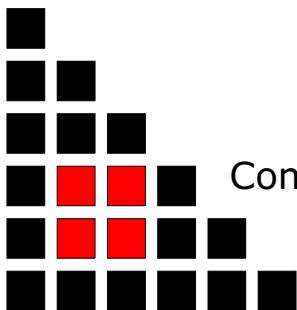


# City of Blue Earth HOUSING STUDY

November 2014

An analysis of the overall housing needs  
of the City of Blue Earth, MN



Community Partners Research, Inc.

1011 Newhall Drive

Faribault, MN 55021

## **List of Sections**

	<u>Page</u>
Introduction	2
Demographic and Projection Data	4
Existing Housing Data	30
Rental Housing Inventory	41
Employment and Local Economic Trends Analysis	53
Findings and Recommendations	62
Agencies and Resources	114

# Introduction

## Overview

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Blue Earth are privately owned and were constructed with private funds. On an increasing scale, however, the public is demanding that public officials control what happens in this largely private housing market by eliminating blight, protecting individual investments, and generating new housing growth to meet economic development needs.

Community Partners Research, Inc., was hired by the City of Blue Earth to conduct a study of the housing needs and conditions in the City.

## Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data including the 2010 Census
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the area can expect to address in the coming years
- ▶ Provide a market analysis for housing development
- ▶ Provide housing recommendations and findings

## Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from July to October, 2014. Data sources included:

- U.S. Census Bureau
- American Community Survey
- ESRI, a private data company
- Records and data from the City
- Records and data maintained by Faribault County
- Minnesota State Demographer
- Interviews with City officials and staff, community leaders, housing stakeholders, etc.
- Area, State and Federal housing agencies
- Rental property owner/manager surveys
- Housing condition survey

**Limitations**

This Housing Study represents an analysis performed with the data available at the time of the Study. The findings and recommendations 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 conclusions and recommendations contained in this Housing Study.

This study was prepared by:

**Community Partners Research, Inc.  
1011 Newhall Drive  
Faribault, MN 55021  
(507) 838-5992  
cpartners@charter.net**

## Section Table of Contents

	Page
Demographic Data Overview	5
Population Data and Trends	6
Group Quarters/Student Population	8
Population by Age Trends: 2000 to 2010	9
Population Projections	11
Household Data and Trends	12
Household by Age Trends: 2000 to 2010	13
Average Household Size	15
Household Projections	16
Household Projections by Age	17
Households by Type	19
Housing Tenure	20
Tenure by Age	21
Tenure by Household Size	22
2012 Income Data	23
Household Income Distribution	25
Blue Earth Income Distribution by Tenure	26
2012 Estimated Income and Housing Costs - Renters	28
2012 Estimated Income and Housing Costs - Owners	29

## **Demographic Data Overview**

### **Sources of Data**

The following pages contain demographic data obtained from a variety of local, state and national sources. At the time that research was completed for this Study, both the U.S. Census Bureau and the Minnesota State Demographer's Office had released basic demographic estimates for the year 2013. However, these annual estimates are generally limited to basic counts, such as population and household levels.

For more detailed demographic variables, the 2010 Census is viewed as the most reliable data source. While the last Census is an accurate benchmark for demographic data, it was more limited in scope than in the past. As a result, some of the demographic variables, such as income and housing cost information, are not available. 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 Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate. The following tables incorporate the 2010 Census data, when available, or 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 Blue Earth, the 2012 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 2008 and 2012. For Faribault County, two sets of 2012 estimates exist, based on sampling completed over a five-year period and over a three-year period between 2010 and 2012. Use of the five-year sampling data for Faribault County maintains consistency with the use of the same sample for Blue Earth.

Additionally, Community Partners Research, Inc., has obtained information from ESRI, a private company based in California that generates demographic and projection data. ESRI estimates and projections are included.

## Population Data and Trends

<b>Table 1 Population Trends - 1980 to 2013</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Demographer Estimate
Blue Earth	3,745	3,621	-3.4%	3,353	-8.0%	3,322
Faribault Co.	16,937	16,181	-4.7%	14,553	-11.2%	14,192

Source: U.S. Census; MN State Demographer

- ▶ According to the 2010 U.S. Census, the City of Blue Earth and Faribault County both had population losses from 2000 to 2010. Blue Earth’s population was 3,353 in 2010. This was a 268-person decrease from 2000, which was a population loss of 8.0%.
- ▶ Faribault County’s population was 14,553 in 2010. This was a 1,628-person decrease from 2000, which was a population loss of 11.2%.
- ▶ Blue Earth and Faribault County also experienced population decreases in the 1990s. Blue Earth’s population decreased by 124 people and Faribault County’s population decreased by 756 people.
- ▶ Blue Earth’s population is primarily White and non-Hispanic/Latino. At the time of the 2010 Census, 96.0% of the City’s residents identified their race as White, with the Asian population at 0.2%, the Black/African American population at 0.1% and the American Indian population at 0.6% of the City’s population. Additionally, 2.1% of the population identified themselves as some other race and 0.9% identified themselves as two or more races. Approximately 6.9% of the City’s residents were identified as Hispanic/Latino for ethnicity.
- ▶ According to the 2010 Census, 164 Blue Earth residents lived in group quarters, primarily living in assisted living and skilled nursing facilities.
- ▶ The State Demographer, the Census Bureau and ESRI have all released population estimates following the 2010 Census. For Blue Earth, the State Demographer’s most recent estimate is effective on July 1, 2013. The State Demographer estimate shows the City’s population at 3,322 people, down 31 residents from the 2010 Census. The U.S. Census population estimate for Blue Earth in 2013 is 3,269, down 84 people from the 2010 Census.

- ▶ For all of Faribault County, the State Demographer's 2013 population estimate was 14,192, a decrease of 361 people since the 2010 Census. The U.S. Census 2013 estimate for Faribault County was 14,191 people, down 362 people since the 2010 Census.
- ▶ ESRI's estimates are for 2014. ESRI's 2014 estimate for the City of Blue Earth is 3,212, down 141 people from 2010. ESRI's 2014 estimate for Faribault County is 14,001, down 552 people from the 2010 Census.



## Group Quarters Population

Blue Earth has a number of people residing in group quarters. The following table displays changes in this population subset over the past 20 years.

<b>Table 2 Group Quarters Populations in Blue Earth: 1980 to 2013</b>				
	1990 Census	2000 Census	2010 Census	2013 Estimate
Blue Earth	196	201	164	170

Source: U.S. Census; MN State Demographer

According to the 2010 Census, Blue Earth had 164 people living in group quarters housing. People living in skilled nursing facilities represented the majority of the group quarters total. The most recent estimate from the State Demographer’s Office shows the City’s group quarters population increasing by six people between 2010 and 2013.

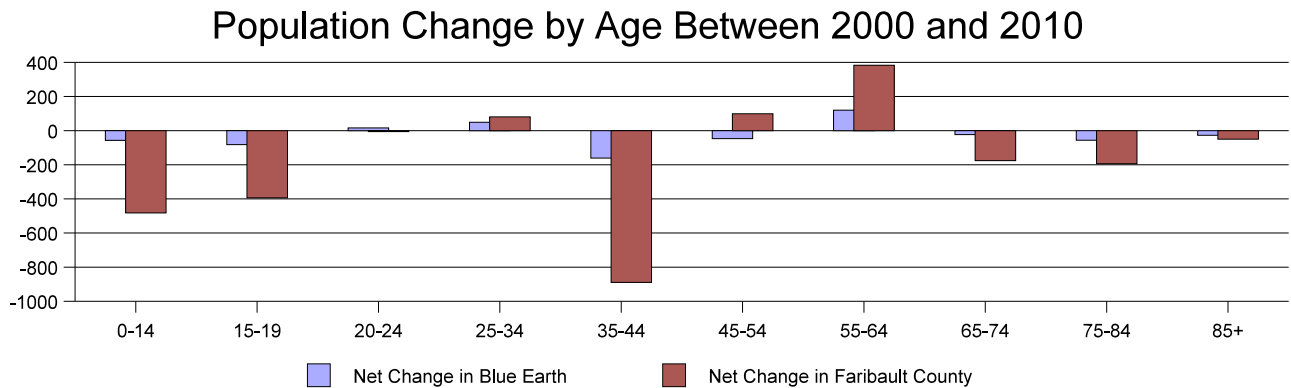
Between 2000 and 2010, Blue Earth had a net loss of 37 group quarters residents. The change in group quarters residents between 2000 and 2010 was possibly due to a reduction of nursing home residents. In the 2000 Census, some of the group quarters residents were apparently mis-classified, so a direct comparison is not possible.

## Population by Age Trends: 2000 to 2010

The release of demographic information from the 2010 Census allows for some analysis of the changing age patterns for Blue Earth and Faribault County. The following table compares population by age in 2000 and 2010, along with the numeric changes.

Table 3 Population by Age - 2000 to 2010						
Age	Blue Earth			Faribault County		
	2000	2010	Change	2000	2010	Change
0-14	645	588	-57	3,054	2,572	-482
15-19	284	202	-82	1,326	932	-394
20-24	143	159	16	644	638	-6
25-34	310	359	49	1,404	1,485	81
35-44	483	322	-161	2,347	1,458	-889
45-54	477	430	-47	2,160	2,259	99
55-64	344	464	120	1,647	2,030	383
65-74	344	321	-23	1,635	1,459	-176
75-84	341	285	-56	1,316	1,122	-194
85+	250	223	-27	648	598	-50
Total	3,621	3,353	-268	16,181	14,553	1,628

Source: U.S. Census



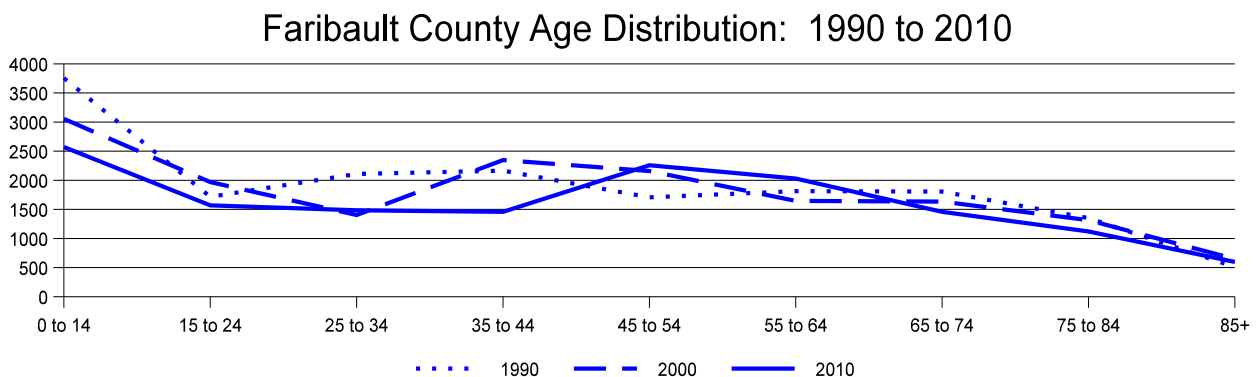
For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in Blue Earth and Faribault County. Between 2000 and 2010, Blue Earth had a gain of 120 people in the 55 to 64 age range, but this was somewhat offset by the loss of 47 people in the 45 to 54 age range. Faribault County had a gain of 482 people in the age ranges between 45 and 64 years old. In 2010, nearly all of the baby boomers were within these age ranges.

In addition to the population growth in the 55 to 64 age range, the City of Blue Earth also had an increase of 65 people in the 20 to 34 age ranges. All of the other age ranges in the City of Blue Earth had population losses, including 139 people in the 0 to 19 age ranges, a loss of 208 people in the 35 to 54 age ranges, and a loss of 106 people in the 65 and older age ranges.

In addition to the population gains in the 45 to 64 age ranges, all of Faribault County added 81 people in the 25 to 34 age range.

Faribault County had a loss of 882 people in the 0 to 24 age ranges, 889 people in the 35 to 44 age range and 420 people in the 65 and older age ranges.

The aging trends present in 2010 can be traced back over the previous decades to see the movement of the baby boom generation over the last 20 years in Faribault County.



## Population Projections

The following table presents population projections using two different sources. The first set of projections has been generated by Community Partners Research, Inc. The second projection source is from the Minnesota State Demographer’s Office, which has generated population projections for individual cities and counties in the State. Projections are provided for the years 2015 and 2020.

The State Demographer’s projections for cities were created in 2013 and do incorporate the information from the 2010 Census. At the county level, the State Demographer has issued two population projections after the 2010 Census. We have utilized the more conservative projections in our analysis as they are more consistent with recent annual estimates.

<b>Table 4 Population Projections Through 2020</b>					
	2013 Estimate	Community Partners Research Projection		State Demographer Projection	
		2015	2020	2015	2020
Blue Earth	3,322	3,303	3,282	3,226	3,103
Faribault County	14,192	13,952	13,412	14,000	13,459

Source: U.S. Census; Community Partners Research, Inc.; MN State Demographer

The Community Partners Research, Inc., projections expect a loss of approximately 19 people in Blue Earth from 2013 to 2015, and a loss of another 21 people from 2015 to 2020.

The State Demographer projections are more pessimistic. The State Demographer projects a loss of 96 people from 2013 to 2015, followed by a loss of 123 people from 2015 to 2020.

The Community Partners Research, Inc., projections for Faribault County expect a loss of 240 people from 2013 to 2015, followed by a loss of 540 people from 2015 to 2020. The State Demographer’s population projections for Faribault County forecast a loss of 192 people from 2013 to 2015, followed by a loss of 541 people from 2015 to 2020.

Population projections produced by ESRI expect the City of Blue Earth’s population to be 3,097 and the County’s population to be 13,499 in 2019. The analysts view these projections as overly pessimistic.

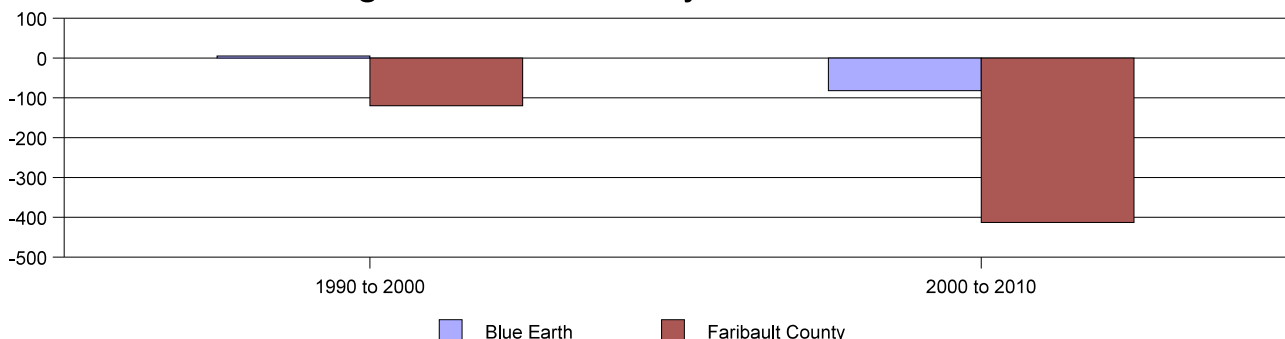
## Household Data and Trends

<b>Table 5 Household Trends - 1980 to 2013</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Estimate
Blue Earth	1,530	1,535	0.3%	1,453	-5.6%	1,457
Blue Earth Co.	6,772	6,652	-1.8%	6,236	-6.7%	6,156

Source: U.S. Census; MN State Demographer

- ▶ According to the 2010 U.S. Census, Blue Earth and Faribault County both experienced household losses from 2000 to 2010. Blue Earth had 1,453 households in 2010. This was a loss of 82 households from 2000, which was a decrease of 5.6%.
- ▶ Faribault County had 6,236 households in 2010. This was a loss of 416 households from 2000, which was a household decrease of 6.7%.
- ▶ Blue Earth experienced household gains and Faribault County had household losses during the 1990s. Blue Earth gained five households and Faribault County lost 120 households from 1990 to 2000.
- ▶ The State Demographer has released 2013 household estimates for Blue Earth and Faribault County. The State Demographer estimates that Blue Earth had 1,457 households in 2013, which is an increase of three households from 2010. Faribault County’s household estimate was 6,156, which is a decrease of 80 households from 2010.
- ▶ ESRI’s estimates are for 2014. ESRI estimates that Blue Earth has 1,402 households in 2014, which is a loss of 51 households from 2010. ESRI’s 2014 households estimate for Faribault County is 6,069, which is a loss of 167 households from 2010.

**Net Change in Households by Decade: 1990 to 2010**



## Household by Age Trends: 2000 to 2010

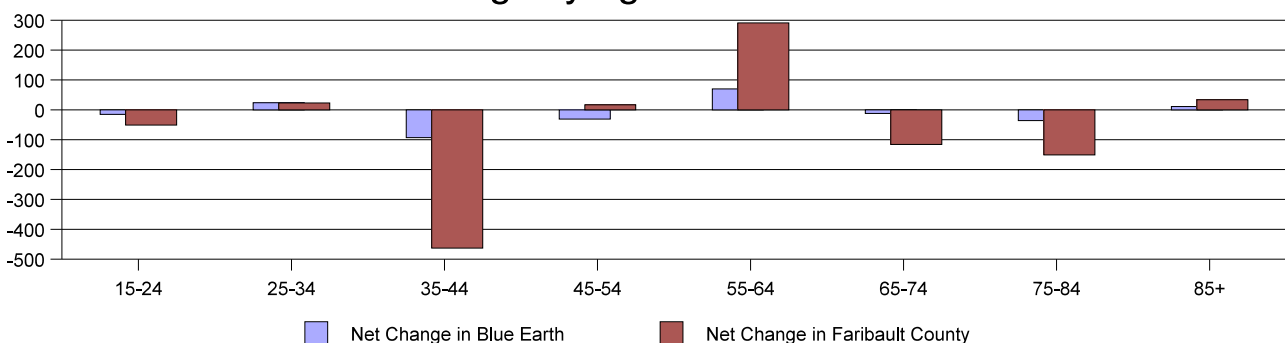
The 2010 Census allows for some analysis of Blue Earth and Faribault County’s changing age patterns. The following table compares households by age of householder in 2000 and 2010, along with the numeric changes.

