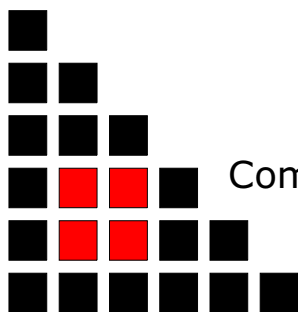


City of Watkins HOUSING STUDY

August 2016

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



Community Partners Research, Inc.
Lake Elmo, MN 55042

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Introduction

Overview

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

Methodology

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

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

Limitations

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

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

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

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

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Demographic Data Overview

Sources of Data

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

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.

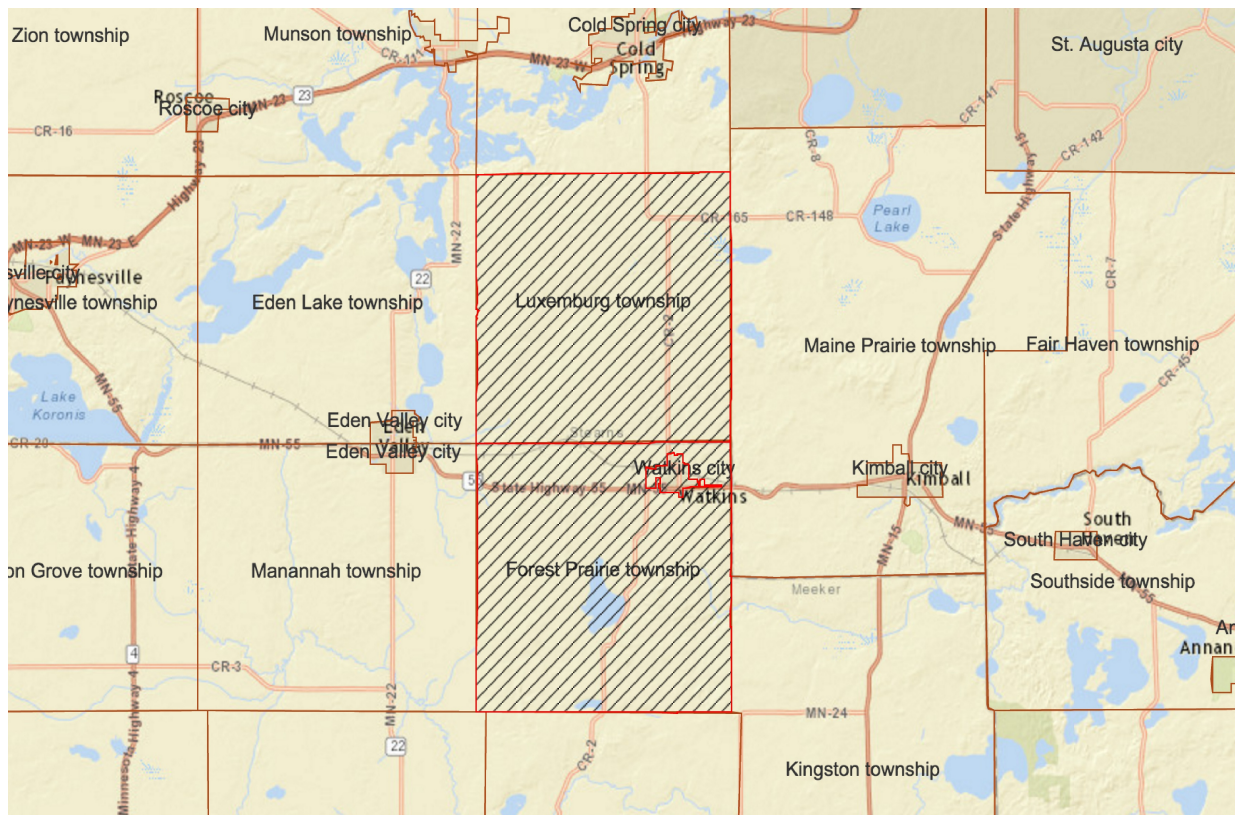
The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For the City of Watkins and for all of Meeker County, the 2014 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between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

Watkins Market Area Definition

The City of Watkins is located in close proximity to other, similar-sized or larger communities, including Eden Valley (7 miles), Kimball (6 miles), Cold Spring (11 miles) and Litchfield (21 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 Watkins, a primary market area definition includes the City of Watkins, Forest Prairie Township and Luxemburg Township. In this Study, this aggregated area is referred to as the Watkins 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
Watkins	849	880	3.7%	962	9.3%	952
Market Area	2,470	2,438	-1.3%	2,571	5.5%	2,564
Meeker County	20,846	22,664	8.7%	23,300	2.8%	23,122

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

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

According to the Minnesota State Demographer's Office, the resident population in Watkins was 952 people in 2014, down by 10 people from 2010.

According to the Census Bureau's annual estimate for 2015, Watkins's population was 942 people, down by 20 people from the 2010 Census. The population estimate from Esri, a private data reporting service, also shows the City's population at 942 people in 2015.

Each of the available population estimates are reasonably similar, especially when adjusted for the differing effective dates. On an average basis, these sources show the City losing between two and four per year since 2010.

Some differences exist in the recent population trends for the larger Market Area. Esri shows 2,629 people living in the aggregated jurisdictions in 2015, compared to 2,571 in 2010, an increase of 58 people over the five-year time period. Since Esri believes that a minor reduction in population has occurred in Watkins, all of the Market Area growth would be located in the two townships.

The State Demographer's 2014 estimate for the Market Area shows a loss of seven people between 2010 and 2014. The Census Bureau's annual estimates show 2,577 people living in the Market Area in 2015, up slightly 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

Watkins'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 2% of City residents identified themselves as Hispanic/Latino for ethnicity. Due to the City's limited diversity, no additional information has been provided in this Study.

Group Quarters Population

In 2010, Watkins had 49 group quarters residents living in a skilled nursing home. This total was down from 70 group quarters residents in 2000, including 60 nursing home residents.

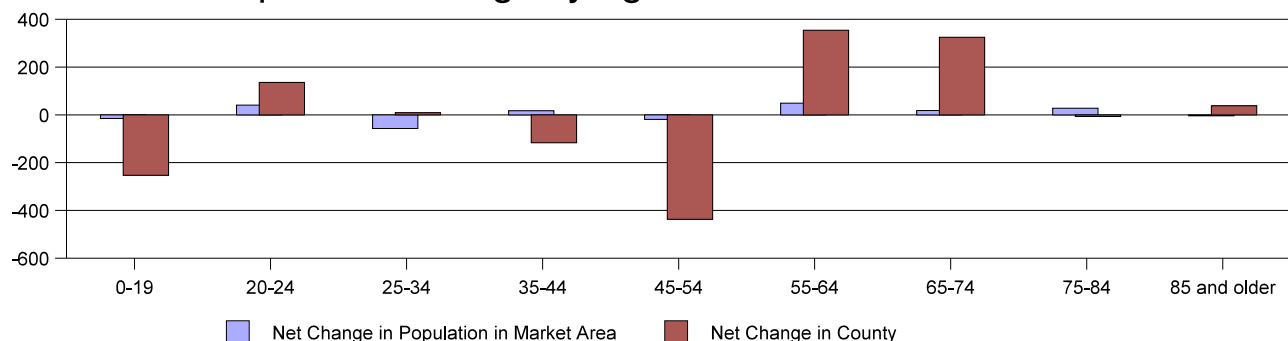
Population by Age Trends: 2010 to 2015

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

Table 2 Population by Age - 2010 to 2015						
Age	Watkins Market Area			Meeker County		
	2010	2015	Change	2010	2015	Change
0-19	742	727	-15	6,406	6,153	-253
20-24	94	135	+41	1,067	1,203	+136
25-34	313	256	-57	2,543	2,552	+9
35-44	324	341	+17	2,709	2,592	-117
45-54	399	380	-19	3,645	3,208	-437
55-64	285	334	+49	3,095	3,449	+354
65-74	238	256	+18	1,947	2,272	+325
75-84	110	138	+28	1,290	1,283	-7
85+	66	62	-4	598	636	+38
Total	2,571	2,629	+58	23,300	23,348	+48

Source: U.S. Census; Esri

Population Change by Age Between 2010 and 2015

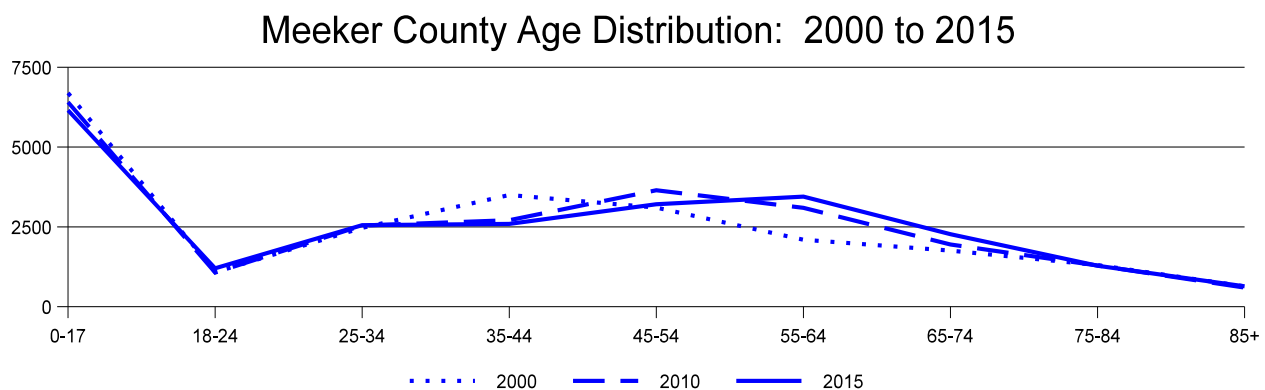


For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been very evident in the Watkins area. Between 2010 and 2015, the Watkins Market Area had a net gain of 58 people according to Esri, but added more than 90 people in the age ranges 55 and older. This was then offset by a reduction of more than 30 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 in size between 2010 and 2015. Some additional growth occurred in the 35 to 44 year old group, 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 Watkins area. Once again, growth was especially strong in the primary baby boomer age groups, between 55 and 74 years old. 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. Countywide there was also a net reduction in the number of people age 54 and younger.



The aging trends present in Meeker County can be traced back over the previous 15 years to see the advancing ‘wave’ created by the baby boom age ranges.

Household Data and Trends

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

Table 3 Household Trends - 1990 to 2014						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Watkins	317	336	6.0%	398	18.5%	398
Market Area	777	849	9.3%	967	13.9%	971
Meeker County	7,651	8,590	12.3%	9,176	6.8%	9,185

Source: U.S. Census; MN State Demographer

Watkins and the surrounding townships experienced significant 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 remained unchanged from 2010 to 2014. However, Esri believes that a minor reduction in resident households has occurred, with five fewer households by 2015. Although no annual household estimate exists from the Census Bureau, their recent population estimate was similar to the one from Esri, implying a similar household reduction.

When the entire Watkins Market Area was analyzed, the Demographer tracked a gain of four households between 2010 and 2014. Esri estimates growth of 27 households from 2010 to 2015, with all of the net growth attributable to the two townships.

