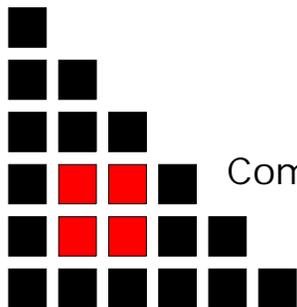


City of New York Mills HOUSING STUDY

July 2014

An analysis of the overall housing needs
of the City of New York Mills



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Introduction

Overview

Community Partners Research, Inc., was hired by the City of New York Mills to complete a comprehensive study of housing market conditions in the City and the surrounding area.

Methodology

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

- U.S. Census Bureau
- Minnesota State Demographer
- Records and data from the City
- Records and data maintained by Otter Tail County
- Data from the MN Dept. of Employment and Economic Development
- Data provided by HousingLink
- Data provided by the Multiple Listing Service
- Interviews with elected officials and staff from the City
- Interviews with community leaders
- Interviews with people familiar with the area's housing conditions including bankers, realtors, property managers, and developers
- Area housing agencies
- Rental property owner surveys

Limitations

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

In 2014, a number of issues continue to negatively impact local and national housing markets. Many of these issues represent a significant departure from conditions that were present prior to 2007, and have the potential to alter traditional supply and demand calculations for housing.

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

- ▶ High Rates of Delinquency and Foreclosure - Since 2007, many communities have witnessed an above-average level in the number of delinquent mortgages and foreclosures. As a result, there has been an above-average level of housing turnover, caused by “short sales”, bank-owned sales and foreclosures.
- ▶ Mortgage Market Liquidity - In response to rising delinquency and foreclosure rates, the mortgage market has been altered, with both primary and secondary mortgage lenders changing their standards and the availability of credit.
- ▶ Fannie Mae and Freddie Mac Bailout - The federal government was forced to take over these quasi-public agencies to help keep home mortgages available. Changes to the federal government’s role in the home mortgage market continue to be debated in Washington.
- ▶ National Retreat in Home Prices - After many years of steady gains, the median value of single family homes dropped in some major markets in recent years. This had multiple effects, including a retreat of potential home buyers out of the market until conditions stabilize. These price trends have generally been reversing in recent years.
- ▶ Over Supply of Housing - Strong housing market conditions earlier in this decade resulted in above-average activity in the housing development markets, including both housing units and residential lots. In some areas, an oversupply of inventory exists, which further depresses home prices.
- ▶ Economic Recession - The economy of the United States was in a period of sustained recession, and recovery remains slow in 2014. Above-average national unemployment levels exist and reduced consumer demand has been present in many areas, including housing.

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Demographic Data Overview

Sources of Data

The primary demographic data sources used for this Study are the 2010 U.S. Census, more recent annual estimates from the Minnesota State Demographer, and the Census Bureau's 2012 American Community Survey and 2013 annual population estimates program.

The 2010 Census did not ask detailed questions on items such as household income. To supplement the decennial Census, the Census Bureau issues estimates through its American Community Survey Program. The American Community Survey estimates for the individual jurisdictions in Otter Tail County are for the year 2012, and are based on surveys conducted over a five-year period from 2008 to 2012.

County-level information is available based on three-year (2010-2012 surveys) or five-year (2008-2012 surveys). The three-year sampling is more similar to the State Demographer's 2012 demographic estimates and is therefore viewed as the more reliable data set.

For most of the demographic variables, information is presented for the City, a surrounding market area and all of Otter Tail County.

Some of the projection information from the Minnesota State Demographer's Office was generated prior to the release of the 2010 Census, and much of it is no longer tracking current demographic patterns. As a result, additional projection information has been generated by Community Partners Research, Inc.

Market Area Definition

New York Mills is located along U.S. Highway 10. According to Mapquest, downtown New York Mills is located approximately 13 miles away from downtown Perham, to the northwest, and approximately 13 miles away from downtown Wadena to the southeast. Both Wadena and Perham are larger communities than New York Mills, and each offer a range of housing options.

With these other communities in the immediate proximity, New York Mills has a rather compact primary market area. However, the analysts do recognize that the potential exists to attract households from the larger region, given the number of job opportunities in New York Mills, and the City's convenient location along a major highway.

To better analyze demographic information, a defined market area has also been examined. Referred to in this Study as the Market Area, this is an aggregated grouping of jurisdictions that immediately surround the City of New York Mills. It includes the City of New York Mills, and the Townships of Deer Creek, Homestead, Newton and Otto. All of these individual jurisdictions are located in Otter Tail County.



Population Trends Analysis

At the time that this Study was completed, the Minnesota State Demographer's Office had released population and household estimates for 2013. These have been included with decennial census totals back to the year 1980.

Table 1 Population Trends - 1980 to 2013							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Estimate
New York Mills	972	940	1,158	23.2%	1,199	3.5%	1,199
Market Area	3,052	2,820	3,154	11.8%	3,205	1.6%	3,197
Otter Tail Co.	51,937	50,714	57,159	12.7%	57,303	0.3%	57,558

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

Based on the population data contained in the 2010 Census, the City of New York Mills did experience some growth in the previous decade. From 2000 to 2010, the City added 41 residents, for a percentage increase of 3.5%. This followed a strong growth period in the 1990s, when the City's population increased by more than 23%.