Table 6 Households by Age - 2000 - 2010						
Age	Blue Earth			Faribault County		
	2000	2010	Change	2000	2010	Change
15-24	66	51	-15	253	202	-51
25-34	166	190	24	720	743	23
35-44	273	180	-93	1,232	769	-463
45-54	281	250	-31	1,216	1,233	17
55-64	198	268	70	925	1,216	291
65-74	215	203	-12	1,017	901	-116
75-84	224	188	-36	919	768	-151
85+	112	123	11	370	404	34
Total	1,535	1,453	-82	6,652	6,236	-416

Source: U.S. Census

Consistent with the population by age data presented earlier, the household patterns show much of the net change occurring in the baby boomer age groups. For all of Faribault County there was an increase of 308 households in the 45 to 64 year age ranges, and in the City of Blue Earth there was a gain of 70 households in the 55 to 64 year old age range. However, Blue Earth did have a loss of 31 households in the 45 to 54 age range.

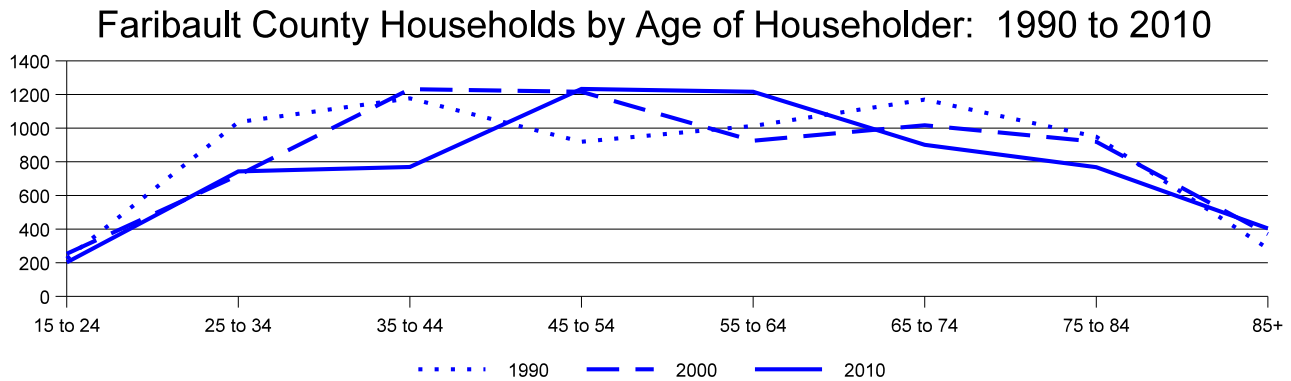
Household Change by Age Between 2000 and 2010



In addition to a gain of 70 households in the 55 to 64 age group, Blue Earth had a gain of 24 households in the 25 to 34 age range and a gain of 11 households in the 85 and older age range. In addition to the household gains in the 45 to 64 age ranges, Faribault County gained 23 households in the 25 to 34 age range, and 34 households in the 85 and older age range.

Blue Earth had a decrease of 15 households in the 15 to 24 age range, a loss of 124 households in the 35 to 54 age ranges and a loss of 48 households in the 65 to 84 age ranges. Faribault County had a loss of 51 households in the 15 to 24 age range, a loss of 463 households in the 35 to 44 age range and 267 households in the 65 to 84 age ranges.

As with the longer-term patterns for population, it is possible to track the progression of households by age over the past 20 years in Faribault County, using Census information for households by the age of householder.



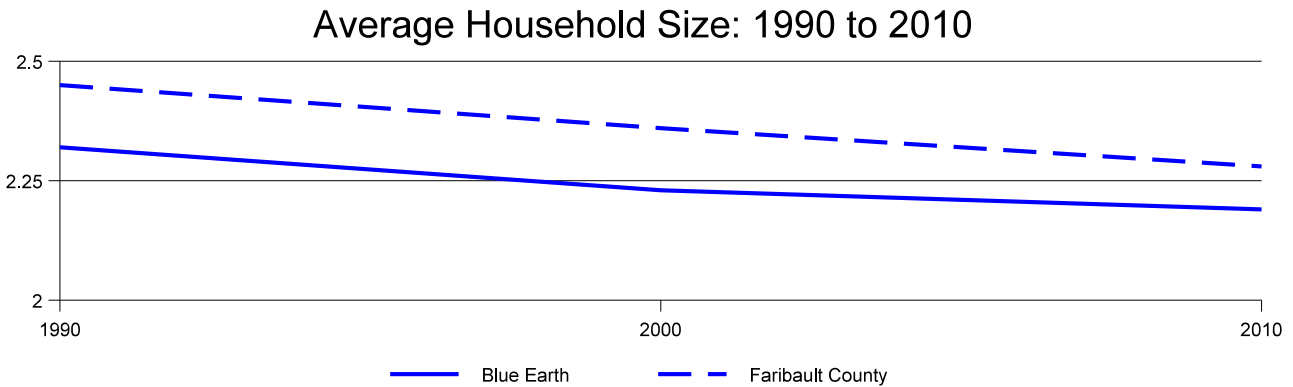
## Average Household Size

The following table provides decennial Census information on average household size.

<b>Table 7 Average Number of Persons Per Household: 1990 to 2013</b>				
	1990 Census	2000 Census	2010 Census	2013 Estimate
Blue Earth	2.32	2.23	2.19	2.16
Faribault County	2.45	2.36	2.28	2.25

Source: U.S. Census

Household formation has been occurring at a different rate than population change in recent decades due to a steady decrease in average household size. This has been caused by household composition changes, such as more single person and single parent families, fewer children per family, and more senior households due to longer life spans.



There has been a pattern of smaller household sizes in the Blue Earth area. The average household size in Blue Earth decreased from 2.32 in 1990 to 2.16 in 2013. Faribault County’s average household size decreased from 2.45 in 1990 to 2.25 in 2013.



## Household Projections

The following table presents household projections using two different sources. As with population projections, Community Partners Research, Inc., has generated projections to the years 2015 and 2020, by examining both short-term and longer-term patterns to project future changes. The State Demographer’s Office has issued household projections at the county level only.

<b>Table 8 Household Projections Through 2015/2020</b>					
	2013 Estimate	Community Partners Research		State Demographer	
		2015 Projection	2020 Projection	2015 Projection	2020 Projection
Blue Earth	1,457	1,459	1,465	N/A	N/A
Faribault County	6,156	6,095	5,906	6,116	5,954

Source: State Demographer; Community Partners Research, Inc.

The projections created by Community Partners Research, Inc., expect Blue Earth to add approximately two households over the two-year projection period between 2013 and 2015, followed by a gain of an additional six households from 2015 to 2020. On an average basis, this would be a gain of one household per year.

For all of Faribault County, Community Partners Research, Inc., projects a loss of 61 households from 2013 to 2015, with a loss of an additional 189 households between 2015 and 2020. At an annual rate, this would be a loss of approximately 36 households per year from 2013 to 2020.

The State Demographer’s household projections are somewhat more optimistic, but still forecast a loss of 40 households Countywide over the two-year period to the year 2015, with a loss of an additional 162 households from 2015 to 2020. This is a decrease of 29 households in an average year.

The projections from ESRI expect the City of Blue Earth to lose 48 households from 2014 to 2019, and the entire County to decrease by 196 households over this five-year period. The analysts view these forecasts as overly conservative.

## Household by Age Projections: 2010 to 2020

Using the age distribution patterns that were present in the 2010 Census, it is possible to project forward the expected age changes to the year 2020. In the following table, Community Partners Research, Inc., has generated age-based household projections for the City of Blue Earth to the year 2020.

These projections assume that historical patterns will continue into the near-future, especially related to household formation and household size within specific age groups. If the City’s population changes at a rate that is different from past patterns, traditional age-based forecasts could be altered.

<b>Table 9 City of Blue Earth Projected Households by Age - 2010 to 2020</b>			
Age Range	2010 Census	Community Partner Research, Inc. Projections	
		2020 Projection	Change from 2010
15-24	51	47	-4
25-34	190	182	-8
35-44	180	222	42
45-54	250	176	-74
55-64	268	261	-7
65-74	203	290	87
75-84	188	187	-1
85+	123	100	-23
<b>Total</b>	<b>1,453</b>	<b>1,465</b>	<b>12</b>

Source: U.S. Census; Community Partners Research, Inc.

The age-based household projections expect the future household growth to occur in the 35 to 44 and 65 and 74 age ranges. From 2010 to 2020, the 35 to 44 age range is projected to gain 42 households and the 65 to 74 age range is projected to gain 87 households.

All of the other age ranges are expected to lose households from 2010 to 2020. The 15 to 34 age ranges are projected to lose 12 households, the 45 to 64 age ranges are projected to lose 81 households and the 75 and older age ranges are projected to lose 24 households.

Although they are not displayed in the table above, the analysts have also reviewed the age-based household forecasts that were generated by ESRI. Overall, ESRI was not as optimistic about the City's growth potential. However, within the defined age ranges, their projections showed similar trends.

ESRI's projections span a five-year time period from 2014 to 2019. Over this time, ESRI projects a reduction of 101 households age 54 and younger. They show a net gain of three households age 55 and older. These broad trends are similar to the Community Partners Research projections, although more severe in the loss of younger adult households.

## Households by Type

The 2010 Census can be compared to statistics from 2000 to examine changes in household composition. The following table looks at household trends within the City of Blue Earth.

<b>Table 10 Blue Earth Household Composition - 2000 to 2010</b>			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	313	215	-98
Single Parent with own children	110	132	22
Married Couple without own children	451	483	32
Family Householder without spouse	52	58	6
Total Families	926	88	-38
Non-Family Households			
Single Person	557	516	-41
Two or more persons	52	49	-3
Total Non-Families	609	565	-44

Source: U.S. Census

Between 2000 and 2010, Blue Earth experienced a loss of 38 family households. The net loss was due to a decrease of 98 married couples with children. There was, however, a gain of married couples without children, family households without spouses and single parents with children.

The City also had a decrease of 44 “non-family” households. This was due both to a decrease in single person households and households with unrelated individuals living together.

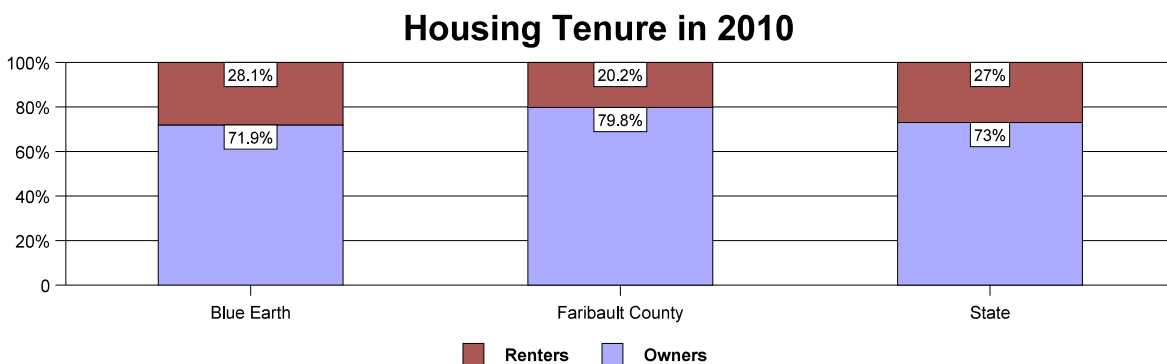
## Housing Tenure

The 2010 Census provided an updated look at housing tenure patterns. The following tables examine overall tenure rates, along with the changes that have occurred since 2000 for the City of Blue Earth and Faribault County.

<b>Table 11 Household Tenure - 2010</b>				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Blue Earth	1,044	71.9%	409	28.1%
Faribault Co.	4,978	79.8%	1,258	20.2%
State	-	73.0%	-	27.0%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in Blue Earth was 71.9%. Faribault County's ownership rate was 79.8%. Blue Earth's rental rate of 28.1% was slightly above the State of Minnesota's rental rate of 27.0%.



<b>Table 12 Households by Housing Tenure - 2000 to 2010</b>						
Tenure	Blue Earth			Faribault County		
	2000	2010	Change	2000	2010	Change
Owners	1,136/74.0%	1,044/71.9%	-92	5,370/80.7%	4,978/79.8%	-392
Renters	399/26.0%	409/28.1%	10	1,282/19.3%	1,258/20.2%	-24
Total	1,535	1,453	-82	6,652	6,236	-416

Source: U.S. Census

Blue Earth's ownership tenure rate decreased from 74.0% in 2000 to 71.9% in 2010. For Faribault County, there was also a decrease in the rate of owner-occupancy from 80.7% in 2000 to 79.8% in 2010.

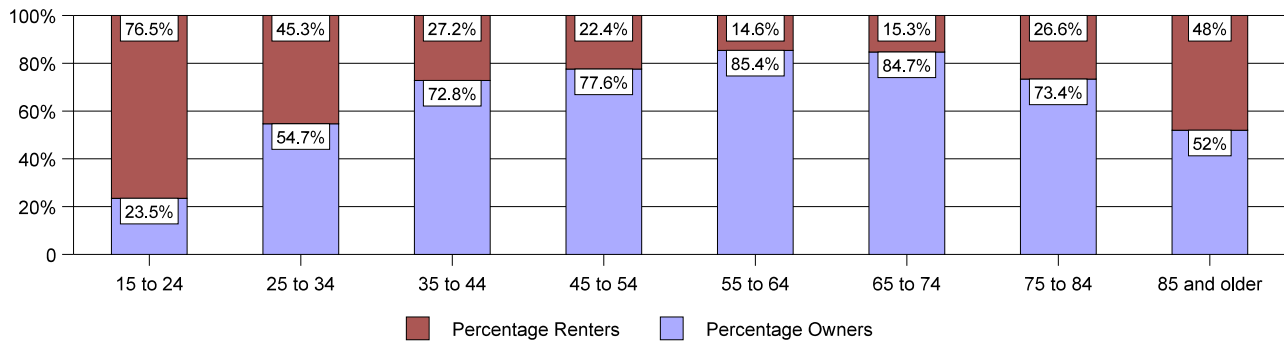
## Tenure by Age of Householder

The 2010 Census provided information on the tenure distribution of households within each defined age range. The following table examines the number and percentage of renters and owners in each age group in the City of Blue Earth.

Table 13 Blue Earth Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	12	23.5%	39	76.5%
25-34	104	54.7%	86	45.3%
35-44	131	72.8%	49	27.2%
45-54	194	77.6%	56	22.4%
55-64	229	85.4%	39	14.6%
65-74	172	84.7%	31	15.3%
75-84	138	73.4%	50	26.6%
85+	64	52.0%	59	48.0%
Total	1,044	71.9%	409	28.1%

Source: U.S. Census

Blue Earth Housing Tenure Patterns by Age in 2010



Within the defined age ranges, typical tenure patterns were present, with the households in the youngest and oldest age ranges showing a high percentage of rental occupancy, while middle-aged and older adult households were primarily home owners. Approximately 77% of households age 24 and younger, 45% of households 25 to 34 and 48% of the households age 85 and older rented their unit. Home ownership rates for each of the 10-year age cohorts age 35 to 84 were approximately 73% or higher.

## Tenure by Household Size

The 2010 Census provided information on housing tenure by household size. This can be compared to 2000 Census information to better understand trends for housing unit needs. The following table provides information for Blue Earth.

<b>Table 14 Blue Earth Tenure by Household Size - 2000 to 2010</b>						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	319	281	-38	238	235	-3
2-Person	421	437	16	84	91	7
3-Person	157	133	-24	40	38	-2
4-Person	142	116	-26	24	22	-2
5-Person	74	50	-24	10	14	4
6-Person	15	21	6	2	6	4
7-Persons+	8	6	-2	1	3	2
Total	1,136	1,044	-92	399	409	10

Source: U.S. Census

- ▶ From 2000 to 2010, there was a loss in the number of owner households and a gain in the number of renter households in Blue Earth. There was a loss of 38 one-person owner households and a gain of 16 two-person households. There was a net loss of 70 owner households with three or more people.
- ▶ There was a loss of three one-person renter households, two three-person households and two four-person households. There was a gain of seven two-person households. There was also a gain of 10 renter households with five or more people from 2000 to 2010.
- ▶ Approximately 80% of the renter households in Blue Earth were one or two person households in 2010.

## 2012 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 2012 American Community Survey.

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

<b>Table 15 Median Income - 2000 to 2012</b>			
	2000 Median	2012 Median	% Change
Households			
Blue Earth	\$34,940	\$36,378	4.1%
Faribault County	\$34,440	\$43,835	27.3%
Minnesota	\$47,111	\$59,126	25.5%
Families			
Blue Earth	\$42,377	\$53,732	26.8%
Faribault County	\$41,793	\$57,775	38.2%
Minnesota	\$56,874	\$74,032	30.2%

Source: U.S. Census; 2012 ACS 5-year survey

Income information contained in the 2012 American Community Survey shows income growth within the City of Blue Earth and in Faribault County from 2000 to 2012. However, the City’s median household income level increased by only 4.1%. Faribault County’s median household income increased by 27.3%. Blue Earth’s median household income was \$22,748 lower than the Minnesota median and Faribault County’s median household income was \$15,291 lower than the Minnesota median.

Family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners. While the median family incomes in Blue Earth and Faribault County were higher than the median household incomes, they were still significantly below the Statewide median for families.



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 Blue Earth could afford approximately \$909 per month for ownership or rental housing in 2012. A family at the median income level for the City could afford approximately \$1,096 for housing costs.