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

Household by Age Trends: 2010 to 2015

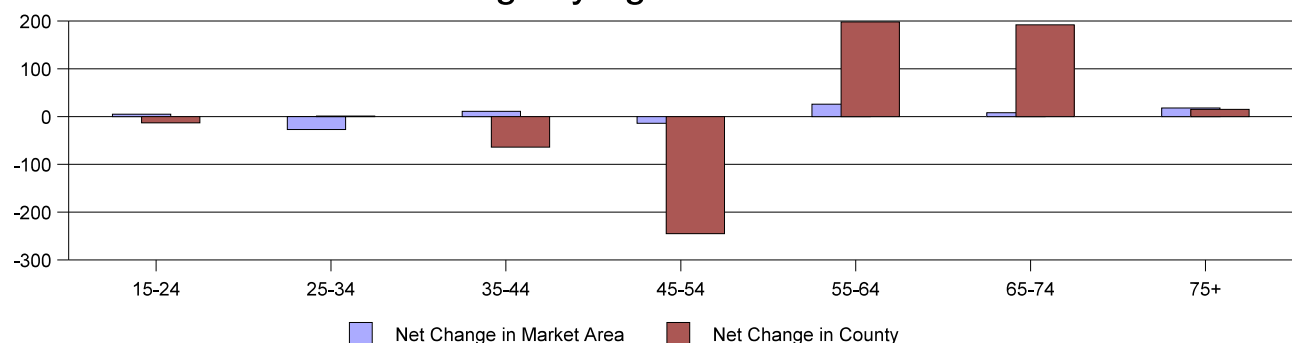
Esri has slightly higher household estimates than from other sources, but the Esri estimates also include a level of detail not available elsewhere. The following table uses the Esri data to compare households by age of householder in 2010 and 2015, along with the numeric changes.

Table 4 Households by Age - 2010 to 2015						
Age	Watkins Market Area			Meeker County		
	2010	2015	Change	2010	2015	Change
15-24	23	28	+5	309	296	-13
25-34	142	115	-27	1,198	1,199	+1
35-44	170	181	+11	1,448	1,384	-64
45-54	226	212	-14	1,998	1,753	-245
55-64	155	181	+26	1,763	1,961	+198
65-74	147	155	+8	1,199	1,391	+192
75+	104	122	+18	1,261	1,276	+15
Total	967	994	+27	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 Watkins 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



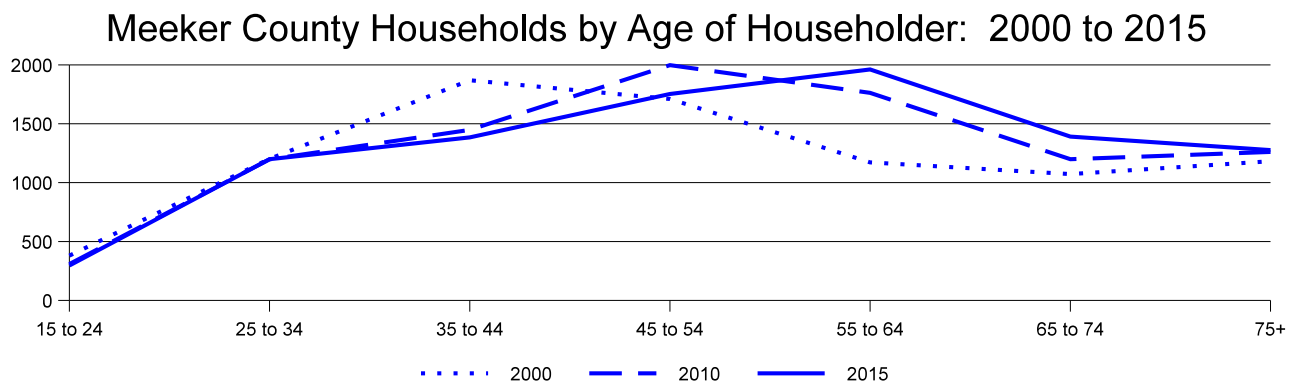
For the Watkins Market Area, each of the defined age ranges 55 and older added some households over the last five years according to Esri. However, only two of the younger age ranges experienced growth, and overall there was a net reduction in the number of households age 54 and younger. The biggest decline occurred in the 25 to 34 year old range.

In total, the estimates show that the Market Area had an increase of 52 households age 55 and older, but a net reduction of 25 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

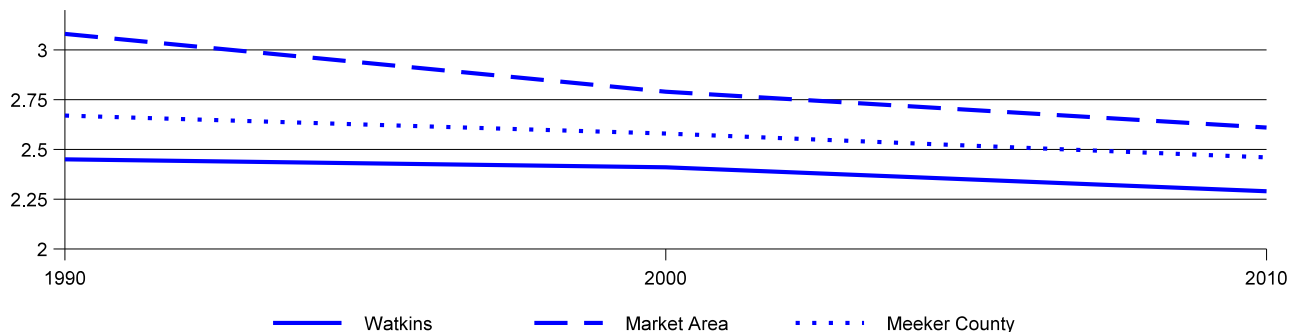
The following table provides decennial Census information on average household size. Estimates from the State Demographer for 2014 are also included.

Table 5 Average Number of Persons Per Household 1990 to 2014				
	1990 Census	2000 Census	2010 Census	2014 Estimate
Watkins	2.45	2.41	2.29	2.27
Market Area	3.08	2.79	2.61	2.59
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.

Average Household Size



For the City of Watkins, the average household size has continued to decrease over time, from 2.45 persons per household in 1990, to 2.27 persons in 2014. During this same time, the average size for the entire Market Area has been decreasing at an even faster rate, but still remains relatively large by comparative standards.

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

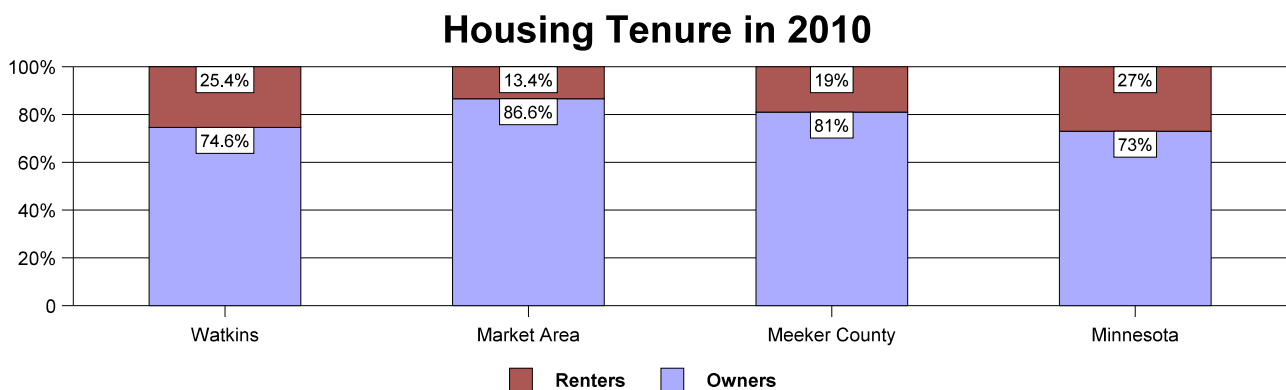
Housing Tenure

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 Watkins	297	74.6%	101	25.4%
Market Area	837	86.6%	130	13.4%
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 Watkins was 74.6%, with the remaining 25.4% of households renting their unit. When the entire Watkins Market Area aggregation was reviewed, the home ownership rate increased to nearly 87%, 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	Watkins			Meeker County		
	2000	2010	Change	2000	2010	Change
Owners	254	297	+43	7,018	7,437	+419
Renters	82	101	+19	1,572	1,739	+167
Total	336	398	+62	8,590	9,176	+586

Source: U.S. Census

From 2000 to 2010, Watkins had net growth of 43 owner-occupancy households and 19 renter households.

Although the City added more owner households, the rental tenure rate for Watkins increased slightly over the last decade. At the time of the 2000 Census, the City's rental tenure rate was 24.4%. By 2010, it had increased to 25.4%.

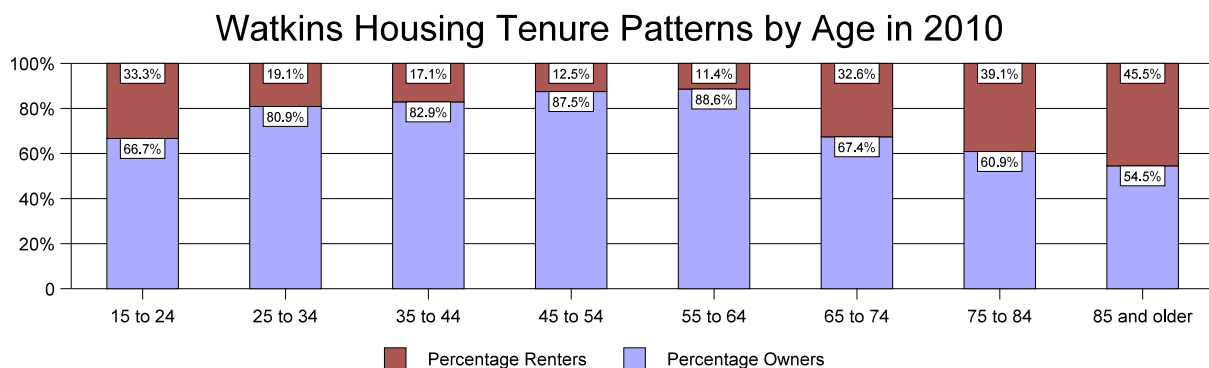
In 2000, the Meeker County rental tenure rate was at 18.3%. By 2010, it had increased to 19.0%.

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 Watkins.

Table 8 Watkins Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	16	66.7%	8	33.3%
25-34	38	80.9%	9	19.1%
35-44	63	82.9%	13	17.1%
45-54	35	87.5%	5	12.5%
55-64	31	88.6%	4	11.4%
65-74	31	67.4%	15	32.6%
75-84	28	60.9%	18	39.1%
85+	12	54.5%	10	45.5%
Total	254	75.6%	82	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 54% 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 25 and 64 years old were above 80%.

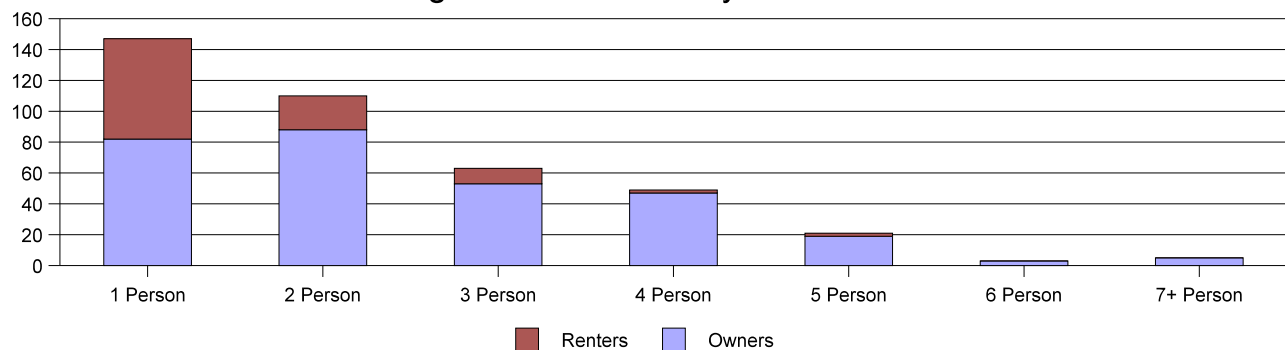
Tenure by Household Size

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 Watkins.

