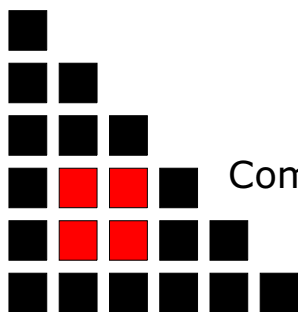


# **City of Dassel HOUSING STUDY**

August 2016

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



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 Dassel 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.

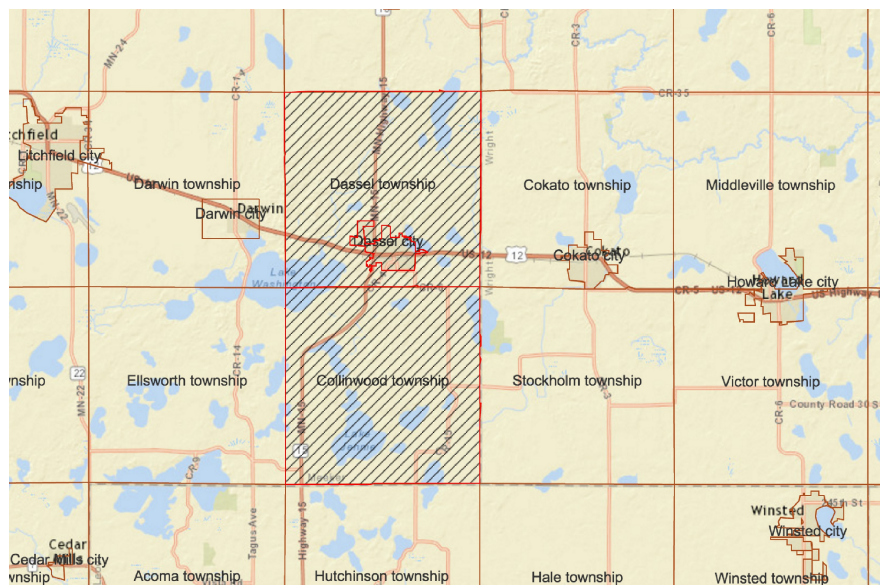
The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For the City of Dassel and for all of Meeker County, the 2014 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between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

## Dassel Market Area Definition

The City of Dassel is located in close proximity to other, similar-sized or larger communities, including Cokato (6 miles), Litchfield (11 miles), and Hutchinson (15 miles). As a result, only a limited primary market area surrounds the City that is not impacted by these other nearby communities.

To be consistent with previous housing studies completed for Dassel, a primary market area definition includes the City of Dassel, Collinwood Township and Dassel Township. 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.

<b>Table 1 Population Trends - 1990 to 2014</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Dassel	1,082	1,233	14.0%	1,469	19.1%	1,460
Market Area	2,926	3,631	24.1%	4,108	13.1%	4,062
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 Dassel 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 stopped, or possibly reversed.

The most optimistic recent estimate is from Esri, a private data reporting service. Esri estimated the City's population at 1,539 people in 2015. Based on this estimate, the City added 70 people between 2010 and 2015. Esri's recent population estimate for Dassel does differ from the official sources that exist.

According to the Minnesota State Demographer's Office, the resident population in Dassel was 1,460 people in 2014, down by nine people from 2010. According to the Census Bureau's annual estimates, Dassel's population in 2015 was 1,437 people, down by 32 people from the 2010 Census.

The differences in the recent population trends also exist when the larger Market Area is examined. Esri shows 4,207 people living in the aggregated jurisdictions in 2015, compared to 4,108 in 2010, an increase of 99 people over the five-year time period. This recent growth would include 70 people in Dassel, and 29 people in the two townships.

The State Demographer's 2014 estimate for the Market Area shows a loss of 46 people between 2010 and 2014. The Census Bureau's annual estimates show 4,077 people living in the Market Area in 2015, down by 31 people from 2010.



There is no explanatory detail from Esri on the basis for their 2015 estimates. Esri also shows more occupied housing units than the State Demographer. However, since 2010, very little new housing has been built in Dassel, although it is possible that some formerly vacant housing has been occupied in the last few years.

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**

Dassel's population is primarily White and non-Hispanic. At the time of the 2010 Census, more than 96% of the City's residents identified themselves as White for race, and only 2% of City residents identified themselves as Hispanic/Latino for ethnicity. Due to the City's limited diversity, no additional information has been provided in this Study.

### **Group Quarters Population**

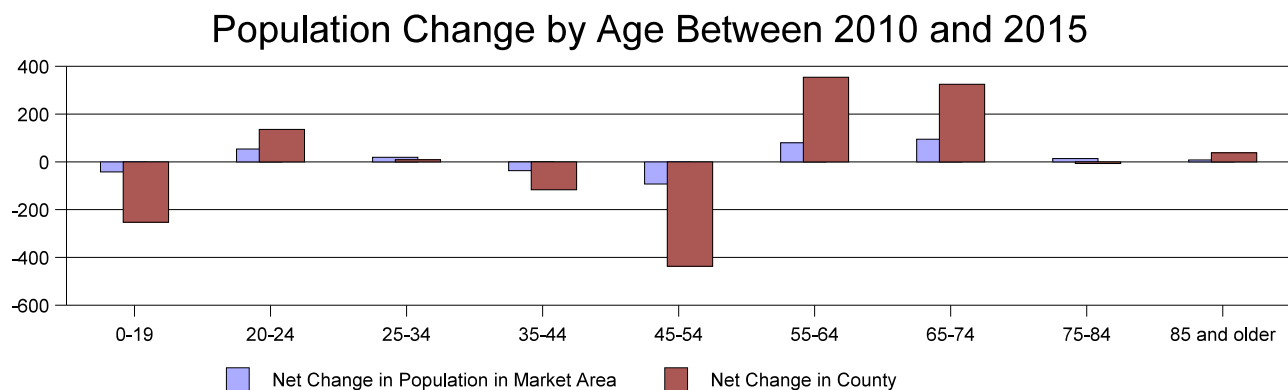
In 2010, the decennial Census counted 61 group quarters residents in the City. All of these people were living in a skilled nursing home. The State Demographer's 2014 estimate shows very little change in the group quarters population since 2010.

## Population by Age Trends: 2010 to 2015

Although Esri's estimates for Dassel and the Market Area are somewhat higher than other available data sources, Esri does provide some additional details on population characteristics, including an estimate of the area's changing age patterns. The following table compares estimated population by age in 2010 and 2015, along with the numeric changes. Age changes are examined for the Dassel Market Area and for all of Meeker County.

<b>Table 2 Population by Age - 2010 to 2015</b>						
Age	Dassel Market Area			Meeker County		
	2010	2015	Change	2010	2015	Change
0-19	1,244	1,202	-42	6,406	6,153	-253
20-24	180	234	+54	1,067	1,203	+136
25-34	390	409	+19	2,543	2,552	+9
35-44	477	440	-37	2,709	2,592	-117
45-54	652	559	-93	3,645	3,208	-437
55-64	529	609	+80	3,095	3,449	+354
65-74	314	409	+95	1,947	2,272	+325
75-84	211	225	+14	1,290	1,283	-7
85+	111	119	+8	598	636	+38
Total	4,108	4,206	+98	23,300	23,348	+48

Source: U.S. Census; Esri

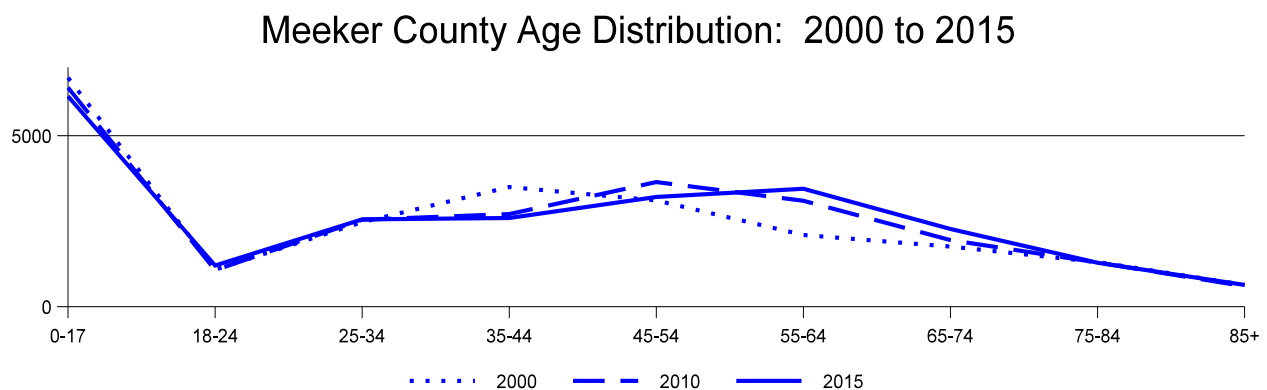


For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been very evident in the Dassel area. Between 2010 and 2015, the Dassel Market Area had a net gain of 98 people according to Esri, but added nearly 200 people in the age ranges 55 and older. This was then offset by a reduction of approximately 100 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 Dassel 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 15 years to see 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.

<b>Table 3 Household Trends - 1990 to 2014</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Dassel	447	515	15.2%	572	11.1%	570
Market Area	1,088	1,343	23.4%	1,510	12.4%	1,504
Meeker County	7,651	8,590	12.3%	9,176	6.8%	9,185

Source: U.S. Census; MN State Demographer

Dassel and the surrounding townships experienced significant household growth in recent decades. However, after 2010, growth has probably slowed or even stopped.

According to the State Demographer's most recent estimate, the City actually lost two households from 2010 to 2014. However, Esri does believe that some household growth has continued to occur. Their 2015 estimate showed 599 households, up by 27 households from the 2010 Census.

As stated with Esri's population estimates, it is not clear why they are tracking recent growth, as almost no new housing has been constructed in Dassel over the past five years. For the Esri estimates to be accurate, it would require that housing units vacant at the time of the 2010 Census would have since been occupied. According to the 2010 Census, there were as many as 48 vacant units at that time, so some growth would be possible through higher occupancy rates.

When the entire Dassel Market Area was analyzed, the Demographer tracked a loss of six households between 2010 and 2014. Conversely, Esri tracked growth of 42 households from 2010 to 2015, with 27 of these households in Dassel and 15 in the neighboring townships.

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

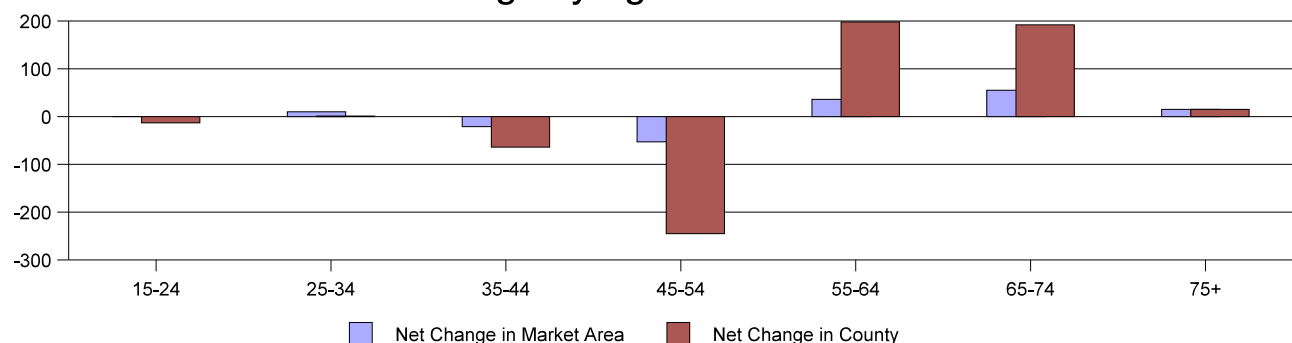
Esri has slightly higher household estimates than from other sources, but the Esri estimates also include a level of detail not available elsewhere. The following table uses the Esri data to compare households by age of householder in 2010 and 2015, along with the numeric changes.