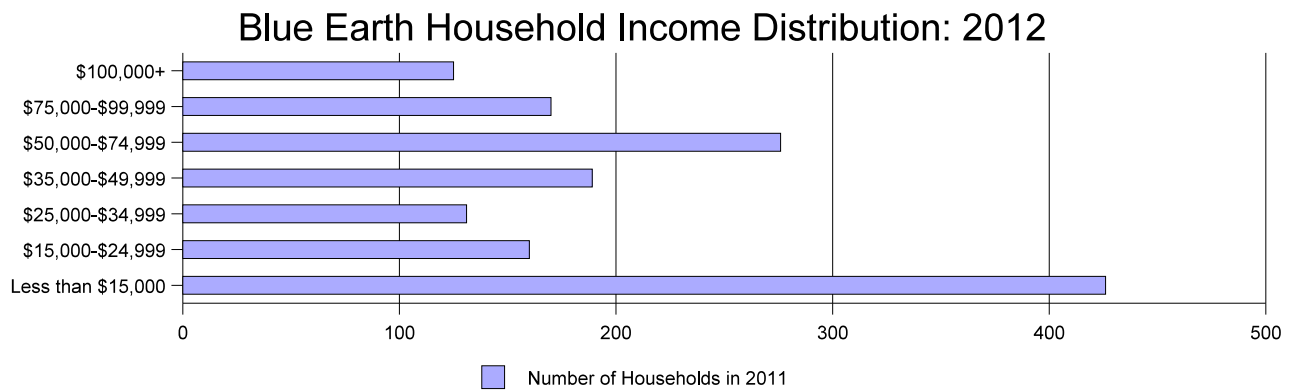
Although households at or near the median levels do have some buying power for housing, the overall medians can be somewhat deceptive. In general, renter households tend to have incomes that are well below the overall median levels, while home owners tend to be above the medians for households or families. In 2012, the median income level for owner households in Blue Earth was \$53,865. The estimated median household income for renters in 2012 was only \$13,740. At 30% of income, a median income renter in the City could apply \$344 to gross rent without experiencing a housing cost burden.

## Blue Earth Household Income Distribution

The 2012 American Community Survey household income estimates for the City of Blue Earth can be compared to the same distribution information from 2000 to examine changes that have occurred from 2000 to 2012.

<b>Table 16 Blue Earth Household Income Distribution - 2000 to 2012</b>			
Household Income	Number of Households 2000	Number of Households in 2012	Change 2000 to 2012
\$0 - \$14,999	296	426	130
\$15,000 - \$24,999	211	160	-51
\$25,000 - \$34,999	275	131	-144
\$35,000 - \$49,999	375	189	-186
\$50,000 - \$74,999	217	276	5
\$75,000 - \$99,999	82	170	89
\$100,000+	52	125	73
<b>Total</b>	<b>1,561</b>	<b>1,477</b>	<b>-84</b>

Source: 2000 Census; 2012 ACS



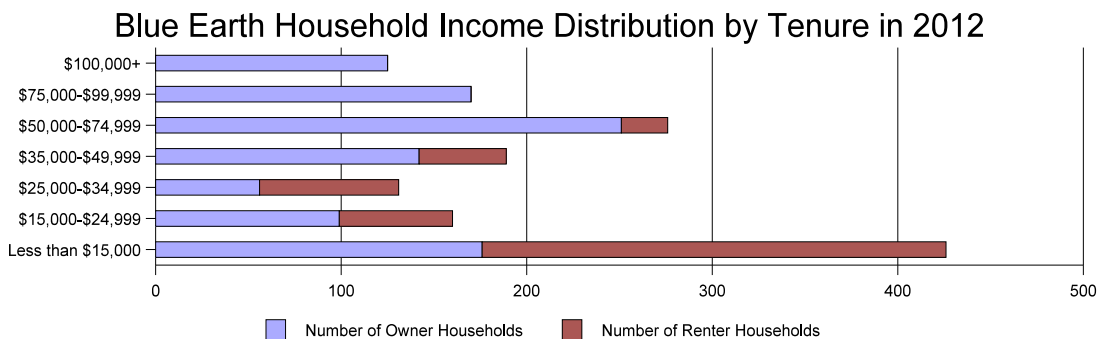
According to income estimates contained in the 2012 American Community Survey, household incomes have improved in Blue Earth, especially in the highest income ranges. When compared to the 2000 Census (1999 income), there was an increase of 167 households with an income of \$50,000, or more. There was a net decrease of 251 households with incomes less than \$50,000. However, there were still 586 households in Blue Earth that have an annual income below \$25,000. This was 39.7% of all households.

## Blue Earth Income Distribution by Housing Tenure

The 2012 American Community Survey provides an income estimate by owner and renter status. The following table examines income distribution within the City of Blue Earth. The American Community Survey is an estimate, based on limited sampling data, and there are some differences when compared to the 2010 Census. For total households, the American Community Survey reported 24 more households than the Census. The American Community Survey estimated 25 less owner households than the Census, and 49 more renter households. Since owner households tend to have higher incomes than renters, the over-weighting of renters in the estimate probably results in some higher totals in the lower income ranges.

<b>Table 17 Blue Earth Household Income Distribution by Tenure - 2012</b>			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	176/41.3%	250/58.7%	426
\$15,000 - \$24,999	99/61.9%	61/38.1%	160
\$25,000 - \$34,999	56/42.7%	75/57.3%	131
\$35,000 - \$49,999	142/75.1%	47/24.9%	189
\$50,000 - \$74,999	251/90.9%	25/9.1%	276
\$75,000 - \$99,999	170/100%	0/0%	170
\$100,000+	125/100%	0/0%	125
<b>Total</b>	<b>1,019</b>	<b>458</b>	<b>1,477</b>

Source: 2012 American Community Survey



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

In 2010, approximately 84% of all renter households in Blue Earth had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs.

Conversely, a majority of the owner households had a substantially higher income level. Approximately 54% of all owner households had an annual income of \$50,000 or more. At 30% of income, these owners could afford \$1,364 or more per month for housing costs.

## 2012 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 Blue Earth.

<b>Table 18 Gross Rent as a Percentage of Household Income - 2012</b>			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	80	22	102 / 22.3%
20% to 29.9%	82	23	105 / 22.9%
30% to 34.9%	5	20	25 / 5.5%
35% or more	135	79	214 / 46.7%
Not Computed	12	0	12 / 2.6%
<b>Total</b>	<b>314</b>	<b>144</b>	<b>458</b>

Source: 2012 American Community Survey

According to the American Community Survey, approximately 52% of all renters in the City were paying 30% or more of their income for rent. The large majority of these households were actually paying 35% or more of their income for housing. 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".

Although a housing cost burden could be caused by either high housing costs or low household income, in Blue Earth it was primarily due to low income levels for renters. A majority 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.

Senior citizen renters (age 65 and older) represented approximately 41% of all households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 59% of all households with a rental cost burden.

## 2012 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 Blue Earth that are paying different percentages of their gross household income for housing costs.

<b>Table 19 Ownership Costs as a Percentage of Income - Blue Earth</b>		
Percentage of Household Income for Housing Costs	Number of Owner Households 2012	Percent of All Owner Households 2012
0% to 19.9%	580	56.9%
20% to 29.9%	245	24.0%
30% to 34.9%	25	2.5%
35% or more	157	15.4%
Not Computed	12	1.2%
Total	1,019	100%

Source: 2012 ACS

Based on the 2010 Census, the 2012 American Community Survey underestimated the number of owner households in the City. However, there is also a two-year time difference in the effective date of the two estimates which also may account for some of the difference.

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 18% of all home owners reported that they paid more than 30% of their income for housing. A significant majority of these households were paying more than 35% of income for housing costs.

As would be expected, most of the cost-burdened home owners had a mortgage on their home.

## **Section Table of Contents**

	Page
Building Permit Trends	31
Occupancy Status of Housing Units - 2010	32
Existing Home Sales	33
Home Sales by Price Range	35
Active Residential Listings	36
Faribault County Home Foreclosure Activity	37
Blue Earth Housing Condition Survey	38

## Building Permit Trends

Blue Earth has had some new housing construction activity in recent years. The following table identifies the units that have been issued a building permit from 2000 to 2013.

<b>Table 20 Blue Earth Housing Unit Construction Activity: 2000 to 2013</b>				
Year	Single Family Detached	Single Family Attached	Multifamily	Total Units
2013	0	0	0	0
2012	3	0	0	3
2011	1	0	0	1
2010	0	0	0	0
2009	0	0	0	0
2008	3	0	0	3
2007	3	0	0	3
2006	2	0	0	2
2005	7	0	0	7
2004	5	0	0	5
2003	3	0	0	3
2002	1	0	0	1
2001	1	2	0	3
2000	2	0	0	2
Total	31	2	0	33

Source: City of Blue Earth; Community Partners Research, Inc.

Over the past 14 years, 33 new housing units have been constructed in or moved into the City of Blue Earth, based on building permit issuance. Of this total, 31 units are detached single family homes, and one duplex was also built.

During the seven-year period from 2000 to 2006, the City averaged 3.3 new units per year. From 2007 to 2013, housing construction activity slowed, and the City averaged 1.4 new units per year.



## Occupancy Status of Housing Units - 2010

<b>Table 21 Occupancy Status of Housing Units - 2010</b>						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
Blue Earth	1,044	409	58	45	17	65
Faribault Co.	4,978	1,258	169	153	100	432

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 100 seasonal housing units in Faribault County, including 17 units in Blue Earth.
- ▶ Excluding the seasonal use units, there were 754 other types of vacant housing units in Faribault County in 2010, including 168 vacant units in Blue Earth. Many of the vacant units were listed as "other vacant" and the status of these units is not known.

## Existing Home Sales

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

Faribault 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 for sales 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 ago and did have an established tax value.

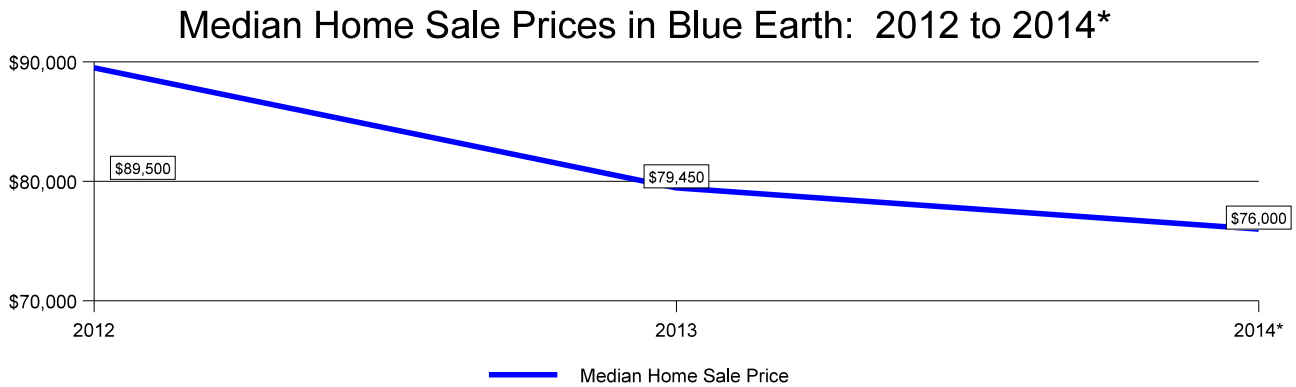
The County also sorts the sales data into "qualified" and "unqualified" groupings. Qualified sales are also referred to as good sales, because they are fair market transactions. Unqualified sales are rejected because they are not considered to be fair market transactions. There are multiple reasons for rejecting a sale, but some are becoming more common, including sales of "bank-owned" properties, and foreclosures/short sales. Additional reasons for rejection would include transfers between related parties, or sales that were not conducted in the open market.

The sales value used is an "adjusted sale price", which attempts to make adjustments for personal property that was included in the sale, any financing concessions, or similar items that are not part of the real property transfer. The adjustments were made by the Faribault County Assessor's Office.

Information was available for each calendar year, from 2012 through 2014. Information for 2014 is partial-year, for the period between January 1<sup>st</sup> and June 30<sup>th</sup>.

<b>Table 22 Blue Earth Residential Sales Activity - 2011 to 2014</b>				
Year	Number of Good Sales	Median Sale Price	Highest Sale	Lowest Sale
2014 (thru June 16)	12	\$76,000	\$153,500	\$46,000
2013	18	\$79,450	\$439,500	\$32,000
2012	29	\$89,500	\$343,500	\$15,000

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



Information for 2014 only represents the first six months of the year and may not be an accurate indicator of the entire year. However, through the end of June, 12 good sales had been recorded, with a partial-year median price of \$76,000.

The 2014 partial-year median was slightly lower than the midpoint price recorded in 2013, at \$79,450. In that 12-month period, there were 18 good sales. The 2012 median sales price based on 29 sales was \$89,500.

Prices for existing home sales have varied widely over the past three years with a low sales price of \$15,000 and a high sales price of \$439,500.

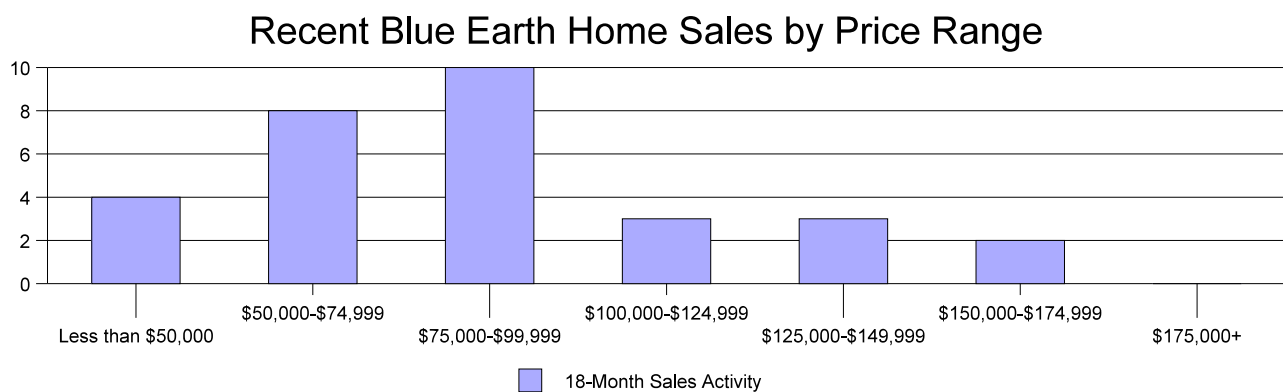
## Home Sales by Price Range

The following table looks at the 30 single family houses that sold in the 19-month period from January 1, 2013, to June 30, 2014, in Blue Earth by defined price ranges. This information is from Faribault County's sales records.

<b>Table 23 Home Sales by Price Range: January 2013 thru June 2014</b>		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	4	13.3%
\$50,000 - \$74,999	8	26.7%
\$75,000 - \$99,999	10	33.3%
\$100,000 - \$124,999	3	10.0%
\$125,000 - \$149,999	3	10.0%
\$150,000 - \$174,999	2	6.7%
<b>Total</b>	<b>30</b>	<b>100%</b>

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

Approximately 72% of the sales were for less than \$100,000. Six of the sales were in the \$100,000 to \$150,000 range, representing 20% of all sales. There were two sales for more than \$150,000, which was 6.7% of the sales total.



## 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 Blue Earth. In October 2014, there were 27 single family homes that were listed for sale in the City limits of Blue Earth. There were also some listings located outside of the City limits in the immediate area that were not included. The following table examines the MLS listings by listing price, as posted on Realtor.com.

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 that would not be part of the MLS, including most homes being offered "for sale by owner".

**Table 24 Blue Earth Active MLS Listings by Price Range - Oct. 2014**

Asking Price	Number of Listings	Percent of Listings
Less than \$50,000	7	25.9%
\$50,000 - \$74,999	8	29.6%
\$75,000 - \$99,999	9	33.4%
\$100,000 - \$124,999	2	7.4%
\$125,000 - \$149,999	1	3.7%
Total	27	100%

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

Based on the listings on Realtor.com, all of the houses being offered for sale were priced below \$150,000. Overall, approximately 26% of active listings in October were priced at \$50,000 or less. Approximately 63% of the listings were between \$50,000 and \$100,000. Three homes were listed for \$100,000 or more.

## Faribault County Home Foreclosure Activity

Starting in 2005, 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.

In response to the growth in foreclosures late in the last decade, HousingLink and the Greater Minnesota Housing Fund began tracking mortgage foreclosure activity across the State. They have produced annual foreclosure reports since 2005. Their reports provide details on foreclosure activity at the County level, as well as a comparison with other Counties in the State.

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

<b>Table 25 Faribault County Home Foreclosures - 2005 to 2013</b>									
Foreclosures	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number	19	36	39	40	42	51	32	46	27
Rate	0.29	0.54	0.59	0.60	0.63	0.77	0.48	0.70	0.41

Source: HousingLink; Community Partners Research

Based on the HousingLink data, Faribault County has been impacted by home foreclosures. The number of annual foreclosures did increase starting in 2006, and reached a peak level in 2010. The level in 2013 is well below the recent peak.

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, Faribault County had the 49<sup>th</sup> highest rate of foreclosure among Minnesota's 87 Counties in 2013, the most recently reported time period.

## **Blue Earth Housing Condition**

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 1,039 single family/duplex houses in Blue Earth's four oldest neighborhoods.

The boundaries of the four neighborhoods are as follows:

- ▶ Neighborhood #1: West - Hwy 169  
East - S. East St.  
North - E. 2<sup>nd</sup> St.  
South - E. 8<sup>th</sup> St.
  
- ▶ Neighborhood #2: West - Main St.  
East - Hwy 169  
North - E. 7<sup>th</sup> St.  
South - E. 14<sup>th</sup> St.
  
- ▶ Neighborhood #3: West - S. Holland St.  
East - Main St.  
North - W 1<sup>st</sup> St.  
South - W. 10<sup>th</sup> St. & Bartels Drive
  
- ▶ Neighborhood #4: West - Main St.  
East - Hwy 169  
North - Leland Parkway  
South - E. 7<sup>th</sup> St.

Houses that appeared to contain three or more residential units were excluded from the survey. Houses were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated as defined below. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition is assumed to be a reasonable indicator of the structure's interior quality.