Table 9 Watkins Tenure by Household Size: 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	58	82	+24	52	65	+13
2-Person	92	88	-4	19	22	+3
3-Person	31	53	+22	4	10	+6
4-Person	42	47	+5	2	2	0
5-Person	21	19	-2	5	2	-3
6-Person	6	3	-3	0	0	0
7-Persons+	4	5	+1	0	0	0
Total	254	297	+43	82	101	+19

Source: U.S. Census

Watkins Housing Tenure Patterns by Household Size in 2010



Although most households in Watkins have only one or two members, there was some growth in the number of households with three members in the prior decade. However, among both home owners and renters, households with only one person had the greatest numeric increase.

At the time of the 2010 Census, more than 57% of all home owners and more than 86% 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 Watkins 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			
Watkins	\$30,417	\$41,146	35.3%
Meeker County	\$51,173	\$54,049	5.6%
Minnesota	\$57,243	\$60,828	6.3%
Families			
Watkins	\$44,583	\$48,229	8.2%
Meeker County	\$59,495	\$65,247	9.7%
Minnesota	\$71,307	\$76,190	6.8%

Source: American Community Survey 5-year survey

Income information contained in the American Community Survey showed that the median household income within the City of Watkins has increased significantly in recent years. When compared to the level estimated in 2010, the City's median household income increased by more than 35%. The median family income increased by more than 8% over that time. However, the City's median household and family income levels were still well below the comparable countywide and statewide medians.

Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Watkins could afford approximately \$1,030 per month for ownership or rental housing in 2014.

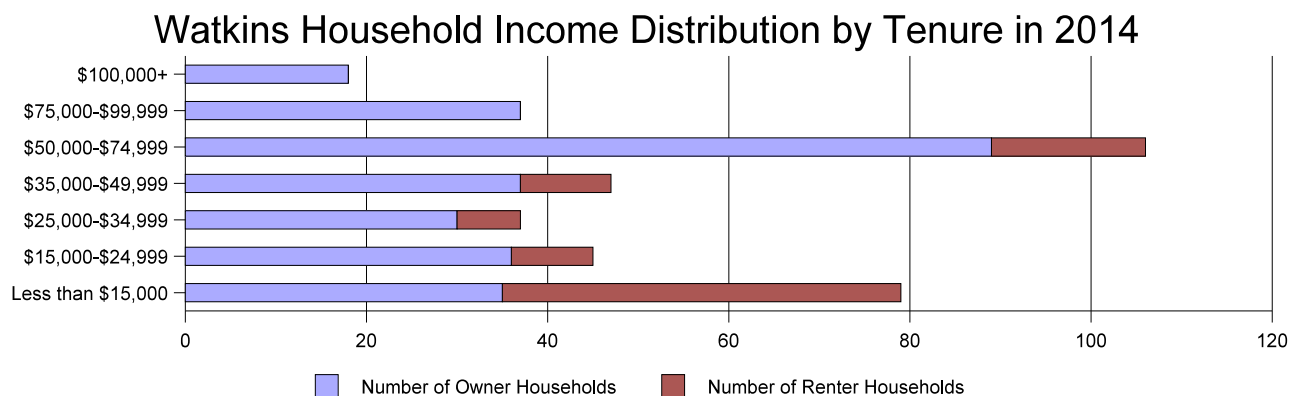
Watkins Income Distribution by Housing Tenure

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

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 Watkins, the American Community Survey estimate is too low. The ACS estimated that 369 households were present, while the State Demographer believed that only 398 households were present. The ACS estimates appear to be low for both owner and renter households, when compared to the tenure distribution present at the time of the 2010 Census.

Table 11 Watkins Income Distribution by Tenure - 2014			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	35	44	79
\$15,000 - \$24,999	36	9	45
\$25,000 - \$34,999	30	7	37
\$35,000 - \$49,999	37	10	47
\$50,000 - \$74,999	89	17	106
\$75,000 - \$99,999	37	0	37
\$100,000+	18	0	18
Total	282	87	369

Source: 2014 American Community Survey



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

In 2014, nearly 69% of renter households in Watkins had an annual income below \$35,000. At 30% of income, these low and moderate income renter households would have \$875, or less, that could be applied to monthly housing costs.

Owner households generally had a higher income level. More than 51% 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 \$14,821, while the median income for home owners was \$51,500.

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 Watkins. As stated previously the American Community Survey underestimated the total number of renters in Watkins, but the housing cost distribution is assumed to be accurate when used as percentages.

Table 12 Gross Rent as a Percentage of Household Income - Watkins		
Percent of Income for Housing	Number of Renter Households	Percent of all Renter Households
Less than 20%	20	23.0%
20% to 29.9%	23	26.4%
30% to 34.9%	19	21.8%
35% or more	20	23.0%
Not Computed	5	5.7%
Total	87	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 45% of all renters in the City were paying 30% or more of their income for rent. Approximately half 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 Watkins it was primarily due to low income levels for renters. Approximately 79% of the renter households with a housing cost burden had an annual household income below \$20,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$500 or less.

2014 Estimated Income and Housing Costs - Owners

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

Table 13 Ownership Costs as a Percentage of Income - Watkins		
Percentage of Household Income for Housing Costs	Number of Owner Households 2014	Percent of All Owner Households 2014
0% to 19.9%	132	46.8%
20% to 29.9%	42	14.9%
30% to 34.9%	13	4.6%
35% or more	93	33.0%
Not Computed	2	0.7%
Total	282	100%

Source: 2014 ACS

Most owner-occupants, which would include both households with and without a mortgage, reported paying less than 30% of their income for housing. However, nearly 38% 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, nearly 23% of owners reporting a cost burden had no mortgage. In these cases, it was generally a low annual income that has caused the cost burden, such as a retiree that lived on a fixed income.

Population Projections

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

The second projection set is from the Minnesota State Demographer's Office, which has generated population forecasts for individual jurisdictions and counties in the State. Projections are provided for the year 2020.

The State Demographer's Office has actually issued three sets of county-level projections since the 2010 Census was released. The most recent projections tend to be substantially higher for most counties, and do not reflect the patterns that have emerged after 2010. As a result, the first projection set, which is also the lowest, has been presented for Meeker County.

Table 14 Population Projections Through 2020				
	Esri Projection		State Demographer	
	2015 Estimate	2020 Projection	2014 Estimate	2020 Projection
Watkins	942	931	952	998
Market Area	2,629	2,694	2,564	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 Watkins 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 approximately two people 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 Watkins Market Area, Esri expects that 65 people will be added between 2015 and 2020, or an average of approximately 13 people per year. This projection would expect the population growth to be outside the City of Watkins, in the adjoining townships.

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

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

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

Household Projections

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

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

Table 15 Household Projections Through 2020				
	Esri		State Demographer	
	2015 Estimate	2020 Projection	2014 Estimate	2020 Projection
Watkins	393	392	398	420*
Market Area	994	1,023	971	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 Watkins will lose one household between 2015 and 2020. This is a continuation of the pattern of recent growth, as estimated by Esri, which shows that Watkins lost five households from 2010 to 2015.

The State Demographer has not been tracking recent growth within the City of Watkins. However, their population projection to the year 2020 did expect the addition of people and households. Over the course of the current decade, the extrapolated projections would yield average annual growth of approximately two 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 five households per year for the remainder of the decade.

For the entire Market Area, Esri projections show total growth of 29 households over a five-year period, or approximately six households in an average year. All of this growth would be expected in the townships that border Watkins. 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.

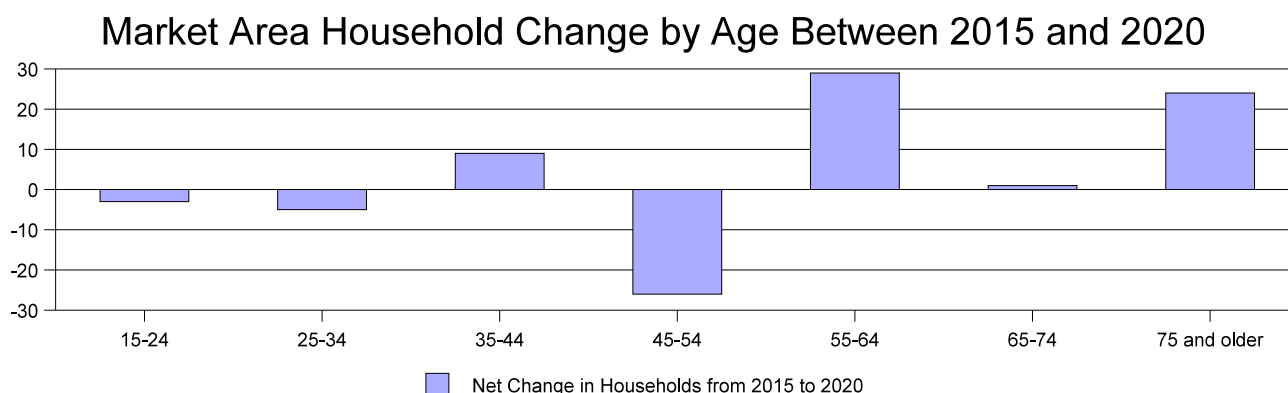
However, the most recent estimates from the Demographer show that this projected growth is not actually occurring. From 2010 through 2014, the Demographer believes that the County has only added an average of two households per year, well below the projected level of more than 60 households per year. 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 Watkins Market Area.

Table 16 Market Area Projected Households by Age - 2015 to 2020			
Age	2015 Estimate	2020 Projection	Numeric Change
15-24	28	25	-3
25-34	115	110	-5
35-44	181	190	+9
45-54	212	186	-26
55-64	181	210	+29
65-74	155	156	+1
75+	122	146	+24
Total	994	1,023	+29

Source: Esri; Community Partners Research, Inc.



According to Esri's projections, most of the change in households by age of householder will occur within two defined age groups. The largest net growth should occur among households age 55 to 64 years old, followed by growth of households age 75 and older. 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, Watkins has had limited new housing construction activity over the past few years. In the early part of the previous decade, there had been a much higher level of housing construction, but after the housing market crash of the late 2000s, home building slowed significantly. The following table uses information from the U.S. Census Bureau on annual building permit issuance from 2000 through early 2016.

Table 17 Watkins Housing Construction Activity: 2000 to 2016*				
Year	Single Family	2 Unit Structure	Multifamily	Total Units
2016*	1	0	0	
2015	0	0	0	0
2014	0	0	34	0
2013	0	0	0	0
2012	0	0	0	0
2011	1	0	0	1
2010	0	0	0	0
2010-2015 Total	2	0	34	36
2000-2009 Total	55	0	4	59

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

* 2016 is through May

Since 2010, only two new single family houses have been built in Watkins, with one of these permits issued in 2016. In the prior decade, as many as 55 single family units were constructed, primarily between 2003 and 2005. After 2005, only four single family permits have been issued, including the one in 2016.

Although the annual reports from the Census Bureau show the single family units as detached housing, there were 12 town house units constructed in the prior decade that may not have been included. They were intended for owner-occupancy, and should have been reported as attached single family housing.

Only two multifamily projects can be identified, a 4-unit market rate rental project developed by the County EDA and permitted in 2001. Some additional EDA housing was constructed in the late 1990s. In 2014, a new senior apartment building started construction, and opened in 2015. This has 34 units, offering independent to assisted living care.

Census Housing Unit Reconciliation

At the time of the 2000 Census, there were 367 housing units recorded in Watkins. By 2010, there were 438 housing units counted in the City. Based on this reconciliation, there were 71 total units added during the decade. This total is higher than the 59 units that can be tracked through annual building permit reports during the decade. However, if the 12-unit town house project was not included as single family detached housing, the net gain through new construction would have been 71 units.

