match employer contributions to expand the available resources. Meeker County has a number of large 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 at a level above one house per year has not been occurring naturally in Darwin in many years. To reach a higher annual volume 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, did see some increase in the level of new home construction. However, direct public involvement will limit the City's ability to generate this type of housing. Due to the substantial costs involved, the financial incentives in Watertown were only offered for one year, and were limited to 15 new houses.

It should be noted that in many of the examples identified above, city involvement appears to have been caused in part by troubled subdivisions, or the potential that subdivisions would fail in the future. These issues do not exist in Darwin. For example, the incentives being offered in Watertown were due to a low volume of single family housing starts with a pre-incentive average of only three houses per year, combined with a large inventory of improved lots, estimated at approximately 385 lots in 2014 when the program was initiated.

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.

5. 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 Darwin, a large lot subdivision was created with approximately 24 lots for single family houses. Over the past 15 years, approximately 12 houses have been built in this area and 12 vacant lots remain in 2016. There are additional residential parcels that also exist elsewhere in the community.

The best available estimate places the vacant lot inventory for detached single family houses at approximately 15 to 20 lots in 2016. Some of the lots are served by City sewer and water, but most require an on-site septic system and private well.

Unlike many other communities in the region, Darwin did not have an overly large inventory of improved residential lots when the new construction markets crashed. This saved developers from defaults, and the City did not gain ownership of lots through tax forfeiture.

Although Darwin has a relatively small supply of improved lots, there is little incentive for private developers to invest in new subdivisions in 2016. Over the past 10 years, Darwin has averaged less than one new house per year through new construction, and many of these houses have utilized larger land parcels that are not served by City sewer and water. There is also a very large unused lot inventory within the surrounding region, including many vacant lots in Dassel.

Many of the subdivisions in neighboring communities, especially in Wright County, are in financial distress or have reverted back to bank or investor ownership. Lots are often being sold at a deep discount to their original asking price.

Recommendation: Based on the projected demand used in this Study, Darwin could average approximately two to three new houses per year going forward. Over a five-year period, this would be the absorption of approximately 10 to 15 lots. Therefore, the current inventory should be adequate, unless actual demand significantly exceeds our expectations.

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: At the time of the 2010 Census, fewer than 19% of all households living in Darwin rented their housing. The community has primarily been strong in owner-occupancy housing, but has few rental options, especially in multifamily rental buildings.

There was only one multifamily apartment building with more than two units identified in Darwin. All of the other rental options probably exist in single family houses, mobile homes, or structures with two rental units, such as traditional duplexes or houses that have been divided into two units.

There has been no new housing intended for rental use that has been constructed in Darwin in many years. Any possible changes to the rental stock have been the result of conversion, as units have changed from owner-occupancy to rental use. However, unlike some of the other cities in the County, the number of tenure conversions in Darwin appears to have been very limited, as the City has maintained a very high owner-occupancy rate.

One of the primary reasons that Darwin has not traditionally had much rental housing is the City's location near the County's two largest rental centers. In 2010, nearly 48% of all renter households Countywide lived in Litchfield, and nearly 11% lived in Dassel. Located midway between these two communities, there has been less emphasis on building rental housing in Darwin.

The absence of multifamily rental construction in Darwin over the past 10 years is generally consistent with the experience of other cities in the County. In the late 1990s and early 2000s, the County EDA constructed publicly-owned market rate rental projects in multiple cities. In most cases, these projects represent the last introduction of new multifamily units in the smaller cities in the County. Darwin was not included in these EDA development projects.

Going forward, very limited household growth is projected to occur in Darwin. With fewer than 20% of households renting their unit, almost no growth-generated rental demand would be expected. However, in Darwin, an argument can be made that pent-up demand is present, as no market rate multifamily housing exists. A moderate to higher income household looking for a rental option would only have single family-style units available, such as a rental house or mobile home.

