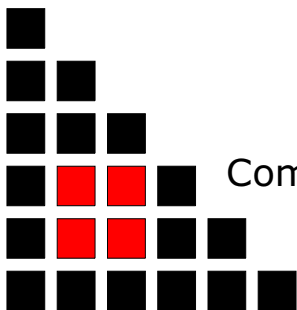


City of Grove City HOUSING STUDY

August 2016

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



Community Partners Research, Inc.
Lake Elmo, MN 55042

List of Sections

| | <u>Page</u> |
|--|--------------------|
| Introduction | 2 |
| Demographic and Income Data | 4 |
| Projection Data | 24 |
| Existing Housing Data | 29 |
| Rental Housing Inventory | 37 |
| Employment and Local Economic Trends Analysis | 45 |
| Findings and Recommendations | 53 |
| Home Ownership Recommendations | 54 |
| Rental Housing Recommendations | 60 |
| Housing Rehabilitation and Other Issues | 66 |

Introduction

Overview

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

Methodology

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

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

Limitations

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

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

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

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

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

Section Table of Contents

| | Page |
|--|------|
| Demographic Data Overview | 5 |
| Population Data and Trends | 7 |
| Population by Age Trends: 2000 to 2010 | 9 |
| Household Data and Trends | 11 |
| Household by Age Trends: 2000 to 2010 | 12 |
| Average Household Size | 14 |
| Household Tenure | 15 |
| Household Tenure by Age | 17 |
| Tenure by Household Size | 18 |
| 2014 Median Income Data | 19 |
| Household Income Distribution by Tenure | 20 |
| Estimated Income and Housing Costs - Renters | 22 |
| Estimated Income and Housing Costs - Owners | 23 |

Demographic Data Overview

Sources of Data

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

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

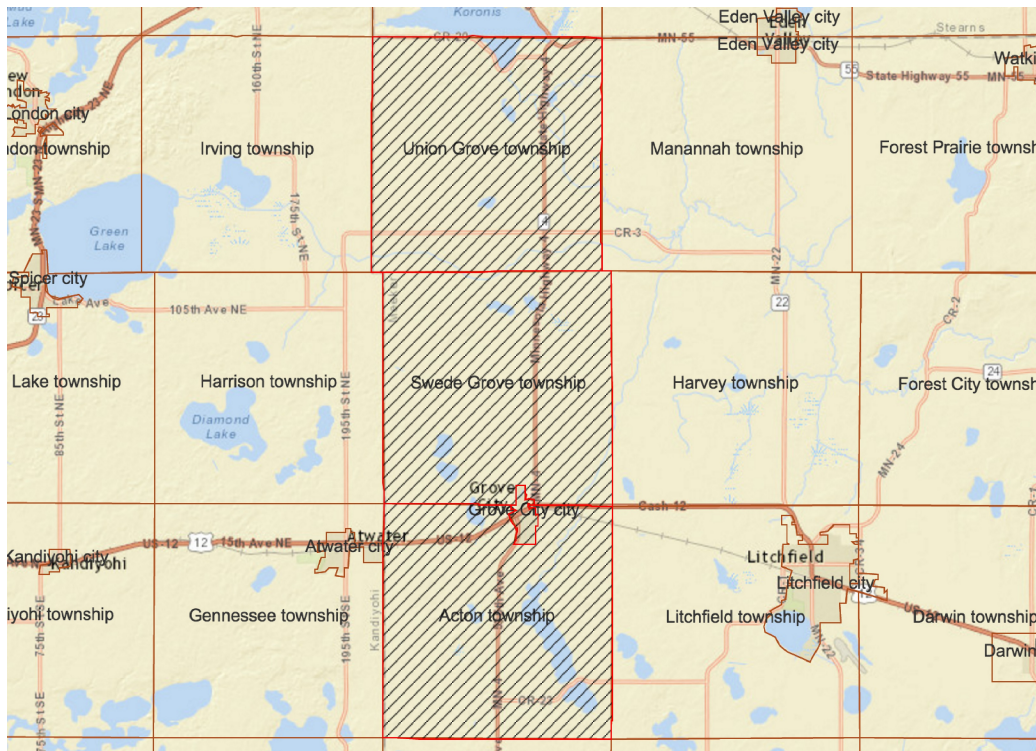
The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For the City of Grove City and for all of Meeker County, the 2014 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between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

Grove City Market Area Definition

The City of Grove City is located in close proximity to other, similar-sized or larger communities, including Litchfield (9 miles), Atwater (5 miles), Cosmos (15 miles) and Paynesville (17 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 Grove City, a primary market area definition includes the City of Grove City, Acton Township, Swede Grove Township and Union Grove 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.

| Table 1 Population Trends - 1990 to 2014 | | | | | | |
|---|----------------|----------------|-----------------------|----------------|-----------------------|------------------|
| | 1990 Census | 2000 Census | % Change 1990-2000 | 2010 Census | % Change 2000-2010 | 2014 Estimate |
| Grove City | 547 | 608 | 11.2% | 635 | 4.4% | 626 |
| Market Area | 2,040 | 2,028 | -0.6% | 2,043 | 0.7% | 2,034 |
| Meeker County | 20,846 | 22,664 | 8.7% | 23,300 | 2.8% | 23,122 |

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

As tracked by the decennial censuses, Grove City has experienced a long-term pattern of population growth. However, since 2010, estimates show that population growth has largely stopped, or possibly reversed.

According to the Minnesota State Demographer's Office, the resident population in Grove City was 626 people in 2014, down by nine people from 2010. The Census Bureau's annual estimate for 2015, placed Grove City's population at 616 people, down by 19 people from the 2010 Census.

The 2015 population estimate from Esri, a private data reporting service, showed the City's population at 628 people. Based on this estimate, the City lost seven people between 2010 and 2015.

Although there are minor differences, each of the available estimating sources show the same basic trend after 2010. On an average basis, these estimates show the City losing between one and four residents per year since 2010.

Some minor differences also exist in the recent population trends for the larger Market Area. Esri shows 2,044 people living in the aggregated jurisdictions in 2015, compared to 2,043 in 2010, a decrease of only one person over the five-year time period.

The State Demographer's 2014 estimate for the Market Area shows a loss of nine people between 2010 and 2014. The Census Bureau's estimates show 2,018 people living in the Market Area in 2015, down by 25 people from 2010.

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

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

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

Population by Race and Ethnicity

Grove City's population is primarily White and non-Hispanic. At the time of the 2010 Census, more than 98% of the City's residents identified themselves as White for race, and less than 3% 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, Grove City had no group quarter's residents.

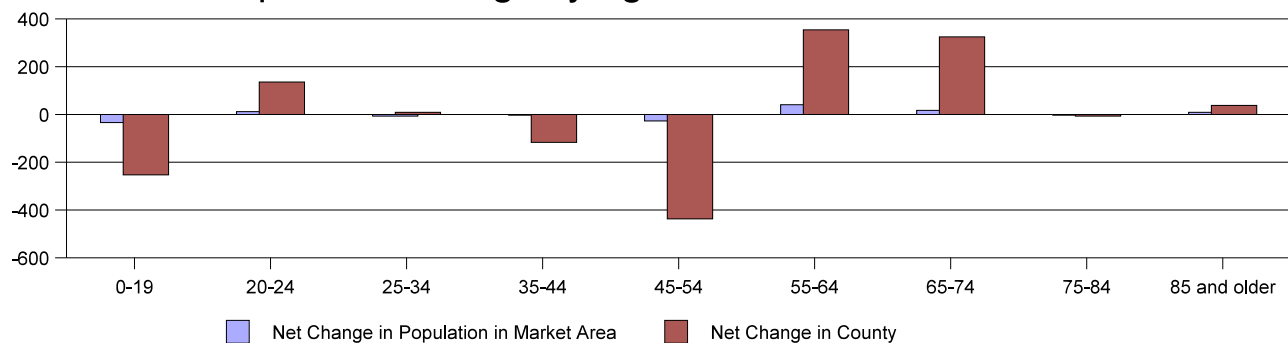
Population by Age Trends: 2010 to 2015

Although Esri's estimates for Grove City 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 Grove City Market Area and for all of Meeker County.

| Table 2 Population by Age - 2010 to 2015 | | | | | | |
|---|------------------------|-------|--------|---------------|--------|--------|
| Age | Grove City Market Area | | | Meeker County | | |
| | 2010 | 2015 | Change | 2010 | 2015 | Change |
| 0-19 | 590 | 556 | -34 | 6,406 | 6,153 | -253 |
| 20-24 | 86 | 98 | +12 | 1,067 | 1,203 | +136 |
| 25-34 | 256 | 249 | -7 | 2,543 | 2,552 | +9 |
| 35-44 | 219 | 216 | -3 | 2,709 | 2,592 | -117 |
| 45-54 | 326 | 299 | -27 | 3,645 | 3,208 | -437 |
| 55-64 | 251 | 292 | +41 | 3,095 | 3,449 | +354 |
| 65-74 | 168 | 185 | +17 | 1,947 | 2,272 | +325 |
| 75-84 | 118 | 115 | -3 | 1,290 | 1,283 | -7 |
| 85+ | 29 | 38 | +9 | 598 | 636 | +38 |
| Total | 2,043 | 2,048 | +5 | 23,300 | 23,348 | +48 |

Source: U.S. Census; Esri

Population Change by Age Between 2010 and 2015



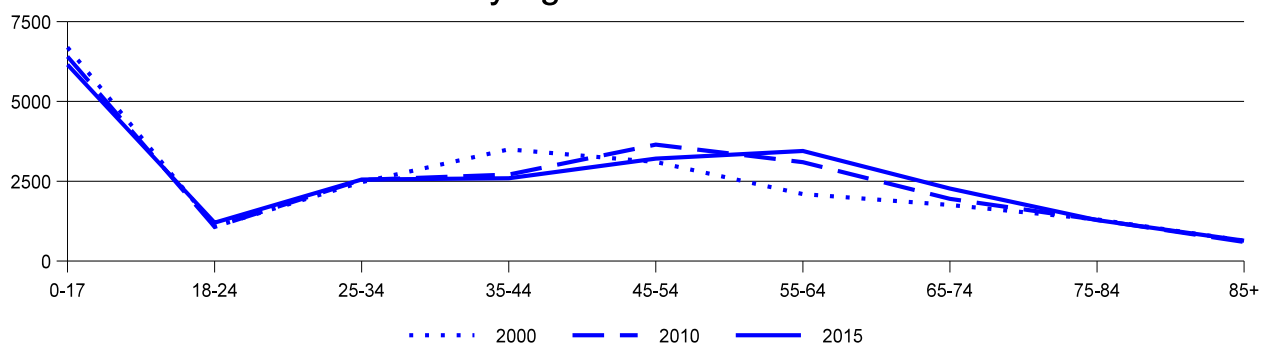
For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been very evident in the Grove City area. Between 2010 and 2015, the Grove City Market Area had a net gain of only five people according to Esri, but added 64 people in the age ranges 55 and older. This was then offset by a reduction of 59 people age 54 and younger.