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

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

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

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

<b>Table 26 Windshield Survey Condition Estimate - 2014</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	35/38.5%	34/37.4%	21/23.1%	1/1.0%	91
Neighborhood #2	175/48.2%	128/35.3%	53/14.6%	7/1.9%	363
Neighborhood #3	156/48.8%	127/39.7%	34/10.6%	3/0.9%	320
Neighborhood #4	103/38.9%	96/36.2%	55/20.8%	11/4.1%	265
Total	469/45.1%	385/37.1%	163/15.7%	22/2.1%	1,039

Source: Community Partners Research, Inc.

- ▶ Approximately 37% of the houses in the City's four oldest neighborhoods need minor repair and 16% need major repair.
- ▶ Approximately 45% are sound, with no required improvements.
- ▶ Twenty-two houses are dilapidated and possibly beyond repair.



## **Section Table of Contents**

	Page
Census Bureau Rental Inventory	41
Rental Housing Survey	41
Market Rate Summary	42
Tax Credit Summary	43
Subsidized Summary	44
Senior Housing with Services Summary	46
Multifamily Rental Housing Tables	47

## **Rental Housing Data**

### **Census Bureau Rental Inventory**

According to the 2010 U.S. Census, there were 409 occupied rental units and 60 unoccupied rental units in Blue Earth, for a total estimated rental inventory of 469 units. The City's rental tenure rate was 28.1%, above the Statewide rental rate of 27.0% in 2010.

At the time of the 2000 Census, Blue Earth had 399 occupied rental units, and 44 vacant rental units, for a total estimated rental inventory of 443 units. The rental tenure rate in 2000 was 26.0%.

Based on a Census comparison, the City gained 10 renter-occupancy households, and approximately 26 rental units from 2000 to 2010.

No multi-family rental projects were constructed in Blue Earth from 2000 to 2014.

### **Rental Housing Survey**

As part of this housing study, a telephone survey was conducted of rental properties in the City of Blue Earth. The survey was primarily conducted during the months of August and September in 2014. Emphasis was placed on contacting properties that have six or more units, although information was also obtained from smaller properties, including single family homes. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential.

Information was tallied separately for different types of rental housing, including market rate, subsidized and senior housing with services.

A total of 291 housing units of all types were contacted in the survey. Based on our research, all of the subsidized rental projects, all of the senior with services projects and a high percentage of the market rate multifamily projects were surveyed. We also surveyed the nursing home which has a total of 108 beds.

The units that were successfully contacted include:

- ▶ 111 market rate units
- ▶ 114 federally subsidized units
- ▶ 66 senior with services units/beds
- ▶ 108 nursing home beds

The findings of the survey are provided below.

## **Market Rate Summary**

Information was obtained on 111 market rate rental units. The rental units include 73 units in eight multifamily buildings and 38 single family homes.

### **Unit Mix**

We obtained bedroom mix information on the 111 market rate units. The bedroom mix of these units is:

- ▶ Efficiency - 2 (1.8%)
- ▶ One-bedroom - 28 (25.2%)
- ▶ Two-bedroom - 54 (48.7%)
- ▶ Three-bedroom - 24 (21.6%)
- ▶ Four-bedroom - 3 (2.7%)
- ▶ Total - 111

The multifamily market rate projects surveyed have no three or four-bedroom units. All of the three and four-bedroom units surveyed were in single family homes. Only two efficiency units were identified and surveyed, both in Oak Apartments.

### **Occupancy / Vacancy**

Within the market rate multifamily segment, the managers and owners reported there were 10 vacant units of the 111 units surveyed. This represents a vacancy rate of 9.0%. Village Green Apartments reported three vacancies, Frandle Apartments and Lynch Apartments reported two vacancies and 216-220 North Main St., Klous single family homes and the MVAC Apartments each reported one vacancy. The other projects all reported no vacancies. All of the owners and managers reported that they usually have very high occupancy rates. Several of the managers that reported vacancies reported that they are typically fully occupied.

## **Rental Rates**

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

The following gross rent range has been identified based on information from the telephone survey.

<u>Unit Type</u>	<u>Gross Rent Range</u>
Efficiency	\$400
One-bedroom	\$400-\$525
Two-bedroom	\$410-\$675
Three-bedroom	\$525-\$825
Four-bedroom	\$675-\$900

Only two efficiency units in a single project were surveyed.

## **Tax Credit Summary**

Blue Earth has no rental projects assisted through the federal low income tax credit program.

## **Subsidized Summary**

The research completed for this Study identified three subsidized projects providing rental opportunities for lower income households. These projects have a combined 114 units. Two of the projects are general occupancy housing with 90 units and one project is senior/disabled occupancy with 24 units. The subsidized projects were developed in Blue Earth with HUD and MHFA funds.

### **Rental Rates**

The City's subsidized units have access to project-based rent assistance. These units charge rent based on 30% of the tenant's household income. The subsidized projects have a market rent and tenants do not pay more than the market rent. However, a very high percentage of tenants in the subsidized projects pay less than the market rent, as 30% of their income is less than the market rent.

### **Unit Mix**

The bedroom mix breakdown for subsidized housing in Blue Earth is as follows:

- ▶ One-bedroom - 82 (71.9%)
- ▶ Two-bedroom - 26 (22.8%)
- ▶ Three-bedroom - 6 (5.3%)
- ▶ Total - 114

There are no efficiency or four-bedroom units in the three subsidized projects.

### **Occupancy / Vacancy**

There were five vacant units that were identified in the subsidized projects, which is a 4.4% vacancy rate. Three vacancies were in Blue Ridge Apartments and two vacancies were in Crescent Apartments.

### **Subsidized Housing Gains/Losses**

Federal subsidy sources for low income rental housing have been very limited for the past few decades. Most subsidized projects were constructed in the 1960, 1970s and 1980s. Some of these older projects may have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing. Village Green/Southridge Apartments with 24 units, opted out of the Rural Development Subsidy Program and has converted to market rate units.

## **Housing Choice Vouchers**

In addition to subsidized rental projects, Blue Earth and Faribault County households have access to the Housing Choice Voucher Program. The Minnesota Valley Action Council administers the Housing Voucher Program in Blue Earth and Faribault County.

The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income households. The program requires participating households to contribute from 30% to 40% of their adjusted income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community, provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community.

Currently, 67 Faribault County households, 27 of which live in Blue Earth, are receiving assistance through the Housing Voucher Program.

## Senior Housing with Services

Blue Earth has four housing options for seniors needing services. One of these is a 108-bed skilled nursing home. There are three additional senior with services projects with a total of 66 beds/units.

- ▶ **Friendship Court** - Friendship Court has 28 one and two-bedroom assisted living units with a capacity of 32 residents. The facility offers the full array of senior services. Friendship Court is part of the St. Luke's campus. Currently, there is one vacant unit.
- ▶ **Southview Estates** - Southview Estates is a 24-unit independent/light services project and part of the St. Luke's campus. The project includes 16 one-bedroom and two eight-bedroom units. The project provides a noon meal. Additional meals and services can be purchased from the St. Luke's Care Center. The facility currently has no vacancies.
- ▶ **Nicollet Place** - Nicollet Place has 14 one-bedroom units. The facility provides the full array of senior services. Currently, there are three vacant units.
- ▶ **St. Luke's Care Center** - The St. Luke's Care Center is a 108-bed facility, which includes 26 beds devoted to memory care residents. The Nursing Home is part of the St. Luke's campus. Currently, the nursing home has three vacancies.

In addition to these housing with services options, New Life Manor, which is included in the subsidized housing section, offers 24 units of HUD Section 202 housing. New Life Manor is part of the St. Luke's campus. Although New Life Manor is designed for independent living, tenants can purchase meals and other senior services through the St. Luke's Care Center.

### Occupancy / Vacancy

At the time of the survey, Nicollet Place and the St. Luke's Care Center had three vacancies. Friendship Court had one vacancy and Southview Estates and New Life Manor reported no vacancies. All of the facilities reported that they usually operate at a very high occupancy rate.

<b>Table 27 Blue Earth Market Rate Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Market Rate</b>					
Minnesota Valley Action Council (MVAC) Apartments	1 - 1 Bedroom <u>3 - 2 Bedroom</u> 4 total units	\$350 +electric	1 vacancy	General Occupancy	The MVAC Apartments include four units on the second floor of their building. The MVAC offices are on the first floor. The units include one one-bedroom and three two-bedroom units. Rent is \$350 plus electricity. Manager reports one vacancy.
Frandle Apartments	<u>4 - 2 Bedroom</u> 4 total units	\$425 +heat, electric	2 vacancies	General Occupancy	Frandle Apartments is a four-unit project. All four units have two bedrooms. Rent is \$425 plus heat and electricity. Owner reports that there are two vacancies.
Woodbridge Apartments	6 - 1 Bedroom <u>6 - 2 Bedroom</u> 12 total units	\$350-\$370 \$430-\$450 +heat, electric	No vacancies	General Occupancy	Woodbridge Apartments is a 12-unit project that includes six one-bedroom units and six two-bedroom units. Rents are \$350 to \$370 for a one-bedroom unit and \$430 to \$450 for a two-bedroom unit. The units with the higher rents have balconies. Tenants also pay heat and electricity. Manager reports no vacancies.
Village Green Apartments	8 - 1 Bedroom <u>16 - 2 Bedroom</u> 24 total units	\$450 \$475 +some utilities	3 vacant two-bedroom units	General Occupancy	Village Green Apartments is a 24-unit market rate project in three eight-unit buildings. The buildings were constructed in 1979 and 1981. The 24 units include eight one-bedroom units and 16 two-bedroom units. The project was originally a subsidized project that included 16 units in Village Green and eight units in Southridge Apartments. Rent is \$450 plus electricity, water and sewer for a one-bedroom unit and \$475 plus heat, electricity, water and sewer for a two-bedroom unit. Manager reports three vacant two-bedroom units, however, these units were vacated recently because they were occupied by seasonal employers.



<b>Table 27 Blue Earth Market Rate Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Market Rate</b>					
Oaks Apartments	2 - Efficiencies 3 - 1 Bedroom <u>6 - 2 Bedroom</u> 11 total units	\$300 \$300 \$400 +utilities	No vacancies	General Occupancy	Oaks Apartments has 11 units including two efficiencies, three one-bedroom and six two-bedroom units. Tenants pay all utilities in addition to rent. Owner reports no vacancies, however, he typically has one or two vacancies.
216-220 North Main St.	5 - 1 Bedroom <u>1 - 2 Bedroom</u> 6 total units	\$425 \$600 +electric	1 vacant unit, 1 - 1 Bdrm	General Occupancy	Six units in a downtown mixed-use building. The six units include five one-bedroom units and one two-bedroom unit. Rent is \$425 for the one-bedroom units and \$600 for the two-bedroom unit plus electricity. Owner reports one one-bedroom unit.
112-114 North Main St.	3 - 1 Bedroom <u>1 - 2 Bedroom</u> 4 total units	\$400 \$500 +some utilities	No vacancies	General occupancy	Four units in a downtown mixed-use building. The four units include three one-bedroom units and one two-bedroom unit. Rent is \$400 plus electricity for the one-bedroom units and \$500 plus heat and electricity for the two-bedroom unit. Owner reports no vacancies.
Lynch Apartments	2 - 1 Bedroom <u>6 - 2 Bedroom</u> 8 total units	\$350 \$500 +heat, electric	2 vacant units	General Occupancy	Lynch Apartments is an eight-unit project constructed in the early 60s. The eight units include two one-bedroom and six two-bedroom units. Rent is \$350 for a one-bedroom and \$500 for a two-bedroom. Tenants also pay heat and electricity. Manager reports two vacancies.
R & D Anderson Rentals	10 - 2 & 3 bedroom single <u>family homes</u> 10 total homes	\$500 to \$600 + all utilities	No vacancies	General Occupancy	R & D Anderson Rentals have 10 single family rental homes. All 10 homes have two or three bedrooms. Rents are in the \$500 to \$600 range plus utilities. The owner reports no vacancies.

<b>Table 27 Blue Earth Market Rate Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Market Rate</b>					
Klous single family homes	1 - 2 Bedroom 7 - 3 Bedroom <u>1 - 4 Bedroom</u> 9 total single family homes	\$500 to \$700 + all utilities	1 vacancy	General Occupancy	Klous rental homes include one two-bedroom homes, seven three-bedroom homes and one four-bedroom homes for a total of nine single family homes. Rents range from \$500 to \$700 plus all utilities. The owner reports one vacant house.
Kempf single family homes	1 -2 Bedroom 4 - 3 Bedroom <u>1 - 4 Bedroom</u> 6 total single family homes	\$350 \$400-\$550 \$400-\$550 +utilities	No vacancies	General Occupancy	Kempf rental homes include one two-bedroom, four three-bedroom homes and one four-bedroom home for a total of six homes plus utilities. Rent is \$400 to \$550 for the three-bedroom homes and the four-bedroom home. The owner reports no vacancies.
Double B Investment Properties - single family homes	12 - 2 -3 Bedroom <u>1 - 4 Bedroom</u> 13 total single family homes	\$500-\$700 \$750 plus +utilities	No vacancies	General Occupancy	Double B Investment Properties include 13 single family homes. Twelve homes are two and three-bedroom and one home has four bedrooms. Rent is \$500 to \$700 for the two and three-bedroom homes and \$750 for the four-bedroom home. Tenants pay all utilities. The owner reports no vacancies and the homes are always fully occupied.

Source: Community Partners Research, Inc.

<b>Table 28 Blue Earth Subsidized Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Subsidized</b>					
Crescent Apartments	<u>54 - 1 Bedroom</u> 54 total units	\$400 max. 30% of income (including utility allowance)	2 vacancies	General occupancy	HUD Public Housing constructed in 1968. Originally was a senior/disabled project, but converted to general occupancy. Currently, less than 50% of the tenants are seniors. Project had 60 units when constructed, however, several units have been consolidated to make larger units, thus, there are currently 54 one-bedroom units. Renovations have been completed over the years, including new cabinets, windows, etc. At the time of the survey, there were two vacant units.
Blue Ridge Apartments	4 - 1 Bedroom 26 - 2 Bedroom <u>6 - 3 Bedroom</u> 36 total units	\$501 max. \$595 max. \$623 max 30% of income (including utility allowance)	3 vacant units, 3 - 2 Bdrm	General occupancy	MHFA/Section 8 General Occupancy Project constructed in 1979. Project includes four one-bedroom units, 26 two-bedroom units and six three-bedroom units. Six two-bedroom units and six three-bedroom units are in townhomes. Tenants pay 30% of income up to a maximum rent. Manager reports three vacancies, however, she reported that the units have been fully occupied for the past 18 months and she maintains a waiting list.
New Life Manor	<u>21 - 1 Bedroom</u> 24 total units	\$648 max. 30% of income (including utility allowance)	No vacancies with a waiting list	55 and older	New Life Manor is a 24-unit HUD 202/Section 8 senior project. New Life Manor is part of the St. Luke's senior campus. The project was constructed in 1987. New Life Manor is an independent living project, thus, no senior services are included. However, meals and other services can be purchased from the St. Luke's Care Center. Tenants must be 55 and older and be below income limits. Some expenses can be deducted from tenant's income. Manager reports no vacancies and a waiting list. Tenants pay 30% of their adjusted gross income (some expenses deducted) up to a maximum rent of \$648. Manager reports that most of the tenants pay \$200 to \$400 for rent.

Source: Community Partners Research, Inc.

<b>Table 29 Blue Earth Senior Housing with Services</b>					
<b>Name</b>	<b>Bedroom Mix</b>	<b>Rent</b>	<b>Occupancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Senior Housing with Services</b>					
Southview Estates	16 - 1 Bedroom <u>8 - 2 Bedroom</u> 24 total units	\$1,180-\$1,345 \$1,600-\$1,700 includes utilities	No vacancies	Senior housing with services	Southview Estates is an independent/light services project that is part of the St. Luke's Senior Campus. The project includes 16 one-bedroom units and eight two-bedroom units. The project was constructed in the mid-1990s. There are two sizes of one and two-bedroom units, thus, rents are \$1,180 and \$1,345 for a one-bedroom unit and \$1,600 and \$1,700 for a two-bedroom unit. Rent includes weekly housekeeping and a noon meal. Additional meals and services can be purchased from the St. Luke's Care Center. Garages are available for \$80 per month. The manager reports no vacancies, but it is not uncommon to have one or two vacancies.
Nicollet Place	<u>14 - 1 Bedroom</u> 14 total units	Based on level of services	3 vacant units	Senior assisted living	Nicollet Place is a 14 one-bedroom unit assisted living facility. The facility opened in 1990. The facility provides all assisted living services including meals, utilities, laundry, housekeeping, medication management, bathing, etc. Currently, there are three vacant units. Rent and fees are based on level of services. Two of the 14 units are larger and could accommodate couples. Also, the facility is licensed for 16 beds. However, these units have been occupied by singles for many years.

<b>Table 29 Blue Earth Senior Housing with Services</b>					
<b>Name</b>	<b>Bedroom Mix</b>	<b>Rent</b>	<b>Occupancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Senior Housing with Services</b>					
Friendship Court	28 one and two-bedroom units with a capacity of 32 residents	Base rent and fees range - \$2,610 to \$3,195 including utilities	1 vacant unit	Senior assisted living	Friendship Court is an assisted living project with 28 one and two-bedroom units with a capacity of 32 residents. Friendship Court was constructed in 2007 and is part of the St. Luke's campus. Services provided in the standard package include three daily meals, housekeeping, laundry, 24-hour staffing and activities. Additional services can be purchased. Rent and fees range from \$2,610 for the smallest one-bedroom unit to \$3,195 for the largest two-bedroom unit. Manager reports one vacant unit and one vacancy is typical. Friendship Court is licensed for seven medial assistance beds, thus, residents include private pay and residents receiving medical assistance.
St. Luke's Care Center	108 skilled nursing beds	Based on level of services	3 vacancies	Skilled nursing home	St. Luke's Care Center includes 108 skilled nursing beds. Twenty-six beds are memory care beds. The facility was constructed in 1963. Currently, there are three vacancies in the nursing home. Memory care beds are usually full. Most of the residents are from Faribault County, however, some veterans come to the nursing home from outside of the County as St. Luke's provides veterans assistance.

Source: Community Partners Research, Inc.