Two official estimates have been released after the 2010 Census. Both show minor population change in New York Mills. The Minnesota State Demographer's Office has issued a 2013 population estimate which shows the City's population level unchanged between 2010 and 2013. The U.S. Census Bureau also releases annual population estimates for small cities. Their estimate, which is also for the year 2013, also shows no population change in New York Mills between 2010 and 2013.

Longer-term information can also be tracked for the five jurisdictions that form the Market Area. From 2000 to 2010, the Market Area added a total of 51 residents. However, most of the net population growth was attributable to the City of New York Mills. Outside of New York Mills, the remaining four jurisdictions added a combined total of only 10 permanent residents.

After 2010, growth in the Market Area has stopped. Based on the State Demographer's 2013 estimates, the entire Market Area has lost eight residents. The Census Bureau's tracking of recent change is very similar, with a net loss of three people for the entire Market Area.

These same sources show almost no recent population growth for all of Otter Tail County. Between 2000 and 2010, the County's population increased by less than 1%. Between 2010 and 2013, the State Demographer's estimate show the County adding 255 residents. This estimate is nearly identical to the Census Bureau's 2013 estimate, which also shows the County adding 278 residents between 2010 and 2013.

In their county-level estimates, the Census Bureau also identifies the individual components that contribute to population change. Between 2010 and 2013, the County has been adding some residents through in-migration, as more people moved into the County than moved out. However, natural change had a negative impact on the County's population, as the Census Bureau tracked more deaths than births in the County in the past few years. As a result, the County has had limited population change over the three-year period.

Alternative Data Sources

There are a number of private, national data sources that generate estimates and projections. These sources are often used by financial institutions, MHFA and others to examine demographic trends. As part of the research for this Study, Community Partners Research acquired basic demographic data from ESRI, a private company that is based in California.

ESRI's population estimate for New York Mills in 2013 was 1,182, indicating population loss after the 2010 Census. ESRI projects minor population loss through the year 2018. At the Market Area level, the ESRI 2013 estimates are reasonably similar to the other sources. They also project minor population loss for the entire Market Area through the year 2018, which would generally be consistent with the trend line evident in the official estimates from the State Demographer and the Census Bureau.

Community Partners Research views the ESRI data as conservative at the City level, but generally accurate for the entire Market Area. Additional ESRI data have been provided later in this Study.

Race/Ethnicity

At the time of the 2010 Census, approximately 95% of the people living in New York Mills were identified as “White” for race. Less than 2% of the City’s population was identified as Hispanic/Latino for ethnicity. Due to the relatively small minority populations living in New York Mills, no further information has been reported in this Study.

Group Quarters

The 2010 Census recorded 70 New York Mills residents living in group quarter’s facilities, including 49 people living in nursing homes, and 21 people living in “juvenile facilities”. Fourteen of the 21 people in the juvenile facilities were under the age of 18 years old.

The overall group quarter’s population was down by 17 people from the 2000 Census. The number of residents in nursing homes decreased from 87 people in 2000 to 49 people in 2010. The juvenile facility’s population was not present at the time of the 2000 Census.

The State Demographer’s estimate for 2013 continues to show 70 people living in group quarters housing in New York Mills in 2013.

Population by Age Trends: 2000 to 2010

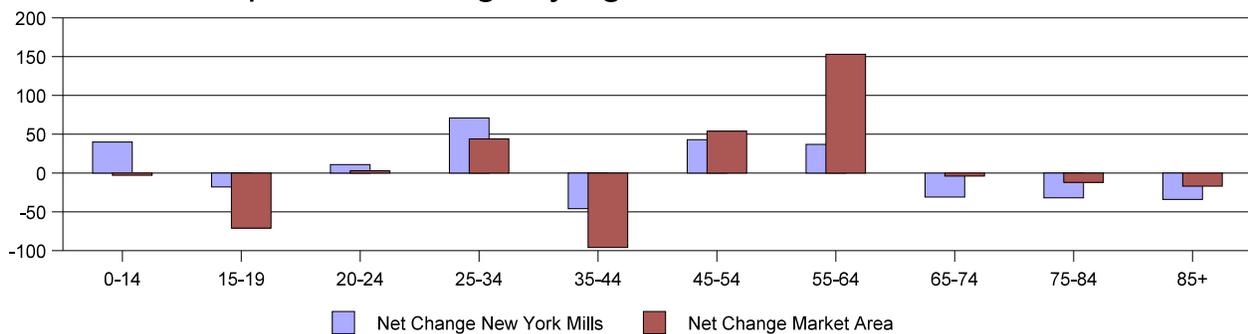
The following table compares population by age changes in the City and Market Area between 2000 and 2010.

Table 2 Population by Age - 2000 to 2010						
Age	City of New York Mills			Market Area		
	2000	2010	Change	2000	2010	Change
0-14	207	247	+40	658	655	-3
15-19	86	68	-18	265	194	-71
20-24	68	79	+11	151	154	+3
25-34	95	166	+71	328	372	+44
35-44	144	98	-46	468	372	-96
45-54	102	145	+43	401	455	+54
55-64	89	126	+37	278	431	+153
65-74	128	97	-31	285	281	-4
75-84	139	107	-32	212	200	-12
85+	100	66	-34	108	91	-17
Total	1,158	1,199	+41	3,154	3,205	+51

Source: U.S. Census

Despite limited population growth over the last decade, New York Mills experienced population changes within each of the defined age ranges. In numeric terms, the largest net growth occurred within the middle-aged adult groups between 45 and 64 years old. Solid growth also occurred in the young adult age groups, between 20 and 34 years old.