<b>Table 4 Households by Age - 2010 to 2015</b>						
Age	Dassel Market Area			Meeker County		
	2010	2015	Change	2010	2015	Change
15-24	56	56	0	309	296	-13
25-34	178	188	+10	1,198	1,199	+1
35-44	250	229	-21	1,448	1,384	-64
45-54	351	298	-53	1,998	1,753	-245
55-64	286	322	+36	1,763	1,961	+198
65-74	202	257	+55	1,199	1,391	+192
75+	187	202	+15	1,261	1,276	+15
Total	1,510	1,552	+42	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 Dassel 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

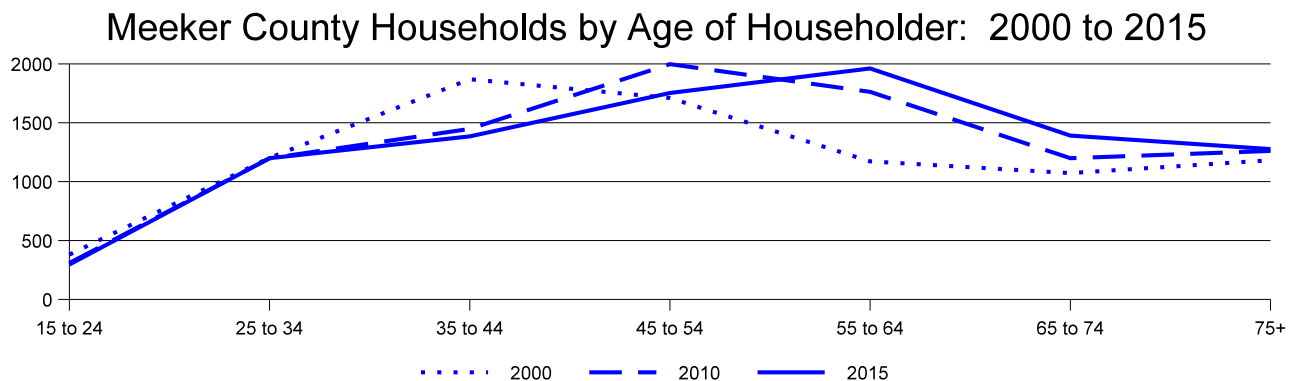


For the Dassel Market Area, each of the defined age ranges 55 and older added some households over the last five years according to Esri. However, all but one of the younger age ranges experienced a net reduction in the number of households. The biggest decline occurred in the 45 to 54 year old range,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

Overall, the estimates show that the Market Area had an increase of 106 households age 55 and older, but a net reduction of 64 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.

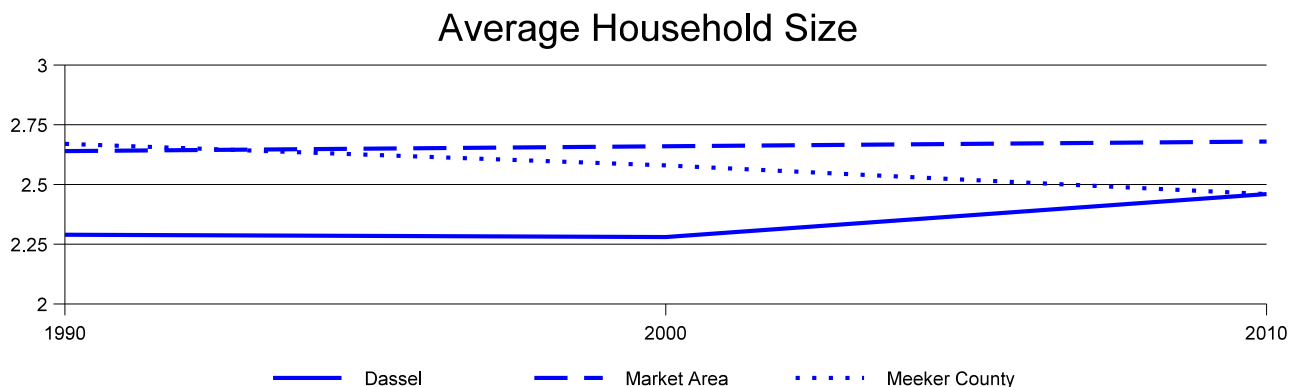
## Average Household Size

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

<b>Table 5 Average Number of Persons Per Household 1990 to 2014</b>				
	1990 Census	2000 Census	2010 Census	2014 Estimate
Dassel	2.29	2.28	2.46	2.45
Market Area	2.64	2.66	2.68	2.66
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 Dassel, the average household size has actually increased over time, 2.29 persons per household in 1990, to 2.45 persons in 2014. It is probable that some of the new housing construction activity after 2000 attracted younger families with children.

During this same time, the average size for the entire Market Area has remained relatively stable. The average household size for all of Meeker County has declined in recent decades, but still remains relatively large, by comparable standards.

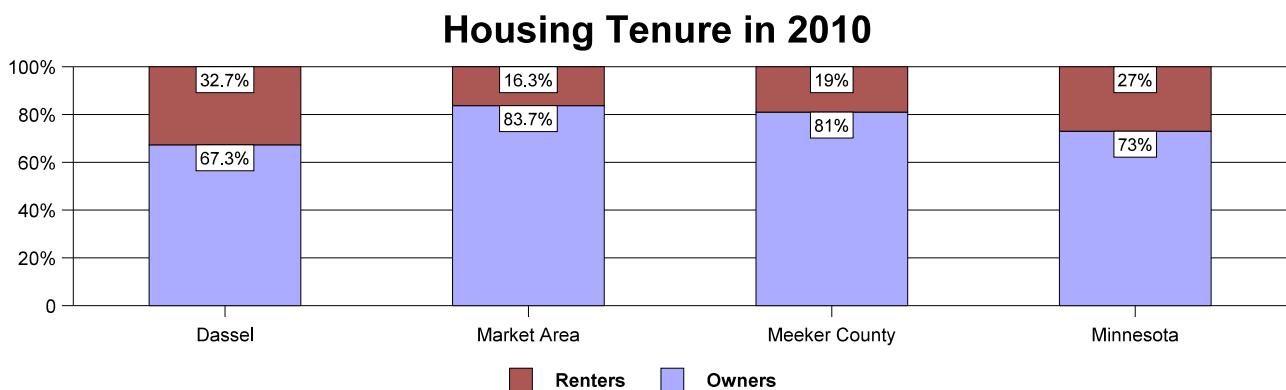
## Housing Tenure

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.

<b>Table 6 Household Tenure - 2010</b>				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
City of Dassel	385	67.3%	187	32.7%
Market Area	1,264	83.7%	264	16.3%
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 Dassel was 67.3%, with the remaining 32.7% of households renting their unit. When the entire Dassel Market Area aggregation was reviewed, the home ownership rate increased to nearly 84%, well above the Statewide ownership tenure rate of 73% in 2010. For all of Meeker County, the home ownership rate was also high, at 81%.



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



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

Tenure	Dassel			Meeker County		
	2000	2010	Change	2000	2010	Change
Owners	358	385	+27	7,018	7,437	+419
Renters	157	187	+30	1,572	1,739	+167
Total	515	572	+57	8,590	9,176	+586

Source: U.S. Census

The rental tenure rate for Dassel increased over the last decade, as the City added more renter than owner-occupancy household. At the time of the 2000 Census, the City's rental tenure rate was 30.5%. By 2010, it had increased to 32.7%.

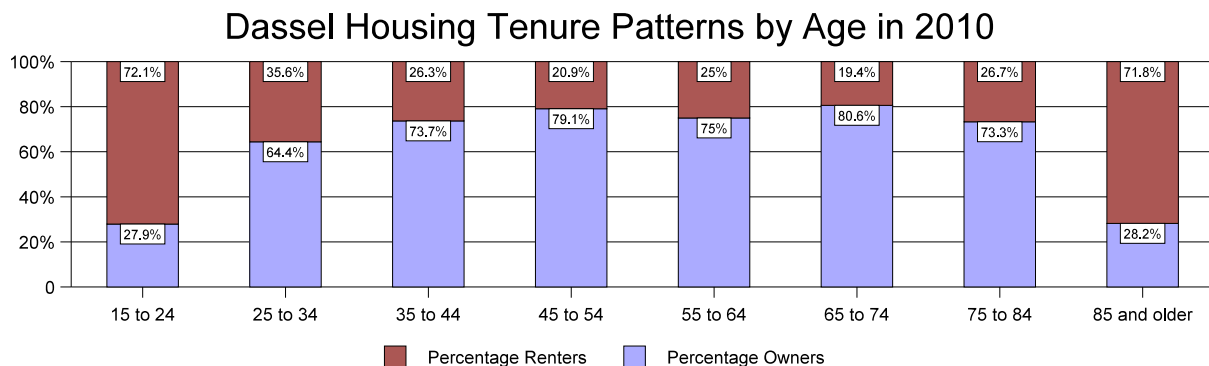
In 2000, the Meeker County rental tenure rate was at 18.3%. By 2010, it had increased to 19.0%.

## 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 Dassel.

<b>Table 8 Dassel Tenure by Age of Householder - 2010</b>				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	12	27.9%	31	72.1%
25-34	65	64.4%	36	35.6%
35-44	70	73.7%	25	26.3%
45-54	72	79.1%	19	20.9%
55-64	57	75.0%	19	25.0%
65-74	54	80.6%	13	19.4%
75-84	44	73.3%	16	26.7%
85+	11	28.2%	28	71.8%
Total	385	67.3%	187	32.7%

Source: U.S. Census



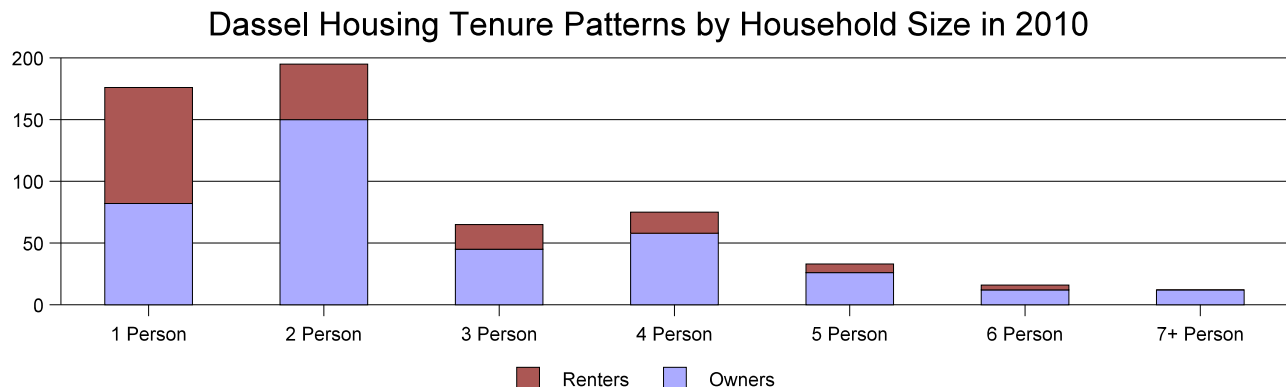
Within the defined age ranges, typical tenure patterns were present, with households at the lowest and highest ends of the age spectrum showing greater preference for rental housing, while middle-aged adult households were primarily home owners. More than 72% of households age 24 and younger rented their unit, and more than 71% of households age 85 and older were renters. Home ownership rates for each of the 10-year age cohorts between 35 and 84 years old were above 73%.

## 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 Dassel.

<b>Table 9 Dassel Tenure by Household Size: 2000 to 2010</b>						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	90	82	-8	92	94	+2
2-Person	133	150	+17	37	45	+8
3-Person	52	45	-7	14	20	+6
4-Person	43	58	+15	10	17	+7
5-Person	25	26	+1	4	7	+2
6-Person	10	12	+2	0	4	+4
7-Persons+	5	12	+7	0	0	0
Total	358	385	+27	157	187	+29

Source: U.S. Census



Although most households in Dassel have only one or two members, there was some growth in the number of larger households in the prior decade. Among home owners, most of the net growth was due to households with four or more members. There was some growth among renter households of nearly all sizes.

However, at the time of the 2010 Census, more than 60% of all home owners and more than 74% 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 Dassel Market Area, since these are separate jurisdictions that have been aggregated for analysis in this Study. Income information from the 2014 American Community Survey can be compared to similar estimates from 2010 to track recent changes.

Household income represents all independent households, including people living alone and unrelated individuals together in a housing unit. Families are two or more related individuals living in a household.

<b>Table 10 Median Income - 2010 to 2014</b>			
	2010 Median	2014 Median	% Change
Households			
Dassel	\$39,141	\$38,566	-1.5%
Meeker County	\$51,173	\$54,049	5.6%
Minnesota	\$57,243	\$60,828	6.3%
Families			
Dassel	\$48,333	\$53,194	10.1%
Meeker County	\$59,495	\$65,247	9.7%
Minnesota	\$71,307	\$76,190	6.8%

Source: American Community Survey 5-year survey

Income information contained in the American Community Survey showed that the median household income within the City of Dassel has remained relatively flat in recent years. When compared to the level estimated in 2010, the City's median household income actually decreased by approximately 1.5%. However, the City's median family income did increase by more than 10% over that time. The median levels in Dassel 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 Dassel could afford approximately \$964 per month for ownership or rental housing in 2014.