Between 2000 and 2010, the City added 43 home owners and 19 renter-occupancy households. This tenure change did not mirror the new construction activity, as most of the new housing that was built was in single family houses.

The City did add more renter-occupancy households than multifamily units during the previous decade. However, it is known that some of the town house units have been used as rental housing over time, and the discrepancy between unit construction and home owner growth may be due to tenure use.

Median Year of Construction

The 2014 American Community Survey included an estimate of the median year of construction for housing. In Watkins, the median year for owner-occupancy units was 1962. The median year of construction for rental housing was 1986.

The age of the owner-occupancy housing stock in Watkins is 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, approximately 83% of the housing units in Watkins were identified as one-unit structures, such as single family detached or attached houses or mobile homes.

The City does have a number of multifamily rental buildings. The American Community Survey estimated that 17% 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 Watkins. This park has up to 50 lots, but many are vacant. City staff estimated that 20 or more of the lots were unused in 2016, but a visual inspection counted 34 mobile homes, so it is probable that approximately 16 lots are vacant.

At the time of the 2000 Census, when the last official unit count occurred, there were 48 mobile homes in the City, so over time, some mobile homes appear to have been removed.

Municipal Services

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

Residential Lots

According to City staff, Watkins has two active subdivisions with available residential lots. Both of these were developed in the early 2000s, and were the locations for most of the houses that were constructed from 2003 through 2005.

Glenshire Estates has nine vacant lots according to a local Realtor. The original owner of this subdivision went through a voluntary foreclosure process and the remaining land is now bank-owned. In addition to offering lots for single family houses, a portion of this property was a Planned Unit Development (PUD). Twelve town house units were constructed, in groups of six, and land exists for up to 30 additional town houses. While most of the town house units are believed to be owner-occupied, some may have been used as rental housing.

The second subdivision is **Faber Addition**. According to a local Realtor, there are 15 vacant lots remaining in this subdivision. This subdivision is still privately-owned. The typical lot pricing is between \$30,000 and \$35,000, with special assessments paid.

Existing Home Sales

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

Sales Year	Number of Sales	Median Price	Highest Sale	Lowest Sale
2016 (partial)	0	-	-	-
2015	21	\$78,125	\$148,900	\$38,000
2014	16	\$84,100	\$185,000	\$46,350
2013	9	\$110,000	\$150,000	\$34,438
2012	4	\$78,400	\$113,900	\$50,000
2011	7	\$115,000	\$119,800	\$75,000
2010	8	\$111,700	\$153,000	\$37,000

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

Home prices in Watkins are generally in a moderate price range, although few sales exist in some of the 12-month time periods. In four of the six years, fewer than 10 good sales were recorded, and the median price may not be a good reflection of overall values.

Over the past six full years, there has been wide variation in the annual median, from a low of \$78,400 in 2012, to a high of \$115,000 in 2011. However, in 2014 and 2015, when the most sales occurred, the median was between \$78,000 and \$85,000.

Consistent with the moderate median sale prices, there has only been one sale since 2010 for more than \$200,000, when a sale for \$215,000 was recorded in 2015.

Very few low valued sales also occur, as only one year had a sale for less than \$50,000.

An alternate home value estimate exists in the 2014 American Community Survey. Based on the sampling of home owners, the estimated median value was \$91,700, an amount that is similar to recent sales medians.

Recent Home Sales by Price Range

The following table looks at single family houses that sold in 2014 and 2015 in Watkins by defined price ranges. This information is from Meeker County's sales records.

Table 19 Watkins Home Sales by Price Range: 2014-2015		
Sale Price	Number of Sales	Percent of Sales
Less than \$75,000	11	29.7%
\$75,000 - \$99,999	15	40.5%
\$100,000 - \$124,999	5	13.5%
\$125,000 - \$149,999	4	10.8%
\$150,000 - \$174,999	1	2.7%
\$175,000 - \$199,999	1	2.7%
\$200,000 - \$224,999	0	0%
\$225,000+	0	0%
Total	37	100%

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

While there was some distribution for home sale prices in 2014 and 2015, 70% of the sales were below \$100,000. Only two recent sales were for \$150,000 or more.

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 Watkins. A review in June 2016 found 6 single family homes listed for sale. There were some additional properties that appeared to be outside of the city limits but with a Watkins 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 Watkins that would not be part of the MLS, including most homes being offered "for sale by owner".

The following table examines the MLS listings by listing price. It includes all types of homes as posted on Realtor.com.

Table 20 Watkins Active MLS Listings by Price - May 2016		
Asking Price	Number of Listings	Percent of Listings
Less than \$100,000	3	50%
\$100,000 - \$124,999	2	33.3%
\$125,000 - \$149,999	1	16.7%
\$150,000 - \$174,999	0	0%
\$175,000 - \$199,999	0	0%
\$200,000+	0	0%
Total	6	100%

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

Based on the listings on Realtor.com, half of the houses being offered for sale were priced below \$100,000. There were no houses priced at \$150,000 or more.

There were a number of houses listed for \$150,000 or more, but these appeared to be rural properties that were outside of the city limits.

Meeker County Home Foreclosure Activity

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

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

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

Table 21 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 Watkins. 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 - Railroad tracks
 South border - Highway 55
 East border - Central Avenue
 West border - School Avenue

Neighborhood #2: North border - Railroad tracks
 South border - Highway 55
 East border - City limits
 West border - Central Avenue

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

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

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

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

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

Table 22 Windshield Survey Condition Estimate - 2016

Neighborhood	Sound	Minor Repair	Major Repair	Dilapidated	Total
#1	60/53.1%	45/39.8%	7/6.2%	1/0.9%	113
#2	23/52.3%	17/38.6%	3/6.8%	1/2.3%	44
Total	83/52.9%	62/39.5%	10/6.4%	2/1.3%	157

Source: Community Partners Research, Inc.

In total, 157 single family-style houses were viewed and rated in Watkins.

More than 92% of all rated houses were in the top two condition categories, with nearly 53% rated as sound, and nearly 40% rated as needing only minor repair. It should be noted that the percentage of sound houses would be even higher if the newest areas of the City were included.

There were only 10 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 two houses rated as dilapidated, the lowest rating used. After a more detailed analysis, these structures may be suitable for clearance.

There were also 34 mobile homes in a park in Watkins that were also viewed and rated.

Table 23 Mobile Home Survey Condition Estimate - 2016

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile Homes	5/14.7%	6/17.6%	14/41.2%	9/26.5%	34

Source: Community Partners Research, Inc.

Fewer than 33% of the mobile homes in Watkins were rated as sound or minor repair, the two highest condition categories.

There were 14 mobile homes rated as needing major repair, and nine mobile homes rated as dilapidated.

Rental Housing Data

According to the 2010 Census, the City of Watkins had 101 occupied rental housing units, and at least 5 unoccupied rental units, for a total estimated rental inventory of 106 units. The City's rental tenure rate was 25.4% in 2010, below the Statewide rental rate of 27%.

At the time of 2000 Census, Watkins had 82 occupied rental units, and at least 9 vacant units, for a total rental housing inventory of 91 units. The City's percentage of occupied rental units in 2000, at 24.4%, was slightly below the Statewide renter rate of 25.4%.

The reconciliation of Census data show that the City added 19 renter-occupancy households, and at least 15 rental housing units over the previous decade. During the decade there was only limited development of new rental housing in Watkins. The only multifamily project identified was the four unit County EDA rental phase which was permitted in 2001. There were also 12 town house units constructed during the decade. While these were intended for owner-occupancy, some may have been used as rental housing.

Based on the net gain in renter households and units as counted by the Census, it is possible 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 55 single family houses that were issued a building permit in Watkins, and possibly some additional town houses. All of these houses should have been available for occupancy when the Census was conducted in April 2010.

However, during the decade from 2000 to 2010, the City had an increase of only 43 owner-occupancy households, approximately 12 to 24 lower than the estimated level of new single family construction. This would imply that most of the net gain of 15 rental units in Watkins was the result of single family houses or mobile homes being converted into rental use.

Construction After 2010

After the 2010 Census was completed, one new rental housing construction project has occurred, the 34-unit Garden View senior building. While it is possible that some minor unit conversion/unit removal has occurred since 2010, it is assumed that the City's total rental inventory in 2016 would have increased to approximately 140 total units.

Rental Housing Survey

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

There were 98 housing units of all types that were contacted in the survey. This represents approximately 70% of the City's estimated total of rental housing.

The units that were successfully contacted include:

- ▶ 16 market rate units
- ▶ 48 subsidized units
- ▶ 34 senior housing with services units

Information was also obtained for a 50-bed skilled nursing home, but this does not represent independent rental housing.

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

Market Rate Summary

Usable information was available from only one market rate property with 16 units. This project was developed by the Meeker County EDA in two phases, in the late 1990s and early 2000s.

Unit Mix

All 16 units in the EDA project have two bedrooms.

The City probably has rental units with three or more bedrooms that exist in single family houses or mobile homes that are renter-occupied.

Occupancy / Vacancy

Within the market rate multifamily segment there were no units reported as vacant on the date of the survey. A waiting list of three to four names is maintained for the EDA housing.

Rental Rates

The EDA rental units do not include the primary utility payments within the contract rent. Garage parking is also an additional charge at \$65 per month.

With the inclusion of parking, the EDA units would have a gross estimated monthly rent of approximately \$850 to \$870 per month.

The EDA units are believed to represent the upper end of the local rent structure, although it is possible that some single family houses may have a higher gross rent, when tenant-paid utilities are included.

According to the American Community Survey, the estimated median gross rent for all units in Watkins in 2014 was \$532 per month.

Tax Credit Summary

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

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

There is a tax credit project in the Stearns County portion of Eden Valley. Eden Place Apartments was awarded credits in 1997, and offers mixed income housing, with seven market rate units, and five units subject to the restrictions of the tax credit program.

There is no tax credit housing in Watkins.

Subsidized Summary

Watkins has two rental projects that provide subsidized rental housing for lower income people. St. Anthony Manor offers subsidized housing for senior and/or disabled tenants, and has 36 units, including 35 one-bedrooms. Watkins Area Homes has 12 units, and offers general occupancy housing. Nine of the 12 units have two bedrooms.

Unit Mix

Most of the subsidized units have only one bedroom. Overall there are 38 one-bedrooms and 10 two-bedrooms. No subsidized units have more than two bedrooms.

Occupancy / Vacancy

The rental survey found two vacant units in St. Anthony Manor, but this was attributed to recent turnover. This project did report that a waiting lists exists.

There were no vacancies in Watkins Area Homes. That project had a three-name waiting list.

Rental Rates

All 36 of the subsidized units in St. Anthony Manor have access to rent assistance, allowing tenants to pay rent based on 30% of income. The subsidy is provided through HUD.

In Watkins Area Homes, nine of the 12 units have project-based rent assistance through USDA Rural Development. In the remaining three units, a basic rent applies even if it exceeds 30% of household income. The minimum basic rent in a one-bedroom is \$480, and the minimum for a two-bedroom is \$515 in 2016.

Tenant-based Rent Assistance Vouchers

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

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

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

Subsidized Housing Total Inventory

When tenant-based rent assistance is combined with the units in the subsidized projects, there are as many as 49 households with access to some form of subsidized housing. This represents approximately 35% of all renter households that are estimated to be present in the City in 2016. If the newest senior housing with services project is excluded, more than 47% of all renters had access to subsidized housing.

Senior Housing with Services

In 2015, a new senior apartment building opened in Watkins. Garden View at Hilltop is next to the Hilltop Health Care Center, and has 34 apartment-style units, in efficiency and one-bedroom configurations. While residents are not required to purchase any meals or additional services, 29 of the first 30 occupants were acquiring at least some services.