Population Change by Age Between 2000 and 2010



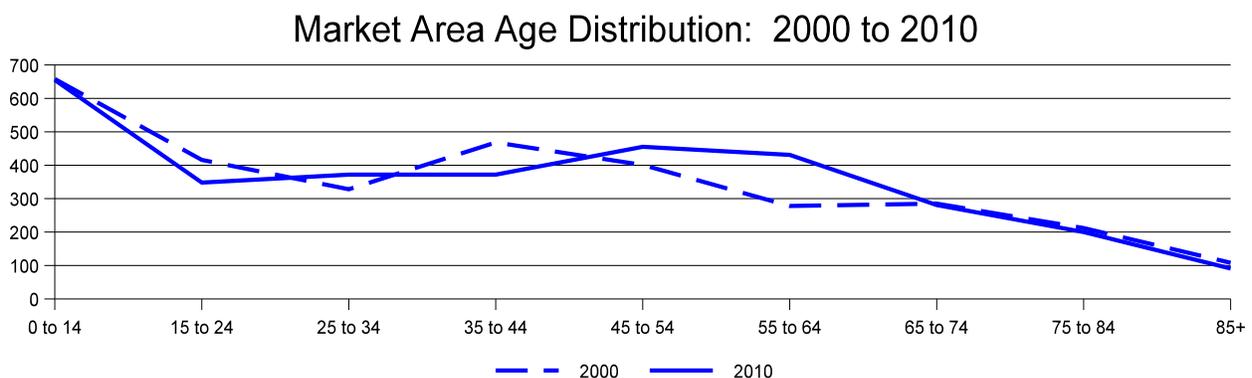
For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been very evident in New York Mills and the larger Market Area.

Between 2000 and 2010, the entire Market Area had a net gain of nearly 207 people in the age ranges between 45 and 64 years old. In 2010, nearly all of the baby boomers were within these age ranges. The aging of the baby boomers, as reflected in the numeric net gain in the 55 to 64 year old age group, was the largest change within any of the defined age cohorts.

The Market Area had a net reduction of senior citizens. Each of the senior age groups, age 65 and older, decreased in size.

There were some large variations in the younger age ranges, with a fairly large reduction in the population between 35 and 44 years old, as the advancing baby boomers were not replaced by the younger age cohort that trailed immediately behind. However, there was some net growth in the young adult age group between 25 and 34 years old. Still, growth in some younger adult groups could not compensate for the decreases in others. Overall, the Market Area had a decrease of 123 residents age 44 or younger.

The aging trends present in 2000 and 2010 for the Market Area can be examined to show the “wave” created by the movement of the baby boom generation.



Household Trends Analysis

Table 3 Household Trends - 1980 to 2013							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Estimate
New York Mills	395	392	492	25.5%	533	8.3%	533
Market Area	1,068	1,027	1,196	16.5%	1,325	10.8%	1,326
Otter Tail Co.	18,549	19,510	22,671	16.2%	24,055	6.1%	24,228

Source: U.S. Census; MN State Demographer

The 2013 estimate from the State Demographer's Office identified 533 households in the City of New York Mills, unchanged from the level counted in the 2010 Census. Between 2000 and 2010, the City had solid growth, adding 41 households. This followed a net gain of 100 households in the City in the 1990s.

For the entire Market Area, 129 households were added from 2000 to 2010. If New York Mills is removed from the aggregated area, the remainder of the Market Area added 88 households over the decade.

After 2010, there have been almost no changes. The entire Market Area has added only one household, according to the State Demographer's 2013 estimates.

A moderate rate of growth has been occurring in all of Otter Tail County. From 2000 to 2010, the County added 1,384 total households, for an increase of 6.1%. From 2010 to 2013, the entire County has added 173 households.

The household estimates from ESRI show 528 households in New York Mills in 2013. This estimate is slightly lower than the 2013 household count from the State Demographer's Office, which is viewed as a more reliable source. For the entire Market Area, ESRI estimates that 1,329 households existed in 2013, nearly identical to the State Demographer's estimates.

Average Household Size

The following table provides decennial Census information on average household size dating back to 1980. The 2013 estimates from the State Demographer have also been provided.

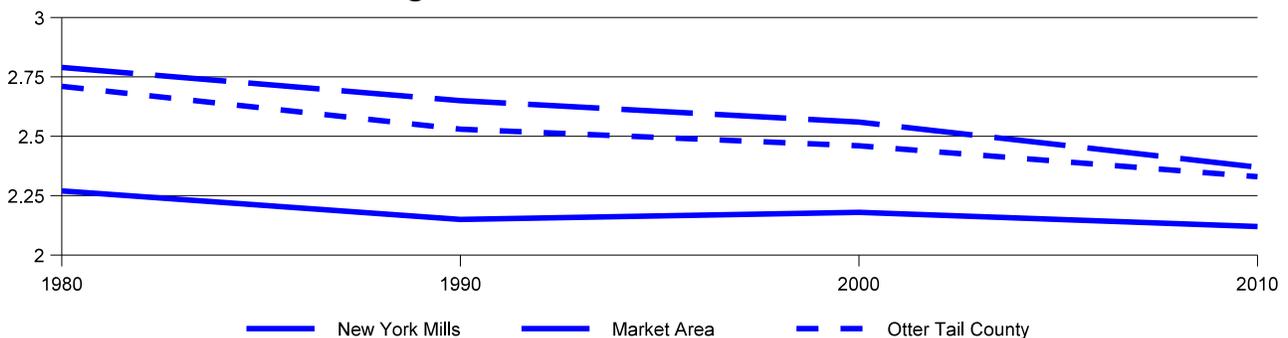
Table 4 Average Number of Persons Per Household 1980 to 2013					
	1980 Census	1990 Census	2000 Census	2010 Census	2013 Estimate
New York Mills	2.27	2.15	2.18	2.12	2.12
Market Area	2.79	2.65	2.56	2.37	2.36
Otter Tail County	2.71	2.53	2.46	2.33	2.33