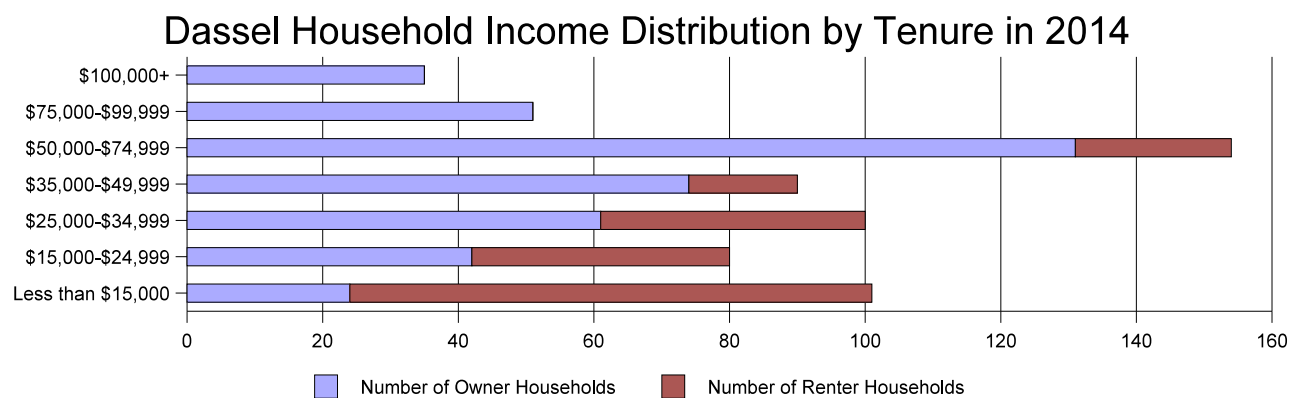
## Dassel Income Distribution by Housing Tenure

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

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 Dassel, the American Community Survey estimate appears to be too high. The ACS estimated that 611 households were present, while the State Demographer believed that only 570 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.

<b>Table 11 Dassel Income Distribution by Tenure - 2014</b>			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	24	77	101
\$15,000 - \$24,999	42	38	80
\$25,000 - \$34,999	61	39	100
\$35,000 - \$49,999	74	16	90
\$50,000 - \$74,999	131	23	154
\$75,000 - \$99,999	51	0	51
\$100,000+	35	0	35
<b>Total</b>	<b>418</b>	<b>193</b>	<b>611</b>

Source: 2014 American Community Survey



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

In 2014, nearly 80% of renter households in Dassel had an annual income below \$35,000. At 30% of income, these low and moderate income renter households would have \$875, or less, that could be applied to monthly housing costs.

Owner households generally had a higher income level. Nearly 52% of owner households had an annual income of \$50,000 or more. However, approximately 30% 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 \$19,688, while the median income for home owners was \$52,679.

## 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 Dassel.

<b>Table 12 Gross Rent as a Percentage of Household Income - Dassel</b>		
Percent of Income for Housing	Number of Renter Households	Percent of all Renter Households
Less than 20%	42	21.8%
20% to 29.9%	25	13.0%
30% to 34.9%	19	9.8%
35% or more	98	50.8%
Not Computed	9	4.7%
Total	193	100%

Source: 2014 American Community Survey

Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

According to the American Community Survey, more than 60% 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 Dassel it was primarily due to low income levels for renters. Approximately 62% 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 Dassel that are paying different percentages of their gross household income for housing costs.

<b>Table 13 Ownership Costs as a Percentage of Income - Dassel</b>		
Percentage of Household Income for Housing Costs	Number of Owner Households 2014	Percent of All Owner Households 2014
0% to 19.9%	129	30.9%
20% to 29.9%	151	36.1%
30% to 34.9%	24	5.7%
35% or more	114	27.3%
Not Computed	0	0%
Total	418	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, 33% of all home owners reported that they paid 30% or more of their income for housing. Most of these households were paying more than 35% of income for housing costs.

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

<b>Table 14 Population Projections Through 2020</b>				
	Esri Projection		State Demographer	
	2015 Estimate	2020 Projection	2014 Estimate	2020 Projection
Dassel	1,539	1,591	1,460	1,525
Market Area	4,207	4,294	4,062	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 Dassel does show that some growth has occurred since 2010, which differs from other recent estimates that show the City losing population. Based on the higher current-year estimate, Esri also has the highest projected population level for the year 2020. However, both the State Demographer and Esri have expected some growth to occur by the year 2020.

When compared to their 2015 estimate, Esri projects that Dassel will add approximately 52 people over the next five years, or average growth of approximately 10 residents in a typical year.

The city-level population projections from the State Demographer are slightly lower in total, but the expected incremental change from year-to-year is generally similar. Over their six-year projection period, the Demographer's Office expects the City to add nearly 11 residents per year.

It is important to note that the Demographer's projection for 2020 for Dassel had expected some of this growth to occur between 2010 and 2015. However, their most recent annual estimate for 2014 does not show this to be the case, as some minor loss of population has actually occurred since 2010.

For the entire Dassel Market Area, Esri expects that 87 people will be added between 2015 and 2020, or an average of approximately 17 people per year. This projection would expect most of the population growth to be within the City of Dassel, but some increase is also anticipated in the adjoining townships.

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 group quarter's populations will remain largely unchanged, and that the average household size will decrease gradually.

<b>Table 15 Household Projections Through 2020</b>				
	Esri		State Demographer	
	2015 Estimate	2020 Projection	2014 Estimate	2020 Projection
Dassel	599	622	570	600*
Market Area	1,552	1,590	1,504	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 Dassel will add 23 households between 2015 and 2020, or an average of four to five households in a typical year. This is a continuation of the pattern of recent growth, as estimated by Esri, which shows that Dassel added 27 households from 2010 to 2015.

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

For the entire Market Area, Esri projections show total growth of 38 households over a five-year period, or between seven and eight in an average year. Most of this growth would be expected to occur within Dassel, 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

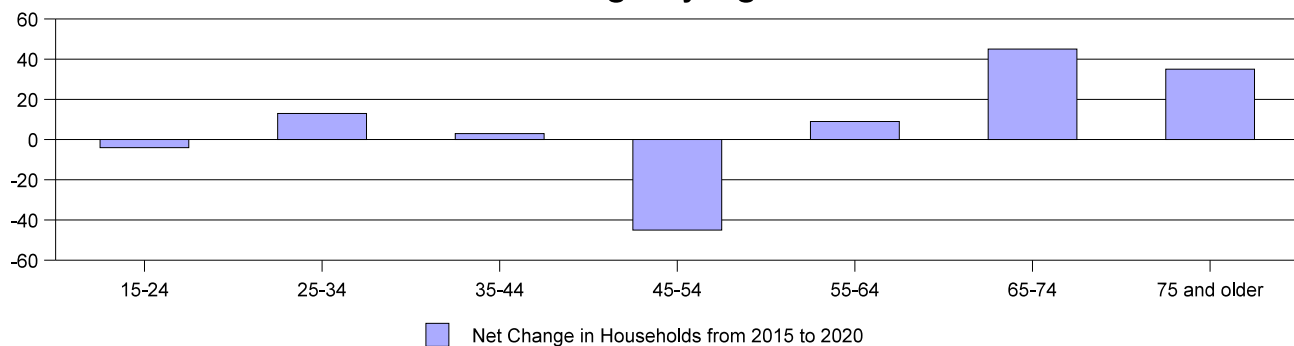
Esri has generated age-based projections for households to the year 2020. These projections can be compared to the data contained in the 2015 Esri estimate to examine the change projected over the next few years. These age-based forecasts are for the entire Dassel Market Area.

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

Age	2015 Estimate	2020 Projection	Numeric Change
15-24	56	52	-4
25-34	188	201	+13
35-44	229	232	+3
45-54	298	253	-45
55-64	322	313	-9
65-74	257	302	+45
75+	202	237	+35
Total	1,552	1,590	+38

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 to 74 years old, followed by growth of households age 75 and older, and the baby boom generation advances through the aging cycle. Most of the net decrease will occur among households age 45 to 54 years old, as the age range behind the baby boomers was not as large. Overall, the Market Area should have a decrease of households age 64 and younger, but an increase in the number of households age 65 and older.

## Building Permit Trends

Like many small communities in Minnesota, Dassel has had very little new housing construction activity over the past few years. In the early part of the previous decade, there had been a much higher level of housing construction, but after the housing market crash of the late 2000s, home building slowed significantly. The following table uses information from the U.S. Census Bureau on annual building permit issuance from 2000 through 2015.

<b>Table 17 Dassel Housing Construction Activity: 2000 to 2015</b>				
Year	Single Family	2 Unit Structure	Multifamily	Total Units
2015	0	0	0	0
2014	0	0	0	0
2013	0	0	0	0
2012	2	0	0	2
2011	1	0	0	1
2010	0	0	0	0
2010-2015 Total	3	0	0	3
2000-2009 Total	57	12	20	89

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

Since 2010, only three new single family houses have been built in Dassel. In the prior decade, as many as 57 single family houses were constructed, primarily before 2008. There were also twin homes or duplexes that were built, and some other multifamily structures with three or four units.

Only one rental project can be identified, an eight-unit market rate rental project developed by the County EDA in 2002.

## Census Housing Unit Reconciliation

At the time of the 2000 Census, there were 551 housing units recorded. By 2010, there were 620 housing units counted in Dassel. Based on this reconciliation, there were 69 total units added during the decade. This total is substantially lower than the 89 units that appear to have been constructed during the decade. It is therefore possible that some older housing was also removed during the prior decade.

## **Median Year of Construction**

The 2014 American Community Survey included an estimate of the median year of construction for housing. In Dassel, the median year for owner-occupancy units was 1970. The median year of construction for rental housing was 1983.

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

## **Units by Structure Type**

The 2010 Census did not collect information about structure types. However, according to the 2014 American Community Survey estimates, more than 75% of the housing units in Dassel 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 20% of all housing options were in multiple unit structures with five or more units. The remaining 5% of the City's housing was in structures with two to four units.

## **Mobile Homes**

According to City staff, there is one mobile home park in Dassel. A visual inspection found that 12 mobile homes are present in 2016. There are as many as 12 vacant lots. Over time, some older mobile homes have been removed.

At the time of the 2000 Census, there were 25 mobile homes counted in Dassel.

## **Municipal Services**

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

## **Residential Lots**

According to City staff, Dassel has multiple subdivisions with available residential lots.

The largest subdivision is ***Summit Hills***, which was initially developed in the mid-2000s. However, the developer went through foreclosure in the late 2000s, and in 2009 the property reverted to public ownership through tax forfeiture. Approximately 10 houses were built in this subdivision, but as many as 80 vacant lots remain. The available lots are not being marketed at this time, as attempts are being made to change the restrictive covenants that apply. Re-platting of the parcel into fewer lots is also possible in the future.

Lots are available for sale in the ***Highland Meadows*** subdivision. Approximately 10 to 12 houses were constructed in this subdivision, but between 20 and 25 vacant lots remain.

There are lots for twin home construction in the ***Sellard's Addition***. This area had been active in the past, with some annual twin home construction occurring between 2000 and 2005, but no new units have been built in many years.



## **Existing Home Sales**

This section examines houses that have been sold within recent years in the City of Dassel. 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 Dassel, 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 Dassel Residential Sales Activity - 2010 to 2016\***

Sales Year	Number of Sales	Median Price	Highest Sale	Lowest Sale
2016 (partial)	2	-	\$104,000	\$95,000
2015	19	\$125,000	\$170,000	\$32,000
2014	18	\$127,050	\$225,000	\$64,900
2013	18	\$127,000	\$280,900	\$42,000
2012	14	\$119,700	\$188,000	\$40,000
2011	9	\$97,000	\$199,000	\$70,000
2010	9	\$125,000	\$148,000	\$100,000

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

Home prices in Dassel are relatively high, based on recent sales activity. Over the past six full years, the median price has typically been between \$120,000 and \$127,000. The only year significantly below this range, 2011, had only nine good sales recorded and the small sample may not have been representative of overall values.

Although the median sale price has been relatively high, there has been only a handful of higher-priced sales in the City. Of 89 total recorded sales since 2010, only four houses have sold for more than \$200,000.

In most years, at least one house is sold for less than \$100,000.

An alternate home value estimate exists in the 2014 American Community Survey. Based on the sampling of home owners, the estimated median value was \$132,700, slightly higher than the amount derived from sales data.

## Recent Home Sales by Price Range

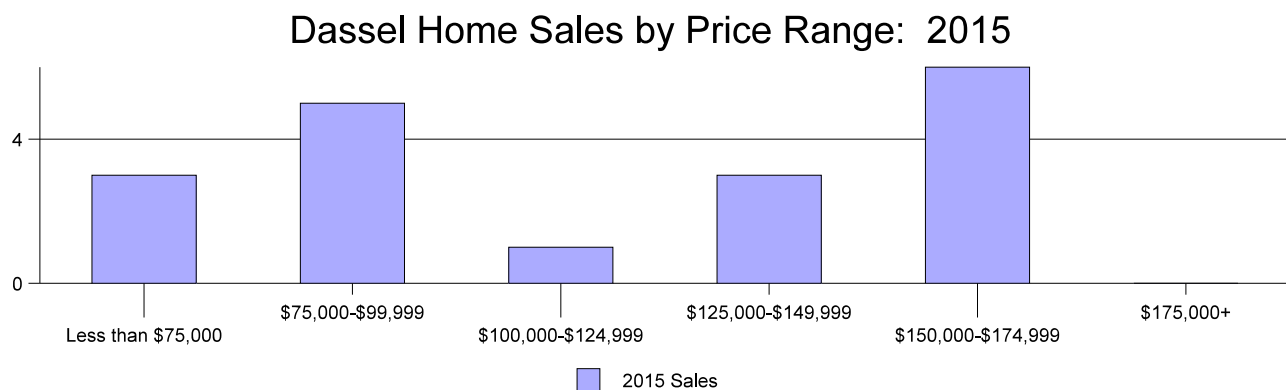
The following table looks at single family houses that sold in 2015 in Dassel by defined price ranges. This information is from Meeker County's sales records.