This project is still in its initial occupancy phase, with 30 of the 34 units leased. Initial reports indicate that approximately 70% of residents are purchasing more advanced assisted living services, 27% are purchasing a lighter services package, such as a daily meal, housekeeping or laundry assistance, and one tenant is living completely independently.

The basic monthly rent for a one-bedroom apartment is \$1,250 per month, inclusive of utilities. The efficiency units are occupied by people needing assisted living services. Services and meals are then purchased as needed.

Garden View will accept tenants receiving County assistance, such as the Elderly Waiver program. Due to the reimbursement rate, this will be capped at 12 units, but in the initial occupancy process only eight residents are using County programs.

Watkins also has a 50-bed skilled nursing home, Hilltop Health Care Center. Some de-licensing has occurred over time, but the current bed capacity dates back to the early 2000s.

There are no specific beds set-aside for special uses, but approximately 10% of the beds are typically used for shorter-term rehab/recovery stays, and 90% by longer-term residents. The facility has security features, such as wander-gard, and some residents have memory loss issues.

Table 24 Watkins Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate					
Meeker County Rentals Luella St	<u>16 - 2 Bedroom</u> 16 Total Units	\$660 +utilities	No vacant units, waiting list	Primarily seniors	Publicly-owned market rate rental units constructed in 1999 and 2002. Units are 1-level townhouse-style with attached garage parking for \$65/month. Amenities include stove, refrigerator, dishwasher, water softener, and in-unit laundry hookup. Each unit has a furnace and central air unit, with tenant paying all utilities in addition to rent. Two-bedrooms have approx. 1100 sq ft and 1 bathroom. Full occupancy reported and 3 to 4 name waiting list. Most tenants are seniors, but also some younger households.

Table 24 Watkins Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Subsidized					
St. Anthony Manor 131 Church St S	35 - 1 Bedroom <u>1 - 2 Bedroom</u> 36 Total Units	\$645 \$645 30% of income	2 vacant units, waiting list	Senior/ disabled occupancy	HUD Section 202/Section 8 apartment building designated for senior (62+) or disabled occupancy. Three-level building with elevator constructed in 1985. All tenants have access to project-based rent assistance allowing rent based on 30% of income up to ceiling rent listed. Amenities include stove, refrigerator, wall AC sleeve, community laundry and community spaces. Units have approx. 700 sq ft and 1 bathroom. Home health care provider has an office in the building with 24-hour staffing. Building houses senior dining option for lunch. Most tenants access some level of services. Two units vacant at time of survey due to recent turnover, but a waiting list is maintained.
Watkins Area Homes 161 S 3 rd St	3 - 1 Bedroom <u>9 - 2 Bedroom</u> 12 Total Units	\$480-\$495 \$515-\$530 30% of income	No vacant units, waiting list	General occupancy	Rural Development subsidized apartments for general occupancy constructed in 1982. Three buildings are 2-level walkup. Nine 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 rent listed. Units have stove and refrigerator. One-bedrooms have approx. 700 sq ft and 2-bedrooms have 800 sq ft; all units have 1 bathroom. Manager reported full occupancy on date of survey and a 3-name waiting list.
Section 8 Housing Choice Vouchers	1 household in Watkins	30% of income	N/A	N/A	HUD Housing Choice Vouchers provide tenant-based rent assistance that can be used in any suitable rental unit. Tenant rent contribution is based on 30% of income, with the assistance program paying additional subsidy. In May 2016, there was 1 household in Watkins participating in the Meeker County program, with 50 households countywide. Waiting list is closed due to length of 112 names.

Table 24 Watkins Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Senior Housing with Services					
Garden View at Hilltop 404 Luella St	12 - Studio <u>22 - 1 Bedroom</u> 34 Total Units	N/A \$1250	4 vacant units - initial lease-up phase	Senior housing offering services	Senior housing project that can offer a range of services, from completely independent housing to assisted living. Project opened for occupancy in 2015 and attached to the nursing home. Project is still in initial occupancy phase with 30 units leased. Tenants can be completely independent, with no meals or services, but services and meals can be purchased a la carte. Current occupancy is 70% assisted living, 27% light services and 3% independent. Studio units with kitchenettes are used by people needing services, and one-bedroom units have kitchens. Rent includes all utilities, internet and cable TV. Most tenants have come from 15-mile radius. Approx. 8 tenants receive County assistance - facility will accept up to 12 residents.
Hilltop Health Care Center 410 Luella St	licensed for 50 beds	N/A	98% occupancy rate or higher	Skilled nursing home	Skilled nursing home that is licensed for 50 beds - de-licensing last occurred in early 2000s, when 12 beds were removed. No specific unit set-asides by 10% of rooms are typically occupied by short-term residents of rehab/recovery stays. While no memory care wing is set-aside, the facility has wander-gard and can serve people with memory loss. High annual occupancy rate of 98% or higher.

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 Watkins. The following table looks at information for the County since 2010.

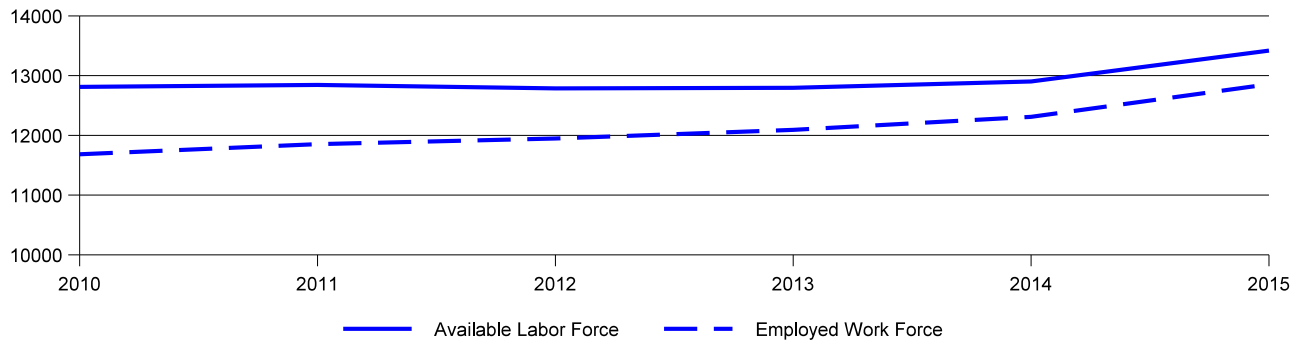
Table 25 Meeker County Labor Statistics: 2010 to 2015						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2010	12,811	11,684	1,127	8.8%	7.4%	9.6%
2011	12,844	11,853	991	7.7%	6.5%	8.9%
2012	12,786	11,948	838	6.6%	5.6%	8.1%
2013	12,797	12,093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

Source: MN Department of Employment and Economic Development

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

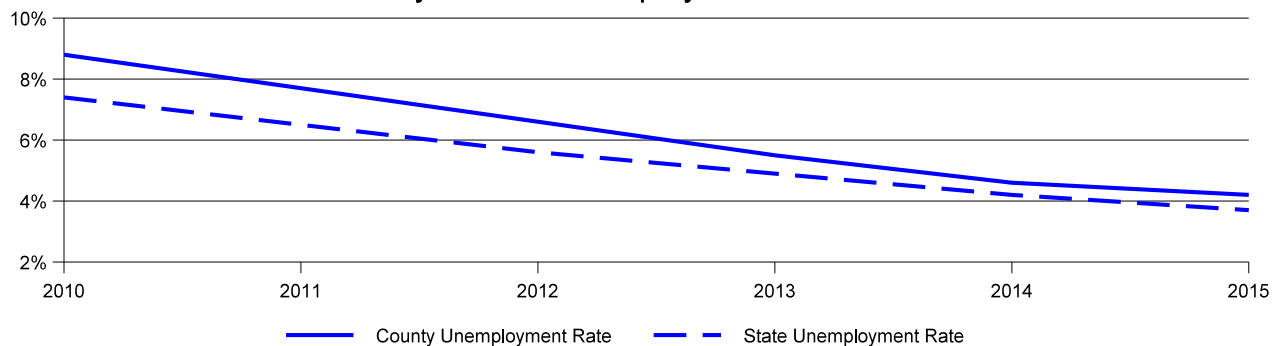
Since 2010, there has been growth in the size of the County's available labor force. If 2015 is compared to the year 2010, the County's resident labor force had actually increased by 609 people, or 4.8%. However, most of this reported growth occurred between 2014 and 2015. It is possible that some revisions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

Meeker County Labor Force and Employed Work Force



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

Meeker County Annual Unemployment Rate: 2010 to 2015



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

Employment and Wages by Industry

The following table shows the annual employment and average annual wages by major employment sector for jobs within the City of Watkins 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 26 Watkins Average Annual Wages by Industry - 2014		
Industry	Employment	Average Annual Wage
Total All Industry	454	\$31,772
Trade, Transportation, Utilities	157	\$34,112
Leisure and Hospitality	47	\$7,956
Public Administration	14	\$18,720

Source: MN Department of Employment and Economic Development

The average annual wage in Watkins for all industry in 2014 was \$31,772. This assumes full-time employment for 52 weeks at the average weekly wage rate.

The highest paying wage sector was Trade, Transportation and Utilities, with an annual average wage that was greater than \$34,000. This was also the largest industry sector for employment in the City.

The lowest paying wage sector was Leisure and Hospitality, with an average annual wage below \$8,000 at full-time employment.

Watkins Annual Covered Employment

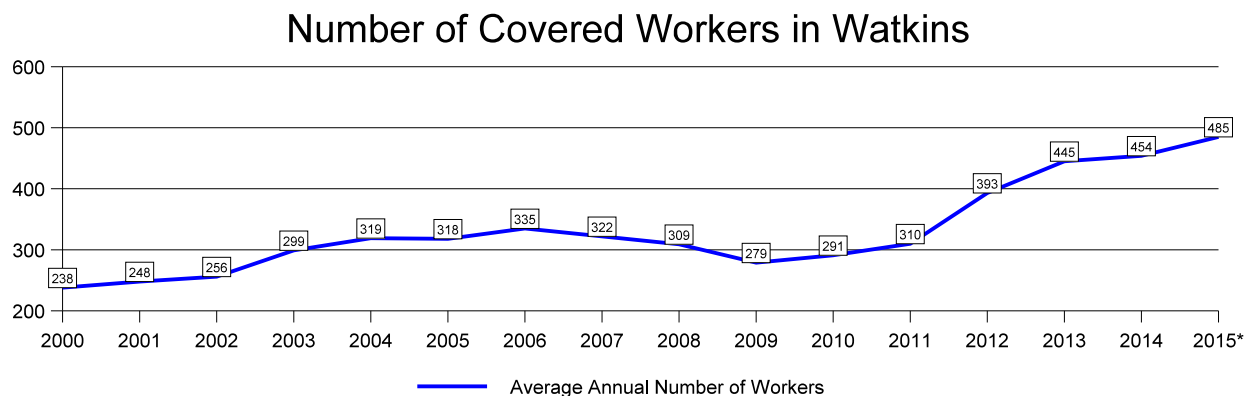
Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker, it is possible to examine longer-term patterns in the employment level. The following table displays the number of workers reported in Watkins back to the year 2000.

Table 27 Watkins Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	238	2008	309
2001	248	2009	279
2002	256	2010	291
2003	299	2011	310
2004	319	2012	393
2005	318	2013	445
2006	335	2014	454
2007	322	2015*	485

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

* 2015 reflects first three quarters only

There has been long-term growth in the level of employment in Watkins, as



tracked by reporting for unemployment compensation. If employment in 2014 (the last full year of data) is compared to the year 2000, there had been an increase of 216 workers, or growth of nearly 91% over this longer period. There has been some minor year-to-year fluctuation, but in general, the community has been consistently adding jobs, especially since 2009.