Source: U.S. Census; MN State Demographer

Household formation has generally 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.

The average household size in New York Mills has been growing smaller over the past three decades, but it has stabilized between 2010 and 2013. Still, the City's average estimated household size in 2013, at only 2.12 persons, is relatively small when compared to other Minnesota communities.

Average Household Size: 1980 to 2010



The average household size for the entire Market Area is larger than in New York Mills, but has been decreasing at a more rapid rate. The average household size for all of Otter Tail County has remained stable since 2010.

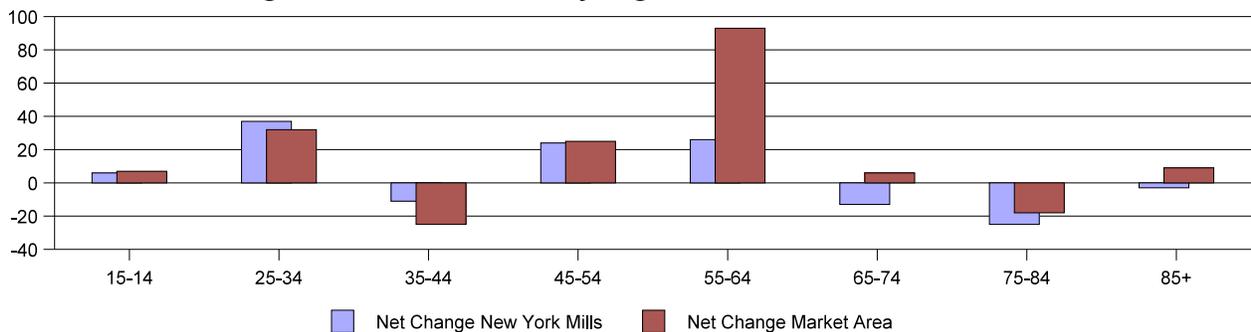
Household Characteristics: Age Trends

The following table compares households by age of householder in 2000 and 2010 for the City and the Market Area.

Table 5 Households by Age - 2000 to 2010						
Age	City of New York Mills			Market Area		
	2000	2010	Change	2000	2010	Change
15-24	27	33	+6	45	52	+7
25-34	61	98	+37	164	196	+32
35-44	78	67	-11	239	214	-25
45-54	56	80	+24	222	247	+25
55-64	57	83	+26	159	252	+93
65-74	79	66	-13	172	178	+6
75-84	93	68	-25	149	131	-18
85+	41	38	-3	46	55	+9
Total	492	533	+41	1,196	1,325	+129

Source: U.S. Census

Change in Households by Age Between 2000 and 2010

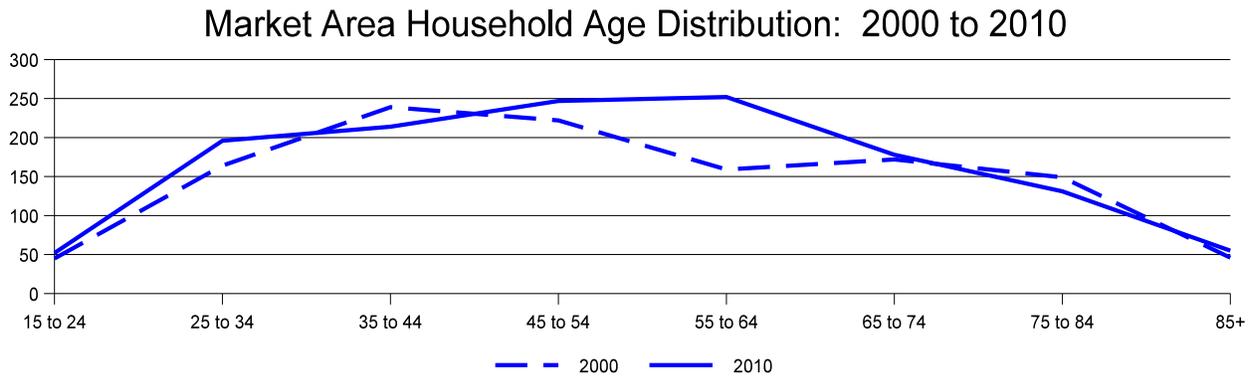


In the last decade, New York Mills added 41 total households. However, there was net growth in only four of the eight defined age ranges. The City experienced the strongest numeric growth in the younger adult age group between 25 and 34 years old. Growth also occurred in the middle-aged adult age groups between 45 and 64 years old. However, the City experienced a reduction in senior-headed households, especially in the 75 to 84 year old age group.