The following findings recommendations are made concerning rental housing issues:

6. Develop 4 to 6 units of moderate rent market rate housing

Findings: Darwin was not a participating city in the County EDA's rental development projects in the late 1990s and early 2000s. The EDA did construct market rate rental housing in the Cities of Litchfield, Cosmos, Dassel, Eden Valley, Grove City and Watkins. Over time, these publicly-owned projects have been very successful, with a high rate of annual occupancy. In most of the communities, unmet demand has been present in the form of waiting lists.

Although the analysts do not have specific information on the reasons that Darwin was not included in the EDA's past development efforts, it may have been due to the City's small size. Each of the cities that did not get EDA units had fewer than 300 residents in the year 2000, while each of the cities that did get units had more than 500 residents.

While focusing on slightly larger cities generally made sense when investing in new housing construction, Darwin's location between Dassel and Litchfield does give the City some advantages not present in other small communities. Darwin acts as a bedroom community to both of these larger cities. With a reasonable driving distance for services, shopping, employment, health care and other amenities, residents of Darwin have easy access to these larger communities. As a result, in the opinion of the analysts, Darwin has greater market potential than would typically be present in a small community.

Additional demand would exist for very 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. This limits the potential for market rate housing in Darwin.

It is important to note that greater demand could develop, especially from potential commuters willing to live in Darwin. Commuter information for cities in the County tends to show that most households do not live in the community where they work. To the extent that households are attracted from Dassel, Litchfield or other cities, even more units could potentially be absorbed in Darwin. However, the analysts assume that additional rental construction will also occur within these other cities, and the unit recommendation in Darwin is primarily based on serving local residents.

Recommendation: Based on the success of market rate housing constructed in the other small cities in Meeker County, Community Partners Research would recommend that four to six market rate units be developed in Darwin.

These should be based on the style and design that have been used in the County EDA's previous projects, in cottage-style units with attached garage parking. This type of unit can appeal to independent renter households, including senior citizens.

The County EDA has used a rent structure that varies by community, with the highest contract rents being charged in Dassel and Litchfield. In most of the other communities, a lower rent structure has been utilized. Due to the age of the projects, it is unlikely that any newly-built units could replicate the current rent structure being used in even the higher-rent projects. This is partly due to the large floor plans, which results in a low gross rent amount when calculated on a square footage basis.

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

- ▶ Two-bedroom, one bathroom with 850 sq. ft. \$800-\$850
- ▶ Three-bedroom, two bathrooms with 1000 sq. ft. \$950-\$1000

This discussion of gross rental rates is provided as an indicator of potential market rents that have been achieved, 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. While this rent structure has been identified as possible for developers to achieve, it should be noted that some recent projects have been reaching an even lower rent structure, which increases the potential target market.

7. Promote the development of additional affordable market rate rental housing when possible

Findings: Like most of the other small cities in Meeker County, Darwin could benefit from the addition of rental units in the future, provided these are affordable to the typical renter household. However, the economics of new housing construction will generally require substantially higher gross rental rates than otherwise exist in independent rental housing in the community. The higher housing costs therefore serve to limit the number of new units that can be feasibly absorbed in a smaller community.

In Darwin, the median household income for all renters in 2014 was only \$21,875. If a median income household were to apply 30% of income to housing costs, this would yield an affordable gross rent of only \$550 per month.

Although the Countywide median for renters was higher, at \$28,844, half of all renter households in the County would ideally have needed a unit at or below \$720 per month.

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

The shortage of affordable units becomes magnified when some lower income households are able to access tenant-based rent subsidies. The Housing Voucher Program has maximum rent levels that apply to the use of this assistance. The current payment standard for a two-bedroom rental unit is \$724. Voucher holders may have a difficult time locating a unit that is vacant, below this payment standard, and able to pass the basic housing quality standards inspection. Once again, creating new units below this rent limit is extremely difficult.

Since adding affordable units can generally not happen through new construction, in the smaller cities in the County, the supply of units has remained fixed, unless tenure conversion has occurred.