Commuting Patterns of Area Workers

The best information on commuting patterns is from the 2014 American Community Survey, and has been examined for the City of Watkins. The first table only examines travel time for City residents, and excludes people that work at home.

Table 28 Commuting Times for Watkins Residents - 2014		
Travel Time	Number	Percent
Less than 10 minutes	77	19.6%
10 to 19 minutes	62	15.8%
20 to 29 minutes	66	16.8%
30 minutes +	188	47.8%
Total	393	100%

Source: 2014 American Community Survey 5-year estimates

The large majority of Watkins residents were leaving the City for employment in 2014. Given the City's size, a travel time of 9 minutes or less would be required to reach the job options that exist within the community. However, approximately 80% of the City's residents were traveling 10 minutes or more for employment.

Nearly 48% of the City's residents were traveling 30 minutes or more for employment. While these workers could potentially be going in different directions, this could reflect workers traveling northward toward St. Cloud, or eastward toward the Twin Cities Metropolitan Area.

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

Table 29 Commuting Times for Watkins Employees - 2014		
Travel Time	Number	Percent
Less than 10 minutes	96	36.8%
10 to 19 minutes	74	28.4%
20 to 29 minutes	42	16.1%
30 minutes +	49	18.8%
Total	261	100%

Source: 2014 American Community Survey 5-year estimates

Most of the people that worked in Watkins lived within the surrounding area, as more than 65% had a travel time of less than 20 minutes. This total would include people that both lived and worked within the City.

However, nearly 19% of people employed in Watkins 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 Watkins, there were 311 people that were employed within the city limits in 2014. Only 18 of these Watkins-based employees actually lived within the City. The remaining 293 employees lived outside the City limits. The percentage of City-based workers that were also residents was only 5.8%.

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.

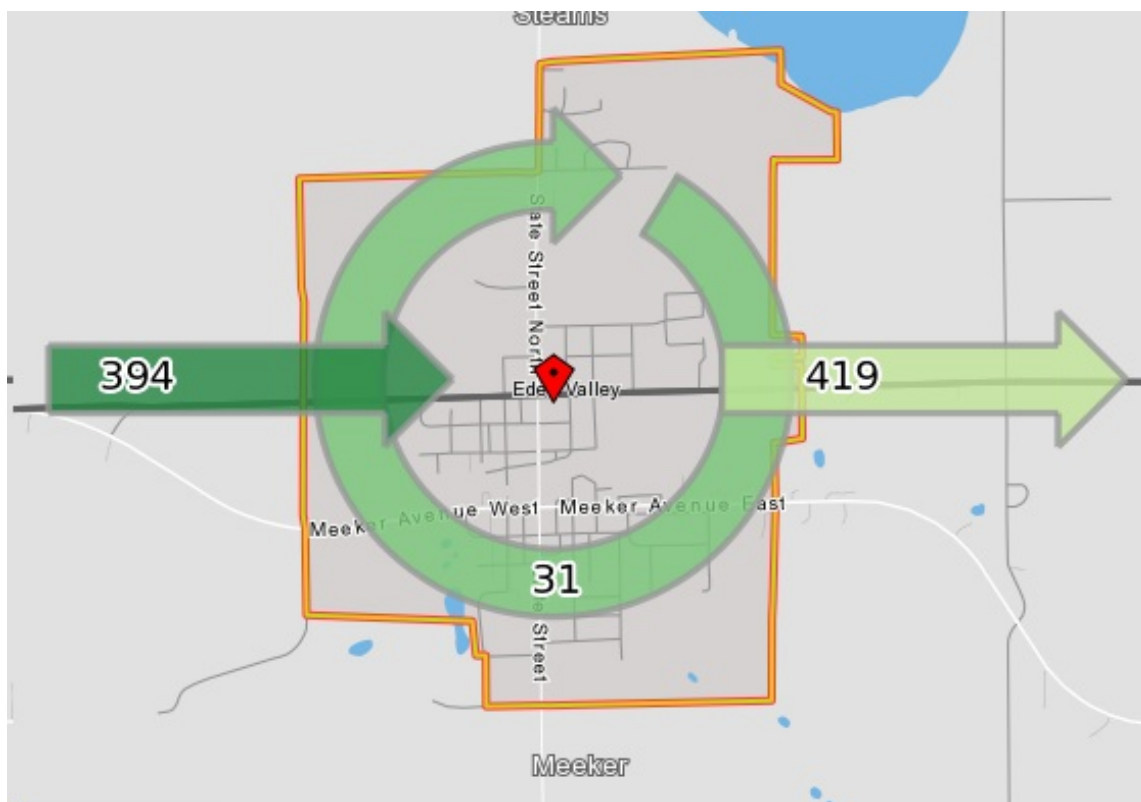
Table 30 Employee Inflow/Outflow Analysis - 2014				
City	Number of People Employed in the City	Percent Employees that also Reside in the City	Percent Employees that Live Outside of the City	Number Employees that Live Outside of the City
Watkins	311	5.8%	94.2%	293
Litchfield	3,014	40.8%	59.2%	1,784
Cedar 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
Grove City	169	6.5%	93.5%	158
Kingston	N/A	N/A	N/A	N/A

Source: Census Bureau, Center for Economic Studies

As indicated in the table above, a very small percentage of the jobs based in Watkins were actually filled by people that live within the City. In 2014, more than 94% of the people working within the City actually lived outside of the city limits.

While most Watkins-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 Watkins residents were reportedly leaving the City each day to commute for their primary job. According to this data source, more than 95% of Watkins residents were leaving the City for employment.



Findings and Recommendations

Overview

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

Watkins Growth Potential

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

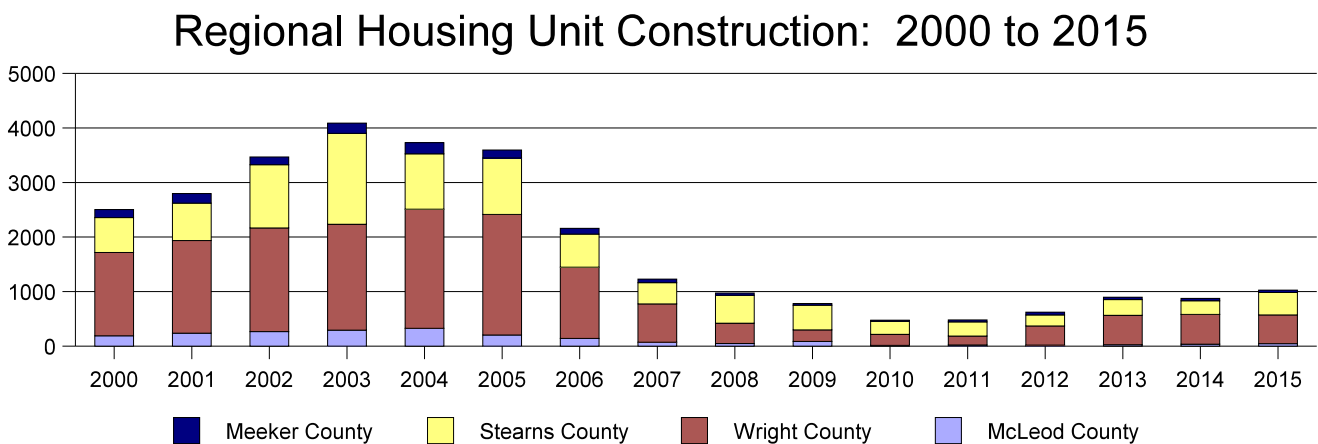
In 2015, the Garden View senior development opened for occupancy, and the residents of this facility are not yet reflected in the population or household estimates that exist. This will result in a one-time increase, and will probably appear when 2016 estimates become available. At the time of the research for this Study, 30 of the 34 units were occupied. This should result in a net gain of at least 30 households and more than 30 people in future estimates. The projected growth identified in this Study, of five to six households per year is in addition to the one-time gain caused by Garden View.

After experiencing some growth in the housing stock in the early 2000s, new single family housing construction has largely stopped in Watkins. Over the past seven years, only two new single family houses have been constructed in the City, and one of these had just started in 2016. While some vacant housing may exist in Watkins, any future household growth will generally require a commensurate level of housing unit construction.

Annual building permit reports from the Census Bureau indicate that the City was averaging approximately six units per year for the 10-year from 2000 to 2009. This was primarily in the form of single family houses, as the City averaged between five and six new houses per year in the prior decade.

However, most of the new construction occurred at a time when regional and national housing activity was also very strong. Starting in 2006, new construction activity slowed significantly, and since that time, the City has had only four single family houses constructed over more than 10 years.

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



Although the projections contained in this Study do not expect a return of the growth conditions that were present prior to 2006, they do expect much greater growth and construction activity than has been occurring over the last 10 years.

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

It is important to note that the annual growth potential would include both ownership and rental housing opportunities. Historically, as many as 25% of the households in Watkins have rented their unit, and this Study has recommended that some limited rental production should also occur.

Home Ownership Recommendations

Overview: Housing constructed for owner-occupants was the strength of Watkins' new construction market in the previous decade. Between 2000 and 2005, the City may have added as many as 53 single family houses through new construction. There were also 12 town house units constructed and intended for owner-occupancy, which may not be reflected in the single family permits.

However, there was less growth in the number of home owners, as net growth of only 43 owner-occupancy households occurred. This was less than the number of single family-style units that were built, with the intention of being sold to home owners.

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

The rate of home ownership decreased slightly in Watkins between 2000 and 2010, owner-occupancy rate did remain high, at 74.6%.

In the City of Watkins, the peak years for single family construction were from 2003 to 2005, when 45 single family house permits were issued within a three-year period.

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

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

By the year 2010, all of the baby boomer households were in the age ranges between 45 and 64 years old. Between 2000 and 2010, the large majority of the net household growth in all of Meeker County was in the prime baby boomer age ranges.

Going forward to 2020, the strong growth will generally occur from advancing baby boomers, in the 55 and older age ranges. As the baby boomers advance through the aging cycle, they should begin to gravitate toward reduced maintenance housing options. In their older years, an increased preference for rental housing should appear.

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

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

The growth projections for the Watkins area expect annual average growth potential of between five and six households in a typical year over the next five years. Although projections from Esri expect most of this growth to occur outside of the City in the surrounding townships, Community Partners Research would instead project that most of this growth is likely to be within Watkins. With the expectation that between two and three of these households will be looking for rental opportunities, this results in potential home ownership demand from two to four households annually, due to projected growth.

Some additional minor production can be justified for unit replacement and pent-up demand for under-served market segments. In the past, it is evident that actual unit construction has exceeded growth-generated demand, as some houses will be replaced over time. With some upward adjustment for factors other than household growth, an additional one to two owner-occupancy units per year can be justified, yield total demand potential of three to six units per year, or 15 to 30 total units over a five-year projection period.

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

1. Potential Demand for 2 to 4 moderate to higher priced houses annually

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

People age 55 and older have historically shown a strong preference for home ownership. Older adult households tend to represent market potential for housing that is age-appropriate and contains amenities typical of the trade-up segment of the market.

At the time of the 2000 Census, households in the age groups 55 and older represented approximately 42% of all Watkins market area households. By 2010, these older adult age groups represented nearly 46% of all households. Trend-based projections to the year 2020 point to approximately 50% of all households in these older adult age ranges.

Existing home values tend to be relatively moderate in Watkins. In most recent years, the median home sale price has been within a range from approximately \$78,000 to \$115,000. Since most of the people that look to move into a newly constructed house already own their housing, they should have some equity available from the sale of their previous home.

While there are positive market trends that should point to an increased level of single family construction, it should be noted that these trends have been gradually evolving over the past few years, and they have not necessarily resulted in increased demand for trade-up and/or age-appropriate housing. Over the past 11 years, the City has averaged less than one new house every two years in Watkins.