For the entire Market Area there was some increase in households in the age groups that actually declined in population. This was due to changes in household composition, such as smaller average household sizes. The Market Area experienced some minor growth in the number of households age 44 and younger, despite a smaller population within these younger age ranges. However, this younger adult age group growth was attributable to New York Mills. Outside of the City, there was a decrease in younger households.

Market Area growth was especially strong in the age ranges between 45 and 64 years old. There was a slight decrease in senior-headed households, but the remainder of the Market Area actually added some senior households, but not enough to compensate for the reductions that occurred with New York Mills.

Similar to the population line chart presented earlier, it is possible to track the progression of the large baby boom generation over time. By the year 2020, the “wave” created by the baby boomers will have moved into the 55 to 74 year old age groups.



Household Characteristic: Households by Type

The following table looks at trends with household types within the City of New York Mills.

Table 6 New York Mills Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	89	74	-15
Single Parent with own children	48	61	+13
Married Couple without own children	120	136	+16
Family Householder without spouse	19	16	-3
Total Families	276	287	+11
Non-Family Households			
Single Person	197	213	+16
Two or more persons	19	33	+14
Total Non-Families	216	246	+30

Source: U.S. Census

From 2000 to 2010, New York Mills experienced some net growth in the number of family households. This was primarily due to an increase in the number of married couples without children and single parent families with children. There was some reduction in the number of married couples with children, but an almost equal increase in the number of married couples without children.

The City also had even greater net growth in non-family households. This was almost equally due to an increase in the number of one person households and among households composed of unrelated individuals living together.

Household Projections

The following table presents household projections using different sources. Community Partners Research, Inc., has generated projections to the years 2015 and 2020, using 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. However, population forecasts for the City can be converted to households with some basic assumptions about group quarters populations and average household size.

ESRI projections have also been provided in the text below. ESRI's forecasts are based on a five-year period from 2013 to 2018.

Table 7 Household Projections Through 2015/2020					
	2013 Estimate	Community Partners Research		State Demographer	
		2015 Projection	2020 Projection	2015 Projection	2020 Projection
New York Mills	533	552	572	549*	563*
Market Area	1,326	1,370	1,420	N/A	N/A
Otter Tail County	24,228	24,350	25,650	24,991	25,858

Source: State Demographer; Community Partners Research, Inc.

* Projections extrapolated from State Demographer population forecasts

The household projections calculated by Community Partners Research would expect ongoing growth within New York Mills in the next few years. Going forward, between 2013 and 2015, this projection anticipates that the City will add approximately 19 households. Much of the near-term growth would be due to expected occupancy of housing that is already under construction. After 2015, average annual growth of approximately four households per year would be expected, based on longer-term patterns. The forecasts extrapolated from the State Demographer's population data would be reasonably similar for the City of New York Mills

The entire Market Area should also continue to grow, although New York Mills will represent a large share of the area's total growth. Outside of New York Mills, the remainder of the Market Area would be expected to add approximately 25 households through 2015. From 2015 to 2020, average annual growth of approximately 5 to 6 households per year would be expected in the portion of the Market Area that is outside the City of New York Mills.

The Community Partner's projection for all of Otter Tail County expects approximately 122 households to be added between 2013 and 2015, or 61 households in a typical year. To achieve this projection, a slightly faster pace of growth would need to occur between 2013 and 2015. Based on the most recent estimate, the County added an average of approximately 58 households per year between 2010 and 2013.

The most recent projections generated by the State Demographer's Office, which were issued after the 2010 Census, expect the County to add approximately 187 per year between 2010 and 2015, much higher than the net growth forecast from Community Partners Research.

ESRI projects that New York Mills will lose six households by 2018, or approximately one household per year. At the Market Area level, ESRI projects the addition of three households over the five-year period, or less than one household per year. ESRI would not have any knowledge of the new 16-unit rental project that is under construction in 2014 and the impact that this single project will have on household growth. Since many of the units in this project are already pre-leased, it should result in a substantial net gain in households at the city level by 2015.

Projected Households by Age

In the following table, Community Partners Research has generated age-based household projections for the Market Area to the year 2020. These have been based on the aging patterns that were present between 2000 and 2010, and the age retention patterns have been applied to future household formation.

Table 8 Market Area Projected Households by Age: 2010 to 2020			
Age Range	2010 Census	2020 Projection	Change - 2010 to 2020
15-24	52	45	-7
25-34	196	171	-25
35-44	214	245	+31
45-54	247	198	-49
55-64	252	292	+40
65-74	178	283	+105
75-84	131	131	0
85+	55	50	-5
Total	1,325	1,415	+90

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

The age-based projections to 2020 expect most of the net increase in households to occur from households age 55 and older. Households age 65 to 74 years old will show the largest numeric increase of any 10-year age cohort, adding approximately 105 households.

Younger adult households, age 35 to 44 years old, are also expected to increase somewhat in number. However, growth within this single 10-year age range will not be sufficient to offset the losses in the other adjoining groups, and overall, there will probably be fewer households age 54 and younger by the year 2020.

Although the number of senior-headed households should grow, all of the growth will be due to younger seniors, age 65 to 74. No growth would be expected within the older senior ranges, age 75 and older.