Within the younger age groups, Esri believes that the young adult age range between 20 to 24 years old increased slightly in size between 2010 and 2015. But each of the other younger age ranges decreased in size. In the older adult ranges, most of the growth has been in the 10-year group between 55 and 64 years old. In 2015, many of the baby boomers were within this age cohort.

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

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

Meeker County Age Distribution: 2000 to 2015



Household Data and Trends

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

| Table 3 Household Trends - 1980 to 2014 | | | | | | |
|--|----------------|----------------|-----------------------|----------------|-----------------------|------------------|
| | 1990 Census | 2000 Census | % Change 1990-2000 | 2010 Census | % Change 2000-2010 | 2014 Estimate |
| Grove City | 223 | 257 | 15.2% | 268 | 4.3% | 265 |
| Market Area | 719 | 775 | 7.8% | 784 | 1.2% | 782 |
| Meeker County | 7,651 | 8,590 | 12.3% | 9,176 | 6.8% | 9,185 |

Source: U.S. Census; MN State Demographer

Based on the decennial censuses, Grove City and the surrounding townships experienced solid household growth in recent decades. However, after 2010, the rate of growth has largely stopped, based on most of the recent estimates.

According to the State Demographer's most recent estimate, the City's household count has decreased by three households from 2010 to 2014. However, Esri believes that only one less resident household is present in 2015. Although no annual household estimate exists from the Census Bureau, their recent population estimate showed some population loss after 2010, implying a household reduction as well.

When the entire Grove City Market Area was analyzed, the Demographer tracked a loss of only two households between 2010 and 2014. However, Esri estimates growth of six households from 2010 to 2015, with all of the net growth attributable to the three 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

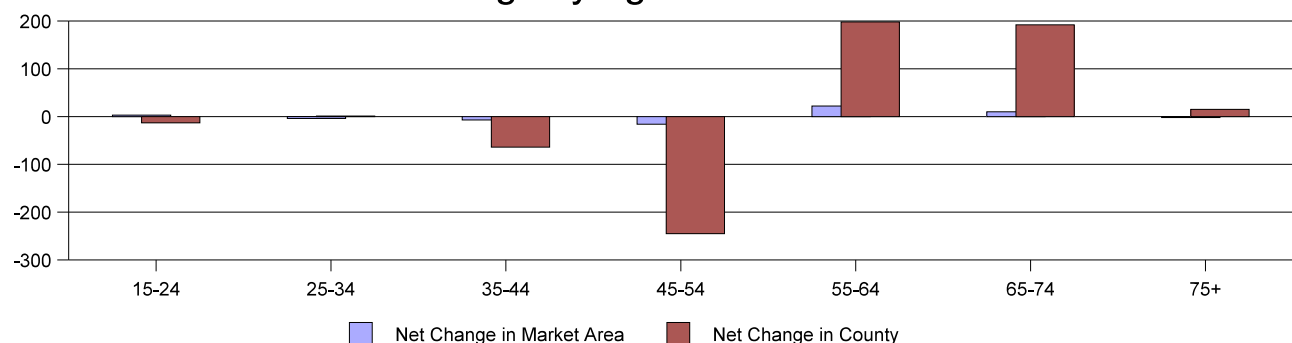
Esri once again has slightly higher household estimates than from other sources, but the Esri estimates also include a level of detail not available elsewhere. The following table uses the Esri data to compare households by age of householder in 2010 and 2015, along with the numeric changes.

| Table 4 Households by Age - 2010 to 2015 | | | | | | |
|---|------------------------|------|--------|---------------|-------|--------|
| Age | Grove City Market Area | | | Meeker County | | |
| | 2010 | 2015 | Change | 2010 | 2015 | Change |
| 15-24 | 26 | 29 | +3 | 309 | 296 | -13 |
| 25-34 | 115 | 111 | -4 | 1,198 | 1,199 | +1 |
| 35-44 | 117 | 110 | -7 | 1,448 | 1,384 | -64 |
| 45-54 | 181 | 165 | -16 | 1,998 | 1,753 | -245 |
| 55-64 | 146 | 168 | +22 | 1,763 | 1,961 | +198 |
| 65-74 | 97 | 107 | +10 | 1,199 | 1,391 | +192 |
| 75+ | 102 | 100 | -2 | 1,261 | 1,276 | +15 |
| Total | 784 | 790 | +6 | 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 Grove City Market Area, the largest net growth in households occurred in the 10-year age group between 55 and 64 years old.

Household Change by Age Between 2010 and 2015

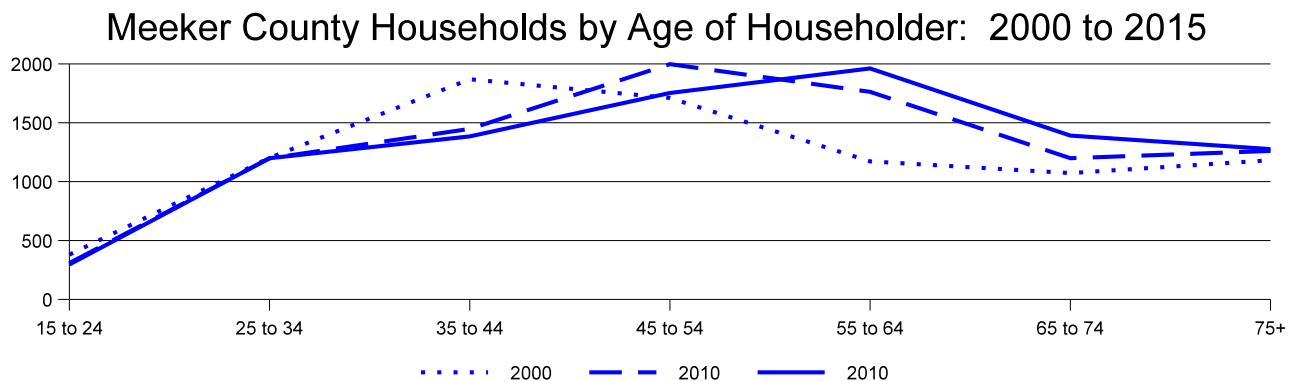


For the Grove City Market Area, the estimates show that the Market Area had an increase of 30 households age 55 and older, but a net reduction of 24 households age 54 and younger.

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

There was an overall increase in the number of senior-headed households in Meeker County, but most of this was in the youngest senior range between 65 and 74 years old.

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



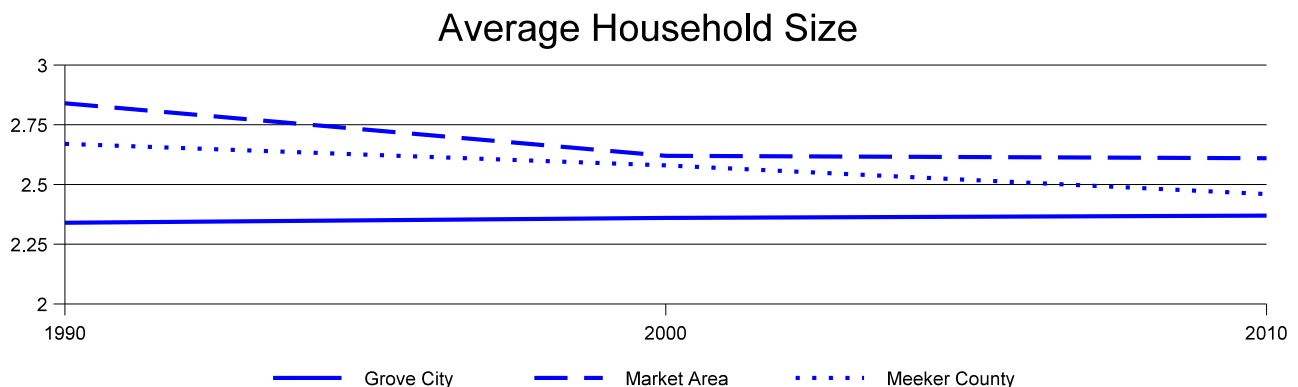
Average Household Size

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

| Table 5 Average Number of Persons Per Household 1990 to 2014 | | | | |
|---|-------------|-------------|-------------|---------------|
| | 1990 Census | 2000 Census | 2010 Census | 2014 Estimate |
| Grove City | 2.34 | 2.36 | 2.37 | 2.36 |
| Market Area | 2.84 | 2.62 | 2.61 | 2.60 |
| 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.



However, in Grove City, the average household size has remained relatively stable over time. The Demographer's 2014 estimate of an average household size of 2.36 persons in 2014 is identical to the year 2000, and slightly larger than 1990.

During this same time, the average size for the entire Market Area has been decreasing, although at a slow rate since 2000.

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

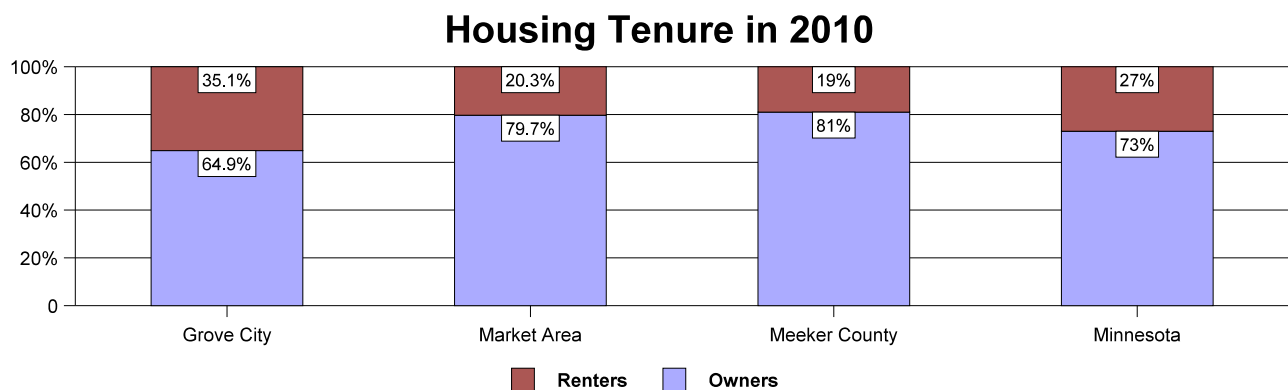
Housing Tenure

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

| Table 6 Household Tenure - 2010 | | | | |
|--|------------------|---------------------------|-------------------|---------------------------|
| | Number of Owners | Percent of all Households | Number of Renters | Percent of all Households |
| City of Grove City | 174 | 64.9% | 94 | 35.1% |
| Market Area | 625 | 79.7% | 159 | 20.3% |
| 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 Grove City was at 64.9%, with the remaining 35.1% of households renting their unit. When the entire Grove City Market Area aggregation was reviewed, the home ownership rate increased to nearly 80%, 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 | Grove City | | | Meeker County | | |
|---------|------------|------|--------|---------------|-------|--------|
| | 2000 | 2010 | Change | 2000 | 2010 | Change |
| Owners | 175 | 174 | -1 | 7,018 | 7,437 | +419 |
| Renters | 82 | 94 | +12 | 1,572 | 1,739 | +167 |
| Total | 257 | 268 | +11 | 8,590 | 9,176 | +586 |

Source: U.S. Census

The rental tenure rate for Grove City increased over the last decade. At the time of the 2000 Census, the City's rental tenure rate was 31.9%. By 2010, it had increased to 35.1%.