In the past, there was also some construction that was occurring in the form of attached units, as 12 town homes were built as the first phase of a Planned Unit Development. However, this project was originally envisioned to be much larger, but no additional phases were built. The project went into foreclosure and now has a new owner. Although details were not available, second-hand reports indicate that sales were slow, and some of the units have been used as rental housing over time. Despite the advancing aging patterns in the area, this past attempt to build and sell attached single family units will probably discourage future activity within this market segment.

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

Newly constructed units in the moderate to higher price ranges should continue to appeal to mature households as they age. While attached housing units would be well-matched to life-cycle needs, it is likely that this segment of the market will remain somewhat suppressed until people regain full confidence in the strength of the home ownership market. The City has an existing PUD that was platted for additional phases of town house development that may be readily available if a developer elects to build this type of housing.

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 moderate value. Continued improvement in existing home values will have a positive impact on the demand for trade-up housing.

2. Watkins has some opportunities for entry-level new construction

Findings: There were various reasons for the large-scale growth that occurred in many of the Meeker County communities in the 1990s and early 2000s. One of the primary drivers was probably the outward movement of some households from both the St. Cloud area and from the western Twin Cities area. This can often be linked to a search for more affordable home ownership options.

When compared to communities located closer to St. Cloud to the north, or the Twin Cities Metropolitan Area to the east, Watkins and other communities along Highway 55 were often viewed as a location to find a quality house for a lower price. While higher-priced homes were also built, more affordable housing was a primary concern for many families.

The growth forecasts used for this Study do anticipate some improved demand for new single family housing construction in Watkins over the next five years. The City may be in a position to be competitive in the lower priced, entry level segment of the new home construction market. This is largely due to the existence of lots in a subdivision that went into foreclosure, and is now bank-owned. In addition to lots for single family houses, this subdivision has 30 platted lots for attached town house units. It is possible that some of these lots could be re-platted for traditional single family homes.

Although no pricing details were obtained, it is possible that these bank-owned lots are being sold at below-market prices. This could make them attractive to people looking for lower cost options.

However, it should be noted that significant competition will also exist within the affordable market segment, as many area communities have lot inventories that remain from the boom years. In some case, these have also reverted to bank ownership and are being sold at below-market prices.

There have been communities in the region, including Watertown in Carver County and Maple Lake in Wright County, that have demonstrated a willingness to offer significant financial incentives to lower the cost of new construction and attract a greater share of area market activity.

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

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

Later in this section, examples are provided of community efforts that have been taken to attract a greater share of new home construction. Public involvement can more often be justified when tied to first-time buyer efforts.

3. Attached single family housing could regain some market share later in the projection period

Findings: Prior to the housing market downturn of the late 2000s, there had been a Planned Unit Development in Watkins that was platted for 42 town house units, in clusters of six town homes. Two buildings were built, with 12 units. However, slow sales resulted in the project never proceeding with additional construction phases. Eventually, the project went into foreclosure and is now bank-owned.

While specific details are lacking, there are second-hand reports that some of the town homes were never sold, and have been offered as rental housing. There are also reports that some of the units have been resold over time, at below-market prices.

When the attached housing segment was stronger in the 2000s, one contributing factor was cost savings, as reduced land, infrastructure and construction costs per unit resulted in a lower sale price. Another factor was lifestyle preference, as no/low maintenance housing appealed to the area's growing number of empty-nester and senior citizen households.

However, as national economic and housing market conditions began to change, construction activity slowed significantly. As the national housing markets retreated in the late 2000s, alternative housing products, such as attached single family, often suffered the greatest hit.

When people became concerned about owning or investing in new construction, they became even more concerned about less traditional products. Although recovery within this market segment generally remains slow in most communities, there is some evidence of twin home and town house construction gaining in popularity in other communities.

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

Recommendation: The demand calculations used for this Update expect that overall demand for single family housing should improve to an annual average level of three to six units per year. While some of this demand could potentially be met through attached single family housing, such as twin homes or additional town houses, the failure of the previous project will probably deter future development. If, however, the 12 town house units grow in popularity and begin to increase in value, there will be direct market evidence for more construction.

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

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

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

4. Promote affordable existing home ownership options

Findings: This Study tracked the sales activity in Watkins back to the year 2010. Although only a limited number of home sales occur within any 12-month period, the annual median home sale price in the City has generally been between \$78,000 and \$115,000. Of the 37 good sales that were recorded in 2014 and 2015, the median price was less than \$100,000.

These moderately priced homes can represent a very attractive ownership option for potential home buyers in the larger region.

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

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

5. Consider the creation of home ownership incentives using available resources

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

In 2014, the City of Watertown in northern Carver County started a program that waived connection fees for sewer/water/storm sewer for the first 15 single family units that were permitted. The approximate value of the waived fees was \$9,500. In the first two months of the program, 10 single family permits were issued. In 2012 and 2013, prior to the start of the incentive program, the City had a cumulative two-year total of only six new single family homes.

While the incentive program in Watertown cannot be directly linked to increased home building, 2014 did represent a substantial improvement over the recent past. However, the incentives were discontinued in 2015 due to the high price tag for the program.

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

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

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

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

Communities that have taken proactive steps have seen some increase in the level of new home construction. However, direct public involvement will limit the City's ability to generate this type of housing. Due to the substantial costs involved, the financial incentives in Watertown were only offered for one year, and were limited to 15 houses.

It should be noted that in the examples identified above, city involvement appears to have been caused in part by troubled subdivisions. While the Glenshire Estates subdivision in Watkins is bank-owned, the City does not have an extremely large inventory of unsold lots, with approximately 24 vacant lots in the two primary subdivisions. In contrast, Watertown had more than 200 vacant lots available at the time that the incentive program was started.

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

Rental Housing Recommendations

Overview: According to the 2010 Census, approximately 25% of all households in Watkins rented their housing. The City's rental tenure rate was slightly below the Statewide average, and lower than some of the other nearby cities, including Eden Valley (35%) and Litchfield (30%). However, Watkins is one of the few cities in Meeker County that has had a substantial expansion of rental options since 2010, and the City's rental tenure rate has probably increased by 2016.

In 2015, the Garden View at Hilltop opened for occupancy with 34 apartment units designated for senior occupancy. This building can offer a range of housing options, from purely independent senior housing, to service-intensive assisted living. By 2016, it is probable that the City's rental tenure rate is between 30% and 31%.

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

Prior to the construction of Garden View, the last rental housing project dated to the early 2000s, when Watkins participated in the County EDA's rental construction efforts. Between phases in the late 1990s and early 2000s, Watkins had 16 EDA units built, the second largest number of units, trailing only Litchfield where 32 EDA units were developed.

Based on available building permit reports, only four EDA units were constructed between 2000 and 2010. This is the only multifamily rental construction that can be identified during the decade. Yet the City added 19 renter-occupancy households between 2000 and 2010, well above the level of unit creation.

During the decade there was also a 12-unit town house project that was developed. While intended for owner-occupancy, there are reports that unsold units were offered as rental housing. It also appears that some single family houses were converted to rental use in the prior decade.

Going forward, this Study has allocated up to 30% of the annual household growth potential in Watkins to rental housing. Based on the projected annual growth of five to six total households per year, this would yield rental demand of approximately seven to nine rental housing units over a five-year period, due to anticipated growth.

In Watkins, where few market rate rental options exist, there is also some pent-up demand that is present. While attracting long-distance commuters to live in Watkins is less likely, there is locally-generated demand, especially given the number of job opportunities that exist at Watkins-based employers, or in nearby communities.

The following findings recommendations are made concerning rental housing issues:

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

Findings: Watkins was a participating city in the County EDA's rental development projects in the late 1990s and early 2000s. Watkins has 16 market rate EDA units, trailing only Litchfield for the number of units that were constructed. Over time, these publicly-owned projects have been very successful, with a high rate of annual occupancy. In most of the communities, unmet demand has been present in the form of waiting lists. In Watkins, the waiting list has three or four names at the time of the research for this Study.

It is not known by the analysts why 16 units were originally placed in Watkins, when no other small city, including Eden Valley and Dassel, had more than eight units built. However, the 16 units have been successful in Watkins.

The County EDA has used a skewed rent structure which varies by community. Watkins and Eden Valley have the same contract rent amount for a two-bedroom unit, but this amount is \$40 less per month than charged in Litchfield, and \$105 per month less than in Dassel. With the inclusion of tenant-paid utilities and garage parking, the gross monthly rent would be above \$850 per month in Watkins and Eden Valley.

While this gross rent is relatively high when compared to other options in the City, it does represent a "below-market" rate, based on the size and quality of the units. If reduced to a gross rent per square foot calculation, the EDA units would generally charge between \$0.75 and \$0.80 per foot.

If new units are constructed in the future to serve the market rate segment, it is probable that a gross rent per square foot amount of approximately \$1.00/sq ft would be required. To achieve a rent structure that is somewhat similar to the existing project, it is probable that a smaller unit size, of approximately 850 square feet would be needed. To compensate for smaller units, some projects have added features like a two-car garage, to justify the required gross rent amount.

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

In some of the other small cities in Meeker County, including Eden Valley and Grove City, other market rate rental projects have proceeded in the past 20 years, in addition to the EDA projects. In Watkins, no other market rate projects have been built, possibly because 16 EDA units were developed.

There has been a new senior project built in Watkins, Garden View at Hilltop, but this largely provides specialized care, including assisted living, and is not oriented to purely independent living, although some residents may choose not to purchase any services.

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

Recommendation: Based on the success of EDA's market rate housing in Watkins, Community Partners Research would recommend that four to six additional market rate units be developed. These could be based on the style and design that have been used in the previous projects, with cottage-style units with attached garage parking. This type of unit can appeal to independent renter households, including senior citizens.

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

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

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

This discussion of gross rental rates is provided as an indicator of potential market rents that have been achieved, but actual rents would need to be altered based on the actual size of proposed units and the particular amenities and features that would be offered. While this rent structure has been identified as possible for developers to achieve, it should be noted that some recent projects have been reaching an even lower rent structure, which increases the potential target market.

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

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

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

In Watkins, the median household income for all renters in 2014 was less than \$15,000. This estimate is probably flawed due to the limited sampling that is done for the American Community Survey, but in most of the cities in Meeker County, the median rental income was below \$25,000 per year.

If a median income household were to apply 30% of income to housing costs, this would yield the need for a very affordable gross monthly rent. Countywide median for renters was higher, at \$28,844, but half of all renter households in the County would ideally have needed a unit at or below \$720 per month.

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

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

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

Recommendation: In the opinion of the analysts, demand would exist in Watkins for more affordable rental housing creation. This would help attract residents to the community and could expand the available labor force. However, there is no easy way to address the financial gap between affordable rental housing and the costs associated with building new units. Although no specific unit recommendation is made, due to the difficulty of building affordable rental housing, a goal of eight to 10 units over the next five years would help the City expand the rental options available to most renter households.

This Study would encourage the City to look for ways to add to the rental supply, through better utilizing existing structures, such as downtown buildings with unused space, or by securing grant assistance that is intended for affordable rental housing. Target rents for affordable units should be at or below the levels allowed by the Housing Voucher Program. In 2016, this two-bedroom target rent would be \$724 or less.

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

8. Monitor opportunities for income-restricted housing development

Findings: There are two income-restricted housing projects that exist in Watkins. St. Anthony Manor offers income-based rental housing for seniors and/or disabled tenants. There are 36 apartments, and all low income tenants can pay rent based on 30% of income.

Watkins Area Homes has 12 rental units for general occupancy, including nine two-bedroom units. Nine of the 12 units can access project-based rent assistance, allowing tenants to pay based on 30% of income. The remaining tenants must pay at least a basic rent amount, even if it exceeds 30% of income.

St. Anthony Manor subsidized through HUD, while Watkins Area Homes is subsidized through USDA Rural Development.