Housing Tenure Information

The 2010 Census provided information about household tenure. This can be compared to the 2000 Census to examine tenure changes over the decade.

Table 9 New York Mills Housing Tenure: 2000 to 2010					
Owners			Renters		
2000 Census	2010 Census	Change	2000 Census	2010 Census	Change
294	312	+18	198	221	+23

Source: U.S. Census

Between 2000 and 2010, the City of added 18 owner-occupancy households and 23 renter-occupancy households, lowering the rate of home ownership. In 2000, 59.8% of the City's households were home owners. By 2010, the ownership rate had decreased to 58.5%.

Table 10 Market Area Housing Tenure: 2000 to 2010					
Owners			Renters		
2000 Census	2010 Census	Change	2000 Census	2010 Census	Change
927	1,043	+116	269	282	+13

Source: U.S. Census

The tenure information for the entire Market Area shows a net increase in both owner and renter households. Over the last decade, the number of owners increased by 116 households, while the number of renters increased by only 13 households. The home ownership tenure rate for the Market Area was 77.5% in 2000. By 2010, it had increased to 78.7%.

Over the decade, the Market Area jurisdictions outside of New York Mills experienced a slight drop in the number of renter-occupancy households. In 2010, more than 78% of all renter households lived in the City of New York Mills, compared to less than 30% of all Market Area owner-occupants.

Tenure by Age of Householder - 2010

The 2010 Census can be used to evaluate the tenure distribution of households within each defined age range. The following table examines the percentages of renters and owners in each age group, in both the City of New York Mills and in the entire Market Area in 2010.

Table 11 Tenure by Age of Householder: 2010				
Age	New York Mills		Market Area	
	Owners	Renters	Owners	Renters
15-24	10 / 24.2%	23 / 75.8%	21 / 40.4%	31 / 59.6%
25-34	51 / 48.2%	47 / 51.8%	135 / 68.9%	61 / 31.1%
35-44	42 / 58.4%	25 / 41.6%	182 / 85.0%	32 / 15.0%
45-54	59 / 66.2%	21 / 33.8%	215 / 87.0%	32 / 13.0%
55-64	60 / 71.9%	23 / 28.1%	222 / 88.1%	30 / 11.9%
65-74	42 / 66.5%	24 / 33.5%	146 / 82.0%	32 / 18.0%
75-84	33 / 55.5%	35 / 44.5%	94 / 71.8%	37 / 28.2%
85+	15 / 33.6%	23 / 66.4%	28 / 50.9%	27 / 49.1%
Total	312 / 58.5%	221 / 41.5%	1,043 / 78.7%	282 / 21.3%

Source: U.S. Census

Household tenure by age patterns show a preference for home ownership in most of the defined age ranges. In New York Mills, only the age groups at the youngest and oldest ends of the range predominantly rented their housing. Home ownership rates were above 55% for each of the 10-year age groups from 35 to 84 years old.

Patterns for the entire Market Area showed an even strong preference for home ownership. The ownership rate was above 68% for each of the age ranges between 25 and 84 years old. Only households age 24 or younger predominantly rented their housing unit.

Tenure by Household Size

The 2010 Census also provided information on housing tenure by household size. This can be compared to the 2000 Census to better understand trends for housing unit needs. The following table provides information for owner and renter households in New York Mills and for the entire Market Area.

Table 12 Ownership Tenure by Household Size: 2000 to 2010						
Household Size	New York Mills			Market Area		
	2000	2010	Change	2000	2010	Change
1-Person	76	95	+19	170	232	+62
2-Person	110	119	+9	346	434	+88
3-Person	50	36	-14	154	158	+4
4-Person	30	37	+7	135	128	-7
5-Person	20	16	-4	84	54	-30
6-Person	6	8	+2	23	29	+6
7-Persons+	2	1	-1	15	8	-7
Total	294	312	+18	927	1,043	+116

Source: U.S. Census

Consistent with the age patterns presented earlier, the City of New York Mills added a number of households with two or fewer members, generally reflecting the aging of the baby boomer generation and fewer children per family. Overall, there was a net increase of 28 home owners in one or two person households, and a net loss of 10 home owners with three or more household members.

For the Market Area, one and two person households also accounted for nearly all of the net growth among homeowners, as the number of empty-nester and senior-headed households increased substantially.

Table 13 Rental Tenure by Household Size: 2000 to 2010

Household Size	New York Mills			Market Area		
	2000	2010	Change	2000	2010	Change
1-Person	121	118	-3	143	144	+1
2-Person	39	55	+16	60	73	+13
3-Person	18	28	+10	30	33	+3
4-Person	9	11	+2	18	19	+1
5-Person	4	6	+2	7	8	+1
6-Person	5	2	-3	5	3	-2
7-Persons+	2	1	-1	6	2	-4
Total	198	221	+23	269	282	+13

Source: U.S. Census

Over the past decade, most of the growth among renters in New York Mills was due to smaller households, especially with two or three persons in the household. However, the number of one person renter households decreased slightly, probably reflecting the reduced number of senior citizen households.

These patterns were generally repeated in the Market Area, as most renter households live in the City of New York Mills.

2012 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the city and county level through the 2012 American Community Survey. No medians are identified for the aggregated jurisdictions that form the Market Area.