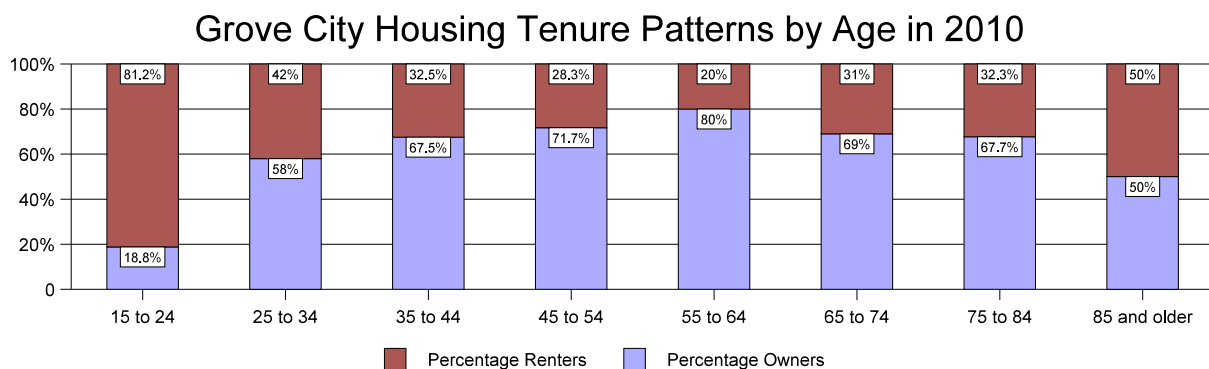
In 2000, the Meeker County rental tenure rate was at 18.3%. By 2010, it had increased to 19.0%.

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 Grove City.

| Table 8 Grove City Tenure by Age of Householder - 2010 | | | | |
|---|--------|--------------------|---------|--------------------|
| Age | Owners | | Renters | |
| | Number | Percent within age | Number | Percent within age |
| 15-24 | 3 | 18.8% | 13 | 81.2% |
| 25-34 | 29 | 58% | 21 | 42% |
| 35-44 | 27 | 67.5% | 13 | 32.5% |
| 45-54 | 43 | 71.7% | 17 | 28.3% |
| 55-64 | 28 | 80% | 7 | 20% |
| 65-74 | 20 | 69% | 9 | 31% |
| 75-84 | 20 | 67.7% | 10 | 32.3% |
| 85+ | 4 | 50% | 4 | 50% |
| Total | 174 | 75.6% | 94 | 24.4% |

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 higher rates of renter-occupancy, but for all age groups, home ownership rates were 58% or higher. There were very high rates of ownership for middle-aged adult households. Home ownership rates for each of the 10-year age cohorts between 35 and 84 years old were above 67%.

Tenure by Household Size

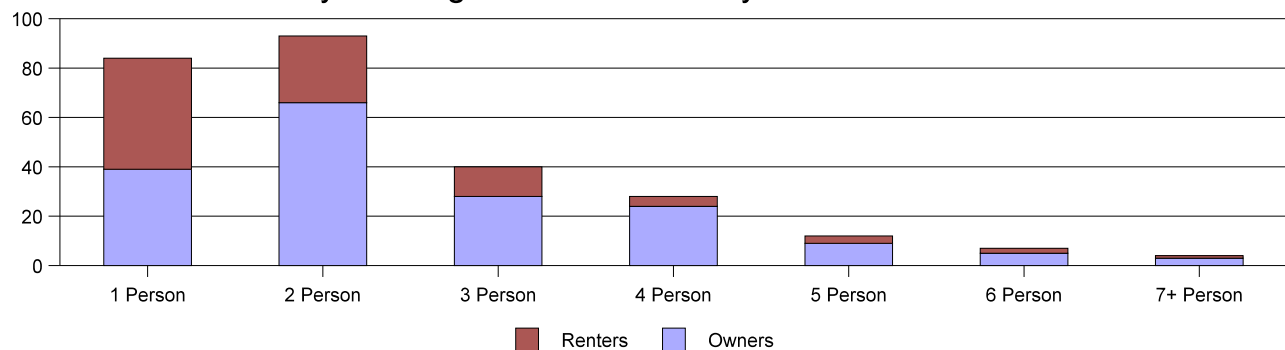
The 2010 Census did provide information on housing tenure by household size. This can be compared to 2000 Census information to better understand trends for housing unit needs. This information is for the City of Grove City.

Table 9 Grove City Tenure by Household Size: 2000 to 2010

| Household Size | Owners | | | Renters | | |
|----------------|--------|------|--------|---------|------|--------|
| | 2000 | 2010 | Change | 2000 | 2010 | Change |
| 1-Person | 43 | 39 | -4 | 38 | 45 | +7 |
| 2-Person | 69 | 66 | -3 | 22 | 27 | +5 |
| 3-Person | 22 | 28 | +6 | 9 | 12 | +3 |
| 4-Person | 22 | 24 | +2 | 5 | 4 | -1 |
| 5-Person | 15 | 9 | -6 | 7 | 3 | -4 |
| 6-Person | 3 | 5 | +2 | 1 | 2 | +1 |
| 7-Persons+ | 1 | 3 | +2 | 0 | 1 | +1 |
| Total | 175 | 174 | -1 | 82 | 94 | +12 |

Source: U.S. Census

Grove City Housing Tenure Patterns by Household Size in 2010



Although most households in Grove City have only one or two members, there was some growth in the number of households with three members in the prior decade.

At the time of the 2010 Census, more than 60% of all home owners and nearly 77% 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 Grove City Market Area, since these are separate jurisdictions that have been aggregated for analysis in this Study. Income information from the 2014 American Community Survey can be compared to similar estimates from 2010 to track recent changes.

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

| Table 10 Median Income - 2010 to 2014 | | | |
|--|-------------|-------------|----------|
| | 2010 Median | 2014 Median | % Change |
| Households | | | |
| Grove City | \$43,021 | \$34,750 | -19.2% |
| Meeker County | \$51,173 | \$54,049 | 5.6% |
| Minnesota | \$57,243 | \$60,828 | 6.3% |
| Families | | | |
| Grove City | \$47,083 | \$49,018 | 4.1% |
| 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 Grove City has decreased significantly in recent years. When compared to the level estimated in 2010, the City's median household income decreased by more than 19%. However, the City's median family income increased by more than 4% over that time. The lower median household income could be a data flaw resulting from the small sample size.

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 Grove City could afford approximately \$870 per month for ownership or rental housing in 2014.

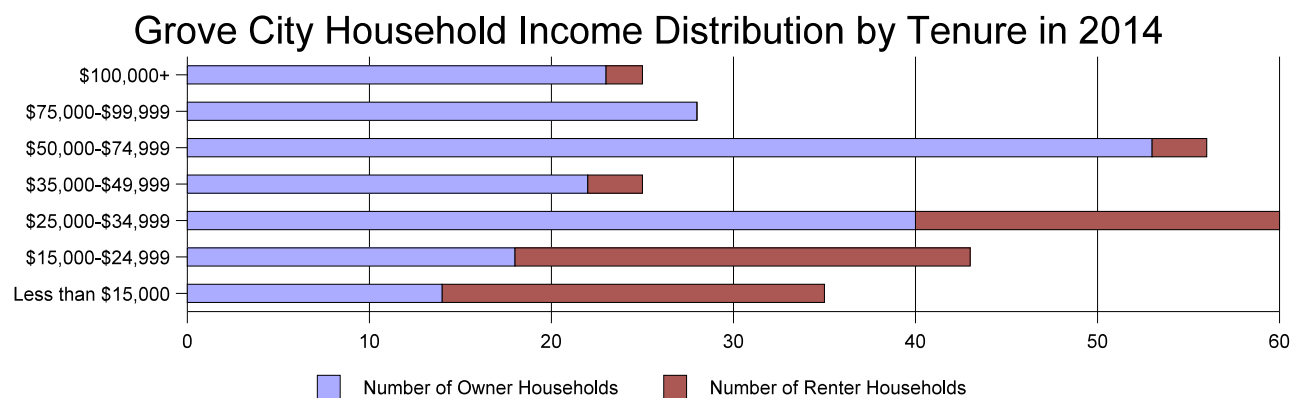
Grove City Income Distribution by Housing Tenure

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

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 Grove City, the American Community Survey estimate is relatively accurate when compared to other sources. However, the ACS estimates appear to be too high for owner households and too low for renter households, when compared to the tenure distribution present at the time of the 2010 Census.

| Table 11 Grove City Income Distribution by Tenure - 2014 | | | |
|---|----------------------------|-----------------------------|------------------|
| Household Income | Number of Owner Households | Number of Renter Households | Total Households |
| \$0 - \$14,999 | 14 | 21 | 35 |
| \$15,000 - \$24,999 | 18 | 25 | 43 |
| \$25,000 - \$34,999 | 40 | 20 | 60 |
| \$35,000 - \$49,999 | 22 | 3 | 25 |
| \$50,000 - \$74,999 | 53 | 3 | 56 |
| \$75,000 - \$99,999 | 28 | 0 | 28 |
| \$100,000+ | 23 | 2 | 25 |
| Total | 198 | 74 | 272 |

Source: 2014 American Community Survey



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

In 2014, more than 89% of all renter households in Grove City 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 53% of owner households had an annual income of \$50,000 or more. However, approximately 36% 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 only \$22,500, while the median income for home owners was \$55,625.