## **Section Table of Contents**

	Page
Employment and Local Economic Trends Analysis	54
Work Force and Unemployment Rates	55
Employment and Wages by Industry Sector	57
Annual Covered Employment	58
Projected Employment	59
Commuting Patterns of Area Workers	59
Census on the Map: Worker Inflow/Outflow	60

## **Employment and Local Economic Trends Analysis**

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 may be provided by a broad range of private and public business sectors. Jobs may be available in manufacturing, commercial services, agriculture, public administration, 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 level of affordability.

Major employers in Faribault County include:

- ▶ Aerospace Systems
- ▶ Blue Earth Area Schools
- ▶ Kerry Ingredients
- ▶ United Hospital District Hospital & Clinic
- ▶ Seneca Foods/Green Giant
- ▶ St. Luke's Lutheran Home
- ▶ Wal-Mart
- ▶ TAFCO Equipment Company
- ▶ BEVCOMM

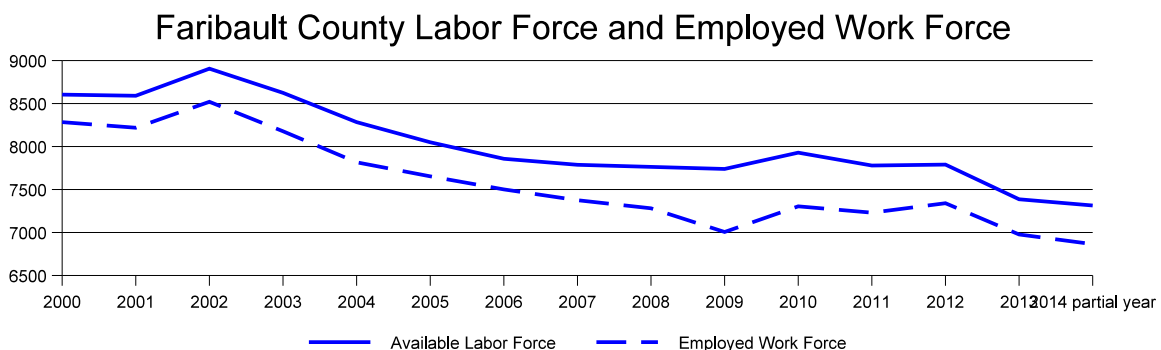
Source: Blue Earth Area Chamber of Commerce

## Work Force and Unemployment Rates

Employment information is available for all of Faribault County. Data in the following tables have been obtained from the Minnesota Department of Employment and Economic Development.

<b>Table 30 Faribault County Labor Statistics 2000 to 2014*</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2000	8,604	8,284	320	3.7%	3.1%	4.0%
2001	8,591	8,218	373	4.3%	3.8%	4.7%
2002	8,906	8,521	385	4.3%	4.5%	5.8%
2003	8,624	8,177	447	5.2%	4.9%	6.0%
2004	8,284	7,816	468	5.6%	4.6%	5.5%
2005	8,050	7,653	397	4.9%	4.2%	5.1%
2006	7,857	7,501	356	4.5%	4.1%	4.6%
2007	7,788	7,375	413	5.3%	4.6%	4.6%
2008	7,763	7,281	482	6.2%	5.4%	5.8%
2009	7,739	7,006	733	9.5%	8.0%	9.3%
2010	7,929	7,304	625	7.9%	7.4%	9.6%
2011	7,779	7,231	548	7.0%	6.5%	8.9%
2012	7,790	7,340	450	5.8%	5.6%	8.1%
2013	7,387	6,977	410	5.6%	5.1%	7.4%
2014*	7,314	6,865	449	6.1%	4.8%	6.5%

Source: MN Department of Employment and Economic Development - Not Seasonally Adjusted  
 \* 2014 is through August





While there have been some year-to-year fluctuations in the County's resident labor force, the long-term patterns shows a declining resident labor force. Between 2000 and 2013 (the last full year of data), the labor force decreased by more than 1,200 people, or 14.1%. However, the available labor force reached a peak in 2002, at more than 8,900 people, and has decreased by nearly 1,600 people since that time.

Only partial-year information exists for 2014, but this points to some continuing decline in the number of County residents in the labor force.

The employed work force has generally followed a somewhat similar pattern, although there were 1,307 fewer residents employed in 2013 than in 2000. The employed work force also reached its peak in 2002, when more than 8,900 County residents were employed. Since that time, the employed work force has decreased by more than 1,500 people. Partial-year information for 2014 shows the potential to have even fewer employed residents in the current year.

With the exception of 2002, Faribault County's unemployment rate has been higher than the Statewide rate. The lowest recent unemployment rate was reached in 2000, at 3.7%. The highest recent unemployment rate was reached in 2009 at 9.5%. The partial-year rate for 2014 is at 6.1%, up from a rate of 5.6% in 2013.

Faribault County has remained below the national unemployment rate since 2010.

## Employment and Wages by Industry Sector

The following table shows the average weekly wages in the City of Blue Earth by major employment sector in 2013, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in the City.

<b>Table 31 Blue Earth Average Annual Wages by Industry Detail: 2013</b>		
Industry	2013 Employment	2012 Average Annual Wage
Total All Industry	2,374	\$33,592
Natural Resources and Mining	N/A	N/A
Construction	N/A	N/A
Manufacturing	504	\$40,144
Trade, Transportation, Utilities	387	\$27,404
Information	89	\$44,928
Financial Activities	101	\$57,824
Professional and Business Services	51	\$34,268
Education and Health Services	768	\$33,436
Leisure and Hospitality	170	\$10,140
Other Services	49	\$21,372
Public Administration	197	\$36,192

Source: Minnesota Department of Employment and Economic Development

The average annual wage for all industry in 2013 was \$33,592, assuming that workers were employed for 52 weeks. The highest paying wage sectors were Financial Activities, Information and Manufacturing. Each of these sectors had an annual average wage above \$40,000. Manufacturing was also the second largest employment sector. The largest employment sector, Education and Health Services, had an annual average wage of \$33,436.

The lowest paying wage sector was Leisure and Hospitality, with an average annual wage of only \$10,140.

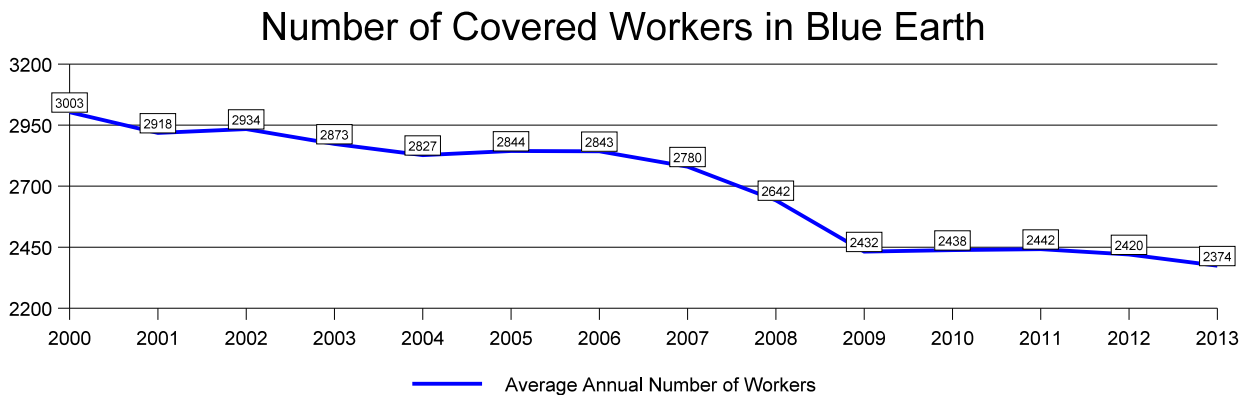
## Blue Earth Annual Covered Employment

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

<b>Table 32 Blue Earth Average Annual Employment: 2000 to 2013</b>			
Year	Total Covered Employment	Year	Total Covered Employment
2000	3,003	2007	2,780
2001	2,918	2008	2,642
2002	2,934	2009	2,432
2003	2,873	2010	2,438
2004	2,827	2011	2,442
2005	2,844	2012	2,420
2006	2,843	2013	2,374

Source: QCEW - MN Department of Employment and Economic Development

There has been a reduction in the level of employment in Blue Earth over the previous 14 years. When 2013 is compared to the year 2000, there were 629 fewer employees working in City, a decrease of nearly 21%. Since 2009, the employment level has remained relatively stable.



## Projected Employment

The MN Department of Employment and Economic Development has issued regional employment projections. Faribault County is included in their projections for the southwestern region of Minnesota. For their 10-year projection period, between 2010 and 2020, they believe that total employment growth in southwestern Minnesota will be at a rate of 10.4%, with more than 21,300 jobs added. However, the southwestern region includes 23 Minnesota counties, including the Mankato area.

## Commuting Patterns of Area Workers

Only limited information is available on area workers that commute for employment. The best information is from the 2012 American Community Survey, and has been examined for the City of Blue Earth. These tables only examine people that commute, and exclude people that work at home.

<b>Table 33 Commuting Times for Blue Earth Residents - 2012</b>		
Travel Time	Number	Percent
Less than 10 minutes	828	57.7%
10 to 19 minutes	288	20.1%
20 to 29 minutes	141	9.8%
30 minutes +	177	12.3%
Total	1434	100%

Source: 2012 American Community Survey 5-year estimates

A majority of Blue Earth residents appeared to be working in the City in 2012. Presumably, most residents that were working within the City would have a travel time under 10 minutes. Overall, nearly 58% of residents commuted less than 10 minutes to work, and nearly 78% travel less than 20 minutes. Only 12.3% of the City's residents traveled 30 minutes or more for their job.

The 2012 American Community Survey also identifies travel time by location of employment. For people that worked in Blue Earth, the following travel times were identified.

<b>Table 34 Commuting Times for Blue Earth Employees - 2012</b>		
Travel Time	Number	Percent
Less than 10 minutes	929	37.7%
10 to 19 minutes	638	25.9%
20 to 29 minutes	390	15.8%
30 minutes +	504	20.5%
Total	2,461	100%

Source: 2012 American Community Survey 5-year estimates

Most people that worked in Blue Earth lived within the surrounding area, as more than 63% had a travel time of less than 20 minutes. This total would include people that both lived and worked within the City. Approximately 21% of people employed in Blue Earth 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 2011, but provides a further breakdown of worker movement patterns.

According to the report for Blue Earth, there were 2,269 people that were employed within the city limits in 2011. Only 866 of these Blue Earth-based employees actually lived within the City. The remaining 1,403 employees lived outside the City limits. The percentage of City-based workers that were also residents was 38.2%.

The **On the Map** reporting service can be used to make comparisons between communities in the region. The following table presents information for other communities along I-90, including Fairmont, Jackson and Albert Lea. It looks at the percentage of people in each community that both live and work in their home city, as well as the percentage of workers that come from outside of each city.

<b>Table 35 Employee Inflow/Outflow Analysis - 2011</b>				
City	Number of People Employed in the City	Percent Employees that also Reside in the City	Percent Employees that Live Outside of the City	Number Employees that Live Outside of the City
Blue Earth	2,269	38.2%	61.8%	1,403
Fairmont	4,737	49.5%	50.5%	2,392
Jackson	2,717	33.9%	66.1%	1,796
Albert Lea	10,150	49.5%	50.5%	5,127

Source: Census Bureau, Center for Economic Studies

As indicated in the table above, approximately 38% of the jobs based in Blue Earth were actually filled by people that live within the City. In 2011, nearly 62% of the people working within the City actually lived outside of the city limits.

While most Blue Earth workers were commuters from other jurisdictions, this pattern was not unique. In each of the cities analyzed, more than 50% of the jobs were filled by commuters. However, among these comparison communities, both Albert Lea and Fairmont did have a higher percentage of city-based jobs filled by residents.

**Section Table of Contents**

	Page
Summary of Findings on Growth Trends	63
Summary of Findings on Projected Growth	64
Summary of Blue Earth Growth Projections by Age	65
Summary on Unit Demand by Type of Housing	67
Summary of Strengths for Housing Development	68
Summary of Barriers/Limitations to Housing Development	70
Summary of Strategies and Housing Market Opportunities	72
Summary of Findings/Recommendations	74
Rental Housing Development	77
Home Ownership Recommendations	90
New Housing Construction	96
Housing Rehabilitation	103
Other Housing Initiatives	110

## **Findings on Growth Trends**

As part of this Study, Community Partners Research, Inc., has examined growth patterns for the City of Blue Earth and Faribault County over the past few decades.

Blue Earth and Faribault County's population decreased from 2000 to 2010. From 2000 to 2010, Blue Earth's population decreased by 268 people and Faribault County's population decreased by 1,628 people. The 2013 State Demographer's estimate shows continued population losses, although the population has stabilized somewhat, with Blue Earth losing 31 people and Faribault County losing 361 people from 2010 to 2013.

Blue Earth and Faribault County also had household losses from 2000 to 2010. The City of Blue Earth decreased by 82 households. However, the State Demographer's 2013 estimate shows a gain of four households in Blue Earth from 2010 to 2013. Faribault County decreased by 416 households from 2000 to 2010. The 2013 estimate shows Faribault County losing 80 households from 2010 to 2013.

## **Findings on Projected Growth**

The projections for Blue Earth and Faribault County calculated by Community Partners Research, Inc., and the State Demographer expect continued population losses. These two projections show that Blue Earth's population will decrease by 40 to 219 people from 2013 to 2020. Population loss at the lower end of this range is more consistent with recent patterns. As a result, Community Partners Research, Inc., has used population losses near the lower end of the possible range. When converted to households, this Study has proceeded with a projection that the number of households in Blue Earth will increase by eight households from 2013 to 2020. The projected growth reverses the trend of household losses from 2000 to 2010.

The State Demographer and Community Partners Research, Inc.'s projections for all of Faribault County expect a loss of 192 to 733 people from 2013 to 2020. The household projections show a decrease of 202 to 250 households from 2013 to 2020. Based on recent trends, these projections are optimistic, and would require the County's population to further stabilize over the next several years.



## Summary of Blue Earth Growth Projections by Age

The age-based household projections expect the future household growth to occur in the 35 to 44 and 65 and 74 age ranges. From 2010 to 2020, the 35 to 44 age range is projected to gain 42 households and the 65 to 74 age range is projected to gain 87 households.

All of the other age ranges are expected to lose households from 2010 to 2020. The 15 to 34 age ranges are projected to lose 12 households, the 45 to 64 age ranges are projected to lose 81 households and the 75 and older age ranges are projected to lose 24 households.

Although they are not displayed in the table above, the analysts have also reviewed the age-based household forecasts that were generated by ESRI. Overall, ESRI was not as optimistic about the City's growth potential. However, within the defined age ranges, their projections showed similar trends.

ESRI's projections span a five-year time period from 2014 to 2019. Over this time, ESRI projects a reduction of 101 households age 54 and younger. They show a net gain of three households age 55 and older. These broad trends are similar to the Community Partners Research projections, although more severe in the loss of younger adult households.

The following approximate forecast shows the expected net change in the number of Blue Earth households in each 10-year age cohort between 2010 and 2020.

<u>Age Range</u>	<u>Projected Change in Households 2010 to 2020</u>
15 to 24	-4
25 to 34	-8
35 to 44	42
45 to 54	-74
55 to 64	-7
65 to 74	87
75 to 84	-1
85 and Older	<u>-23</u>
Total	12

## Summary on Unit Demand by Type of Housing

Based on the household by age projections presented earlier, the changing age composition of Blue Earth's population through the projection period will have an impact on demand for housing.

**Age 24 and Younger** - The projection used for this Study expect the number of households in the 15 to 24 age range to decrease by approximately four households through the year 2020. Past tenure patterns indicate that as many as 77% of these households in Blue Earth will rent their housing. A slight decrease in the number of households in this age range should mean that rental demand from younger households will be relatively stable during the projection period.

**25 to 34 Years Old** - The projection shows a reduction of eight households in this age cohort by 2020. Within this age range, households often move from rental to ownership housing. The ownership rate among these households in Blue Earth was approximately 55% in 2010. A slight decrease in the number of households within this age range will result in a small drop in the demand for both first-time home buyer and rental opportunities.

**35 to 44 Years Old** - This 10-year age cohort has a projected significant gain of 42 households between 2010 and 2020 in the City of Blue Earth. In the past, this age group has had a high rate of home ownership in Blue Earth, at approximately 73%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house. Demand from this age cohort would have a significant impact on overall demand for owner-occupied housing.

**45 to 54 Years Old** - By 2020, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Blue Earth, this projection shows a decrease of 74 households in this range. This age group historically has had a high rate of home ownership, approximately 78% in Blue Earth in 2010, and will often look for trade-up housing opportunities. With a household decrease in this age group, there will be a decrease in the demand for trade-up housing.

***55 to 64 Years Old*** - This age range is part of the baby boom generation. The projection shows an expected loss of seven households in this 10-year age range by the year 2020 in the City. This age range has traditionally had a high rate of home ownership in Blue Earth, at approximately 85% in 2010. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

***65 to 74 Years Old*** - Strong household growth is expected in Blue Earth within this age range, with the projection showing a strong increase of approximately 87 households by the year 2020. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 85% of households in this age range owned their housing in Blue Earth. Once again, preferences for age-appropriate units should increase from household growth within this age cohort.

***75 to 84 Years Old*** - There is a projected loss of one household in Blue Earth in this age range between 2010 and 2020. In the past, households within this 10-year age range have had a relatively high rate of home ownership, at approximately 73% in Blue Earth. While this is likely to continue, an expansion of other housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

***85 Years and Older*** - A possible reduction of 23 households is projected among older senior citizens. Historic home ownership rates in this age group in Blue Earth have been relatively low, at approximately 52% in 2010. Seniors in this age range often seek senior housing with services options.

These demographic trends will be incorporated into the recommendations that follow later in this section.

# **Blue Earth - Strengths and Barriers for Housing Development**

## **Strengths for Housing Development**

The following strengths of the community were identified through statistical data, local interviews, research and on-site review of the local housing stock.