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

Table 14 Median Household Income - 2000 to 2012			
	2000 Median	2012 Median	% Change
Households			
New York Mills	\$28,397	\$41,382	45.7%
Otter Tail County	\$35,395	\$47,579	34.4%
Minnesota	\$47,111	\$58,434	24.0%
Families			
New York Mills	\$40,184	\$59,274	47.5%
Otter Tail County	\$42,740	\$60,208	40.9%
Minnesota	\$56,874	\$73,185	28.7%

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

Information contained in the 2012 American Community Survey shows solid local income levels and income growth over the past decade. Although the City's median household income level was still below the County and Statewide medians, it had been increasing at a much faster rate between 2000 and 2012. The City's median family income level was also below the County and Statewide medians but also had been increasing at a faster rate.

Family incomes do tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners, while many non-family households have only one household member.

As will be detailed later in this section, renters tend to be below the overall median, while owner households tend to be above the overall median level.

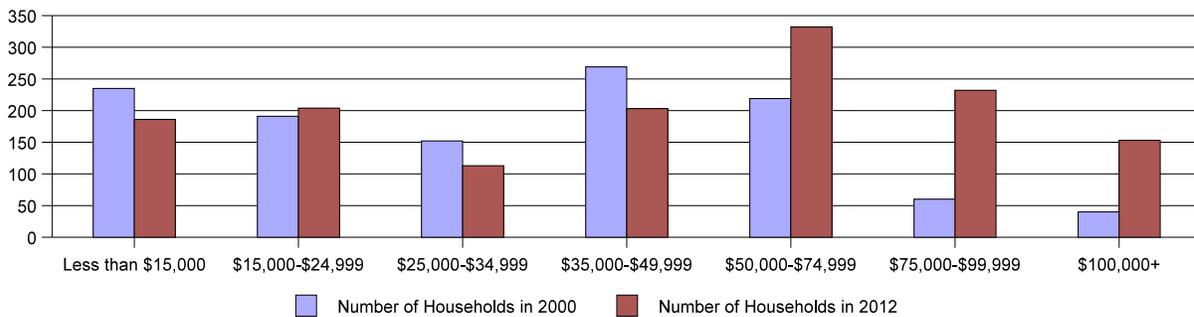
Market Area Household Income Distribution

The American Community Survey household income estimates for the entire Market Area can be compared to the same distribution information from 2000 to examine changes that have occurred over time. The American Community Survey estimate for 2012 shows approximately 100 more households in the Market Area than the State Demographer’s estimate presented earlier, and probably represents an overestimate of the total household count.

Table 15 Market Area Household Income Distribution: 2000 to 2012			
Household Income	Number of Households 2000	Number of Households in 2012	Change 2000 to 2012
\$0 - \$14,999	235	186	-49
\$15,000 - \$24,999	191	204	+13
\$25,000 - \$34,999	152	113	-39
\$35,000 - \$49,999	269	203	-66
\$50,000 - \$74,999	219	332	+113
\$75,000 - \$99,999	60	232	+172
\$100,000+	40	153	+113
Total	1,166	1,423	+257

Source: 2000 Census; 2012 ACS 5-year survey

Market Area Household Income Distribution: 2000 and 2012



According to income estimates contained in the 2012 American Community Survey, household incomes have generally improved within the Market Area, especially in the highest income ranges. When compared to the 2000 Census (1999 income), the number of households with an income of \$50,000, or higher, increased by nearly 400 households. Although there was a decrease in the number of households in each of the lower income ranges, there were still 390 households with an annual income below \$25,000 in 2012.

Market Area Income Data by Tenure - 2012

The following table provides household income by tenure for all Market Area households. The information was obtained from the 2012 American Community Survey, 5-year survey estimates. Percentages are calculated by row.

The American Community Survey estimates do vary somewhat from the 2010 Census counts. For owners, the ACS estimate had 30 more households. For renters, the ACS had 68 more households. Some of the difference could be explained by the two-year time difference between the effective dates of the data sources, but it would appear that the American Community Survey estimates are slightly high for the number of renter households in 2012.

Table 16 Market Area Household Income by Tenure - 2012			
Household Income	Owner	Renter	Total
\$0 - \$9,999	39 / 40.2%	58 / 59.8%	97
\$10,000 - \$14,999	40 / 44.9%	49 / 55.1%	89
\$15,000 - \$19,999	54 / 45.4%	65 / 54.6%	119
\$20,000 - \$24,999	60 / 70.6%	25 / 29.4%	85
\$25,000 - \$34,999	89 / 78.8%	24 / 21.2%	113
\$35,000 - \$49,999	166 / 81.8%	37 / 18.2%	203
\$50,000 - \$74,999	293 / 88.3%	39 / 11.7%	332
\$75,000+	332 / 86.2%	53 / 13.8%	385
Total	1,073	350	1,423

Source: 2012 American Community Survey 5-year estimates

Most of the income groups showed a preference for home ownership. Only the lowest income groups, households less than \$20,000, rented their housing at a rate above 50%. For households with an annual income of \$50,000 or more, the rate of home ownership was above 86%. Overall, more than 73% of all renter households in 2012 had an annual income that was below \$50,000.

Median income levels are not available for the aggregated Market Area. However, the median income for all owner households in New York Mills was \$51,685 in 2012, compared to a median for renter households of only \$17,986.