At the time of the rental survey, St. Anthony Manor had two unoccupied units, but this was attributed to recent turnover. The project maintains a waiting lists and typically has a high occupancy rate, according to the manager. Watkins Area Homes reported full occupancy and a short waiting list.

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

When all of the subsidized options are combined, approximately 49 renter households in the City have access to some type of subsidy, including 46 households that can pay rent based on 30% of household income. When compared to the estimated number of renter households in Watkins, more than 35% of all renters have subsidized housing available.

Recommendation: The rental demand calculations presented in an earlier section of this document indicated that more than 60% of existing renter households in Watkins had an annual income below \$25,000 in 2014. Most of these households would be candidates for income-based rental projects. However, the City already has a relatively large percentage of subsidized units.

Assuming some improvement in renter household income levels over the next few years, the greatest demand would still be for affordable rental units to serve households with an annual income below \$30,000. To avoid a rent burden, a gross monthly rent of \$750, or less per month would be needed.

The income data presented earlier also indicated that approximately 45% of existing renter households had a housing cost burden, with 30% or more of their income required for housing costs. These were primarily low income renters that would generally need a very affordable unit. Once again, this cost burden existed despite the fact that many of the units in the City have project-based rent subsidies.

One of the reasons that many renters still have reported a cost burden is the limited number of subsidized rental options with two or more bedrooms. Of the 48 subsidized units in Watkins, only 10 have two bedrooms, and there are no subsidized options for larger families needing three or more bedrooms.

Although Watkins already has a relatively large supply of subsidized rental units, it would be appropriate to look for opportunities to expand the supply of income-based housing with two or more bedrooms. However, resources for subsidized rental construction have not existed in many years. A more realistic option would be to look to expand the use of the tenant-based rent assistance program. In 2016, only one Watkins household had a Voucher. With a Voucher, a lower-income household can rent any suitable private unit in the community that meets the program standards.

Another community strategy concerning income-based housing is to prevent the loss of any units, through contract termination or opt-out. In 2016, neither of the subsidized projects in Watkins was identified as being “at risk” of leaving its subsidy program. However, other projects in Meeker County, including a Rural Development project in Dassel, was listed on the State’s opt-out log.

9. Monitor demand for additional specialized senior housing

Findings: Watkins has a senior housing community that offers different levels of care, serving senior residents as they move through the aging cycle. These senior facilities range from a subsidized senior apartment building, St. Anthony Manor, to a skilled nursing home, Hilltop Health Care Center.

The original specialized senior housing option is a skilled nursing facility that is licensed for 50 beds in 2016. Hilltop Health Care Center has downsized its bed count over time, but the last de-licensing of beds may date to the early 2000s, when the number was reduced from 62 beds.

Hilltop Health Care Center does not specifically dedicate some beds to specific uses, but at any time, some beds may be used by short-term occupants on rehab/recovery stays. Some of the beds are also used by people with memory loss issues, who are able to live successfully in this building. The best available information indicates that as many as 45 beds are typically utilized by longer-term residents.

In 2015, the Garden View at Hilltop was constructed adjoining the nursing home. There are 34 apartments in this building, which can offer a wide range of care options, from completely independent living to assisted living. This project is still in its initial occupancy phase, with 30 of the 34 units filled when the research for this Study was conducted. Approximately 70% of the occupants were accessing higher care services, and only one tenant was not acquiring any additional services.

The other senior facility in Watkins, St. Anthony Manor, is a HUD-subsidized apartment building. While primarily offering completely independent housing for lower income seniors, this building has added some attractive amenities over time, including a senior nutrition site which can offer a daily noon meal. There is also a home health care provider that maintains an office in the building. While any services are contracted directly between the tenants and the service provider, the presence of an office in the building facilitates this arrangement. Maximum income limits apply to residents, and tenants pay rent based on 30% of household income.

Although it is a small community, Watkins can provide a wide range of housing options for seniors, including lower income seniors. Garden View will accept residents that participate in County assistance programs, such as Elderly Waiver. St. Anthony Manor is also income-based.

According to the Administrator of Hilltop and Garden View, most residents come from the immediate Watkins and Eden Valley areas. Most of the surrounding communities, including Kimball, Cold Spring, Richmond, Paynesville and Litchfield all have specialized care options for seniors, limiting the size of the primary market area.

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

To better understand the demand for units in Watkins, Community Partners Research has combined the Watkins and Eden Valley Market Areas, as defined in this Study.

At the time of the 2010 Census, there were approximately 900 senior citizens, age 65 and above, that were residing in the Watkins/Eden Valley Market Areas. However, specialized senior housing with services tends to primarily serve older seniors age 75 and above. In 2010, there were 373 older seniors living in this primary area. These older seniors formed 244 households, with a head-of-household age 75 or older.

The age-based estimates for the year 2015 from Esri show that the combined market areas added 45 people age 75 and older, and 28 older senior households between 2010 and 2015.

The projections contained in this Study anticipate some continued increase in older seniors within this market area during the current decade. When 2020 projections from Esri are compared to the 2015 estimates, approximately 65 additional older seniors and 48 older senior households are expected over the remainder of the current decade.

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

If an assumption is made that there will be approximately 45 older seniors living permanently in the skilled nursing home in Watkins. To sustain this level of bed utilization, Hilltop needed to capture approximately 10% to 11% of all older seniors living in the immediate area in 2015. By 2020, this required capture rate drops to approximately 9% to 9.5% of all older seniors.

Estimating the capture rate for other forms of senior housing is more difficult, since Garden View can offer very flexible housing options. If an assumption is made that between 60% and 70% of the units in Garden View will be oriented to senior assisted living, then between 20 and 24 units would generally be available. When compared to the estimated number of approximately 272 older senior households in 2015, a capture rate between approximately 7% and 9% would be needed to fill all units. By 2020, this capture rate would drop to approximately 6% to 7.5% of the projected older senior households.

For lighter services housing, approximately 10 to 14 units would be available in Garden View, based on initial occupancy patterns. In 2015, this would generally require a capture rate that is between 4% and 6% of older senior households. By 2020, this would drop to approximately 3.5% to 5% of all older senior households, not living in a more advanced care option.

It is important to note that the housing offered in St. Anthony Manor is also an important option for seniors, especially lower income seniors. However, even with an office for home health care in-house, this building cannot offer the same level of services, meals and staffing as a specialized housing with services project. As care needs advance, most residents of St. Anthony Manor will need to move to a different care facility, such as Garden View.

Recommendation: The construction of Garden View at Hilltop represents an important addition to the senior housing choices for residents of the Watkins and Eden Valley areas. Located adjacent to the Hilltop Health Care Center, there is a senior continuum of care option that can serve seniors as they move through the aging cycle, from largely independent living to skilled nursing home care.

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

Hilltop Health Care Center - With up to 45 beds that are generally available for longer-term occupancy, this facility will need to capture 9% or more of all of the older senior residents projected for the area in the year 2020 to achieve full occupancy. While this is viewed as a relatively high capture rate, it is lower than existed in 2015, when the facility was able to maintain a high annual occupancy rate. The Care Center has not de-licensed beds in recent years, due to strong occupancy. Past de-licensing has also allowed more rooms to be used for private occupancy, versus shared occupancy. Part of the success of this facility is its ability to house people with a range of care, including people that might otherwise move to memory care housing.

Garden View Assisted Living - Garden View can offer a flexible unit, with services purchased as needed. At the time of the rental survey, approximately 70% of the occupied units were being used for higher levels of assisted living. Having opened for occupancy in 2015, the building is still in its initial occupancy phase, with four units that are not filled. With 20 to 24 units that would typically be available for assisted living, this facility will need to capture between 6% and 7.5% of the older senior households by the year 2020. While this is lower than the current required capture rate, due to some projected growth among households age 75 and older, this is still relatively high for an assisted living project in a small community. However, Garden View will accept County assistance programs, and is not relying on just the private-pay market segment, which will help it to maintain a higher capture rate.

Garden View Independent/Light Services - Garden View can offer flexible care apartments for seniors. Approximately 30% of the initial tenants were living more independently, or acquiring only light services, such as a daily meal, weekly laundry or light housekeeping. Although this is considered to be independent housing, the availability of the services for purchase does make this facility different from a traditional apartment building. Seniors that do not

need immediate services can move into an apartment and then “age in place” as their care needs change. It is therefore oriented to older seniors, or people with changing care needs. With 10 to 14 units available for lighter services housing, this market segment needs a lower capture rate, estimated at approximately 3.5% to 5% by the year 2020. As the population of younger senior citizens continues to grow through the year 2020 and beyond, the target market should continue to grow from the advancing baby boom generation.

Based on the existing supply of senior units in Watkins, and the unused capacity that remains in Garden View, we would recommend that the need for any additional specialized senior housing be monitored. If growth within the older senior target market proceeds as projected, the unoccupied units should fill over time. If significant evidence of unmet demand begins to appear, then a modest expansion of capacity could be advanced.

However, it must be recognized that the primary market area is limited in size, and that projected growth among older seniors is modest in scale over the next five years. Using the forecasts from Esri, net growth of approximately 65 older seniors and 48 older senior households are expected over the remainder of the current decade. At the capture rates listed above, this translates into only limited additional demand.

In the near-term, the one specialized care segment that is not directly addressed is housing for people with memory loss. However, the Hillcrest Health Care Center does have a wander-gard system, and does house people needing this type of care, although it is not in a dedicated wing or special secured portion of the building.

Housing Rehabilitation Recommendations

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

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

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

10. Promote owner-occupied housing rehabilitation programs

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

According to the American Community Survey, the median year of construction for owner-occupied houses in Watkins is 1962, 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 Watkins. 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 157 single family structures that were viewed and rated.

There were 10 houses that were rated as needing major repair. There were also 62 houses rated as needing minor repair. There were 83 houses that were rated as sound, with no observable repair needs. Two 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 even more houses in better condition categories. There were also some mobile homes surveyed, that will be reported later in this section.

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

Recommendation: The primary funding source for concentrated neighborhood rehabilitation programs is the Small Cities Development Program (SCDP), administered by the MN Department of Employment and Economic Development (DEED). According to City officials, Watkins has not participated in a SCDP-funded housing program since the early 2000s, when a joint project with Eden Valley included some rehabilitation. However, it should be noted that the housing stock in Watkins is generally in good condition, and the City may be less competitive in securing grant funds.

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.

11. Promote rental housing rehabilitation programs

Findings: Much of the rental housing in Watkins is in multifamily projects. While some of this multifamily housing is older, the projects from the 1970s and 1980s are federally subsidized, and assumed to be in good condition. For all rental housing in Watkins, the estimated median year of construction was 1986, reflecting the impact of the multifamily units.

With the exception of the EDA rentals, and the newly built Garden View Apartments, most of the market rate rental stock would exist in smaller structures, including single family houses, mobile homes and buildings with four or fewer rental units. According to the American Community Survey, only a limited amount of this housing is in older buildings. However, approximately 18% of the small structure rental housing was built before 1960. This includes some single family houses that may have converted to rental use.

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

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

12. Promote mobile home park improvements

Findings: Community Partners Research did a visual condition survey of the mobile homes in a park in Watkins. Of the 34 mobile homes that were viewed and rated, nine were considered to be dilapidated, and probably beyond repair. Fourteen additional mobile homes were judged to need major repair. Because mobile homes tend to decrease in value as they age, it is possible that repairing a deteriorated mobile home in Watkins is not financially feasible.

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

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

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

- ▶ **Operation Safe Mobile Home Park** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished or salvaged. The owner could then use the funds from the sale to help

purchase a new home. In some cases, housing agencies have provided funding for down payment assistance or gap financing programs to purchase new mobile homes. Also, mobile home dealerships have participated with buying the salvaged homes.

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

13. Demolish and clear substandard structures

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