<b>Table 19 Dassel Home Sales by Price Range: 2015</b>		
Sale Price	Number of Sales	Percent of Sales
Less than \$75,000	3	6.7%
\$75,000 - \$99,999	5	27.8%
\$100,000 - \$124,999	1	5.6%
\$125,000 - \$149,999	3	16.7%
\$150,000 - \$174,999	6	33.3%
\$175,000 - \$199,999	0	0%
\$200,000+	0	0%
Total	18	100%

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

While there was a broad distribution for home sale prices in 2015, the largest cluster of sales occurred in the price range between \$150,000 and \$174,999. However, no sales were recorded for more than \$175,000.

The second largest cluster of sales occurred in a lower price range, between \$75,000 and \$99,999.



## 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 Dassel. A review in May 2016 found 13 single family homes listed for sale. There were also six twin home/town house units listed for sale. There were a number of additional properties that appeared to be outside of the city limits but with a Dassel mailing address.

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

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

<b>Table 20 Dassel Active MLS Listings by Price - May 2016</b>		
Asking Price	Number of Listings	Percent of Listings
Less than \$100,000	3	23.1%
\$100,000 - \$124,999	5	38.5%
\$125,000 - \$149,999	4	30.8%
\$150,000 - \$174,999	1	7.7%
\$175,000+	0	0%
Total	13	100%

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

Based on the listings on Realtor.com, all of the houses being offered for sale were priced below \$175,000. Overall, more than 69% of active listings in May 2016 were priced between \$100,000 and \$149,999.

## Meeker County Home Foreclosure Activity

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

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

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

<b>Table 21 Meeker County Home Foreclosures - 2005 to 2013</b>									
Foreclosures	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number	86	94	114	95	87	114	94	82	63
Rate	0.99%	1.07%	1.28%	1.06%	0.97%	1.27%	1.05%	0.92%	0.71%

Source: HousingLink; Community Partners Research

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

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

## Housing Condition

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

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

Neighborhood #1:      North border - Pacific Avenue West  
                             South border - Simons Avenue West  
                             East border - 2<sup>nd</sup> Street South  
                             West border - 7<sup>th</sup> Street South

Neighborhood #2:      North border - Linhart Avenue West  
                             South border - Parker Avenue  
                             East border - 1<sup>st</sup> Street North  
                             West border - 3<sup>rd</sup> Street North

Neighborhood #3:      North border - Lake Street  
                             South border - Parker Avenue  
                             East border - Willis Street  
                             West border - 1<sup>st</sup> Street North

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

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

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

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

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

<b>Table 22 Windshield Survey Condition Estimate - 2016</b>					
Neighborhood	Sound	Minor Repair	Major Repair	Dilapidated	Total
#1	17/34.0%	20/40.0%	9/18.0%	4/8.0%	50
#2	29/52.7%	14/25.5%	11/20.0%	1/1.8%	55
#3	26/56.5%	14/30.4%	5/10.9%	1/2.2%	46
Total	72/47.7%	48/31.8%	25/16.6%	6/4.0%	151

Source: Community Partners Research, Inc.

In total, 151 single family-style houses were viewed and rated in Dassel.

Nearly 80% of all rated houses were in the top two condition categories, with nearly 48% rated as sound, and nearly 32% 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 25 houses that were rated as needing major repair. Depending on the actual value of these houses, they may not be economically feasible to rehabilitate.

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

There were also 12 mobile homes in Westview Terrace in Dassel that were also viewed and rated.

<b>Table 23 Mobile Home Survey Condition Estimate - 2016</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile Homes	1/8.4%	3/25.0%	4/33.3%	4/33.3%	12

Source: Community Partners Research, Inc.

Fewer than 34% of the mobile homes in Cosmos were rated as sound or minor repair, the two highest condition categories.

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

## **Rental Housing Data**

According to the 2010 Census, the City of Dassel had 187 occupied rental housing units, and at least 19 unoccupied rental units, for a total estimated rental inventory of 206 units. The City's rental tenure rate was 32.7% in 2010, above the Statewide rental rate of 27%.

At the time of 2000 Census, Dassel had 157 occupied rental units, and at least seven vacant units, for a total rental housing inventory of 164 units. The City's percentage of occupied rental units in 2000, at 30.5%, was also above the Statewide rate of 25.4%.

Based on a reconciliation of Census data, the City added 30 renter-occupancy households, and at least 42 rental housing units over the previous decade. During the decade there was very limited development of new rental housing in Dassel. Only eight rental units can be identified from building permit records, when the County EDA constructed a rental project in the early 2000s.

Based on the net gain in renter households and units as counted by the Census, it is probable that a significant level of unit conversion occurred, as units that had formerly been owner-occupied were changed to rental use. The belief that units changed from owner to renter-occupancy is supported by statistics on home ownership. Between 2000 and 2009, there were approximately 57 single family houses, up to 12 twin home units, and possibly 12 town houses constructed. It is assumed that most of this single family-style construction would have been intended for owner-occupancy.

However, during the decade from 2000 to 2010, the City had an increase of only 27 owner-occupancy households, approximately 30 lower than the level of new single family detached construction, and more than 50 lower than all forms of single family-style unit construction. This would imply that much of the net gain of 42 rental units in Dassel was the result of single family housing/mobile homes being converted into rental use. The level of overall unit vacancy also increased over the decade.

### **Construction After 2010**

After the 2010 Census was completed, 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 2016 is generally similar to the level that existed at the time of the 2010 Census.



## **Rental Housing Survey**

From April through June 2016, a telephone survey was conducted of multifamily rental developments in the cities of Meeker County, including Dassel. The survey focused on rental properties with six or more units. The table that follows presents information for market rate, subsidized, and senior housing with services projects separately.

Many of the identified properties in Dassel could not be contacted, despite repeated attempts. However, some information was obtained from each separate segment of the rental market.

There were 82 multifamily rental units of all types that were contacted in the survey. This total includes assisted living apartments, since they would probably be counted as an individual living unit by the Census. The fully functional rental housing units that were surveyed represent approximately 40% of the City's estimated total of rental housing units.

The units that were successfully contacted include:

- ▶ 12 market rate units
- ▶ 37 subsidized units
- ▶ 33 senior housing units offering services

In addition to these apartment-style units, information was also obtained from a skilled nursing home and a specialized care provider offering sleeping rooms.

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

## Market Rate Summary

Usable information was available from two different market rate properties with a combined total of 12 market rate units. There were a number of other small market rate structures identified, generally having between three and eight units, but these could not be successfully contacted.

### Unit Mix

Specific unit mix information was available for all 12 of the market rate units, as follows:

- One-bedroom - 1 units
- Two-bedroom - 9 units
- Three-bedroom - 2 units

### Occupancy / Vacancy

Within the market rate multifamily segment there were no units reported as vacant, and the estimated vacancy rate was less than 1%.

The EDA rental project did maintain a five-name waiting list at the time of the survey. The other market rate project reported some long-term tenants.

### Rental Rates

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

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
1-bedroom	\$550
2-bedroom	\$600-\$915
3-bedroom	\$990

It is important to note that this estimated rental range is based on a small sampling of units.

## **Tax Credit Summary**

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

There has never been an award of tax credits for affordable housing within the City of Dassel.

There has only been one tax credit project that was funded in all of Meeker County, the Terraceview Townhomes project in Litchfield in 1997.

## **Subsidized Summary**

Dassel has three rental projects that provide subsidized rental housing. Creamery Corner Apartments provides general occupancy housing and has 12 units. Halter Meadows Apartments provides general occupancy housing and has 12 units. Both of these projects are subsidized through USDA Rural Development.

The Meeker County HRA has 17 units of Public Housing in the Dassel Apartments project. Dassel Apartments was originally constructed as housing for lower income senior/disabled tenants, but a later HUD rule change made it available for general occupancy, although a preference still exists for senior and/or disabled applicants.

The Creamery Corner Apartments is listed on the MHFA Opt-Out log. In December 2016 this project has indicated that it intends to prepay its mortgage and end its subsidy contract.

## **Unit Mix**

The bedroom mix is as follows:

- One-bedroom - 26 units (70.3% of all units)
- Two-bedroom - 11 units (29.7%)

When originally built, part of the Dassel Apartments was designated for senior/disabled occupancy, although all of the units were later changed to allow for general occupancy. It is also possible that the Halter Meadows was also originally intended for senior/disabled occupancy as most apartments only have one bedroom.

## **Occupancy / Vacancy**

The rental survey found no vacant subsidized units in Dassel. There was some variation in waiting lists. Halter Meadows reported no waiting list, and stated that demand can be limited. Creamery Corner reported a short waiting list, but said that many applicants need immediate access to housing, and are interested in being placed on a waiting list.

Dassel Apartments reported a long waiting list. Although most tenants are seniors, this is a general occupancy project that serves renters of all ages.

## **Rental Rates**

Although most of the subsidized units in Dassel can access project-based rent assistance, allowing rent based on 30% of income, there are six units in Creamery Corner that do not have rent assistance. In these units, the tenant must pay at least the basic rent amount that applies to their unit.

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

In addition to the subsidized projects with project-based rent subsidies, Dassel also has one household being assisted with a HUD Housing Choice Voucher 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 38 households with access to some form of subsidized housing. This represented approximately 19% of all renter households that were present in the City in 2016.

## **Senior Housing with Services Summary**

Dassel has multiple senior housing options that can provide services to residents.

- ▶ Lakeside Health Care Center is a skilled nursing home that is licensed for 54 beds in 2016.
- ▶ Lakeside Assisted Living is affiliated with campus affiliated with the Health Care Center. It has 33 apartment units that can be used for independent living, or the resident can purchase services as needed, including assisted living.
- ▶ Lakeview Ranch is licensed as a housing with services provider. It primarily provides housing for people with memory loss issues. Sleeping rooms may be private or shared occupancy.

## **Occupancy / Vacancy**

At the time of the rental survey, there were no vacant apartments in Lakeside Villa. This facility can serve a range of care needs, from largely independent housing to more service-intensive assisted living. There was a waiting list reported.

Lakeview Ranch had one open bed at the time of the rental survey. There is a companion facility near Darwin that also had one open bed. No waiting list is maintained, but this is primarily due to the fact that prospective residents generally need immediate access to housing, and are not prepared for a unit to become available.

Lakeside Health Care Center generally maintains an annual occupancy rate of 90% or higher. The facility has a mix of rooms, including 12 set-aside for shorter-term rehab/recovery stays. Over time, the Health Care Center has de-licensed some beds, which improves the occupancy rate, and has allowed the facility to offer more private occupancy rooms.

## **Rental Rates**

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

**Table 24 Dassel Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Market Rate</b>					
Meeker County Rentals Erickson Way, N 5 <sup>th</sup> St	6 - 2 Bedroom <u>2 - 3 Bedroom</u> 8 Total Units	\$765 \$820 +utilities	No vacant units, waiting list	Primarily seniors	Publicly-owned market rate rental units constructed in 2002. Units are 1-level townhouse-style with attached garage. Amenities include stove, refrigerator, dishwasher, water softener, and in-unit laundry hookup. Each unit has a furnace and central air unit, with tenant paying all utilities in addition to rent. Two-bedrooms have approx. 1100 sq ft and 1 bathroom, and 3-bedrooms have approx. 1450 sq ft and 1.75 bathrooms. Full occupancy reported and 5-name waiting list. Most tenants are seniors, but also some younger households.
Maple Woods Apartments 511 Maple St	1 - 1 Bedroom <u>3 - 2 Bedroom</u> 4 Total Units	\$520 \$560-\$610 +electric	No vacant units	Mostly working age tenants	Split-level apartment building that was probably constructed in the 1960s. Rent includes heat, water, sewer and garbage, with tenant paying electric. Unit amenities include stove, refrigerator and wall AC in upper units. Manager reports that most tenants are working age and commute for employment. Full occupancy reported, including some long-term tenants.
Dassel Heights Apartments	<u>4 - 2 Bedroom</u> 4 Total Units	N/A	N/A	N/A	Unable to contact.
Foxwood Apartments 530 Parker Ave W	<u>8 - 2 Bedroom</u> 8 Total Units	N/A	N/A	N/A	Unable to contact.
Goodland Apartments	<u>6 - 2 Bedroom</u> 6 Total Units	N/A	N/A	N/A	Unable to contact.
Great Oaks Apartments 731 Parker Ave W	<u>8 - 2 Bedroom</u> 8 Total Units	N/A	N/A	N/A	Unable to contact.

<b>Table 24 Dassel Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Occupancy Type</b>	<b>Comments</b>
<b>Market Rate</b>					
Sunshine Apartments 301 W Atlantic	1 - Efficiency <u>2 - 1 Bedroom</u> 3 Total Units	N/A	N/A	N/A	Unable to contact.
White 4-Plex	1 - 1 Bedroom <u>3 - 2 Bedroom</u> 4 Total Units	N/A	N/A	N/A	Unable to contact.