Recommendation: In the opinion of the analysts, Darwin would benefit from affordable rental housing creation. This would help attract residents to the community and could expand the available labor force. However, there is no easy way to address the financial gap between affordable rental housing and the costs associated with building new units.

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

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

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

8. Monitor opportunities for income-restricted housing development

Findings: There is one income-restricted housing project in Darwin. Meadowwood Apartments is a general occupancy project with eight one-bedroom apartments, including five that have project-based rent subsidies. Meadowwood is in the USDA Rural Development program.

Although Meadowwood currently offers general occupancy housing, it was originally constructed for senior/disabled occupancy. All units have only one bedroom and would generally not serve families with children.

At the time of the rental survey, Meadowwood had no vacant apartments and a waiting list existed. Given the City's location, it is probable that unmet demand for subsidized housing in places such as Litchfield has contributed to the high occupancy rate in Darwin.

Recommendation: The rental cost burden statistics presented in an earlier section of this document indicated that approximately 49% of existing renter households in Darwin were applying 30% or more of their income for housing in 2014. The large majority of these households had an annual income that was less than \$20,000, and would be income eligible for subsidized housing. Countywide, the median household income for all renters in 2014 was less than \$29,000, indicating a large number of households looking for affordable housing.

For a small city, Darwin actually has as many as 11 renter households with access to some form of subsidized housing, either through project-based or tenant-based subsidies. This probably represents more than 40% of all renters in the City. Despite these resources, cost burdens still exist for lower income households.

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

A more realistic option for expanding affordable options in Darwin would be to expand the use of the tenant-based rent assistance program. In 2016, three Darwin households had Vouchers, allowing rent based on 30% of income. 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, the subsidized project in Darwin was not identified as being "at risk" of leaving its subsidy program. However, a project in Dassel was listed on the State's opt-out log.

Housing Rehabilitation Recommendations

Overview: Darwin has an affordable housing asset in its existing housing stock. Existing units, both now and into the future, will represent the majority of the affordable housing opportunities. Existing units generally sell at a discount to their replacement value. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock.

Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities and in preventing the deterioration of neighborhoods. As this existing stock ages, more maintenance and repair are 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.

9. Promote owner-occupied housing rehabilitation programs

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

According to the American Community Survey, the median year of construction for owner-occupied houses in Darwin is 1991, so the community does have a relatively new stock of single family houses. However, approximately 28% of the owner-occupied single family houses were built prior to 1960.

As part of the research for this Study, a visual inspection was made of the single family housing stock in two of Darwin's oldest neighborhoods. This "windshield" survey looked at the exterior conditions of each house and rated the structure on a four-point scale, from Sound to Dilapidated. There were 67 single family structures that were viewed and rated.

In the combined neighborhoods, there were 13 houses that were rated as needing major repair. There were also 23 houses rated as needing minor repair. There were 27 houses that were rated as sound, with no observable repair needs. Four houses were rated as dilapidated, and probably beyond the point of feasible repair.

Since the newer portions of the City were not surveyed, there would be more houses in sound condition.

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

Recommendation: The primary funding source for concentrated neighborhood rehabilitation programs is the Small Cities Development Program (SCDP), administered by the MN Department of Employment and Economic Development (DEED). According to City officials, Darwin 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.

10. Promote rental housing rehabilitation programs

Findings: Although Darwin has only a limited supply of rental housing, most of it exists in one and two unit structures, such as single family houses, mobile homes and other small structures. According to the American Community Survey estimates, more than half of the single family house rentals were constructed prior to 1960. These houses may have converted to rental use because of deterioration, as most often it is lower valued homes that are purchased by investors for use as rental housing.

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

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

11. Demolish and clear substandard structures

Findings: This Housing Study included a visual housing condition survey of single family houses in two of the City's older neighborhoods. This evaluation identified four houses in Darwin that were very deteriorated, and possible candidates for demolition and clearance.

City officials also indicated that some vacant structures exist in Darwin that are in poor condition. Given the demand for affordable housing, vacant units may indicate that the housing is not habitable.

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.