- ▶ **Increasingly diverse housing stock** - The City has a good mix of housing options, including rental housing units for both lower income and market rate households. The City also has town houses, twin homes, and senior with services facilities.
- ▶ **Land for development** - The City has land available for residential, commercial and industrial development.
- ▶ **Educational Facilities** - The City has a public K-12 school system.
- ▶ **Infrastructure** - The City's public utilities and infrastructure can facilitate future expansion.
- ▶ **Industrial Park** - The City has an industrial park that has land available for future industrial development.
- ▶ **Commuters** - More than 1,400 employees are commuting into Blue Earth daily for work. These commuters are a potential market for future housing construction.
- ▶ **Blue Earth Economic Development Authority and Faribault County Development Corporation** - The Blue Earth Economic Development Authority and the Faribault County Development Corporation are very active in promoting industrial, commercial and housing development.
- ▶ **Blue Earth Housing and Redevelopment Authority** - The Blue Earth Housing and Redevelopment Authority owns and manages Crescent Apartments, a 54-unit General Occupancy Public Housing project. The HRA also administers housing rehabilitation and demolition programs.
- ▶ **Large Employers** - The City of Blue Earth has several large employers.
- ▶ **Health Care System** - The City of Blue Earth has an excellent health care system including a hospital, clinics, senior assisted living, a nursing home, etc.

- ▶ **Desirable location for seniors and retirees** - Blue Earth is an attractive community for seniors as a retirement location. As the providers for the area's health, retail and government services, the City has amenities that are attractive for seniors as they age.
- ▶ **State, federal, nonprofit funds** - The City has successfully leveraged local funds for housing activities over the years with other resources including state, federal and nonprofit funds. This experience in obtaining funds, and the City's track record in appropriately utilizing the funds, will continue to serve the City well when seeking funds in the future.
- ▶ **Proximity to regional centers** - Blue Earth is located in close proximity to Mankato and Albert Lea. These regional centers provide employment opportunities, retail/service options, educational opportunities, health care facilities and cultural amenities. Some households prefer to live near, but not in a regional center.
- ▶ **Interstate 90** - Blue Earth is located on Interstate 90, which gives residents easy access to several regional and population centers.

## Barriers or Limitations to Housing Activities

Our research also identified the following barriers or limitations that hinder or prevent certain housing activities in the City of Blue Earth.

- ▶ **Age and condition of the housing stock** - While the existing stock is affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Population and household growth** - Historical data indicates that the City is not expected to add a significant number of people or households over the next several years.
- ▶ **Close proximity to regional centers and other population centers** - Although it can be a strength to be located in close proximity to population centers, it is also a barrier as Blue Earth must compete with these centers, which offer attractive residential opportunities and other amenities and services.
- ▶ **Lower paying jobs** - Although Blue Earth has several large employers, some jobs are at the lower end of the scale and employees with these jobs have limited housing choices.
- ▶ **Commercial/retail options** - Blue Earth has a limited number of commercial and retail opportunities when compared to other cities in the immediate region.
- ▶ **Available lots** - The City of Blue Earth currently does not have an adequate number of lots available for future housing development.
- ▶ **Median household income** - The City's median household income was \$36,378 in the year 2012. Households below this median will often have limited housing options.
- ▶ **Value gap deters new owner-occupied construction** - Based on market values for recent residential sales, we estimate that the median priced home in Blue Earth is valued at approximately \$76,000. This is well below the comparable cost for new housing construction, which will generally be above \$150,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes which can be a disincentive for any type of speculative building and can also deter customized construction, unless the owner is willing to accept a potential loss on their investment. The value gap also makes it difficult to secure financing for new home construction.

# **Blue Earth - Recommendations and Opportunities**



## **Summary of Strategies and Housing Market Opportunities**

Based on the research contained in this Study and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for Blue Earth. They are based on the following strategies:

- ▶ **Focus heavily on the preservation, maintenance and improvement of the housing stock that already exists** - While significant housing construction will occur in coming years, most of the housing opportunities will continue to be provided by the housing stock that is already on the ground. This is especially important for affordable housing opportunities, as it will almost always be less expensive to offer an affordable unit through rehabilitation versus new construction. Units that are lost due to deterioration and obsolescence cannot be replaced for a similar price. Evidence suggests that the majority of the existing stock is generally being well maintained, however, a significant percentage of housing needs repair. Emphasis on continued improvement will be important to meet future housing needs.
- ▶ **Develop life cycle housing** - It is vital for a self-contained community to provide housing opportunities for all ages and household types. These housing opportunities enable a community to thrive, and allow households to live in the community throughout their lives.
- ▶ **Promote new construction** - New construction provides housing opportunities, stimulates the economy and upgrades the community's housing stock. Both new owner-occupied single family homes and rental units are needed to provide households in Blue Earth with housing options and to assure a healthy housing stock into the future.
- ▶ **Promote home ownership** - Home ownership is the preferred option for most households. Home ownership assists in creating community stability and commitment to the community. There are many younger families that are renting their housing. These households may be interested in home ownership, if an affordable opportunity is available.
- ▶ **Prioritize community housing goals** - Many of the recommendations in the Study will require staff-intensive efforts. The City should prioritize its housing goals and establish a plan to achieve its goals.

It is very difficult to meet all of the objectives as the balance of the objectives are very sensitive. An overly aggressive or overly passive approach to any of the objectives can cause problems in achieving the other objectives. For example, overbuilding new rental housing units could lead to vacancy problems in older, less marketable units in the community, causing these units to deteriorate in quality. The recommendations of this section attempt to provide a balanced approach to addressing the housing needs of Blue Earth.

## Summary of Findings/Recommendations

The findings/recommendations for the City of Blue Earth have been formulated through the analysis of the information provided in the previous sections and include a total of 23 recommendations divided into the following five categories:

- ▶ **Rental Housing Development**
- ▶ **Home Ownership**
- ▶ **Single Family New Construction**
- ▶ **Housing Rehabilitation**
- ▶ **Other Housing Initiatives**

The findings/recommendations for each category are as follows:

<b>Findings and Recommendations for the City of Blue Earth</b>	
<b>Rental Housing Development</b>	
1.	Develop 16 to 20 general occupancy market rate rental units
2.	Promote the development/conversion of 6 to 8 affordable market rate rental housing units
3.	Develop 8 to 10 subsidized rental housing units
4.	Preserve the existing supply of subsidized housing
5.	Monitor senior with services housing needs
6.	Develop a downtown mixed-use commercial/housing project
7.	Continue to utilize the Housing Choice Voucher Program
<b>Home Ownership</b>	
8.	Utilize and promote all programs that assist with home ownership
9.	Consider the development of a purchase/rehabilitation program
10.	Develop a local down payment assistance program

<b>Findings and Recommendations for the City of Blue Earth</b>	
<b>New Construction</b>	
11.	Lot availability
12.	Develop a new housing subdivision
13.	Promote townhouse and twin home development
14.	Coordinate with agencies/nonprofits that develop affordable housing
<b>Housing Rehabilitation</b>	
15.	Promote rental housing rehabilitation programs
16.	Promote owner-occupied housing rehabilitation programs
17.	Develop a neighborhood revitalization program
18.	Develop and implement a Rental Inspection and Registration Program
<b>Other Housing Initiatives</b>	
19.	Encourage employer involvement in housing programs
20.	Acquire and demolish dilapidated structures
21.	Create a plan and continue coordination among housing agencies
22.	Develop home ownership and new construction marketing programs and strategies
23.	Promote Commercial Rehabilitation and Development

# **Blue Earth - Recommendations Rental Housing Development**

## **Rental Housing Development**

**Overview:** In recent decades it has been difficult to produce new rental housing units that are viewed as “affordable” when compared to existing rental housing. A number of factors, including federal tax policy, state property tax rates, high construction costs and a low rent structure, have all contributed to the difficulty in developing rental housing in most Minnesota communities.

From 2000 to 2014, based on City of Blue Earth data, no new rental units were constructed in Blue Earth. However, a significant number of single family homes were converted from owner-occupied to rental use between 2000 and 2014.

Demand for new rental housing is typically generated from three factors:

- ▶ Growth from new households
- ▶ Replacement of lost units
- ▶ Pent-up demand from existing households

Our household projections for Blue Earth expect limited household growth, and some of this growth will result in demand for owner-occupied housing. From 2014 to 2020, it is projected that there will be approximately a six to eight-household gain in Blue Earth. Approximately 50% of these households will be rental households, thus, there will be a demand from household growth of approximately three to four additional rental units over the next six years.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City will lose as many as five to six rental units per year. As a result, approximately 30 to 36 additional units will be needed over the next six years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition or conversion. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock. Also, it is projected that some of the single family homes that converted to rentals during the recession will convert back to owner-occupied homes.

Some pent-up demand also exists. As part of this study, a rental survey was conducted. In total, 291 rental units were contacted and surveyed. The survey found a 9.0% vacancy rate in general occupancy market rate units, a 4.4% vacancy rate in subsidized units, and a 7.1% vacancy rate in the assisted living projects. Although some vacancies were reported, all of the rental projects reported that they usually have very high occupancy rates.

Also, no new rental units have been constructed in Blue Earth for more than 20 years. We have identified pent-up demand for new high quality rental units, affordable market rate rental units and subsidized units.

These three demand generators, after factoring current vacancy rates, show a demand potential for 30 to 38 rental units over the projection period. Based on the factors stated above, we recommend the development of the following new rental units over the next six years from 2014 to 2020.

▶ General Occupancy Market Rate	16-20 units
▶ Affordable/Conversions	6-8 units
▶ Subsidized	8-10 units
▶ Senior with Services	<u>0 units/beds</u>
Total	30-38 units/beds

It is important to recognize that this is the potential demand within all of the various market segments. If this level of unit production is achieved, the total household growth within the community would exceed the expected growth projection presented earlier in this Study. The analysts recognize that production of all of these units may not actually occur at the recommended level.

### **1. Develop 16 to 20 general occupancy market rate rental units**

**Findings:** Approximately 68% of the rental housing in the City of Blue Earth can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

The entire rental inventory in the City included approximately 469 total units in 2010. We believe that approximately 317 of these units are best described as market rate rental housing.

Of the market rate rental units we surveyed, we found a vacancy rate of 9.0%, which was above the healthy market range of 3% to 5%. However, all of the rental projects we surveyed had three or fewer vacancies. Additionally, the owners and managers of the projects reported they typically have very high occupancy rates and strong demand.

More than 1,400 employees are commuting into Blue Earth daily for work. Some of these employees would potentially move to Blue Earth if additional housing was available.

There is a fairly wide variation in rental rates in the market rate segment in the City of Blue Earth. The prevailing gross rent range is \$400 to \$525 for a one-bedroom unit, \$410 to \$675 for a two-bedroom unit and \$525 to \$825 for a three-bedroom unit.

From 2000 to 2014, no market rate rental projects have been constructed in Blue Earth. However, Village Green and Southridge Apartments, with a total of 24 units, opted out of their subsidy contract and converted to one market rate project, Village Green Apartments.

Housing stakeholders that were interviewed for the study stated that there is a need for additional rental housing.

**Recommendation:** As stated earlier in this section, rental housing demand is based on household growth, pent-up demand and replacement of housing units that have been demolished or converted.

Based on this combination of demand generators, we believe that it is reasonable to plan for production of 16 to 20 market rate rental units over the next six years.

Based on our research, there is a need for some larger rental units, however, the majority of the units should be two-bedroom units.

Town home style units or high quality apartment buildings are both options in addressing the need for market rate units. The projects, to be successful, should have 'state of the art' amenities. It may be advantageous for new units to be constructed in smaller project phases. This strategy allows the new units to be absorbed into the market.

There are two market rate rental segments in Blue Earth. One segment is seeking a high quality unit and can afford a higher rent. The second segment is seeking work force housing and a more modest rent. This segment may not qualify for subsidized rental units, but affordability is still an issue.



There is a need to construct both types of market rate rental housing, thus, there is a relatively wide rent range in the following table reflecting the two segments. To construct the workforce housing and charge affordable rents, land donations, financial assistance, tax increment financing and other resources may be needed.

The first option to developing market rate rental housing would be to encourage private developers to construct market rate rental housing. If private developers do not proceed, the Blue Earth Housing and Redevelopment Authority or the Blue Earth Economic Development Authority could potentially utilize essential function bonds or similar funding sources to construct market rate rental housing.

**Recommended unit mix, sizes and rents for the Blue Earth Market Rate Housing Units:**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	4-5	700 - 850	\$625 - \$755
Two Bedroom	10-12	900 - 1,000	\$675 - \$900
Three Bedroom	<u>2-3</u>	1,100 - 1,200	\$725 - \$1,000
Total	16-20		

**Note:** The recommended rents are gross rents including all utilities. The rents are quoted in 2014 dollars.

It would be advantageous to have the rents for some of the units at or less than the fair market rents for the Housing Choice Voucher Program, thus, the units would be affordable for more households. The fair market rents currently are:

- ▶ 1 bedroom - \$531
- ▶ 2 bedroom - \$675
- ▶ 3 bedroom - \$948

## **2. Promote the development/conversion of 6 to 8 affordable market rate rental housing units**

**Findings:** The previous recommendation addressed the market potential to develop high quality rental units in Blue Earth. Unfortunately, these units would tend to be beyond the financial capability of many area renters. Most of Blue Earth's renter households have an annual income below \$25,000. These households would need a rental unit at \$625 per month or less.

There is evidence that Blue Earth has lost rental housing over the years and will continue to lose units due to deterioration and demolition. Part of the need for additional rental units in Blue Earth is to provide for unit replacement. Unfortunately, most of the lost units are probably very affordable, and new construction will not replace these units in a similar price range.

There are still some programs for affordable housing creation for moderate income renters. The federal low income housing tax credit program is one available resource. However, competition for tax credits is very difficult, and few awards are made to small cities for small rental projects.

**Recommendation:** We would encourage the City to promote the development/conversion of more affordable rental units. A goal of six to eight units over the next six years would help to replace affordable housing that has been lost.

It would be difficult to create units through new construction. Instead, it may be more practical to work on building renovation or conversion projects that can create housing. This opportunity may arise in downtown buildings, or through the purchase and rehabilitation of existing single family homes. Currently, several single family homes are being rehabilitated for rental housing by local individuals.

The estimated prevailing rent range for older rental units in Blue Earth is typically between \$400 and \$650 per month. Creating some additional units with contract rents below \$625 per month would help to expand the choices available to a majority of the City's renter households.

It is probable that the proposed rent structure for some units could only be obtained with financial commitments from other sources such as tax increment financing from the City and other financial resources from funding agencies such as the Minnesota Housing Finance Agency. Also, financial assistance would expand the number of buildings that would be financially feasible to convert to rental units.

### **3. Develop 8 to 10 subsidized rental housing units**

**Findings:** There are three federally subsidized rental projects in Blue Earth. Combined, these projects have 114 units of subsidized housing and serve different segments of the rental market. Two of the projects are general occupancy housing. Crescent Apartments has 54 units and Blue Ridge Apartments has 36 units. Combined, there are 90 total units of general occupancy subsidized housing. Crescent Apartments was originally designed as senior/disabled housing and still has a significant number of senior/disabled tenants.

Blue Earth has one subsidized rental project that provides rental options for seniors. New Life Manor is a Section 8 202 Project with 24 units.

Five vacant units were identified in the three subsidized projects at the time of the survey. This is a vacancy rate of 4.4%. Blue Ridge Apartments had three vacancies and Crescent Apartments had two vacancies. New Life Manor was totally occupied with a waiting list.

The City of Blue Earth had two additional general occupancy subsidized projects, Village Green and Southridge Apartments with 24 units. However, several years ago, Village Green and Southridge opted out of their subsidies and converted to market rate rental housing. Therefore, Blue Earth's subsidized housing stock was reduced by 24 units.

The subsidized projects in Blue Earth have rent assistance available for tenants, so lower income households pay rent based on 30% of income.

In addition to the project-based subsidized housing, Blue Earth also has approximately 27 households being assisted with HUD Housing Choice Vouchers (formerly Section 8 Existing Program).

Despite the variety of subsidized housing offerings in the City, there does appear to be unmet demand for rental housing for lower income people. At the time of the 2010 Census, approximately 269 renter households reported that 30% or more of their income was required to pay housing costs. This represented 52% of all renters that were surveyed. At that time, nearly all of these households had annual incomes of less than \$25,000, and needed a very affordable unit to avoid a housing cost burden. Also, the Voucher Program has a waiting list time of approximately eight to ten months.

**Recommendation:** We would recommend that the City look for opportunities to expand the supply of very affordable rental housing. Although the need is greater, a realistic goal would be the construction of 8 to 10 subsidized units over the next six years. Vacancy rates remain low for subsidized housing, and waiting lists often exist. The Housing Choice Voucher Program, which provides tenant-based rent assistance, also maintains a long waiting list for participation and the number of vouchers has been reduced due to budget cuts.

The need for additional subsidized rental housing could increase even more significantly if some of the existing subsidized units are lost. In the recommendation that follows, we have discussed the need to preserve the existing project-based subsidized housing in the community.

The large subsidized housing production programs of the past are no longer available, and it remains very difficult to produce new units for very low income renters. The best available options are to layer various subsidies together, such as tax increment financing, tax abatements, land donations and grants from the Minnesota Housing Finance Agency in an attempt to produce some very affordable units.

#### **4. Preserve the existing supply of subsidized housing**

**Findings:** Blue Earth has three “deep subsidy” rental housing projects that allow tenants to pay rent based on 30% of income. These projects were constructed when the federal government was actively involved in producing low income housing.

The subsidized housing represents the most affordable option available to lower income households. Since most of these units charge rent based on income, even extremely low income households can afford their housing.

One of the subsidized projects, Blue Ridge Apartments, is privately owned. In some communities, privately owned subsidized housing has been lost as owners have the ability to opt-out of subsidy contracts after their original obligations have been met. Subsidized housing that is lost cannot be cost-effectively replaced with the low income housing production resources that are available today.

**Recommendation:** MHFA tracks subsidized housing in Minnesota that is at risk of being lost. Owners of subsidized housing that are considering the option to drop their subsidy contract must notify MHFA and the tenants prior to taking any action. At the time of this Study, no Blue Earth subsidized projects were on the MHFA list.