**Table 24 Dassel Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Subsidized</b>					
Creamery Corner Apartments 415 Simmons	4 - 1 Bedroom 8 - 2 Bedroom 12 Total Units	\$383-\$473 \$458-\$548 30% of income	No vacant units, short waiting list	General occupancy	Rural Development subsidized apartments for general occupancy in 2-level walkup building, constructed in 1978. Project is designated for general occupancy. Six units have project-based rent assistance allowing rent based on 30% of income; remaining units charge 30% of income but not less than basic or more than market rents listed. Rent includes utilities. Project has filed paperwork with MHFA indicating intent to leave the subsidy program in Dec. 2016 - tenants have been advised to apply for rent assistance Vouchers. Proposed rents after termination would be \$428 and \$510, respectively. Unit amenities include stove, refrigerator and wall AC sleeve. Building amenities include coin laundry and off-street parking with plug-ins. All units have 1 bathroom; sq ft not available but units are described as large. No units vacant at time of survey and many tenants are long-term. A short waiting list exists but most applicants do not want to wait for a unit. Most tenants are working age and commute to Hutchinson or Litchfield.
Dassel Apartments 840 N 3 <sup>rd</sup> St	16 - 1 Bedroom 1 - 2 Bedroom 17 Total Units	30% of income	No vacant units, long waiting list	General occupancy	HUD Public Housing apartment building constructed in the early 1980s. Originally constructed for senior/disabled occupancy but later HUD rule change converted units to general occupancy. All tenants have access to project-based rent assistance allowing rent based on 30% of income. Manager reported full occupancy and a long waiting list. Although most tenants are seniors, the building has a broad mix of tenant ages.



**Table 24 Dassel Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Subsidized</b>					
Halter Meadows Apartments 835 3 <sup>rd</sup> St N	6 - 1 Bedroom <u>2 - 2 Bedroom</u> 8 Total Units	\$705 \$725 30% of income	No vacant units	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. All units have project-based rent assistance allowing rent based on 30% of income up to maximum rent levels listed. Rent calculation includes utilities allowance for tenant-paid electric. Unit amenities include stove, refrigerator and wall AC. Building amenities include coin laundry and off-street parking. All units have 1 bathroom; 1-bedrooms have approx. 650 sq ft. No vacant units at time of survey but no waiting list and limited demand - project generally stays full. Most tenants are seniors.
Section 8 Housing Choice Vouchers	1 household in Dassel	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 was 1 household in Dassel participating in the Meeker County program, with 50 households countywide. Waiting list is closed due to length of 112 names.

**Table 24 Dassel Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Senior Housing with Services</b>					
Augustana Lakeside Apartments Independent 441 William Ave E	16 - 1 Bedroom 17 - 2 Bedroom 33 Total Units flexible use with approx. 10 independent living	\$951 \$1022 +services as needed	No vacant units, waiting list	Housing with services project that can offer independent living	Senior housing project originally constructed as independent living but converted to flexible use in 2007 by adding assisted living option. Part of Lakeside senior campus that also includes a skilled nursing home. At time of survey approx. 10 units were independent and 23 assisted living. Units are apartment-style with kitchens and private bathrooms - sq ft not available. Independent living tenants are not required to purchase any meals or services and pay rents listed. Manager reported full occupancy and a waiting list - project had explored adding senior co-op units but market analysis and focus groups concluded that demand was not sufficient. Project may look at minor expansion of a few apartment units in the future.
Augustana Lakeside Apartments Assisted Living 441 William Ave E	16 - 1 Bedroom 17 - 2 Bedroom 33 Total Units flexible use with approx. 23 assisted living	\$951 \$1022 +\$1799 care package	No vacant units, waiting list	Housing with services project that can offer assisted living	Senior housing project originally constructed as independent living but converted to flexible use in 2007 by adding assisted living option. Part of Lakeside senior campus that also includes a skilled nursing home. At time of survey approx. 10 units were independent and 23 assisted living. Units are apartment-style with kitchens and private bathrooms - sq ft not available. Assisted living tenants buy care package for \$1799. Manager reported full occupancy and a waiting list - project had explored adding senior co-op units but market analysis and focus groups concluded that demand was not sufficient. Project may look at minor expansion of a few apartment units in the future. County assistance is accepted and typically about 6 tenants receive assistance.

**Table 24 Dassel Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Senior Housing with Services</b>					
Lakeside Health Care Center 439 William Ave E	12 rehab/recovery <u>42 traditional</u> 54 licensed beds	N/A	Annual occupancy between 90% and 95%	Skilled nursing home	Skilled nursing home that is part of the St Mary's senior campus that also includes independent and assisted living. Licensing had once been 64 beds, but gradual de-licensing has occurred - resulted in more private rooms. Approx. 12 beds are used for short-term rehab/recovery stays and 42 beds are available to longer-term residents, but no specific set-aside exists. Occupancy rate in 2015 was approx. 92% but lower so far in 2016.
Lakeview Ranch 22851 Hwy 15	14 person capacity in private and shared occupancy rooms	N/A	1 open bed	Memory care	Facility constructed in 1999 originally as adult day care but then later converted to memory care housing - high staffing ratio allows for challenging behavioral issues to be admitted. Companion facility in Darwin has 17 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 Dassel 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 Dassel. The following table looks at information for the County since 2010.

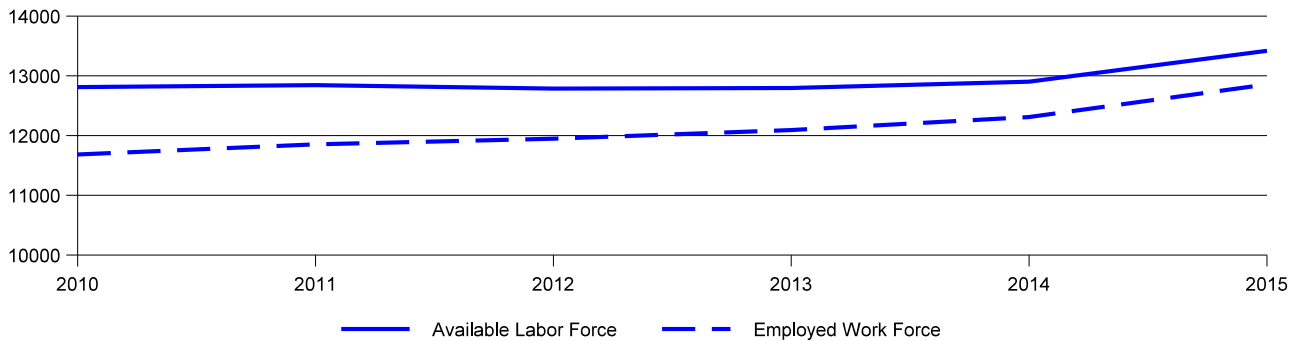
<b>Table 25 Meeker County Labor Statistics: 2010 to 2015</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2010	12,811	11,684	1,127	8.8%	7.4%	9.6%
2011	12,844	11,853	991	7.7%	6.5%	8.9%
2012	12,786	11,948	838	6.6%	5.6%	8.1%
2013	12,797	12,093	704	5.5%	4.9%	7.4%
2014	12,902	12,310	592	4.6%	4.2%	6.2%
2015	13,420	12,857	563	4.2%	3.7%	5.3%

Source: MN Department of Employment and Economic Development

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

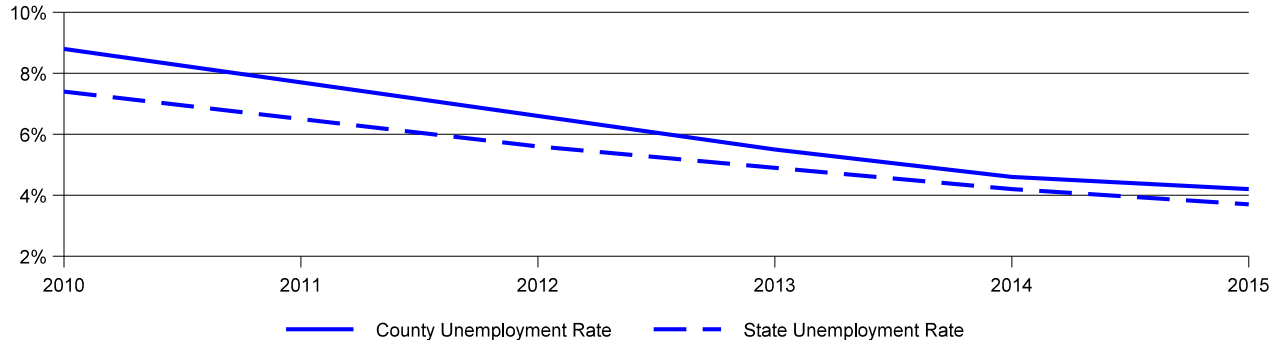
Since 2010, there has been growth in the size of the County's available labor force. If 2015 is compared to the year 2010, the County's resident labor force had actually increased by 609 people, or 4.8%. However, most of this reported growth occurred between 2014 and 2015. It is possible that some revisions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

### 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

### Meeker County Annual Unemployment Rate: 2010 to 2015



unemployment rate decreased over this time, from 8.8% in 2010 to 4.2% in 2015.

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

## Employment and Wages by Industry

The following table shows the annual employment and average annual wages by major employment sector for jobs within the City of Dassel 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.

<b>Table 26 Dassel Average Annual Wages by Industry - 2014</b>		
Industry	Employment	Average Annual Wage
Total All Industry	836	\$30,368
Manufacturing	235	\$43,940
Trade, Transportation, Utilities	195	\$26,156
Education and Health Services	245	\$22,048
Leisure and Hospitality	31	\$8,424
Public Administration	15	\$26,260

Source: MN Department of Employment and Economic Development

The average annual wage in Dassel for all industry in 2014 was \$30,368. This assumes full-time employment for 52 weeks at the average weekly wage rate.

The highest paying wage sector in Dassel was Manufacturing, with an annual wage of nearly \$44,000. Manufacturing was also the second largest industry sector for average employment, trailing only Education and Health Services. More than 57% of workers in Dassel were employed in these two industry sectors.

The lowest paying wage sector was Leisure and Hospitality, with an average annual wage below \$9,000 at full-time employment.

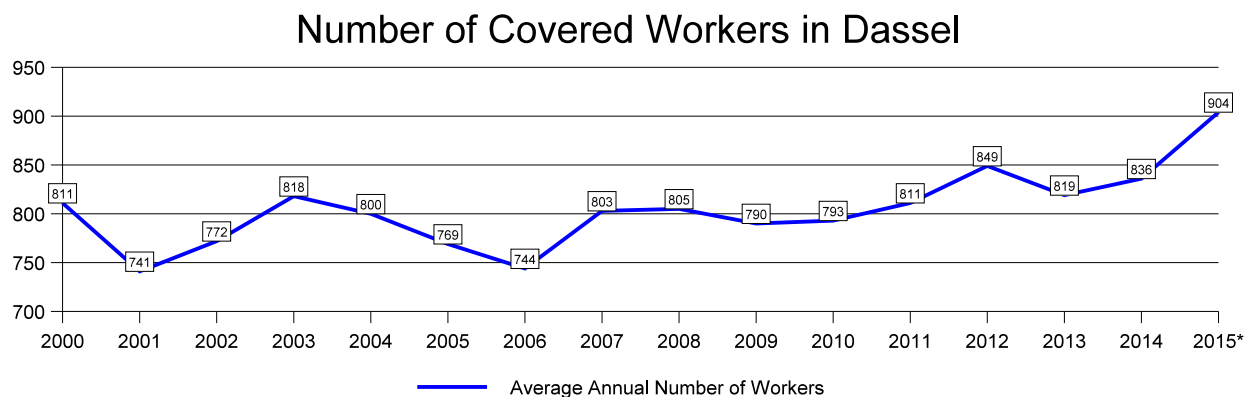
## Dassel Annual Covered Employment

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 Dassel back to the year 2000.

Table 27 Dassel Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	811	2008	805
2001	741	2009	790
2002	772	2010	793
2003	818	2011	811
2004	800	2012	849
2005	769	2013	819
2006	744	2014	836
2007	803	2015*	904

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

\* 2015 reflects first three quarters only



There has been a relatively stable level of employment in Dassel, as tracked by reporting for unemployment compensation. If employment in 2014 (the last full year of data) is compared to the year 2000, there had been an increase of only 25 workers, or growth of 3.1% over this longer period. There has been some minor year-to-year fluctuation, but the lowest employment level was 741 jobs in 2001, while the highest level was 849 jobs in 2012.

## Commuting Patterns of Area Workers

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

<b>Table 28 Commuting Times for Dassel Residents - 2014</b>		
Travel Time	Number	Percent
Less than 10 minutes	143	25.0%
10 to 19 minutes	123	21.5%
20 to 29 minutes	150	26.3%
30 minutes +	155	27.1%
Total	571	100%

Source: 2014 American Community Survey 5-year estimates

The large majority of Dassel residents were leaving the City for employment in 2014. Given the City's size, a travel time of 9 minutes or less would be required to reach the job options that exist within the community. However, approximately 75% of the City's residents were traveling 10 minutes or more for employment.