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 Grove City.

| Table 12 Gross Rent as a Percentage of Income - Grove City | | |
|---|-----------------------------|----------------------------------|
| Percent of Income for Housing | Number of Renter Households | Percent of all Renter Households |
| Less than 20% | 6 | 8.1% |
| 20% to 29.9% | 11 | 14.9% |
| 30% to 34.9% | 14 | 18.9% |
| 35% or more | 36 | 48.6% |
| Not Computed | 7 | 9.5% |
| Total | 74 | 100% |

Source: 2014 American Community Survey

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

According to the American Community Survey, nearly 68% of all renters in the City were paying 30% or more of their income for rent. Most 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 Grove City it was primarily due to low income levels for renters. All of the renter households with a housing cost burden had an annual household income below \$35,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$875 or less.

2014 Estimated Income and Housing Costs - Owners

The American Community Survey also provided housing cost estimates for owner-occupants. The following table provides estimates of the number of households in the City of Grove City that are paying different percentages of their gross household income for housing costs.

| Table 13 Ownership Costs as a Percentage of Income - Grove City | | |
|--|---------------------------------|--------------------------------------|
| Percentage of Household Income for Housing Costs | Number of Owner Households 2014 | Percent of All Owner Households 2014 |
| 0% to 19.9% | 95 | 48.0% |
| 20% to 29.9% | 59 | 29.8% |
| 30% to 34.9% | 17 | 8.6% |
| 35% or more | 27 | 13.6% |
| Not Computed | 0 | 0% |
| Total | 198 | 100% |

Source: 2014 ACS

Most owner-occupants, which would include both households with and without a mortgage, reported paying less than 30% of their income for housing. However, more than 22% 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 20% of owners reporting a cost burden had no mortgage. In these cases, it was generally a low annual income that has caused the cost burden, such as a retiree that lived on a fixed income.

Population Projections

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

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

| Table 14 Population Projections Through 2015/2020 | | | | |
|--|-----------------|-----------------|-------------------|-----------------|
| | Esri Projection | | State Demographer | |
| | 2015 Estimate | 2020 Projection | 2014 Estimate | 2020 Projection |
| Grove City | 628 | 626 | 626 | 660 |
| Market Area | 2,044 | 2,055 | 2,034 | 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 Grove City does show some minor population loss since 2010. Based on their current-year estimate, Esri also projects a minor population loss continuing through the year 2020. However, the annual reduction would be less than one person per year.

The 2020 projection from the State Demographer had expected the City to grow slightly between 2010 and 2020. However, through 2014, some minor loss of population has occurred, and growth for the remainder of the decade would now appear less likely.

For the entire Grove City Market Area, Esri expects that 11 people will be added between 2015 and 2020, or an average of approximately two people per year. This projection would expect the population growth to be outside the City of Grove City, 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.

| Table 15 Household Projections Through 2020 | | | | |
|--|---------------|-----------------|-------------------|-----------------|
| | Esri | | State Demographer | |
| | 2015 Estimate | 2020 Projection | 2014 Estimate | 2020 Projection |
| Grove City | 267 | 268 | 265 | 280* |
| Market Area | 790 | 798 | 782 | 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 Grove City will add only one household between 2015 and 2020. This is a continuation of the stable pattern of recent change as estimated by Esri, which shows that Grove City lost one household from 2010 to 2015.

The State Demographer has not been tracking recent growth within the City of Grove City. 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 one to two 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 three households per year for the remainder of the decade.

For the entire Market Area, Esri projections show total growth of eight households over a five-year period, or less than two households in an average year. Nearly all of this growth would be expected in the townships that border Grove City. 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

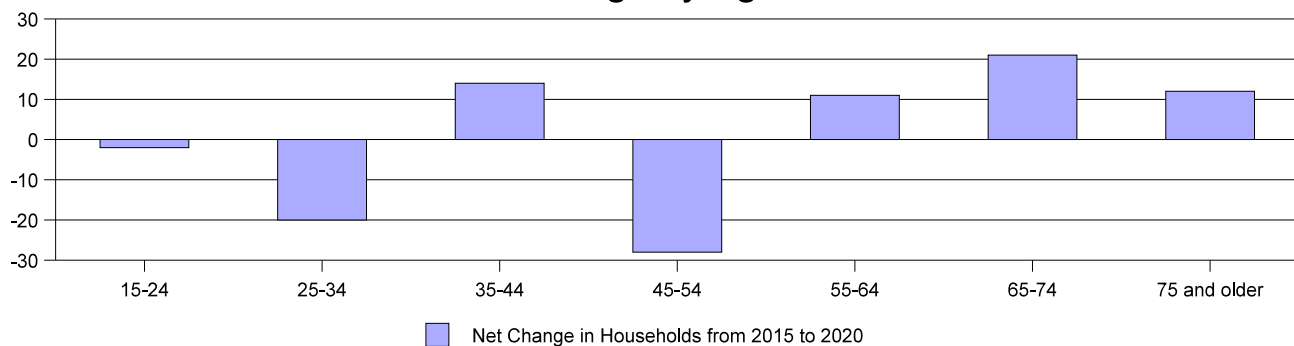
Esri has generated age-based projections for households to the year 2020. These projections can be compared to the data contained in the 2015 Esri estimate to examine the change projected over the next few years. These age-based forecasts are for the entire Grove City Market Area.

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

| Age | 2015 Estimate | 2020 Projection | Numeric Change |
|-------|---------------|-----------------|----------------|
| 15-24 | 29 | 27 | -2 |
| 25-34 | 111 | 91 | -20 |
| 35-44 | 110 | 124 | +14 |
| 45-54 | 165 | 137 | -28 |
| 55-64 | 168 | 179 | +11 |
| 65-74 | 107 | 128 | +21 |
| 75+ | 100 | 112 | +12 |
| Total | 790 | 798 | +8 |

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 35 to 44 years old. Most of the net decrease will occur among households age 45 to 54 years old, as the age range behind the baby boomers was not as large. Overall, the Market Area should have a decrease of households age 54 and younger, but an increase in the number of households age 55 and older.

Building Permit Trends

Like many smaller communities in Minnesota, Grove City has had limited new housing construction activity over the past few years. The following table uses information from the U.S. Census Bureau on annual building permit issuance from 2000 through 2015.

| Table 17 Grove City Housing Construction Activity: 2000 to 2015 | | | | |
|--|---------------|------------------|-------------|-------------|
| 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 | 0 | 0 | 0 | 0 |
| 2011 | 1 | 0 | 0 | 1 |
| 2010 | 0 | 0 | 0 | 0 |
| 2010-2015 Total | 1 | 0 | 0 | 1 |
| 2000-2009 Total | 5 | 2 | 4 | 11 |

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

Since 2010, only one new single family house has been built in Grove City. In the prior decade, five single family houses were constructed. There was also one duplex and a 4-unit market rate rental project developed by the County EDA and permitted in 2001.

At the time of the 2000 Census, there were 271 housing units recorded. By 2010, there were 291 housing units counted in Grove City. Based on this reconciliation, there were 20 total units added during the decade. This total is higher than the 11 units that appear to have been constructed during the decade.

Median Year of Construction

The 2014 American Community Survey included an estimate of the median year of construction for housing. In Grove City, the median year for owner-occupancy units was 1949. The median year of construction for rental housing was 1968.

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

Units by Structure Type

The 2010 Census did not collect information about structure types. However, according to the 2014 American Community Survey estimates, more than 78% of the housing units in Grove City 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 less than 22% of all housing options were in multiple unit structures with two or more units.

Mobile Homes

According to City staff, there is one mobile home park in Grove City. Approximately eight mobile homes are present in 2016. There may be one or two vacant lots. Over time, some older mobile homes have been removed.

At the time of the 2000 Census, there were 18 mobile homes counted in Grove City so it would appear that some mobile homes have been removed over time.

Municipal Services

According to City staff, Grove City's municipal sewer and water systems are in early stages of a major upgrade that will proceed over the next few years. New treatment ponds will be constructed and sewer and water line replacement will occur.

Residential Lots

According to City staff, Grove City has one newer subdivision with a few vacant lots. However, these lots may be individually owned by people that never proceeded to build a house, and the lots may not be for sale.

The City has some larger tracts of land that could be used for future development, including a former sports field. It is possible that as part of the upcoming infrastructure project, water and sewer services will be extended into these areas.

Existing Home Sales

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

| Sales Year | Number of Sales | Median Price | Highest Sale | Lowest Sale |
|----------------|-----------------|--------------|--------------|-------------|
| 2016 (partial) | 0 | - | - | - |
| 2015 | 7 | \$90,425 | \$138,500 | \$50,000 |
| 2014 | 2 | - | \$76,000 | \$55,000 |
| 2013 | 6 | \$87,750 | \$115,250 | \$45,000 |
| 2012 | 5 | \$89,500 | \$132,500 | \$44,000 |
| 2011 | 6 | \$68,450 | \$124,100 | \$43,000 |
| 2010 | 1 | \$84,500 | - | - |

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

Home prices in Grove City are generally moderate, based on recent sales activity. Over the past six full years, the median price has typically been between \$68,000 and \$90,500.

In addition to a moderate median sale price, there have been few higher-priced sales in the City. Of 27 total recorded sales since 2010, only six houses have sold for more than \$100,000, and no houses have been sold for \$140,000 or more.

In most years, at least one house has sold for \$50,000 or less.

An alternate home value estimate exists in the 2014 American Community Survey. Based on the sampling of home owners, the estimated median value was \$88,300, a very similar amount as derived from sales data.

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 Grove City. A review in May 2016 found 11 single family homes listed for sale. There were some additional properties that appeared to be outside of the city limits but with a Grove City 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 Grove City 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 Grove City as posted on Realtor.com.

| Table 19 Grove City Active MLS Listings by Price - May 2015 | | |
|--|--------------------|---------------------|
| Asking Price | Number of Listings | Percent of Listings |
| Less than \$75,000 | 4 | 36.4% |
| \$75,000 - \$99,999 | 2 | 18.2% |
| \$100,000 - \$124,999 | 2 | 18.2% |
| \$125,000 - \$149,999 | 1 | 9.1% |
| \$150,000 - \$174,999 | 2 | 18.2% |
| \$175,000+ | 0 | 0% |
| Total | 11 | 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 \$170,000. Overall, approximately 73% of active listings in May 2016 were priced below \$125,000. No houses were priced at \$175,000 or more.