The City of Blue Earth and local housing agencies should check with MHFA on an ongoing basis to determine if any Blue Earth subsidized housing projects are considering the option to drop their subsidy contract. In some communities, public or nonprofit agencies have been able to purchase projects that are at risk of being lost to preserve the affordable housing resources.

## **5. Monitor senior housing with services needs**

**Findings:** Senior housing with services defines a wide range of housing types. Skilled nursing homes, assisted living and memory care housing are generally the most service-intensive units. High-service housing provides 24-hour staffing and a high level of assistance with daily living needs of residents.

Lower-service housing, sometimes referred to as congregate senior housing, generally offers the availability of a daily meal, and services such as weekly light housekeeping.

Blue Earth has four specialized projects that provide housing with supportive services for an elderly population. These senior with services projects include:

- ▶ **Friendship Court** - Friendship Court has 28 one and two-bedroom assisted living units with a capacity of 32 residents. The facility offers the full array of senior services. Friendship Court is part of the St. Luke's campus. Currently, there is one vacant unit.
- ▶ **Southview Estates** - Southview Estates is a 24-unit independent/light services project and part of the St. Luke's campus. The project includes 16 one-bedroom and eight two-bedroom units. The project provides a noon meal. Additional meals and services can be purchased from the St. Luke's Care Center. The facility currently has no vacancies.
- ▶ **Nicollet Place** - Nicollet Place has 14 one-bedroom units. The facility provides the full array of senior services. Currently, there are three vacant units.
- ▶ **St. Luke's Care Center** - The St. Luke's Care Center is a 108-bed facility, which includes 26 beds devoted to memory care residents. The Nursing Home is part of the St. Luke's campus. Currently, the nursing home has three vacancies.

In addition to these housing with services options, New Life Manor, included in the subsidized housing section, offers 24 units of HUD Section 202 housing. New Life Manor is part of the St. Luke's campus. Although New Life Manor offers independent senior housing, tenants can purchase meals and other senior services through the St. Luke's Care Center.

Although there were vacancies at the time of the survey, the managers and directors of the facilities reported very high occupancy rates.

To determine future senior with services housing demand in Blue Earth, we determined that Blue Earth's market for senior with services housing includes Blue Earth and the immediate area around Blue Earth. In addition to the senior with services facilities in Blue Earth, the Faribault County cities of Winnebago and Wells also have assisted living facilities. Parker Oaks Communities, Inc., is in Winnebago and the Shepherd's Inn is in Wells. Also, there are communities surrounding Faribault County that have senior with services facilities.

**Recommendation:** In 2010, Blue Earth had 321 people between the age of 65 and 74 and 508 people over the age of 75. The growth projections show some continued growth in the 65 to 74 age range and a small loss of people in the 75 and older age range through the year 2020.

- ▶ **Skilled Nursing Home** - The research for this Study points to a decreasing reliance on nursing homes as a long-term residency option for older senior citizens. Over time, the nursing homes have tended to use more beds for rehab/recovery stays, or other specialized uses. There has also been a long-standing State moratorium that limits expansion in most cases. No recommendations are offered for this type of specialized housing. The City has a well-established provider that serves this segment of the market.
- ▶ **Memory Care Housing** - St. Luke's Care Center has 26 memory care beds. It is our opinion that the number of memory care beds in St. Luke's Care Center is sufficient compared to the older senior population living in Blue Earth. However, the existing beds maintain a high rate of occupancy. Also, local providers do report unmet demand for this type of specialized housing. Therefore, we recommend that senior with services housing providers continue to monitor the need for additional memory care beds.

- ▶ ***Assisted Living*** - Currently, there are 28 beds in Friendship Court with the capacity for 32 residents. There are also 14 beds in Nicollet Place, thus, there are 46 assisted living beds in Blue Earth. Currently, Friendship Court has one vacant unit and Nicollet Place has three vacant beds. Based on the current number of seniors in Blue Earth, it is our opinion that there is an adequate number of assisted living beds.
- ▶ ***Light Service/Congregate Housing*** - Southview Estates is an independent light services project with 24 units. New Life Manor is a subsidized HUD 202/Section 8 independent senior project with 24 units. However, seniors can purchase meals and senior services from the St. Luke's Care Center. These two projects have a total of 48 units.

With 48 senior units that have access to light services, it is our opinion that Blue Earth has an adequate number of Light Services/Congregate Housing units. Also, units are available for market rate and low income tenants. However, housing providers should continue to monitor the need for additional Light Services/Congregate Housing units.

We have analyzed overall demand, not competitive positioning for individual projects. We view Blue Earth as the best possible location for specialized senior housing in Faribault County. It is very likely that more units could be successfully constructed in Blue Earth, however, this would probably reduce occupancy rates in existing projects. Additionally, the senior with services housing providers in Blue Earth have a pulse on future senior with services needs and a history of providing additional senior with services units as needed.

The purpose of this recommendation is to provide general guidance to potential developers. A developer or an existing senior with services provider planning a specific project should have a project-specific study conducted.

## **6. Develop a Downtown Mixed-Use Commercial/Housing Project and utilize downtown rental units**

**Findings:** The City of Blue Earth continues to discuss revitalization plans and strategies to develop a more active and vibrant downtown. A mixed-use rental housing/commercial project could complement these efforts.

New mixed use projects have been developed in several Minnesota cities. Some of these projects were developed because of market demand, while others were developed to enhance the Downtown, to introduce a new product to the market or to serve as a catalyst for Downtown redevelopment.

Additionally, based on information provided by the City of Blue Earth, there are approximately 23 vacant apartments in downtown buildings. Most of these units are vacant due to their substandard condition.

**Recommendation:** We recommend the development of a mixed-use building in Downtown Blue Earth. There are several potential redevelopment sites in the Downtown area for a mixed-use project.

We recommend commercial space on the first floor and rental units on second and third floors. Prior to construction, a portion of the commercial space should be leased to an anchor tenant who would complement existing Downtown businesses and attract people to Downtown.

The rental units should be primarily market rate units, but could be mixed-use income with some moderate income units. The units should be primarily one and two-bedroom units. Please note that these units are not in addition to the units recommended in the first and second recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

Ideally, a private developer would construct and own the building. The City may have a role in the project by providing TIF or other local funds and land at a reduced price.

We also recommend that downtown building owners, the City of Blue Earth and the Blue Earth HRA evaluate the downtown vacant units to determine if some of the units could be rehabilitated or if existing vacant space could be converted into rental units. Potentially, a portion of the Blue Earth HRA's program income fund could be utilized to rehabilitate downtown units.



## **7. Continue to utilize the Housing Choice Voucher Program**

**Findings:** The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income renter households. The program requires participating households to contribute from 30% to 40% of their adjusted income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community, provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community. Although the federal government provides almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades.

The Housing Choice Voucher Program is a popular form of subsidized housing. Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of subsidized housing that are project-based, and can only be accessed by living in a specific rental development.

The Housing Choice Voucher Program in Faribault County is administered by the Minnesota Valley Action Council (MVAC). Currently, MVAC has funding for approximately 67 Vouchers in Faribault County. Of the total 67 Vouchers, approximately 27 Vouchers are being utilized by Blue Earth households.

**Recommendation:** From a practical standpoint, the Housing Choice Voucher Program is the single best way that Blue Earth can provide affordable housing. HUD does not make new incremental assistance available every year, but when new allocations are authorized, we would encourage the City to work with MVAC to apply for additional Vouchers. Currently, there is up to a two-year waiting list for a Housing Voucher. With approximately 239 Blue Earth renter households paying more than 30% of their income for housing, there is a strong demand for Vouchers.

Also, the MVAC should continue to publicize the Housing Choice Voucher Program in Blue Earth and Faribault County to assure that Blue Earth and Faribault County households have access to and are aware of the Program.

# **Blue Earth - Home Ownership Recommendations**

## **Home Ownership Recommendations**

**Findings:** Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base.

The median owner-occupied home value in Blue Earth, based on 2014 sales through June, is estimated to be approximately \$76,000. With approximately 50% of the homes in Blue Earth valued less than \$76,000, Blue Earth has a market for first time home buyers and households seeking moderately priced homes.

Our analysis of Blue Earth demographic trends shows strong population growth over the next six years the 65 to 74 age ranges. This group represents a strong potential market for lower maintenance housing options, such as twin homes or town house developments.

The number of households in the 35 to 44 age ranges is also expected to increase in Blue Earth. While some of these households already own their housing, those households that have not been able to achieve the goal of home ownership, may need the assistance of special programs to help them purchase their first home and will be seeking affordable homes such as the homes in Blue Earth.

To assist in promoting the goal of home ownership, the following activities are recommended.

## **8. Utilize and promote all programs that assist with home ownership**

**Findings:** Home ownership is generally the preferred housing option for most households and most communities. As discussed previously, the demographic make-up of Blue Earth is conducive to the promotion of home ownership opportunities. There are a number of strategies and programs that can be used to promote home ownership in Blue Earth. The area's housing agencies and financial institutions can assist with this effort.

First time home buyer assistance, down payment assistance, low interest loans, gap financing and home ownership training programs help to address affordable housing issues. With the City's median home value at approximately \$76,000, most of the homes in the existing housing stock in Blue Earth are valued under purchase price limits for first-time home buyer assistance programs. Also, there has been a growing number of single family homes in the Blue Earth rental market. Many of these homes could be converted to owner-occupied homes. Conversely, home ownership programs may prevent owner-occupied homes from being converted to rentals.

Home ownership counseling and training programs can also play a significant role in helping marginal buyers achieve home ownership. To become homeowners and/or to remain homeowners, many households need financial counseling to improve their credit score, to save for a down payment and to properly budget household income.

While these individual home ownership assistance programs may not generate a large volume of new ownership activity, the combination of below-market mortgage money, home ownership training, credit counseling, and down payment assistance may be the mix of incentives that moves a potential home buyer into home ownership.

**Recommendation:** The City of Blue Earth, the Blue Earth HRA and agencies such as the Minnesota Valley Action Council and USDA Rural Development should utilize all available home ownership assistance programs to promote home ownership.

The City, in coordination with other Faribault County Cities, should also explore the possibility of obtaining specific program set-asides for home ownership programs from the Minnesota Housing Finance Agency. Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher participation limits for income and purchase price, and the flexibility

for more local design and control. Mortgage programs should also be developed that include all households and not just first time home buyers to encourage trade-up housing activity.

The City should continue to coordinate with the area's housing agencies to develop programs that provide financial assistance for households to purchase a home and to assure the City is receiving its share of resources that are available in the Region. The local financial institutions should also continue to have a significant role in assisting households with purchasing a home.

Funding sources for home ownership programs include USDA Rural Development, the Minnesota Housing Finance Agency, the Federal Home Loan Bank, the Greater Minnesota Housing Fund and Minnesota Small Cities Development Program Funds.

## **9. Consider the development of a Purchase/ Rehabilitation Program**

**Findings:** Blue Earth has a stock of older, lower valued homes, some of which need repairs. Our housing condition survey of 1,039 homes in four of the City's oldest neighborhoods identified 385 homes that need minor repairs and 163 homes that need major repairs. Also, some homes have been converted from owner-occupied to rental from 2000 to 2014. Additionally, the 2010 Census reported some vacant homes in Blue Earth. Based on past sales, approximately 72% of the homes in Blue Earth are valued less than \$100,000. As some of the lower valued rental and vacant homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

In the past, the Minnesota Housing Finance Agency has provided funding for the Minnesota Urban Homestead Program (MURL) Program. Under the program, a city could purchase an existing home that needed rehabilitation, rehabilitate the home, sell the home to a low income family and provide a mortgage and a monthly payment that are affordable for the family. The MURL Program accomplished many community goals, including the promotion of home ownership for lower income people, and the repair of substandard housing units. However, MHFA is no longer providing funding for the MURL Program.

**Recommendation:** We recommend that the City of Blue Earth consider the creation of a rehab/purchase program for existing houses that is similar to the previous MURL Program. Area housing agencies, including the Blue Earth HRA and financial institutions could assist by offering some rehabilitation assistance in conjunction with first-time buyer programs to make the City's older housing a more attractive option for potential home buyers. MHFA, through its other programs, and the SCDP Program are other potential funding sources.

Also, a program could be developed to provide mortgage funds directly to households for the purchase and rehabilitation of existing substandard homes. USDA Rural Development provides mortgage funds to purchase a home and to make repairs to the unit.

Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, more than 80% of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was also available.

A purchase/rehabilitation program will achieve several goals. The programs will encourage home ownership, prevent substandard homes from becoming rental properties, convert rental properties back to owner-occupancy, and rehabilitate homes that are currently substandard.

## **10. Develop a local down payment assistance program**

**Findings:** One of the largest identifiable barriers preventing low and moderate income households from owning a home is the inability to save money for down payment and closing costs. This is especially true now that lending institutions have tightened their lending criteria. There are several examples of cities providing down payment assistance to assist home owners with a down payment. For example, the City of Faribault developed a program that provides a maximum of \$4,000 in local funds to households for down payment assistance. Twenty-four local households utilized this program to purchase a home over a nine-month period.

**Recommendation:** The City of Blue Earth should consider the development of a local down payment assistance program. A local down payment assistance program is needed more now than in the past because of more stringent lending criteria.

Currently, the Blue Earth HRA may have program income funds available for down payment assistance. Major local employers, the Federal Home Loan Bank and the Minnesota Housing Finance Agency may be additional sources that could contribute to the fund.

# **Blue Earth - New Housing Construction**



## **New Housing Construction**

**Findings:** Blue Earth has experienced some single family owner-occupied housing construction over the past 14 years. According to City records from 2000 to 2013, 33 single family owner-occupied units were constructed or moved into Blue Earth. Two of the new construction units were in a twin home. Therefore, from 2000 to 2013, an average of two to three owner-occupied homes were added annually. From 2000 to 2006, an average of three to four owner-occupancy units were added each year. During the past six years, from 2006 to 2013, an average of one to two single family owner-occupied units were added annually.

The highest number of homes added was in 2005 when five homes were built and two were moved into the community. In 2004, there were five homes that were constructed. Single family home construction was relatively consistent in Blue Earth through 2008, but since 2009 the annual level has dropped, as only four homes have been added since that time.

The attractiveness of the area, the City's amenities and available jobs should result in some construction of new homes over the next several years. However, attractive residential lot options must be available.

Overall household projections for Blue Earth and Faribault County indicate some demand for owner-occupied housing construction. Household growth is anticipated through 2020 among households in the 65 to 74 age range. Households in this age range tend to be predominantly home owners, and form a market for low maintenance housing such as town homes and twin homes.

There is also expected growth in the number of households in the 35 to 44 year old range through the year 2020. Many of the households in this age range are first time home buyers or are in the market for higher priced, trade-up homes. However, there is a projected loss of households in the 25 to 34 and 45 to 54 age ranges.

It is our opinion that if the city, local housing and economic development agencies and developers are proactive, five to seven owner-occupied housing units could be constructed in Blue Earth annually from 2015 to 2020 to address demand. Our projection for single family housing starts includes homes built in a new subdivision and on infill lots, and includes single family attached housing units, such as twin homes and town houses. The breakdown of our projection of five to seven new owner-occupied housing units annually is as follows:

▶ Higher & median price homes	2-3 homes
▶ Affordable homes	1 home
▶ Twin homes/town homes	<u>2-3 units</u>
Total	5-7 homes/ units

## **11. Lot availability**

**Findings:** As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Blue Earth. It appears that there are no lots available in Blue Earth subdivisions.

There are, however, several miscellaneous infill lots scattered around the city that we did not attempt to count. We do not know the availability of some of these infill lots. Also, the Blue Earth HRA is acquiring and demolishing dilapidated houses. Some of the cleared lots may be sites for new construction.

**Recommendation:** We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that five to seven new owner-occupied housing units will be constructed per year, the City should have approximately 13 to 18 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction. With only a few miscellaneous infill lots available, the City currently has a shortage of lots.

## **12. Develop a new housing subdivision**

**Findings:** The City of Blue Earth has a shortage of lots for new home construction. Currently, the only available buildable lots are potentially a few infill lots. An average of two to three homes have been constructed in Blue Earth annually over the past 14 years. It is our opinion that five to seven units can be constructed annually in Blue Earth over the next five years.

The Blue Earth Economic Development Authority owns a parcel of land north of the High School and has a preliminary plan to develop 51 residential lots on the parcel.

**Recommendation:** We recommend that the Blue Earth Economic Development Authority develop the subdivision based on the following:

- ▶ The Blue Earth EDA owns the parcel and is currently in the best position to develop the subdivision.
- ▶ Over the past 14 years, an average of two to three homes have been constructed annually in Blue Earth. Currently, no lots are available for future new construction.
- ▶ The utility company will purchase a portion of the parcel for a sub-station. Proceeds from this sale will assist with financing the development.
- ▶ A subdivision was successfully developed south of the High School.

As the Blue Earth EDA develops and markets the lots within the new subdivision, the following observations are offered.

- ▶ ***Subdivision Phasing*** - The initial site plan for the subdivision includes 51 lots. It is our opinion that there is potential to construct two to three detached single family homes and two to three attached single family twinhomes/townhomes annually in the subdivision. It may be advantageous to develop the subdivision in phases based on the projected homes that will be constructed annually.
- ▶ ***Lots for attached and detached housing units*** - Lots should be available in the subdivision for both attached and detached single family homes. The lots for attached twinhomes/townhomes should be clustered.
- ▶ ***Amenities*** - The subdivision must have as many amenities as is financially feasible. Potential amenities include sidewalks, landscaping, trails, playgrounds, a pond, lighting, etc.
- ▶ ***User-Friendly*** - The lot purchase and homebuilding process must be 'user friendly.' This includes the construction of spec homes, and builders who are readily available to build custom homes.
- ▶ ***Need for competitive pricing*** - There is not a strong demand for lots in Blue Earth. There are also lots available in neighboring communities. To be competitive, lot prices in the new subdivision will need to be competitively priced. The actual price for each lot should be based on location, size of the lot, etc.