More than 27% of the City's residents were traveling 30 minutes or more for employment. While these workers could potentially be going in different directions, this probably reflects workers traveling eastward toward the Twin Cities Metropolitan Area.

A travel time of 10 to 19 minutes would generally be consistent with employment in the larger regional communities of Litchfield and Hutchinson.



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

<b>Table 29 Commuting Times for Dassel Employees - 2014</b>		
Travel Time	Number	Percent
Less than 10 minutes	195	21.1%
10 to 19 minutes	274	29.7%
20 to 29 minutes	170	18.4%
30 minutes +	284	30.8%
Total	923	100%

Source: 2014 American Community Survey 5-year estimates

Just over one-half of the people that worked in Dassel lived within the surrounding area, as nearly 51% had a travel time of less than 20 minutes. This total would include people that both lived and worked within the City. However, nearly 31% of people employed in Dassel had a commute time of 30 minutes or more.

## Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2014, and provides a further breakdown of worker movement patterns.

According to the report for Dassel, there were 825 people that were employed within the city limits in 2014. Only 80 of these Dassel-based employees actually lived within the City. The remaining 745 employees lived outside the City limits. The percentage of City-based workers that were also residents was only 9.7%.

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

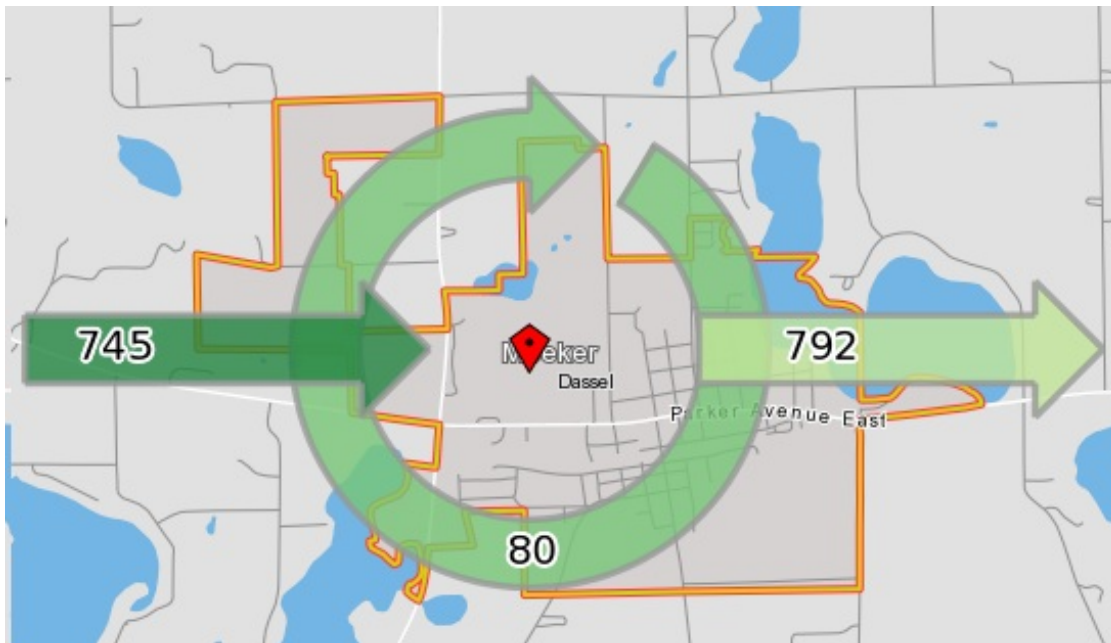
<b>Table 30 Employee Inflow/Outflow Analysis - 2014</b>				
City	Number of People Employed in the City	Percent Employees that also Reside in the City	Percent Employees that Live Outside of the City	Number Employees that Live Outside of the City
Dassel	825	9.7%	90.3%	745
Litchfield	3,014	40.8%	59.2%	1,784
Cedar Mills	7	0%	100%	7
Cosmos	75	1.3%	98.7%	74
Darwin	45	2.2%	97.8%	44
Eden Valley	425	7.3%	92.7%	394
Grove City	169	6.5%	93.5%	158
Kingston	N/A	N/A	N/A	N/A
Watkins	311	5.8%	94.2%	293

Source: Census Bureau, Center for Economic Studies

As indicated in the table above, a very small percentage of the jobs based in Dassel were actually filled by people that live within the City. In 2014, more than 90% of the people working within the City actually lived outside of the city limits.

While most Dassel-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 Dassel residents were reportedly leaving the City each day to commute for their primary job. According to this data source, nearly 91% of Dassel residents were leaving the City for employment.



# **Findings and Recommendations**

## **Growth Forecasts**

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

### **Dassel Growth Potential**

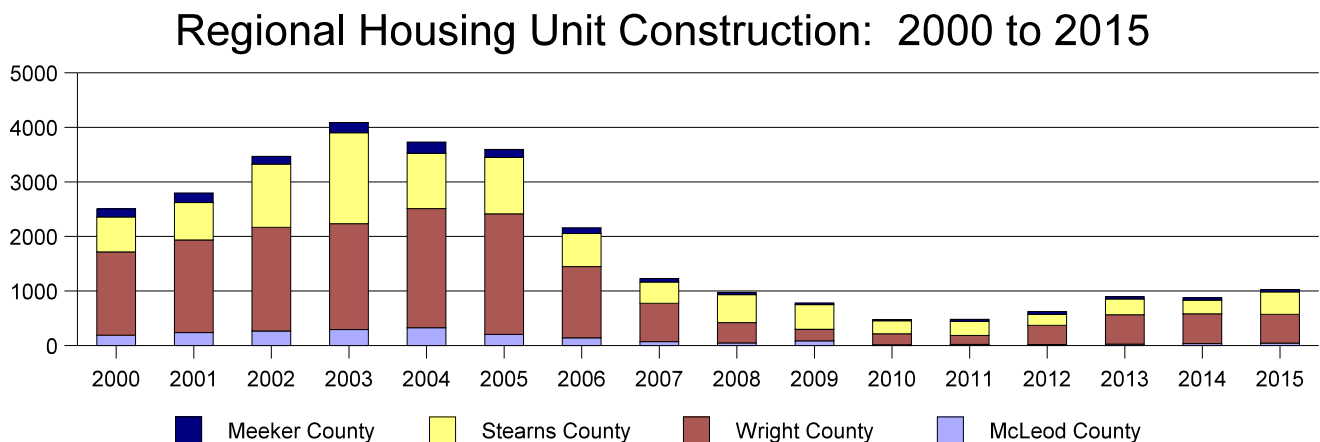
This Study has used the assumption that the Dassel area has the potential to add between seven and eight households per year in an average year through the remainder of this decade. But it is important to recognize this as potential growth. Most recent estimates, including those by the Minnesota State Demographer's Office, indicate that the City has not realized any real growth in recent years.

After experiencing some growth in the housing stock in the early 2000s, new housing construction has largely stopped in Dassel. Over the past six years, only two new houses have been constructed in Dassel. While some vacant existing may still exist, any future household growth will require a commensurate level of housing unit construction.

Although annual building permit reports were not available for all years between 2000 and 2009, there is evidence that the City did average nearly seven new housing units per year in the prior decade. However, most of the new construction occurred at a time when there was significant westward growth pressure occurring from the Twin Cities area.

Many of the communities in western Hennepin County and along the Highway 12 corridor in Wright County were growing rapidly. This generated some development activity and home building in Dassel as well. However, after 2007, most of this development momentum was lost, and home building activity within the larger region largely stopped. Most of the latest demographic forecasts do not expect a large-scale recovery to occur anytime soon.

To put the housing construction slowdown that has occurred in 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.



For Dassel to achieve the growth potential outlined in this Study it is probable that proactive efforts will be required. Over the last six years, the City has had only two new houses built.

To reach a level of new unit construction that is required to add seven or eight households annually will require efforts that are not typically associated with the private market, such as potential development subsidies, recruitment of developers and community promotional efforts that encourage new households to locate within the City.

It is important to note that the annual growth potential would include both ownership and rental housing opportunities. Historically, more than 30% of the households in Dassel have rented their unit, and this Study has recommended that some limited rental production should also occur.

## Home Ownership Recommendations

**Overview:** Housing constructed for owner-occupants was the strength of Dassel's new construction market in the previous decade. Between 2000 and 2010, the City may have added as many as 60 single family houses through new construction. However, there was substantially less growth in the number of home owners, as net growth of only 27 owner-occupancy households occurred.

This may have been due in part to the foreclosure problems that developed late in the last decade. Although no specific foreclosure records were obtained for Dassel, it is probable that some former home owners had lost their homes by the time the 2010 Census was conducted.

The rate of home ownership decreased somewhat in Dassel between 2000 and 2010, as the City added more renter households than home owners. Since very little multifamily rental housing construction occurred, the growth in renter households is primarily attributed to tenure conversion, as a number of single family homes may have changed tenure, and converted from owner-occupancy to rental use over time.

In the City of Dassel, the peak year for single family construction probably occurred in 2004, when nine single family house permits were issued. The City had a larger-scale residential subdivision that eventually went into default, and has reverted into public ownership through tax forfeiture.

The housing boom that occurred in Dassel and other communities in the region prior to 2007 can be attributed to a number of factors. In hindsight, one of the factors was probably "over exuberance" among potential home owners. This was evident in the home foreclosure period that followed, as some buyers could simply not afford the house that they had purchased.

Another factor that probably influenced the region's housing boom was the demographic pattern that existed at the time. In the year 2000, all members of the baby boom generation were in the age ranges from 35 to 55 years old. Baby boomer households at the younger end of this range probably accounted for much of the westward out-migration that was occurring from the Twin Cities area. By the year 2010, all of the baby boomer households were in the age ranges between 45 and 64 years old. Between 2000 and 2010, the large majority of the net household growth in all of Meeker County was in the prime baby boomer age ranges.

As the baby boomers advance through the aging cycle, they should begin to gravitate toward reduced maintenance housing options. In their older years, an increased preference for rental housing should appear.

Behind the baby boomers came a smaller demographic segment. The projections used for this Study point to a decreasing number of younger households in Dassel area, age 54 and under, through the remainder of this decade. The demographic factors that were helping to contribute to demand for detached single family houses in the early 2000s will be much less pronounced by the year 2020.

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

The growth projections for the Dassel area expect annual average growth potential of between seven and eight households in a typical year over the next five years. Most of these would be expected to locate within the City of Dassel, although some growth in the neighboring townships is also possible. With the expectation that between two and three of these households will be looking for rental opportunities, this results in potential home ownership demand from four to six households annually, due to projected growth.

Some additional minor production can be justified for unit replacement and pent-up demand for under-served market segments. In the past, it is evident that actual unit construction has exceeded growth-generated demand, as some houses will be replaced over time. With some upward adjustment for factors other than household growth, an additional one to two owner-occupancy units per year can be justified, yield total demand potential of five to eight units per year, or 25 to 40 units over a five-year projection period.

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

## **1. Potential Demand for 3 to 5 moderate to higher priced houses annually**

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

People age 55 and older have historically shown a strong preference for home ownership. Older adult households 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 2000 Census, households in the age groups 55 and older represented approximately 39% of all Dassel market area households. By 2010, these older adult age groups represented nearly 45% of all households. Trend-based projections to the year 2020 point to more than 53% of all households in these older adult age ranges.

Existing home values tend to be relatively strong. In most recent years, the median home sale price has been approximately \$120,000 or higher. Since most of the people that look to move into a newly constructed house already own their housing, they should have equity available from the sale of their previous home.

While there are positive market trends, it should be noted that they have been gradually evolving over the past few years, and they have not necessarily resulted in increased demand for trade-up and/or age-appropriate housing. Over the past five years, only two houses in total have been built in Dassel.

In the past, there was some construction occurring in twin home configurations. With the advancing aging patterns in the community, it is possible that some attached single family housing starts may return.

**Recommendation:** Even though Dassel 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 three to five 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 the strength of the home ownership market.

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

## **2. Dassel has some opportunities for entry-level new construction**

**Findings:** There were various reasons for the large-scale growth that occurred in the communities directly east of Dassel in the 1990s and early 2000s, but one of the primary drivers of outward movement from the western Twin Cities area was the search for more affordable home ownership options. When compared to communities located closer to the Twin Cities Metropolitan Area, Dassel and the Wright County communities along Highway 12 were often viewed as a location to find a lower price for a quality house. While higher-priced homes were also built, more affordable housing was a primary concern for many families.

The growth forecasts used for this Study do anticipate some improved demand for new single family housing construction in Dassel over the next five years. The City may be in a position to be competitive in the lower priced, entry level segment of the new home construction market. This is largely due to the existence of lots in a foreclosed subdivision. Since these lots have transferred to public ownership through tax forfeiture, they may be sold in the future at reduced prices, making them attractive to people looking for lower cost options.

However, significant competition will also exist within the affordable market segment, especially in communities such as Cokato, Howard Lake, Waverly and Montrose. Each of these communities also have inventories of distressed lots. In Waverly, for example, 20 city-owned lots were sold within the past two years to a single developer, at approximately \$7,500 per lot with assessments paid. The negotiated target price for houses on these lots is approximately \$182,000.