Meeker County Home Foreclosure Activity

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

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

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

| Table 20 Meeker County Home Foreclosures - 2005 to 2013 | | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Foreclosures | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Number | 86 | 94 | 114 | 95 | 87 | 114 | 94 | 82 | 63 |
| Rate | 0.99% | 1.07% | 1.28% | 1.06% | 0.97% | 1.27% | 1.05% | 0.92% | 0.71% |

Source: HousingLink; Community Partners Research

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

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

Housing Condition

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

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

Neighborhood #1: North border - Atlantic Avenue
 South border - Ulla Avenue
 East border - South 1st Street
 West border - South 4th Street

Neighborhood #2: North border - City limits
 South border - Atlantic Avenue
 East border - City limits
 West border - North 5th Street

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

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

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

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

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

Table 21 Windshield Survey Condition Estimate - 2016

| Neighborhood | Sound | Minor Repair | Major Repair | Dilapidated | Total |
|--------------|----------|--------------|--------------|-------------|-------|
| #1 | 36/45.0% | 27/33.8% | 15/18.8% | 2/2.4% | 80 |
| #2 | 11/42.3% | 7/26.9% | 6/23.1% | 2/7.7% | 26 |
| Total | 47/44.3% | 34/32.1% | 21/19.8% | 4/3.8% | 106 |

Source: Community Partners Research, Inc.

In total, 106 single family-style houses were viewed and rate in Grove City.

More than 76% of all rated houses were in the top two condition categories, with more than 44% rated as sound, and approximately 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 21 houses that were rated as needing major repair. Depending on the actual value of these houses, they may not be economically feasible to rehabilitate.

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

There were also 13 mobile homes in Grove City that were scattered throughout the community which were also viewed and rated.

Table 22 Mobile Home Survey Condition Estimate - 2016

| | Sound | Minor Repair | Major Repair | Dilapidated | Total |
|--------------|--------|--------------|--------------|-------------|-------|
| Mobile Homes | 1/7.7% | 6/46.2% | 4/30.7% | 2/15.4% | 13 |

Source: Community Partners Research, Inc.

Nearly 54% 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 two mobile homes rated as dilapidated.

Rental Housing Data

According to the 2010 Census, the City of Grove City had 94 occupied rental housing units, and at least 11 unoccupied rental units, for a total estimated rental inventory of 105 units. The City's rental tenure rate was 35.1% in 2010, above the Statewide rental rate of 27%.

At the time of 2000 Census, Grove City had 82 occupied rental units, and at least five vacant units, for a total rental housing inventory of 87 units. The City's percentage of occupied rental units in 2000, at 31.9%, was also above the Statewide rate of 25.4%.

Based on a reconciliation of Census data, the City added 12 renter-occupancy households, and at least 18 rental housing units over the previous decade. During the decade there was very limited development of new rental housing in Grove City. Only six multifamily units can be identified from building permit records, and only four of these are identified as rental housing. Based on the net gain in renter households and units as counted by the Census, it is probable that some 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 five single family houses that were issued a building permit in Grove City. During the decade from 2000 to 2010, the City had a decrease of one owner-occupancy household. This would imply that some single family houses or mobile homes were converted into rental use.

Rental Housing Survey

From April through June of 2016, a telephone survey was conducted of multifamily rental developments in the cities in Meeker County. All of the surveys in Grove City were completed in May.

The survey focused on rental properties with four or more units. The table that follows presents information for market rate and subsidized projects separately.

There were 61 housing units of all types that were contacted in the survey. This represents approximately 58% of the City's estimated total of rental housing.

The units that were successfully contacted include:

- 31 market rate units
- 30 subsidized units

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

Market Rate Summary

Usable information was available from four different market rate properties with a combined total of 31 market rate units. All of the individual properties contained four or more rental units. One of the projects, SouthGrove Square, is senior-designated for tenants age 55 and older, but does provide market rate housing.

Unit Mix

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

- One-bedroom - 11 units (35.5%)
- Two-bedroom - 20 units (64.5%)

Occupancy / Vacancy

Within the market rate multifamily segment there was only one unit reported as vacant on the date of the survey, but an application was being processed to fill this unit. As a result, the estimated vacancy rate was less than 1%.

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 inclusive of the tenant-paid utilities.

The lowest and highest gross rents have been listed, as reported to the telephone survey.

| <u>Unit Type</u> | <u>Lowest/Highest Gross Rents</u> |
|------------------|---------------------------------------|
| 1-bedroom | \$470-\$603 |
| 2-bedroom | \$505-\$765 |

It is important to note that there can be significant variation in the age and style of units reflected in the rent ranges above.

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 Grove City.

There has only been one tax credit project that was funded in all of Meeker County, the Terraceview Townhomes project in Litchfield in 1997. There is also a tax credit project in the Stearns County portion of Eden Valley.

Subsidized Summary

Grove City has two rental projects that provide subsidized rental housing for lower income people. The County HRA has four scattered site Public Housing units in Grove City. There is also a 26-unit project known as Grove Heights Townhomes. All of the subsidized options are available for general occupancy.

Unit Mix

The bedroom mix for subsidized units is as follows:

- ▶ Efficiency - 1 unit (3.3% of all units)
- ▶ One-bedroom - 19 units (63.3%)
- ▶ Two-bedroom - 7 units (23.3%)
- ▶ Three-bedroom - 3 units (10%)

While all of the units in Grove Heights Townhomes are designated for general occupancy, it is very possible that the project was originally designated for senior/disabled occupancy. Twenty of the 26 total units are one-bedroom or efficiency options. In smaller communities it is fairly typical to see a change in occupancy designation, as insufficient demand may be present over time.

Occupancy / Vacancy

The rental survey found four vacant units in Grove Heights Townhomes, although the only vacant two-bedroom was under repair, and not actually available for occupancy. Excluding the intentionally vacant unit, the vacancy rate was approximately 30%.

The estimated vacancy rate within the subsidized segment can be somewhat misleading. Grove Heights does not have project-based rent assistance available for all of the units. In a unit without rent assistance, a minimum allowable rent of \$583 would apply to a one-bedroom. This rent structure is generally comparable to other non-subsidized options in Grove City.

The manager of Grove Heights reported that better demand does exist for larger units, with two or more bedrooms. The Meeker County HRA does have a long waiting list for its scattered site Public Housing units in various communities around the County.

Rental Rates

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

There is less demand for units without rent assistance, even though waiting lists may exist for the rent assisted units. Generally, a new tenant will not have access to a rent assistance unit, but over time, as turnover occurs, the assistance is offered to in-house residents that are income eligible.

Tenant-based Rent Assistance Vouchers

In addition to the subsidized projects with project-based rent subsidies, Grove City also has three households being assisted with HUD Housing Choice Vouchers in 2016. Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month.

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

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

Subsidized Housing Total Inventory

When tenant-based rent assistance is combined with the units in the subsidized projects, there are as many as 33 households with access to some form of subsidized housing. This represents approximately 33% of all renter households that are estimated to be present in the City in 2016.

Table 23 Grove City Multifamily Rental Housing Inventory

| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Occupancy Type | Comments |
|-------------------------|--|-----------------------------|--------------------------------|------------------------------|---|
| Market Rate | | | | | |
| Birchwood Apartments | 3 - 1 Bedroom 5 - 2 Bedroom 8 Total Units | \$440 \$500 +electric | 1 vacant unit 1 - 2 Bdrm | Mostly younger tenants | Two-level walkup apartment building constructed in 1984 - originally built as Rural Development subsidized housing but after 15 years the owner pre-paid the mortgage and opted-out of the subsidy program. Rent includes heat, water, sewer and garbage, with tenant paying electric. Amenities include stove, refrigerator, AC, community laundry room and detached garage available for extra \$30/month. Most tenants are working age and most commute. Owner reported 1 open unit at time of survey but an application was being processed to fill the vacancy. |
| Sunrise Apartments | 4 - 2 Bedroom 4 Total Units | \$470-\$500 +electric | No vacant units | Mostly younger tenants | Split-level apartment building constructed in the late 1970s. Rent includes heat, water, sewer, garbage and detached garage, with tenant paying electric. Amenities include stove, refrigerator, AC, community laundry room and pets are accepted. Most tenants are working age and most commute. Owner reported full occupancy. |
| SouthGrove Square | 8 - 1 Bedroom 7 - 2 Bedroom 15 Total Units | \$603 \$752-\$762 | No vacant units | Senior- designated | City-owned apartments created in the late 1990s when part of a former school was converted to housing. Units are senior designated for age 55 and older. Rent includes all utilities, but parking in attached garage structure is extra \$40/month. Amenities include stove, refrigerator and wall AC. Building has community room used for senior nutrition noon meal, community laundry and another part of the school is open gym, historical society and volunteer services office for seniors. One-bedrooms have 665 sq ft and 2-bedrooms have 965 sq ft; all units have 1 bathroom. Building is fully occupied but no local waiting list exists - last tenant came from outside the community. Building has never been profitable due to low rent structure, but rents have been set to keep building fully occupied. |

Table 23 Grove City Multifamily Rental Housing Inventory

| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Occupancy Type | Comments |
|--|--|---|--|----------------------|---|
| Market Rate | | | | | |
| Meeker County Rentals Asta Ave 4 th St S | <u>4 - 2 Bedroom</u> 4 Total Units | \$615 +utilities | No vacant units | Mix of tenants | 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. Full occupancy reported but no waiting list. At the time of the survey, half of the tenants were seniors and half were younger households. |
| Subsidized | | | | | |
| Grove Heights Townhomes 500-614 Maple Ln | 1 - Efficiency 19 - 1 Bedroom <u>6 - 2 Bedroom</u> 26 Total Units | \$520-\$560 \$583-\$613 \$628-\$658 30% of income | 4 vacant units 3 - 1 Bdrm 1 -2 Bdrm | General occupancy | Rural Development general occupancy subsidized project with 12 twin homes and 2 apartments above the community room. Twenty units have access to project-based rent assistance allowing rent on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents listed. Amenities include stove and refrigerator. Most tenants are middle-aged. Four units vacant at time of survey, including 1 2-bedroom that was being remodeled - better demand for 2-bedrooms but vacant 1-bedrooms exist especially without rent assistance. |
| Public Housing Scattered Sites | 1 - 2 Bedroom <u>3 - 3 Bedroom</u> 4 Total Units | 30% of income | No vacant units, waiting list | General occupancy | HUD Public Housing scattered site units for general occupancy built in 1982. All units have project-based rent assistance allowing rent based on 30% of income up to maximum rent levels listed. Rent calculation includes utilities allowance. Units are single family houses with attached garage. No vacant units at time of survey and a long waiting list exists. |

| Table 23 Grove City Multifamily Rental Housing Inventory | | | | | |
|---|---|------------------|-------------------------------|---------------------------|--|
| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Occupancy Type | Comments |
| Subsidized | | | | | |
| Section 8 Housing Choice Vouchers | 3 households in Grove City | 30% of income | N/A | N/A | HUD Housing Choice Vouchers provide tenant-based rent assistance that can be used in any suitable rental unit. Tenant rent contribution is based on 30% of income, with the assistance program paying additional subsidy. In May 2016, there were 3 households in Grove City participating in the Meeker County program, with 50 households countywide. Waiting list is closed due to length of 112 names. |