- ▶ ***Plan for long-term absorption*** - The research completed for this Study expects limited annual absorption of lots in the new subdivision. We are projecting the construction of two to three attached and two to three detached homes annually. It is therefore necessary to view the development of the subdivision as a long-term plan.
- ▶ ***Generating initial activity*** - The first households electing to build a home in the new subdivision may have concerns about the long-term future of the subdivision. It will be necessary to initially generate some level of attractive home construction within the subdivision, to help assure future buyers. This may require very proactive efforts, such as the initial sale of some lots at deeply discounted prices, provided the buyer agrees to build a home of a certain quality and style within one year. This will help to define the look of the subdivision, as well as create some momentum for more houses to be built.
- ▶ ***Consider developing an exclusive builder(s) relationship*** - A block of lots could be sold to a builder or builders. Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. The EDA should assure, however, that the builder is obligated to constructing a minimum number of homes per year. Builders are more willing to enter a market when the lots are attractive and very affordable. A block of lots available to an exclusive builder or developer should be explored, even if significant price concessions are required.
- ▶ ***Consider partnerships that share and split financial risk between developer and city*** - Given the limited demand that has been evident within Blue Earth over the past several years, it is difficult to recommend that any speculative homes be constructed. Spec houses could potentially attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy. In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. For example, cities have been willing to defer the payment for the lot until the spec home is sold. Another builder incentive is to waive any water/sewer hook up fees, special assessment payments and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home

builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the upfront development costs.

- ▶ ***Allow for a range of house prices*** - The lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivision.
- ▶ ***Marketing*** - The Blue Earth EDA will need to develop a comprehensive marketing strategy to sell the lots. All stakeholders including realtors, financial institutions, builders, employers, etc. should be included in marketing strategies. In addition to marketing the lots, the City of Blue Earth and its amenities should be marketed.

### **13. Promote townhouse and twin home development**

**Findings:** There was only one twin home constructed in Blue Earth from 2000 to 2014. Since 2000, many communities have seen attached housing take an increasingly large share of new construction. In cities the size of Blue Earth, 20% to 25% of the housing starts are typically twin homes/town homes. Although only one twin home and no town houses have been constructed in Blue Earth since 2000, several twin home/townhome developments were constructed prior to 2000 and have been successful. Several of these developments are in older neighborhoods on infill lots.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family homes available for families. In 2010, there were 471 households in Blue Earth with a head of household in the 55 to 74 year old age ranges and it is estimated that the 55 to 74 age ranges will have a net increase of 80 households in Blue Earth from 2010 to 2020. It is important for the City to offer a range of life-cycle housing options as many of these households will be seeking to downsize into low maintenance housing options.

**Recommendation:** It is our projection that approximately two to three of Blue Earth's new owner single family units per year should be twin homes or town houses over the next five years, which is an approximate total of 10 to 15 units during the five-year period.

We recommend a twin home/town home development and for the development to be successful, the following should be considered:

- ▶ Senior friendly home designs
- ▶ Maintenance, lawn care, snow removal, etc. all covered by an Association
- ▶ Cluster development of a significant number of homes which provides security
- ▶ Homes at a price that is acceptable to the market

The public sector's role in any owner-occupancy attached housing development may be limited, as the private sector can often meet this housing need if a demand exists. The city's role should include assuring that adequate land is available for development and that zoning allows for attached housing development.

#### **14. Coordinate with agencies/nonprofits that develop affordable housing**

**Findings:** With the difficulty of producing new housing units that are affordable to lower income people, it is important to take advantage of opportunities presented by housing agencies and nonprofit groups. Habitat for Humanity of Martin and Faribault County has constructed homes in Blue Earth and the Southwest Minnesota Housing Partnership has constructed affordable homes in the region. Other local and regional housing agencies, nonprofits and private developers may also have the capacity to construct affordable housing in Blue Earth. These sources can help generate new homes for lower income families in Blue Earth.

**Recommendation:** We recommend that the City coordinate with housing agencies, nonprofit groups and private sector builders that help to produce housing units for lower income ownership. A goal of one new affordable home per year would be realistic. The City or HRA may be able to contribute to the project through land donations, TIF, grant writing, or project coordination activities.

When dilapidated homes are demolished, some of the cleared lots may be suitable for redevelopment and these in-fill lots may be good sites for this type of new construction activity.

# **Blue Earth - Housing Rehabilitation**

## **Housing Rehabilitation**

**Findings:** The City of Blue Earth has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the affordable housing opportunities. Existing units generally sell at a discount to their replacement value. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock. Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities.

Housing options for households will largely be met by the existing, more affordable housing stock. 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.

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

**Findings:** Based on 2010 U.S. Census data, the City currently has approximately 469 rental units. These rental units are in multi-family projects, small rental buildings, mixed-use buildings, duplexes and single family homes. Many of these rental structures could benefit from rehabilitation as many of the rental structures are more than 30 years old and some rental units are in poor condition.

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

**Recommendation:** The City of Blue Earth and area housing agencies should seek funds to rehabilitate rental units. For a rental rehabilitation program to be workable and successful, the funds should to the extent possible, allow for program design flexibility.

Potential funding sources include Minnesota Small Cities Development Program funds, the Federal Home Loan Bank, the Minnesota Housing Finance Agency, and local funds. Additionally, the Blue Earth HRA may consider utilizing a portion of its Program Income funds to develop a rental rehabilitation program.



The Minnesota Housing Finance Agency has initiated a program known as the Rental Rehabilitation Loan Program (RRLP). It is our understanding that the Southwest Minnesota Housing Partnership is administering this program in Faribault County.

Also, housing agencies such as the Southwest Minnesota Housing Partnership, have purchased older market rate and subsidized rental projects in several cities and utilized funds from a variety of sources to rehabilitate and preserve these projects.

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

**Findings:** The affordability of the existing housing stock in Blue Earth will continue to be the major attraction for families that are seeking housing in the area. Continued investment in owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities.

Our 2014 housing condition survey rated the 1,089 single family homes in the City's four oldest neighborhoods. Our survey found that 385 homes need minor repairs and 163 homes need major repairs. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink in the City of Blue Earth.

The City of Blue Earth has been successful in obtaining SCDP funds in the past and has rehabilitated many homes utilizing this funding source. Also, the Blue Earth HRA has developed an owner-occupied housing rehabilitation program, utilizing program income funds, which has rehabilitated approximately 35 homes over the past several years.

Also, the Minnesota Valley Action Council administers housing rehabilitation programs in the City of Blue Earth and Faribault County. The housing rehabilitation programs include the Rehabilitation Loan Program, the Fix-Up Fund and the Weatherization Program.

**Recommendation:** We recommend that the City of Blue Earth, the Blue Earth HRA and the Minnesota Valley Action Council continue to utilize available funding sources to rehabilitate homes in Blue Earth. USDA Rural Development, the Minnesota Housing Finance Agency, the Greater Minnesota Housing Fund, the Federal Home Loan Bank and the Minnesota Small Cities Development Program are all potential funding sources.

We also recommend that the Blue Earth HRA continues its Housing Rehabilitation Program and reviews the program guidelines to determine if guidelines could be revised or amended to encourage a higher level of home owner participation.

## **17. Develop a Neighborhood Revitalization Program**

**Findings:** The City of Blue Earth has several neighborhoods that are on the bubble. These neighborhoods have a significant number of homes that need rehabilitation or should be demolished. These neighborhoods also have a significant number of low/moderate income households. The neighborhoods could deteriorate or could be revitalized to continue to be strong vital neighborhoods.

**Recommendation:** Over the years, the City of Blue Earth has been active in housing and neighborhood revitalization projects including housing rehabilitation, the demolition of dilapidated housing, the development of new housing and public facility improvements. We recommend that the City of Blue Earth, area housing agencies, and the private housing sector continue these efforts and select a neighborhood and develop and implement a Neighborhood Revitalization Program. Potentially, the neighborhood could be a consolidation of parts of the four areas that were viewed in the housing condition survey.

Redevelopment strategies and opportunities should be identified including:

- ▶ A plan for each parcel in the neighborhood
- ▶ Owner-occupied rehabilitation
- ▶ Rental Rehabilitation
- ▶ Demolition of dilapidated structures
- ▶ Infill new construction including single family homes and attached housing
- ▶ Land pooling for larger town home and attached housing projects
- ▶ Purchase/Rehabilitation Programs that rehabilitate homes and provide home ownership for low/moderate income households
- ▶ Public projects (streets, utilities, parks, etc.)

- ▶ Consider rezoning, variances and/or replatting to make areas and parcels more desirable for redevelopment
- ▶ Programs that encourage energy conservation
- ▶ Other projects identified through the planning process

The Neighborhood Revitalization Plan should include time lines, responsible City Department or Housing Agency, funding sources, etc. The Program should be evaluated on an ongoing basis as opportunities and potential projects may change priorities. As a neighborhood is revitalized, a new neighborhood can be selected for revitalization.

It must be noted that neighborhood revitalization can result in the loss of affordable housing. Redevelopment projects, infill construction and other affordable housing projects in the community should assure that there are overall net gains in the affordable housing stock.

## **18. Develop a Rental Inspection and Registration Program**

**Findings:** A Rental Inspection and Registration Program can be a valuable tool in improving the quality of the City's rental housing. It is estimated that there are approximately 469 rental units in the City of Blue Earth, most of which are more than 25 years old. There are also a significant number of single family homes that have converted from owner-occupied to rentals. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Housing Inspection and Registration program is successfully implemented. Also, our housing condition survey identified substandard rental units.

The need for an ongoing Rental Inspection and Registration Program includes the following:

### **Health and Safety**

- ▶ There is a need to provide tenants with safe, sanitary, and standard living conditions and to eliminate life threatening hazards.

### **Age of Housing Stock**

- ▶ Much of the existing rental housing stock in Blue Earth is more than 25 years old.
- ▶ Older housing needs continued rehabilitation and maintenance.
- ▶ Older housing often has difficulty complying with current codes.

### **Conversions**

- ▶ Some of the rental buildings were originally constructed for other uses, including single family homes converted into multiple units, or commercial buildings converted to residential use. In conversion, owners often do the work themselves and have inadequate or faulty mechanical, electrical, plumbing, and heating systems. Also, constructing an apartment in the basement often results in a lack of natural lighting, ventilation and proper access and egress.

### **Trends of Conversions**

- ▶ Many of today's buyers want more amenities and conveniences, and less maintenance, thus, they are less likely to purchase older homes. Also, there was an increase in foreclosures during the recession. These issues result in the continuation of converting old homes to rental units and magnify the problem.

### **Maintenance Efforts**

- ▶ A large number of landlords are providing standard housing and reinvesting in their rental properties. However, some landlords do not maintain their buildings. Ongoing maintenance is necessary for older housing as buildings with continued deferred maintenance become unsafe and substandard.

### **High Number of Landlords**

- ▶ Blue Earth has a significant number of rental property owners. Many of these landlords do an excellent job; however, some absentee landlords do not reinvest in their properties, and create a need for the program.

### **Neighborhood Stabilization**

- ▶ Rental units need to be maintained to keep the integrity of the neighborhood and stabilize property values. Deferred maintenance, parked junk cars, trash and debris all have a negative impact on residential neighborhoods.

### **Zoning and Codes**

- ▶ Illegal apartments such as inappropriately constructed basement apartments may be unsafe and a violation of zoning regulations.

### **Coordination**

- ▶ A Rental Inspection and Registration Program provides a record of rental units and owners.
- ▶ The program provides a better opportunity for coordination of city programs and codes.

**Recommendation:** We recommend the development and implementation of the Rental Inspection and Registration Program to assure that all rental units in Blue Earth comply with housing laws and codes. The Program assures that Blue Earth rental units are safe and sanitary, thus, removing blighted and unsafe conditions.

# **Blue Earth - Other Housing Initiatives**

## **Other Housing Initiatives**

### **19. Encourage employer involvement in housing**

**Findings:** The City of Blue Earth has a significant number of large employers. The connection between economic development and housing availability has become an increasingly important issue as local employers have the need to attract new workers into the community.

Although the jobs being created may have good wages for the area, many jobs do not pay wages sufficient for workers to buy or improve their housing. Housing for new employees is a concern for employers. It may be advantageous for employers to become involved in housing.

**Recommendation:** We recommend an ongoing effort to involve employers as partners in addressing Blue Earth's housing needs. Several funding sources have finance programs that include employers. The funding agencies often view applications favorably that include employers in the problem solving process.

Employer involvement can include direct assistance to their employees such as a grant, loan, forgivable loan, deferred loan, down payment assistance, loan guarantee, etc. In many cases, employers do not wish to provide assistance to specific employees, but are willing to contribute to an overall city project, such as work force oriented rental housing or an affordable residential subdivision.

### **20. Acquire and demolish dilapidated structures**

**Findings:** Our housing condition survey of four Blue Earth neighborhoods identified 22 homes that are dilapidated and too deteriorated to rehabilitate. We also identified 163 homes as needing major repair and several of these homes may be too dilapidated to rehabilitate. There also may be homes in other Blue Earth neighborhoods that are dilapidated and beyond repair.

Currently, the Blue Earth HRA has a Housing Demolition Program, which acquires and demolishes dilapidated housing.

**Recommendation:** We recommend that the City of Blue Earth and the Blue Earth HRA continue to take an aggressive approach to demolishing severely dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can possibly be utilized for the construction of new affordable housing units.

We also recommend that the Blue Earth HRA continues its Demolition Program and continues to monitor the availability of dilapidated housing for acquisition and demolition in Blue Earth.

## **21. Create a plan and continue coordination among housing agencies**

**Findings:** The City of Blue Earth may need staff resources in addition to existing staff to plan and implement many of the housing recommendations advanced in this Study. The City has access to the Blue Earth Housing and Redevelopment Authority, the Blue Earth Economic Development Authority, the Faribault County Development Corporation, Habitat for Humanity of Martin and Faribault County, the Minnesota Valley Action Council and the Southwest Minnesota Housing Partnership. The City also has access to the Greater Minnesota Housing Fund, the Minnesota Housing Finance Agency and the USDA Rural Development Office. These agencies all have experience with housing and community development programs.

**Recommendation:** The City of Blue Earth is fortunate to have access to several agencies that can address housing needs. It is our recommendation that the City work with the housing agencies to prioritize the recommendations of this Study and to develop a plan to address the City's housing needs. The Plan should include strategies, time lines and the responsibilities of each agency. While there has traditionally been a degree of staff interaction between these agencies, it will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs.

It will also be important for the City to look for opportunities to work cooperatively with other surrounding cities to address housing issues. With the number of cities in the County, and limited staff capacity at both the City and County level, cooperative efforts may be the only way to accomplish certain projects. Cooperative efforts will not only make housing projects more practical, but they will often be more cost-effective and competitive.



## **22. Develop home ownership and new construction marketing programs and strategies**

**Findings:** With the downturn in the housing economy, the competition among cities for households looking to buy or build a home has been greater than in the past. Several cities in the region have an excess inventory of residential lots, homes for sale, vacant homes and homes in foreclosure. Additionally, households are evaluating the appropriate timing to buy or build a home.

During the interview process, people expressed concern regarding Blue Earth's ability to compete for new development. As the economy continues to improve, cities that invest in marketing have an advantage. Opportunities to buy or construct a home are sometimes limited because of the lack of information and awareness of financing and incentive programs, homes and lots on the market, local builders, etc. This is especially evident for new households moving into the area. The home buying/home building process can be very intimidating for first-time buyers and builders. It is important for the home buying or home building process to be user-friendly.

**Recommendation:** The City of Blue Earth, the Blue Earth HRA and the Blue Earth EDA have been active in promoting and marketing housing. We recommend the continuation of the following:

- ▶ Determine the City's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Blue Earth and the area) to provide employees (especially new employees) with housing opportunities in Blue Earth
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Consider an annual Housing Fair that provides information on lots, builders, finance programs, etc. Developers, builders, lenders, realtors, public agencies and local businesses could participate
- ▶ Work with builders to make the construction of a new home a very user friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a "full service" community

- ▶ Provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services, etc.
- ▶ Review the City's policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households.
- ▶ Develop a coordinated housing plan with area housing agencies.

### **23. Promote Commercial Rehabilitation and Development**

**Findings:** The City of Blue Earth's commercial district is in fair condition, and several commercial buildings have been renovated, however, there are several substandard and vacant commercial buildings in Blue Earth.

When households are selecting a city to purchase a home in, they often determine if the city's commercial sector is sufficient to serve their daily needs. A viable commercial district is an important factor in their decision making process.

**Recommendation:** We recommend that the City of Blue Earth and the Blue Earth Economic Development Authority continue to work with commercial property and business owners to rehabilitate their buildings. Also, new businesses should continue to be encouraged to locate in Blue Earth.

The City of Blue Earth and the Blue Earth Economic Development Authority should seek funding to assist property owners with rehabilitating their commercial buildings. A goal of two commercial rehab projects annually in Blue Earth would be a realistic goal.

## **Agencies and Resources**

The following regional and state agencies administer programs or provide funds for housing programs and projects:

### **Minnesota Valley Action Council**

1200 N. Park St., Suite 108  
Blue Earth, MN 56301  
(507) 357-4246

### **Southwest Minnesota Housing Partnership**

2401 Broadway Ave. Suite 4  
Slayton, MN 56172  
(507) 836-1608  
maureen@swmhp.org  
Contact: Rick Goodemann, Executive Director

### **Greater Minnesota Housing Fund**

332 Minnesota Street  
Suite 1201 East  
St. Paul, MN 55101  
info@gmhf.com  
General contact: (800) 277-2258, (651) 221-1997

### **Minnesota Housing Partnership**

2446 University Avenue  
Suite 140  
St. Paul, MN 55114  
<http://www.mhponline.org/information-email-at-mhp>  
General contact: (800) 728-8916, (651) 649-1710

**Minnesota Housing Finance Agency**

400 Sibley Street

Suite 300

St. Paul, MN 55101

[mn.housing@state.mn.us](mailto:mn.housing@state.mn.us)

General contact: (800) 657-3769, (651) 296-7608

**USDA Rural Development**

Austin Area Office

1408 21<sup>st</sup> Ave. NW

Austin, MN 55912

(507) 437-8247