Other communities in the general area, such as Watertown, have demonstrated a willingness to offer significant financial incentives to lower the cost of new construction and attract a greater share of area market activity.

In addition to the competition that exists within the surrounding communities, it should also be noted that Dassel tends to have somewhat moderate prices for existing houses. With affordable options in the used home market, there can be less incentive to look at new construction alternatives for entry-level buyers.

**Recommendation:** There will always be some demand that exists for lower-priced, entry level homes. If lower-priced lots can be made available in Dassel, the potential exists for two to three affordable houses per year in the community.

If a developer/builder does elect to pursue this market segment in Dassel, there are some successful models that could be examined. In Montrose, where some affordable new construction has been proceeding over the past four years, the affordable single family houses have approximately 1,328 square feet of living space on the upper level, and 644 square feet of unfinished space on the lower level. There are three bedrooms and two bathrooms. These units have a three-car tuck-under garage. Some have recently been sold for \$190,000, or less, although this price partly reflects the low cost the developer has in the lot.

This same builder in Montrose has now been expanding into other communities, and made a bulk lot purchase in Waverly in 2015. The anticipated pricing in Waverly is expected to be similar to Montrose.

### **3. Attached single family housing should regain some market share**

**Findings:** Prior to the housing market downturn of the late 2000s, there had been some construction of attached single family housing units in Dassel, primarily in the form of twin homes.

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

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

The age-based projections used for this Study continue to show strong overall net household growth through the year 2020 in the 10-year age range between 65 and 74 years old. By the year 2020, all members of the baby boom generation will be age 55 or older. These age cohorts have historically had very high rates of owner-occupancy. They also represent primary target markets for attached single family housing that offers no maintenance or low maintenance living.

**Recommendation:** The demand calculations used for this Update expect that overall demand for single family housing should improve to an annual average level of five to eight units per year. Within the owner-occupancy segment, approximately one to two per year could potentially be met through attached single family housing, such as twin homes and town house units. As consumer confidence returns, it would not be surprising if an even greater level of activity returns to this housing segment. Since attached housing projects occur in clustered phases, it is very possible that the volume of units constructed in a single year will be above or below this annual average.

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

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

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

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

**Findings:** This Study tracked the sales activity in Dassel back to the year 2010. Excluding 2011, when only nine sales were recorded, the annual median home sale price in the City has generally been between \$120,000 and \$125,000. Although sales records were not available for the years prior to 2010, it is possible that the median sale price was higher before the impact of the housing market downturn.

For the 2015 sales year, there were 19 “good” sales in the City, as tracked by the County Assessor’s Office. All of these sales were for \$170,000 or less. These moderately priced homes can represent a very attractive ownership option for potential home buyers in the larger region.

**Recommendation:** The cities in Meeker County have a goal to offer work force housing to help attract and retain a stable labor force. Promotion of the affordable ownership options can help achieve this goal. Some communities have developed financial incentives for home buyers, which could also be offered to buyers of existing homes.

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

## **5. 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 recent past. However, the incentives were discontinued in 2015 due to the high price tag for the program.

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

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

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

**Recommendation:** New home construction has not been occurring naturally in Dassel in recent years. To reach the projected level of five to eight new houses per year may require the community to become actively involved in providing financial assistance and/or development subsidies.

Communities that have taken proactive steps, such as Watertown, have seen some increase in the level of new home construction. However, 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 houses.

It should be noted that in the examples identified above, city involvement appears to have been caused in part by troubled subdivisions, an issue that also exists in Dassel.

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.

## **6. Observations on Summit Hills**

**Findings:** The largest subdivision residential subdivision is Summit Hills, which was initially developed in the mid-2000s. However, the developer went through foreclosure in the late 2000s, and in 2009, the property reverted to public ownership through tax forfeiture.

Approximately 10 houses were built in this subdivision, but as many as 80 platted vacant lots remain. At the time of the research for this Study, the vacant lots in Summit Hills were not being actively marketed, as attempts were being made to change the restrictive covenants. Re-platting of the parcel into fewer lots is also possible in the future.

Prior to the housing market retreat of the late 2000s, private developers had been active in many communities in the region. Similar distressed subdivisions exist in Cokato, Howard Lake, Waverly and Montrose, directly east of Dassel. As a result, there is direct competition for lot sales, including lots that are available at below-market prices.

**Recommendation:** As Dassel attempts to market lots within this subdivision, the following general observations are offered:

- ▶ ***Need for competitive pricing*** - There are a large number of lots that are available in neighboring communities, many in financial distress or bank/investor owned. These lots have often been liquidated at below-market prices. To be competitive, lot prices in Summit Hills will generally need to be equal to or lower than most other options.
- ▶ ***Plan for long-term absorption*** - The research completed for this Study expects limited annual absorption of lots in the community. While the potential exists for five to eight houses per year, this has not been happening in recent years. Even if this level can be achieved in the future, not all of the new houses would be located in Summit Hills. It is therefore necessary to view the subdivision as a long-term plan, with full build-out potentially taking 10 years or more.
- ▶ ***Planned/protective selling*** - Some other communities, including Waverly, have achieved some success through “bulk” sales of multiple lots to a single home builder. The City should therefore be thoughtful about staging the sale of lots. If all lots are initially made available to any buyer, it is possible that a “swiss cheese” home building pattern will develop, with scattered lot sales in various locations throughout the subdivision. This would then prevent any later land-banking for multiple lot sales or land aggregation.
- ▶ ***Generating initial activity*** - Although some houses were built in Summit Hills, most of the lots are vacant, giving a potential buyer little sense of the character of the neighborhood. People electing to build a house in Summit Hills in the future may have concerns about the long-term plan for the subdivision. It will be necessary to initially generate some level of attractive home construction within the subdivision, to help assure future buyers. This may require very proactive efforts, such as the initial sale of some lots at deeply discounted prices, provided the buyer agrees to build a home of a certain quality and style within one year. This will help to define the look of the neighborhood, as well as create some momentum for more houses to be built.



- ▶ ***Consider developing an exclusive builder(s) relationship*** - The most successful example of affordable home building that could be identified within the immediate area was a developer/builder partnership that has been active in Montrose, Waverly, Buffalo, Monticello and Mayer. While Community Partners Research does not promote specific builders/developers, the successful example in these other communities points to the momentum that can be created when a home builder develops a model that achieves market success. This builder often entered these other markets because of the availability of very affordable lots. This allowed them to achieve some efficiencies in their home building efforts. A similar approach of making a larger block of lots available to an exclusive builder should be explored, even if significant price concessions are required.
- ▶ ***Consider partnerships that share and split financial risk between developer and city*** - Given the limited demand that has been evident within Dassel and other nearby communities over the past six years, it is difficult to recommend that any speculative homes be constructed, especially in a troubled subdivision. However, there are also financial risks associated with holding unsold lots that have special assessment balances that are payable. Spec houses could potentially attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy. In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. For example, cities have been willing to defer the payment for the lot until the spec home is sold. Another incentive is to waive any water/sewer hook up fees, special assessment payments and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the upfront development costs.



## Rental Housing Recommendations

**Overview:** According to the 2010 Census, approximately 33% of all households in Dassel rented their housing. Dassel added more renter households than owner-occupancy households during the growth years between 2000 and 2010, and the rental tenure rate increased.

Dassel offers a mix of rental opportunities, in conventional, market rate projects, to income-restricted subsidized housing. The City also has a range of unit types, from single family houses that are renter-occupied, to a number of traditional multifamily apartment buildings, to some specialized housing options for seniors.

Only limited construction has occurred in the small cities in Meeker County in recent decades. The only multifamily rental project that can be identified in Dassel is the 8-unit Meeker County EDA development from the early 2000s. However, Census Bureau annual building permit summaries do show a number of additional attached housing units constructed. Most of these appear to be in twin home configurations, but some possible town house phases may also have been built. While some of these attached units may have been used as rental housing, the analysts have assumed that they were constructed with the intention of being sold as owner-occupancy housing.

Although no new traditional rental housing has been built in more than 10 years, it is possible that Dassel has continued to add some renter households. Between 2000 and 2010, the Census recorded a net gain of 30 renter households, well above the number of multifamily units constructed. It appears that a number of single family houses were converted to rental use in the prior decade, and tenure conversion may still be continuing.

Going forward, this Study has continued to allocate up to 35% of the annual household growth potential in Dassel to rental housing. Based on the projected annual growth of seven to eight total households per year, this would yield rental demand of approximately 12 to 14 rental housing units over a five-year period, due to anticipated growth.

While attracting long-distance commuters to live in Dassel is less likely, there is locally-generated demand, especially given the number of job opportunities that exist at locally-based employers, or in nearby communities.

Renters typically have less motivation to live far from their place of work. Since most renter households have moderate income levels, the costs of commuting create a greater burden. The exception seems to be renters looking for a single family home. Families that want to rent a house have been willing to live in smaller communities, even if commuting may be required. However, there is no feasible model of constructing new single family homes for rental use.

The following findings recommendations are made concerning rental housing issues:

## **7. Develop 8 to 10 additional units of rent market rate housing**

**Findings:** Dassel was a participating city in the County EDA's rental development projects in the late 1990s and early 2000s. However, only 8 market rate EDA units were built in the City.

In addition to Dassel, publicly-owned projects also exist in Litchfield, Cosmos, Eden Valley, Grove City and Watkins. These 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. In Dassel, the waiting list had five names at the time of the research for this Study.

The County EDA has used a skewed rent structure which varies by community. Dassel has the highest contract rent amount for a two-bedroom unit of all the participating communities. For comparison, the contract rent in Dassel is \$105 per month higher than in Eden Valley or Watkins, and \$65 more per month than charged in Litchfield. With the inclusion of tenant-paid utilities and garage parking, the gross monthly rent would be between \$950 and \$1,000 per month for a two-bedroom, and above \$1,000 per month for a three-bedroom EDA unit in Dassel.

Despite the fact that this gross rent is relatively high when compared to other options in the City, the EDA project has been successful. These are attractive units with large floor plans. If reduced to a gross rent per square foot calculation, the EDA units would still charge between \$0.75 and \$0.90 per foot, a price that would be difficult to replicate.

If new units are constructed in the future to serve the market rate segment, it is probable that a gross rent per square foot amount of approximately \$1.00/sq ft would be required. To achieve a rent structure that is somewhat similar to the existing projects, it is probable that a smaller unit size would be needed.

Additional demand would exist in Dassel for very affordable rental housing, but for market rate units, an assumption was made that qualifying households would need an annual income of \$35,000 or more. This limits the potential for additional market rate housing in the City.

It is possible that a larger number of market rate units could be developed, especially from potential commuters willing to live in Dassel while working elsewhere. Commuter information for cities in the County tend to show that most households do not live in the community where they work. To the extent that households are attracted from Litchfield, Hutchinson, Cokato or other cities in Wright or McLeod Counties, even more units could potentially be absorbed in Dassel. However, the analysts assume that additional rental construction will also occur within these other cities, and the unit recommendation in Dassel is primarily based on serving local-generated demand.

**Recommendation:** Based on the success of the last market rate rental project developed by the County EDA, Community Partners Research would recommend that 8 to 10 additional market rate units be developed.

These could be based on the style and design that has been used in the EDA project, with cottage-style units with attached garage parking. This type of unit can appeal to independent renter households, including senior citizens. A small apartment-style project could also be considered, especially in an attempt to maintain a more moderate rent structure.

Due the age of the market rate projects, it is unlikely that any newly-built units in Dassel could replicate the current rent structure being used, especially in the EDA units which have large floor plans. The following gross rent ranges are generally comparable to other moderate rent market rate 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.

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.

## **8. Promote the development of additional affordable market rate rental housing when possible**

**Findings:** Like most of the other small cities in Meeker County, Dassel would 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 Dassel, the median household income for all renters in 2014 was less than \$20,000. If a median income household were to apply 30% of income to housing costs, this would yield the need for a very affordable gross monthly rent of approximately \$500 per month. Countywide median for renters was higher, at \$28,844, but 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, demand would exist in Dassel for more 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. Although no specific unit recommendation is made, due to the difficulty of building affordable rental housing, a goal of 10 to 15 units over the next five years would help the City expand the rental options available to most renter households.

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. In 2016, this two-bedroom target rent would be \$724 or less.

In a number of the small cities in the County, including Dassel, it appears that some 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.

## **9. Monitor opportunities for income-restricted housing development**

**Findings:** Dassel has three rental projects that provide subsidized rental housing. Creamery Corner Apartments provides general occupancy housing and has 12 units. Halter Meadows Apartments provides general occupancy housing and has 12 units. Both of these projects are subsidized through USDA Rural Development.

The Meeker County HRA has 17 units of Public Housing in the Dassel Apartments project. Dassel Apartments was originally constructed as housing for lower income senior/disabled tenants, but a later HUD rule change made it available for general occupancy, although a preference still exists for senior and/or disabled applicants.

The Creamery Corner Apartments is listed on the MHFA Opt-Out log. In December 2016 this project has indicated that it intends to prepay its mortgage and end its subsidy contract.