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

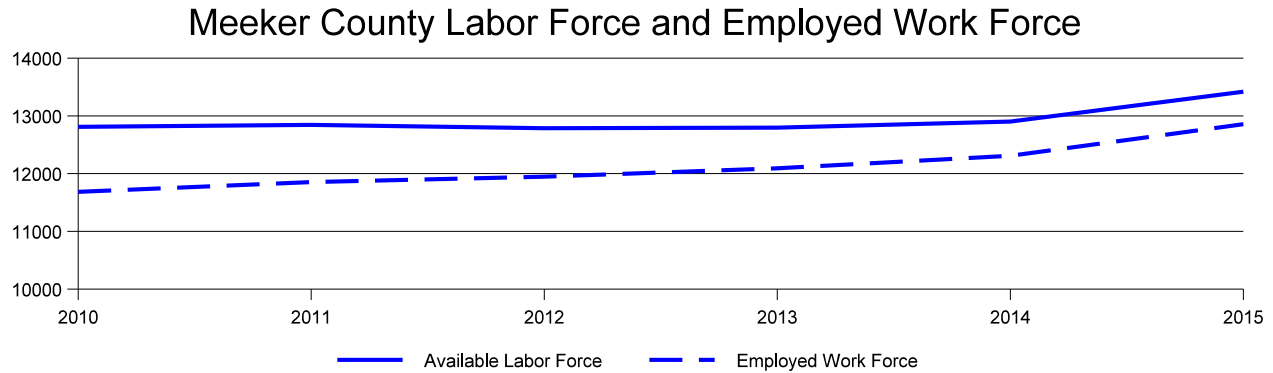
The MN Department of Employment and Economic Development provides labor force and employment information for all of Meeker County. Due to the size of the community, similar information is not available specifically for Grove City. The following table looks at information for the County since 2010.

| Table 24 Meeker County Labor Statistics: 2010 to 2015 | | | | | | |
|--|-------------|----------|------------|----------------------------|------------------------|------------------------|
| Year | Labor Force | Employed | Unemployed | Unemployment Rate - County | Unemployment Rate - MN | Unemployment Rate - US |
| 2010 | 12,811 | 11,684 | 1,127 | 8.8% | 7.4% | 9.6% |
| 2011 | 12,844 | 11,853 | 991 | 7.7% | 6.5% | 8.9% |
| 2012 | 12,786 | 11,948 | 838 | 6.6% | 5.6% | 8.1% |
| 2013 | 12,797 | 12,093 | 704 | 5.5% | 4.9% | 7.4% |
| 2014 | 12,902 | 12,310 | 592 | 4.6% | 4.2% | 6.2% |
| 2015 | 13,420 | 12,857 | 563 | 4.2% | 3.7% | 5.3% |

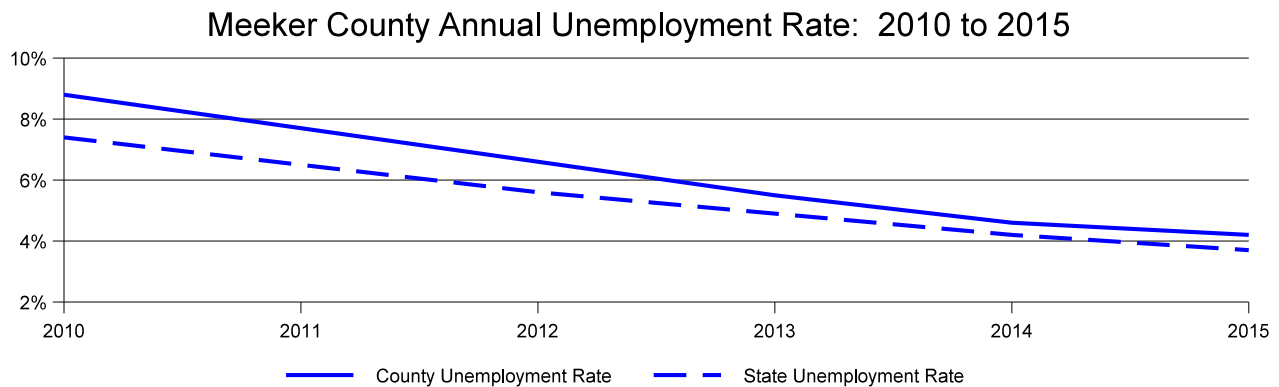
Source: MN Department of Employment and Economic Development

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

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



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



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

Employment and Wages by Industry

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

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

| Table 25 Grove City Average Annual Wages by Industry - 2014 | | |
|--|------------|---------------------|
| Industry | Employment | Average Annual Wage |
| Total All Industry | 216 | \$29,900 |
| Trade, Transportation, Utilities | 38 | \$13,936 |
| Public Administration | 11 | \$27,820 |

Source: MN Department of Employment and Economic Development

The average annual wage in Grove City for all industry in 2014 was just under \$30,000. This assumes full-time employment for 52 weeks at the average weekly wage rate.

There were 216 reported workers in Grove City, but the only reported industry sectors were Trade/Transportation/Utilities and Public Administration. These two sectors had combined average annual employment of only 49 workers.

Grove City Annual Covered Employment

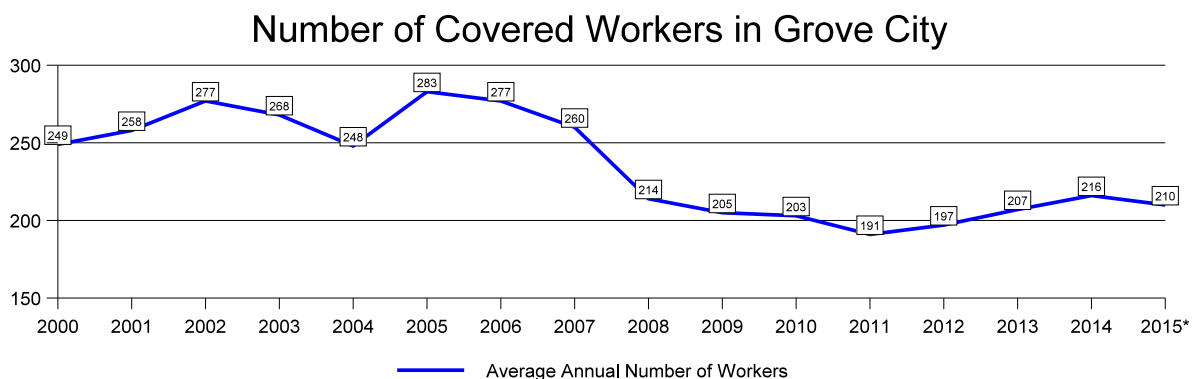
Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker, it is possible to examine longer-term patterns. The following table displays the total number of workers reported in Grove City back to the year 2000.

| Table 26 Grove City Average Annual Employment | | | |
|---|--------------------------|-------|--------------------------|
| Year | Total Covered Employment | Year | Total Covered Employment |
| 2000 | 249 | 2008 | 214 |
| 2001 | 258 | 2009 | 205 |
| 2002 | 277 | 2010 | 203 |
| 2003 | 268 | 2011 | 191 |
| 2004 | 248 | 2012 | 197 |
| 2005 | 283 | 2013 | 207 |
| 2006 | 277 | 2014 | 216 |
| 2007 | 260 | 2015* | 210 |

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

* 2015 reflects first three quarters only

Although there has been some growth in the number of employees in Grove City since 2011, as tracked by reporting for unemployment compensation, there has been a loss of jobs when viewed over the past 15 years. If employment in 2014 (the last full year of data) is compared to the year 2000, there had been a decrease of 33 workers, or -13.3% over this longer period. The actual peak year for employment was 2005, and since that year, more than 65 jobs have been lost.



Commuting Patterns of Area Workers

While some jobs exist within Grove City, 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 Grove City. The first table only examines travel time for City residents, and excludes people that work at home.

| Table 27 Commuting Times for Grove City Residents - 2014 | | |
|---|--------|---------|
| Travel Time | Number | Percent |
| Less than 10 minutes | 83 | 24.6% |
| 10 to 19 minutes | 95 | 28.1% |
| 20 to 29 minutes | 103 | 30.5% |
| 30 minutes + | 57 | 16.9% |
| Total | 338 | 100% |

Source: 2014 American Community Survey 5-year estimates

The large majority of Grove City residents were leaving the City for employment in 2014. Given the City's size, a travel time of 5 minutes or less would be required to reach the job options that exist within the community. However, more than 87% of the City's residents were traveling 5 minutes or more for employment.

While most residents appeared to be leaving the community each day for their primary job, approximately 83% had a travel time that was less than 30 minutes, including people that actually worked in Grove City. Approximately 17% of the City's residents were traveling 30 minutes or more for employment.

The American Community Survey also included an estimate of the travel time to work for Grove City-based jobs.

| Table 28 Commuting Times for Grove City Employees - 2014 | | |
|---|--------|---------|
| Travel Time | Number | Percent |
| Less than 10 minutes | 132 | 34.3% |
| 10 to 19 minutes | 83 | 21.6% |
| 20 to 29 minutes | 93 | 24.2% |
| 30 minutes + | 77 | 20.0% |
| Total | 385 | 100% |

Source: 2014 American Community Survey 5-year estimates

Over half of the people that worked in Grove City lived within the surrounding area, as nearly 56% had a travel time of less than 20 minutes. This total would include people that both lived and worked within the City. However, 20% of people employed in Grove City 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 Grove City, there were 169 people that were employed within the city limits in 2014, a lower estimate than indicated from unemployment insurance data. Fewer than 7% of these Grove City-based employees actually lived within the City. The remaining 93% employees lived outside the City limits.

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

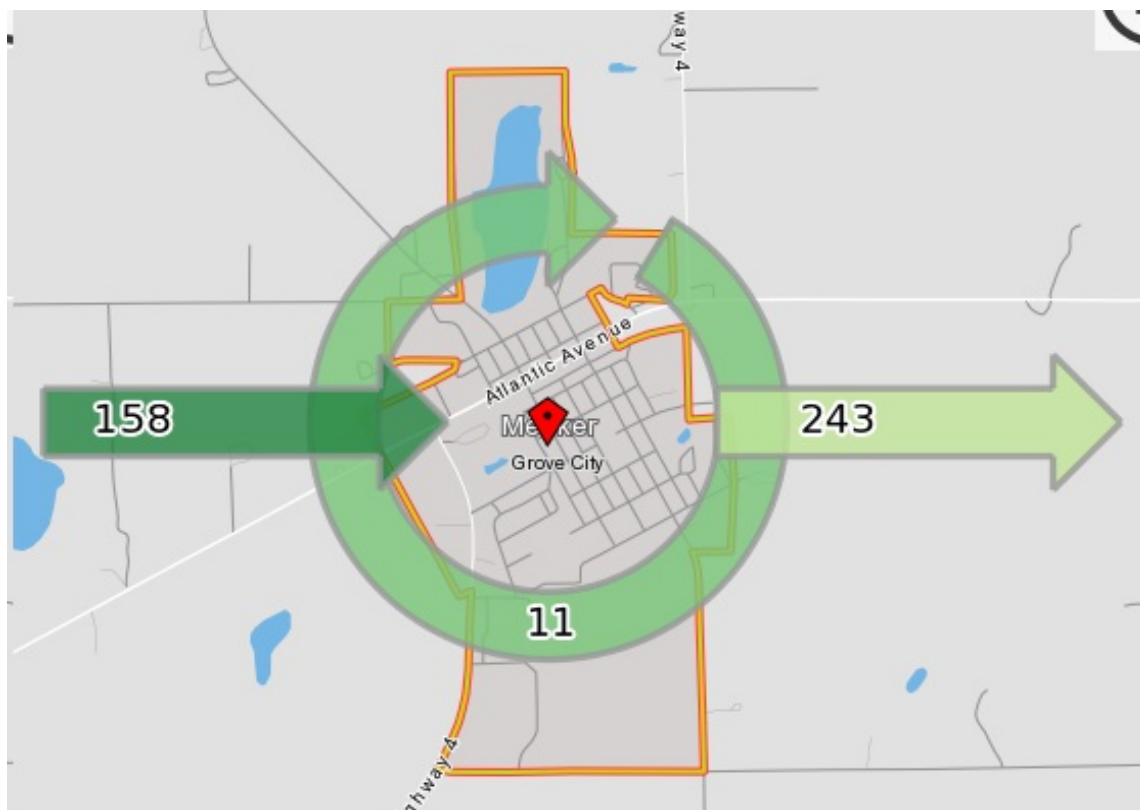
| Table 29 Employee Inflow/Outflow Analysis - 2014 | | | | |
|---|---------------------------------------|--|---|--|
| City | Number of People Employed in the City | Percent Employees that also Reside in the City | Percent Employees that Live Outside of the City | Number Employees that Live Outside of the City |
| Grove City | 169 | 6.5% | 93.5% | 158 |
| 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 |
| Dassel | 825 | 9.7% | 90.3% | 745 |
| Eden Valley | 425 | 7.3% | 92.7% | 394 |
| 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 Grove City were actually filled by people that live within the City. In 2014, more than 93% of the people working within the City actually lived outside of the city limits.

While most Grove City-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 Grove City residents were reportedly leaving the City each day to commute for their primary job. According to this data source, nearly 96% of Grove City residents were leaving the City for employment.



Findings and Recommendations

Overview

This Study has focused on the growth potential that exists for Grove City, 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 observations are made:

Grove City Growth Potential

This Study has used the assumption that Grove City has some household growth potential, but the numeric level of growth is limited. Since 2010, Grove City appears to have gone backwards, losing a few households and some people. Going forward, the entire Market Area around Grove City will probably add fewer than two households per year.

The available projections are directly impacted by the recent demographic patterns. Over the past 10 years, very little real growth has occurred in the City or the other jurisdictions that form the Market Area. Any forecasts continue these recent trends and therefore anticipate limited change going forward.

The projected growth potential for Grove City and the Market Area is also consistent with identified changes in the local housing stock, as the City has generally been averaging less than one new housing unit per year through new construction, dating back to the year 2000. While it is certainly possible that more than one new house per year will be constructed in the future, Grove City will be competing with other area communities, including Litchfield, to attract home building activity. Over the past few years, the volume of new housing construction activity in neighboring cities has also been very limited.

The last year that 20 or more new housing units were constructed in Litchfield was 2006. While the number of single family starts did increase to 18 new houses in Litchfield in 2011, construction patterns have since reversed, and no new houses were permitted in 2015. In Grove City, no new houses have been built since 2011.

Home Ownership Recommendations

Overview: Most households living in Grove City are home owners. The ownership tenure rate at the time of the 2010 Census was nearly 65%. However, the City has been losing owner households over time, while adding renters. Between the 2000 Census and the 2010 Census, the City had a net reduction of one owner-occupancy household, while adding 12 renter-occupancy households.

The reduction in home owners occurred despite the fact that some new houses were built during the decade. Conversely, growth among renters exceeded any identified new construction of rental units. This would imply that tenure conversion was occurring, as houses formerly occupied by owners changed to rental use.

There may be explainable reasons for the drop in owner-occupancy. The housing foreclosure crisis of the late 2000s may have reduced the number of home owners late in the decade. The analysts were unable to obtain information from the County on city-level foreclosure activity.

Although some single family houses were built in Grove City in the past, nearly all of this activity was prior to 2003. According to Census Bureau's annual reporting, only one new single family house has been constructed in Grove City since 2003.

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

Even though the higher construction years of the early 2000s are unlikely to return, the City does have some limited potential to grow and add some households. Much of this can be attributed to the strong local economy, and the multiple employment opportunities that exist within Grove City, or within a reasonable commuting distance. Residents of Grove City have direct highway access to Litchfield, the County's employment and service center.

A reasonable growth projection for Grove City would expect annual average growth potential of approximately one household in a typical year over the next five years. Within the larger Market Area, one additional household per year would be expected, resulting in an annual average of two households annually in the entire Market Area.

Some additional minor production of housing can be justified for unit replacement and pent-up demand for under-served market segments. With some upward adjustment for factors other than household growth, an additional owner-occupancy unit per year can probably be built, yielding total demand potential of one to two owner-occupancy units per year, or 5 to 10 houses in Grove City over a five-year projection period.

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

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

The aging patterns for the Grove City 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 middle-aged and younger adult households, age 54 and under.

Empty-nester and younger senior households have historically shown a strong preference for home ownership. Due to asset accumulation and the probable sale of an existing home, households in the 55 and older age groups tend to represent market potential for housing that is age-appropriate and contains amenities typical of the trade-up segment of the market.

At the time of the 2010 Census, households in the age groups 55 and older represented approximately 44% of all Market Area households. By 2015, these older adult age groups represented more than 47% of all households. Trend-based projections to the year 2020 point to more than 52% of all households in these older adult age ranges.

Demand for moderate-priced housing will also be impacted by income levels. The comparison of incomes for Grove City households presented earlier in this document showed that the median income for owner households in Grove City was approaching \$56,000 in 2014, and nearly 26% of all home owners had an annual income of \$75,000 or more. Households in the moderate to higher income ranges can apply a significant portion of their income to housing costs.

One factor that could somewhat limit new construction activity is the relatively moderate prices for existing houses in Grove City. In any single year, few sales tend to occur, but in all recent years, the median sale price has been less than \$91,000. Since 2010, all houses that have been sold were for less than \$140,000.

Another value estimate, from the American Community Survey, placed the City's median home value at approximately \$88,000. Since Grove City appears to have very few higher-priced houses, this will discourage people from building new higher-priced homes in the City.

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

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

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

2. Grove City could compete for some entry-level new construction

Findings: During the boom construction years of the early 2000s, there was large-scale growth that was occurring in some of the other Meeker County cities. One of the primary drivers of new single family home construction was the search for more affordable home ownership options. As a result, a significant residential lot inventory was created in a number of communities.

When the housing construction boom ended in the late 2000s, some of these subdivisions went into foreclosure or tax forfeiture. Distressed subdivisions exist in communities such as Dassel and Watkins. As a result, some below-market pricing has occurred within the larger region.

Grove City avoided any distressed subdivision issues. However, there are some lots that have remained vacant for many years in the City's newest subdivision. In most cases, these vacant lots are privately owned. In some cases, the owners may have intended to build on these lots, but then later elected not to proceed. While pricing for any vacant lots is not known, it is probable that lots in Grove City could be relatively affordable, making them suitable for affordable for entry-level home construction.

Although the growth forecasts used for this Study do anticipate only limited demand for new single family housing construction in Grove City over the next five years, some of this could be in the lower priced, entry-level segment of the new home construction market. But over the next five years, it is probable that only one or two lower-priced homes will be constructed.

It should be noted that most existing houses in Grove City tend to be in a very moderate price range, with most sales occurring for less than \$91,000. Entry-level buyers will therefore have even more affordable options in the used home market.

Recommendation: There will always be some demand that exists for lower-priced, entry-level homes, but in Grove City, it is probable that only one or two lower priced houses will be constructed over the next five years. In-fill lots in the community, or vacant lots that still remain in the City's newest subdivision may be available at an affordable price. Lower lot prices can help to keep the end sale price low and more attractive to first-time buyers.

3. Promote affordable existing home ownership options

Findings: This Study tracked the sales activity in Grove City back to the year 2010. Although only a limited number of houses sell in any 12-month time period, the median home sale price in the City has generally been below \$91,000. These very moderately priced homes can represent a very attractive ownership option for potential home buyers in the larger region.

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

In some communities in the County, including Grove City, there is evidence that some of the existing single family homes have been converted to or purchased for use as rental housing. In Grove City the number of renter households exceeded rental unit construction in the last decade, indicating that some tenure conversion was happening. It is probably in the City's best long-term interest to attract home owners, and keep a higher rate of home ownership. Efforts to promote affordable home ownership can help to limit the conversion of houses to rental use.

4. Monitor the residential lot inventory

Findings: Prior to the housing market retreat of the late 2000s, the private development community had been very active in creating subdivisions and residential lots. In Grove City, a subdivision was created and most of the lots were successfully sold. Some houses were built, but other lots remain vacant. Since 2003, only one house has been constructed in Grove City. It is probable that any owner of a vacant lot in Grove City no longer plans to build a house. It is therefore likely that some affordable lots could be available for purchase.

According to City staff, Grove City's municipal sewer and water systems are in early stages of a major upgrade that will proceed over the next few years. The City has some larger tracts of land that could be used for future development, including a former sports field. It is possible that as part of the upcoming infrastructure project, water and sewer services will be extended into these areas.

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

Although Grove City has a relatively small supply of improved lots, there is little incentive for private developers to invest in new subdivisions in 2016. Over the past 10 years, only one new house has been constructed in the City. There is also an unused lot inventory within the surrounding region, with lot sales proceeding very slow in most communities.