The rental survey found no vacant subsidized units in Dassel. There was some variation in waiting lists. Halter Meadows reported no waiting list, and stated that demand can be limited. Creamery Corner reported a short waiting list, but said that many applicants need immediate access to housing, and are interested in being placed on a waiting list.

Dassel Apartments reported a long waiting list. Although most tenants are seniors, this is a general occupancy project that serves renters of all ages.

Although most of the subsidized units in Dassel can access project-based rent assistance, allowing rent based on 30% of income, there are six units in Creamery Corner that do not have rent assistance. In these units, the tenant must pay at least the basic rent amount that applies to their unit. The minimum basic rent is \$383 for a one-bedroom and \$458 for a two-bedroom.

In addition to the subsidized projects, Dassel residents also have access to tenant-based rent assistance Vouchers. In May 2016, there was one household in Dassel participating in the Meeker County program, with 50 households countywide. The waiting list is closed due to a length of 112 names.

When all of the subsidized options and moderate rent tax credit options are combined, approximately 38 renter households in the City have access to some type of subsidy, including 32 households that can pay rent based on 30% of household income. When compared to the estimated number of renter households in Dassel, between 15% and 17% of all renters in Dassel have access to some form of income-restricted housing.

**Recommendation:** The rental demand calculations presented in an earlier section of this document indicated that nearly 60% of existing renter households in Dassel had an annual income below \$25,000 in 2014. Most of these households would be candidates for income-based rental projects. The percentage of lower income renters is significantly greater than the percentage of income-restricted units available.

According to the American Community Survey, more than 60% of all renters in the City were paying 30% or more of their income for rent. Nearly all of these households were actually paying 35% or more of their income for housing, due to their low annual incomes.

Demand does exist for affordable rental units to serve households with an annual income below \$25,000. These low income renters that would generally need a very affordable unit. While the City has some subsidized rental options, most have only one bedroom, and there are no subsidized units with more than two bedrooms in Dassel.

The City should look for opportunities to create income-based housing with two or more bedrooms. However, resources for subsidized rental construction have not existed in many years. A more realistic option would be to look to expand the use of the tenant-based rent assistance program. In 2016, only one Dassel household had a Voucher. 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. The Creamery Corner Apartments is listed on the MHFA Opt-Out log. In December 2016 this project has indicated that it intends to prepay its mortgage and end its subsidy contract. Although some temporary rent assistance may be available to mitigate the impact on existing tenants, over time it is possible that the rent assistance currently used by six tenants will be lost.

## **10. Monitor demand for specialized senior housing**

**Findings:** Dassel has some specialized senior housing options that offer different levels of care, serving senior residents as they move through the aging cycle. These senior facilities range from a senior apartment building that can offer more independent to assisted living, a facility oriented to memory care needs, and a skilled nursing home.

The original specialized senior housing option is a skilled nursing facility that is licensed for 54 beds in 2016. Lakeside Health Care Center has downsized its bed count over time, and once had 64 or more beds. However, the de-licensing has allowed more rooms to be offered as private occupancy, increasing demand.

Lakeside Health Care Center has dedicated 12 beds to rehab/recovery stays, typically used by shorter-term occupants. The remaining 42 beds are available to longer-term residents.



The Augustana Lake Apartments were then constructed adjoining the nursing home. There are 33 apartments in this building. Originally, this was intended as independent living for seniors, but in 2007, the building began to offer assisted living services. At the time of the research for this Study, approximately 70% of the units were being used for assisted living, and 30% as more independent housing.

The other senior facility in Dassel, Lakeview Ranch, was constructed in 1999 as an adult day care facility. Over time, it transitioned into specialized care for people with memory loss, including those with disruptive behaviors. The building has capacity for 14 residents, but also has a companion facility near Darwin with 17 additional beds.

Although it is a small community, Dassel can provide a wide range of specialized housing options for seniors, including lower income seniors. Both Augustana Lakeside Apartments and Lakeview Ranch will accept residents that participate in County assistance programs, such as Elderly Waiver and CADI.

Although no occupancy survey was conducted for senior housing options in the larger region, the presence of competing facilities all around Dassel does result in a limited primary market area that would principally orient to the community. Residents may come from a more distant location if they cannot gain access to their preferred community, but they would initially look at facilities that are closer to where they live.

It is probable that Lakeview Ranch serves a larger trade area, since it serves a clientele that may not have options elsewhere, but for more traditional forms of specialized senior housing, there is a limited geographical area that contains seniors that would primarily view Dassel as their preferred location for housing with services.

To better understand the demand for units in Dassel, Community Partners Research has compared to existing supply of units to the senior population living in the Dassel Market Area, as defined in this Study.

At the time of the 2010 Census, there were approximately 636 senior citizens, age 65 and above, that were residing in the Market Area. However, specialized senior housing with services tends to primarily serve older seniors age 75 and above. In 2010, there were 333 older seniors living in this primary area. These older seniors formed 187 households, with a head-of-household age 75 or older.



The age-based estimates for the year 2015 from Esri show that the Market Areas added 22 people age 75 and older, and 22 older senior households between 2010 and 2015.

The projections contained in this Study anticipate some continued increase in older seniors within this market area during the current decade. When 2020 projections from Esri are compared to the 2015 estimates, approximately 59 additional older seniors and 35 older senior households are expected over the remainder of the current decade.

It is important to note that the senior estimates and projections would include people already residing in existing senior housing, including the skilled nursing home that already exists.

If an assumption is made that there will be approximately 38 older seniors living permanently in the skilled nursing home in Dassel. To sustain this level of bed utilization, Lakeside Health Care needed to capture approximately 11.5% to 12% of all older seniors living in the immediate area in 2015. By 2020, this required capture rate drops to approximately 10% to 10.5% of all older seniors.

Estimating the capture rate for other forms of senior housing is more difficult, since Augustana Lakeside can offer very flexible housing options. If an assumption is made that approximately 70% of the units in Lakeside will be oriented to senior assisted living, then 23 units would generally be available. When compared to the estimated number of approximately 210 older senior households in 2015, a capture rate between approximately 11% would be needed to fill all units. By 2020, this capture rate would drop to approximately 9% to 9.5% of the projected older senior households.

For lighter services housing, approximately 10 units would be available in Lakeside Apartments, based on current occupancy patterns. In 2015, this would generally require a capture rate that is between 5% and 5.5% of older senior households. By 2020, this would drop to approximately 4.5 to 5.0% of all older senior households, not living in a more advanced care option.

The capture rate in Lakeview Ranch can be compared to the older senior population not residing in the skilled nursing home. Based on the type of care provided, this facility serves a group that cannot generally be housed in other facilities. Within the immediate Market Area, a capture rate of approximately 4.4% was required in 2015, but it is probable that people are coming from greater distances to live in this property.

**Recommendation:** Dassel can provide a range of life-cycle housing choices for seniors. The community has a senior “continuum of care” that can serve seniors as they move through the aging cycle, from largely independent living to a skilled nursing home and memory care options.

This Study has assumed that the primary draw area for specialized senior housing includes the immediate jurisdictions that surround Dassel. The following observations on the senior market are offered by Community Partners Research, Inc.

***Lakeside Health Care Center*** - With up to 42 beds that are generally available for longer-term occupancy, this facility will need to capture 10% or more of all of the older senior residents projected for the area in the year 2020 to achieve full occupancy. This is viewed as a relatively high capture rate. In 2016, there was typically some unused capacity reported, with an annual occupancy rate of 92% or less. The Care Center has not de-licensed beds in recent years. Past de-licensing has also allowed more rooms to be used for private occupancy, versus shared occupancy. As the area’s older senior population continues to grow through the remainder of the decade, the required capture rate should drop, and the annual occupancy rate is likely to improve.

***Augustana Lakeside Assisted Living*** - Lakeside Apartments can offer a flexible unit, from largely independent to assisted living. At the time of the rental survey, approximately 70% of the units were being used for higher levels of assisted living. With the assumption that 23 units that would typically be available for assisted living, this facility will need to capture between 9% and 9.5% of the older senior households by the year 2020. While this is lower than the current required capture rate, due to some projected growth among households age 75 and older, this is still relatively high for an assisted living project in a small community. However, Lakeside will accept County assistance programs, and is not relying on just the private-pay market segment, which will help it to maintain a higher capture rate. It is also probable that it is attracting residents from a slightly larger market area in 2016.

***Lakeside Apartments Independent/Light Services*** - Lakeside can also offer flexible care apartments for seniors. Approximately 30% of the tenants were living more independently, or acquiring only light services, such as a daily meal, weekly laundry or light housekeeping. Although this is considered to be independent housing, the availability of the services for purchase does make this facility different from a traditional apartment building. Seniors that do not need immediate services can move into an apartment and then “age in place” as their care needs change. It is therefore oriented to older seniors, or people

with changing care needs. With approximately 10 units available for lighter services housing, this market segment needs a much lower capture rate than the companion assisted living apartments. By 2020, the estimated capture rate would need to be approximately 4.5% to 5% of older senior citizens. As the population of younger senior citizens continues to grow through the year 2020 and beyond, the target market should continue to grow from the advancing baby boom generation.

According to Augustana Lakeside Apartments, that facility has been analyzing the potential to add additional units for independent living, but had concluded that larger-scale demand was not sufficient. Instead, it is possible that a small expansion of additional apartment units is possible. This approach would be very consistent with the capture calculations presented above, which show lighter services housing as being in the smallest supply in the Dassel area.

***Lakeview Ranch*** - The Lakeview Ranch facilities in Dassel and Darwin can house up to 31 people with memory care needs, including people with more disruptive behaviors. This is a very large supply of beds for smaller communities, but highlights the very specialized type of care offered, which has the potential to serve people from a larger region.

With a diverse number of options already available in Dassel, we would recommend that the need for any additional specialized senior housing be monitored. If growth within the older senior target market proceeds as projected, then some additional demand should be created through the year 2020 and beyond. If significant evidence of unmet demand begins to appear, then a modest expansion of capacity could be advanced.

However, it must be recognized that the primary market area is limited in size, and that projected growth among older seniors is modest in scale over the next five years. Using the forecasts from Esri, net growth of approximately 59 older seniors and 35 older senior households are expected over the remainder of the current decade. At the capture rates listed above, this translates into only limited additional demand.

After the year 2020, larger-scale numeric growth would be expected, as the baby boom generation continues to age. A reevaluation of demand would be appropriate after 2020.

## **Housing Rehabilitation Recommendations**

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

Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities and in preventing the deterioration of neighborhoods. As this existing stock ages, more maintenance and repair are required. Without rehabilitation assistance, the affordable stock will shrink, creating an even more difficult affordability situation.

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

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

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

According to the American Community Survey, the median year of construction for owner-occupied houses in Dassel is 1970, so the community does have a stock of older single family houses. Countywide, the median year of construction is 1974.

As part of the research for this Study, a visual inspection was made of the single family housing stock in Dassel. The older parts of the community were divided into three 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. In the combined neighborhoods there were 151 single family structures that were viewed and rated.

There were 25 houses that were rated as needing major repair. There were also 48 houses rated as needing minor repair. There were 72 houses that were rated as sound, with no observable repair needs. Six houses were rated as dilapidated, and probably beyond the point of feasible repair.

Since the newer portions of the City were not surveyed, there would be more houses in better condition categories. There were also some mobile homes surveyed, that will be reported later in this section.

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

**Recommendation:** The primary funding source for concentrated neighborhood rehabilitation programs is the Small Cities Development Program (SCDP), administered by the MN Department of Employment and Economic Development (DEED). There was no information available on when Dassel last participated in a SCDP-funded housing program, but it has probably been 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.

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

**Findings:** Dassel has a broad mix of rental housing options. While the City does have a number larger multifamily buildings, nearly 40% of all rental units are in structures with only one to four units, including single family homes.

For all rental housing in Dassel, the estimated median year of construction was 1983, reflecting the impact of the multifamily units. However, approximately 19% of the rental housing was built before 1960. This primarily reflects single family houses that may have converted to rental use.

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

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

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

**Findings:** Community Partners Research did a visual condition survey of the mobile homes in Westview Terrace in Dassel. Of the 12 mobile homes that were viewed and rated, four were considered to be dilapidated, and probably beyond repair. Four additional mobile homes were judged to need major repair. Because mobile homes tend to decrease in value as they age, it is possible that repairing a deteriorated mobile home in Dassel is not financially feasible.

There was only one mobile home rated as sound and in good condition. Three mobile homes were rated as needing only minor repair.

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

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

- ▶ **Operation Safe Mobile Home Park** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished or salvaged. The owner could then use the funds from the sale to help purchase a new home. In some cases, housing agencies have provided funding for down payment assistance or gap financing programs to purchase new mobile homes. Also, mobile home dealerships have participated with buying the salvaged homes.

- ▶ ***Time of Sale Inspection Program*** - This inspection program is designed to provide safe living conditions to community residents through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale. All identified safety hazards must be corrected before the unit is sold and/or occupied.
- ▶ ***Cooperative/Land Trust*** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe atmosphere.

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

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

**Recommendation:** Ongoing efforts to clear severely substandard structures are encouraged. This will help to enhance the appearance and appeal of the community as a residential location. Cleared lots could then be offered as sites for new home construction.