In some cases, subdivisions in other communities went into financial distress and reverted back to bank or investor ownership. Lots are often sold at a deep discount to their original asking price.

Recommendation: Based on the projected demand used in this Study, Grove City could average approximately one to two new houses per year going forward. Over a five-year period, this would be the absorption of approximately 5 to 10 lots. While the exact vacant lot inventory in Grove City is not known, some lots do exist, and the current inventory should be adequate for near-term needs, unless actual demand significantly exceeds our expectations.

The infrastructure improvement project over the next few years may make it feasible to create some improved lots in the future with less upfront investment. However, any future developer needs to be aware that a significant amount of competition exists within nearby cities. Due to limited regional demand, some severe price concessions have been made, and in most communities, lots may be available for less than the investment amount that was initially required for development.

Rental Housing Recommendations

Overview: At the time of the 2010 Census, more than 35% of all households living in Grove City rented their housing. The rental tenure rate has been increasing over time, and the percentage of renters in 2010 was the highest rate of all the cities in the County. Between the 2000 Census and the 2010 Census, Grove City added 12 renter-occupancy households, while losing one owner-occupancy household.

Over the past 17 years, only one multifamily rental project has been constructed in Grove City, when four units were built by the Meeker County EDA in 2002. The net gain of 12 renter-occupancy households during the prior decade, was well above the level of new construction, indicating that tenure conversion occurred, as housing formerly occupied by home owners switched to rental use.

Grove City and Darwin are the two small cities that are closest to the regional center of Litchfield. Both of these smaller communities have direct highway connections to Litchfield, and serve as bedroom communities to the County seat. Grove City has an above-average rate of renter-occupancy, while Darwin has a relatively low rental rate.

While some of this can be attributed to the number of multifamily rental buildings that are present, it is also probably a reflection of home values. According to the estimates contained in the American Community Survey, Darwin had the highest median value for owner-occupied houses of all cities in Meeker County, at \$142,700 while Grove City had the second lowest median, at \$88,300. With lower average home values, it would appear that over time, some of the houses in Grove City have been converted to rental use.

Going forward, very limited household growth is projected to occur in Grove City. Over the five-year projection period, this Study has used a forecast that an average of only one household per year is probable in Grove City, and up to two households per year may be added within the entire Market Area. Based on recent tenure patterns, it is likely that the City could add some renter-occupancy households. But this would generally be due to ongoing tenure conversion, as more single family houses could potentially change to rental use.

The following findings recommendations are made concerning rental housing issues:

5. Monitor demand for additional market rate rental housing

Findings: Grove City is one of the more successful examples in Meeker County in developing market rate housing options over the past 20 years. The City participated in the County EDA's rental development projects in the late 1990s and early 2000s. Four high quality market rate units were constructed in Grove City. Additional EDA development projects also proceeded in the Cities of Litchfield, Cosmos, Dassel, Eden Valley and Watkins. Over time, these publicly-owned projects have been very successful, with a high rate of annual occupancy.

In the 1990s, Grove City also added 15 senior-designated market rate rental units in the SouthGrove Square project. This projected converted part of a former school building into rental housing, for tenants age 55 and older. Other space in the former school has been used for complimentary purposes, such as a senior nutrition site, and offices for a volunteer service organization. SouthGrove Square was also a publicly-developed rental project.

At the time of the research for this Study, both the EDA rentals and SouthGrove Square reported full occupancy. However, the EDA project did not have a waiting list. SouthGrove Square reported that its last turnover units had been filled by people not formerly living in the Grove City area, as no local waiting list existed.

Both projects also have traditionally offered a lower rent structure in order to maintain a high occupancy rate. The EDA units in Grove City have the second lowest rent structure for a two-bedroom unit of the six participating communities. The contract rent in Grove City is \$85 per month less than in the neighboring community of Litchfield.

The City-owned SouthGrove Square has not been profitable, due to its suppressed rent structure. According to City staff, the rents remain low in order to keep a high rate of occupancy.

Recommendation: Based on the research completed in 2016, it appears that supply and demand for market rate housing is well balanced in Grove City, and there is little evidence that unmet demand exists. Grove City also has the lowest rate of owner-occupancy housing of all the cities in Meeker County. For these reasons, we would generally recommend that the need for additional market rate rental production be monitored. If evidence of pent-up demand develops in the future in the form of waiting lists, then some additional small-scale construction would be justified.

Although we take a cautious approach to additional market rate development, Grove City is a suitable location for new housing. Located just west of Litchfield, Grove City serves as a bedroom community, with easy highway access to the County's employment and service center. If another phase of EDA construction were to occur, placing four to six units in Grove City could be supported from households that would probably be willing to live outside of Litchfield, but commute daily into the larger community.

Due to its location, Grove City has greater market potential than would typically be present in a small community. Commuter information for cities in the County tends to show that most households do not live in the community where they work. To the extent that households are attracted from Litchfield or other cities, even more units could potentially be absorbed in Grove City. However, the analysts assume that additional rental construction will also occur within these other cities.

Additional demand would exist for very affordable rental housing in Grove City, but for market rate units, an assumption was made that qualifying households would need an annual income of \$30,000 or more. This limits the potential for market rate housing development, as the large majority of existing renters in Grove City have low to moderate annual incomes.

The County EDA's rent structure varies by community, and the contract rents in Grove City are the second lowest of the six project sites. Due to the age of the current EDA units, it is unlikely that any newly-built units could replicate the rent structure being used in even the higher-rent communities. Any newly built units would therefore have a competitive rent disadvantage with existing market rate housing.

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.

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

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

In Grove City, the median household income for all renters in 2014 was only \$22,500. If a median income household were to apply 30% of income to housing costs, this would yield an affordable gross rent of only \$565 per month. Although the Countywide median for renters was higher, at \$28,844, half of all renter households in the County would ideally have needed a unit at or below \$720 per month.

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

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

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

Recommendation: In the opinion of the analysts, demand would exist in Grove City for more affordable rental housing creation. Much of this demand would come from people willing to live in Grove City while commuting to Litchfield or other area employment centers. This would help attract residents

to the community and could expand the available labor force. However, there is no easy way to address the financial gap between affordable rental housing and the costs associated with building new units.

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

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

7. Monitor opportunities for income-restricted housing development

Findings: There are two income-restricted housing projects in Grove City. The County HRA has four scattered site Public Housing units in Grove City. There is also a 26-unit project known as Grove Heights Townhomes, subsidized through USDA Rural Development. All of the subsidized options are available for general occupancy.

While all of the units in Grove Heights Townhomes are designated for general occupancy, it is very possible that all or part of this project was originally designated for senior/disabled occupancy. Twenty of the 26 total units are one-bedroom or efficiency options. In smaller communities it is fairly typical to see a change in occupancy designation, as projects built for seniors later experienced insufficient demand, and were changed to general occupancy.

The rental survey found full occupancy in the Public Housing units, and a countywide waiting list. There were four vacant units in Grove Heights Townhomes, although the only vacant two-bedroom was under repair, and not actually available for occupancy. Excluding the intentionally vacant unit, the vacancy rate was approximately 30%.

The estimated vacancy rate within the subsidized segment can be somewhat misleading. Grove Heights does not have project-based rent assistance available for all of the units. In the vacant one-bedroom units without rent assistance, a minimum rent of \$583 would apply. This rent structure is generally comparable to or higher than other non-subsidized options in Grove City.

The manager of Grove Heights reported that better demand does exist for larger units, with two or more bedrooms. The Meeker County HRA's waiting list for its scattered site Public Housing units in various communities around the County are all for units with two or more bedrooms.

Recommendation: The rental cost burden statistics presented in an earlier section of this document indicated that nearly 68% of existing renter households in the Grove City were applying 30% or more of their income for housing in 2014. All of the households with a rent burden had an annual income that was less than \$35,000, and many were below \$20,000. Lower income households would be eligible for subsidized housing. Countywide, the median household income for all renters in 2014 was less than \$29,000, indicating a large number of households looking for affordable housing.

For a small community, Grove City actually has a fairly large number of subsidized units. When tenant-based rent assistance is combined with the units in the subsidized projects, there are as many as 33 households with access to some form of subsidized housing. This represents approximately 33% of all renter households that are estimated to be present in the City in 2016. Despite these resources, cost burdens still exist for lower income households.

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

A more realistic option for expanding affordable options in Grove City would be to expand the use of the tenant-based rent assistance program. In 2016, three Grove City households had Vouchers, allowing rent based on 30% of income. With a Voucher, a lower-income household can rent any suitable private unit in the community that meets the program standards.

Another community strategy concerning income-based housing is to prevent the loss of any units, through contract termination or opt-out. The Public Housing units should be a long-term affordable housing resource. In 2016, Grove Heights Townhomes was not identified as being “at risk” of leaving its subsidy program. However, a project in Dassel was listed on the State’s opt-out log.

Housing Rehabilitation Recommendations

Overview: Grove City has a significant asset in its existing housing stock. Existing 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 important 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.

8. Promote owner-occupied housing rehabilitation programs

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

According to the American Community Survey, the median year of construction for owner-occupied houses in Grove City is 1949, so the community does have a stock of older than average single family houses. Countywide, the median year of construction is 1974.

As part of the research for this Study, a visual inspection was made of the single family housing stock in Grove City. The older parts of the community were divided into two 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 106 single family structures that were viewed and rated.

There were 21 houses that were rated as needing major repair. There were also 34 houses rated as needing minor repair. There were 47 houses that were rated as sound, with no observable repair needs. Four houses were rated as dilapidated, and probably beyond the point of feasible repair.

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

In Grove City, there are also some mobile homes that are scattered in the older neighborhoods. In total, 13 mobile homes were viewed and rated. Only one of these units was rated as sound, 6 were rated as needing minor repair, 4 needed major repair, and 2 were rated as dilapidated.

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

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

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

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.

9. Promote rental housing rehabilitation programs

Findings: Grove City has the highest rental tenure rate of all cities in Meeker County. While much of the rental stock exists in multifamily projects, which are generally in good physical condition, some rentals exist in one and two unit structures, such as single family houses, mobile homes and duplexes.

According to the American Community Survey estimates, approximately 25% of the single family house rentals were constructed prior to 1960. These houses may have converted to rental use because of deterioration, as most often it is lower valued homes that are purchased by investors for use as rental housing.

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

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

10. Demolish and clear substandard structures

Findings: This Housing Study included a visual housing condition survey of single family houses and mobile homes in two of the City's older neighborhoods. This evaluation identified four houses and two mobile homes in Grove City 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.