Renter Housing Cost Burden

The 2012 American Community Survey includes information on housing costs for renter households. Generally, it is the goal of housing assistance programs to limit housing costs to no more than 30% of household income. This is especially true for lower income households, with limited amounts of income available for discretionary spending.

The following table examines the percentage of income required by New York Mills renter households for monthly housing costs. Information is provided for renter households age 64 and younger, and households age 65 and older. Percentages are calculated for each column.

Table 17 New York Mills Renter Household Cost Burden - 2012			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	70 / 35.0%	0 / 0%	70 / 26.0%
20% to 29.9%	42 / 21.0%	22 / 31.9%	64 / 23.8%
30% to 34.9%	6 / 3.0%	16 / 23.2%	22 / 8.2%
35% or more	82 / 41.0%	27 / 39.1%	109 / 40.5%
Not Computed	0 / 0%	4 / 5.8%	4 / 1.5%
Total	200	69	269

Source: 2012 American Community Survey 5-year estimates

Using a standard that 30% of income for housing defines a cost burden, nearly half of all renter households in the City were paying a disproportionately large share of their income for housing costs in 2012. Among all renters, approximately 49% were paying 30% or more of their income for housing.

A rental cost burden was more common for senior citizen renters, as more than 62% of households age 65 and older reported that they were paying 30% or more of their income. Among non-senior renters, approximately 44% were paying 30% or more of their income.

Overall, New York Mills had more than 130 renter households that were paying 30% or more of their income for housing. Most of these actually paid 35% or more for housing. This was primarily caused by lower income levels, as nearly all of the households with a cost burden also had an annual household income that was below \$35,000.

Owner Housing Cost Burden

The 2012 American Community Survey includes information on housing costs for home owners. The following table examines the percentage of income required by New York Mills owner households for monthly housing costs. Information is provided for owner households with and without a mortgage on their home. Percentages are calculated for each column.

Table 18 New York Mills Owner Household Cost Burden - 2012			
Percent of Income for Housing	Households with a Mortgage	Households without a Mortgage	Total
Less than 20%	119 / 53.8%	99 / 73.9%	218 / 61.4%
20% to 29.9%	39 / 17.6%	6 / 4.5%	45 / 12.7%
30% or more	63 / 28.5%	29 / 21.6%	92 / 25.9%
Not Computed	0 / 0%	0 / 0.0%	0 / 0.0%
Total	221	134	355

Source: 2012 American Community Survey 5-year estimates

Most owner-occupants, which would include both households with and without a mortgage, reported paying less than 30% of their income for housing. Mortgage lending practices generally attempt to keep monthly payments below this level of household income. However, nearly 26% of all home owners reported that they paid more than 30% of their income for housing.

As would be expected, the large majority of cost-burden home owners had a mortgage on their home. However, approximately 32% of owners reporting a cost burden had no mortgage. In these cases, it was generally a low annual income that has caused the cost burden, such as a retiree that lived on a fixed income.

Existing Housing Data

New Housing Construction Activity

Table 19 New York Mills Housing Construction Activity: 2000 to 2013				
Year	Single Family Detached	Single Family Attached	Multifamily/ Apartments	Total Units
2013	0	0	16	16
2012	3	0	0	3
2011	0	0	0	0
2010	0	0	0	0
2009	0	0	0	0
2008	2	0	0	2
2007	2	0	0	2
2006	4	0	0	4
2005	2	6	12	20
2004	9	0	0	9
2003	1	0	14	15
2002	4	0	0	4
2001	6	0	0	6
2000	3	0	0	3
TOTAL	36	6	42	84

Source: City of New York Mills; Census Bureau

According to City records, only three new single family houses have been built in New York Mills in the last five years. All of these were permitted in 2012. In four of the last five years, no permits were issued for single family homes.

There were 33 houses constructed in the City from 2000 to 2008. Most of these houses were permitted from 2000 to 2004. From 2005 to 2013, only 13 single family houses have been built in the City, or an annual average of 1.4 new homes per year.

Early in the previous decade, at the time when new housing construction activity was very active, the City created a publicly-owned residential subdivision, known as Country View. Initially, this subdivision was successful, and some new houses were built. However, only one new house has been constructed in Country View since 2006, and a fairly large inventory of lots remain unsold in 2014.

In addition to the detached single family activity, an equal number of multifamily units were constructed. The largest single project is known as Country View Townhomes, constructed on outlots that are part of the Country View subdivision. The first phase of Country View Townhomes created 18 rental town house units. In 2013, the second phase of construction was started, adding 16 additional town house units that will offer market rate rental opportunities.

Home Sales

The Otter Tail County Assessor's Office maintains residential sales records that date back many years. For the following analysis, sales were reviewed for each calendar year, dating back to the year 2000.

For each year, only "qualified" sales were included. Qualified sales are considered to be "arms length" transactions, and exclude certain sales such as sales between relatives, forced sales and foreclosures, and estate transfers that are not available on the open market. The Otter Tail County Assessor's Office makes the determination of qualified sales for their annual sales ratio study.

In any defined 12-month period, the number of good sales that occur with the City may be limited, and may not be a good indicator of the typical home value. However, the annual sample does provide insight into units that become available for purchase.

County qualified sales data primarily look at existing homes. The information maintained by the Assessor is based on the comparison of taxable valuation to actual sales price. Since newly constructed houses do not generally have a prior value, they are not typically included in the sales sample.

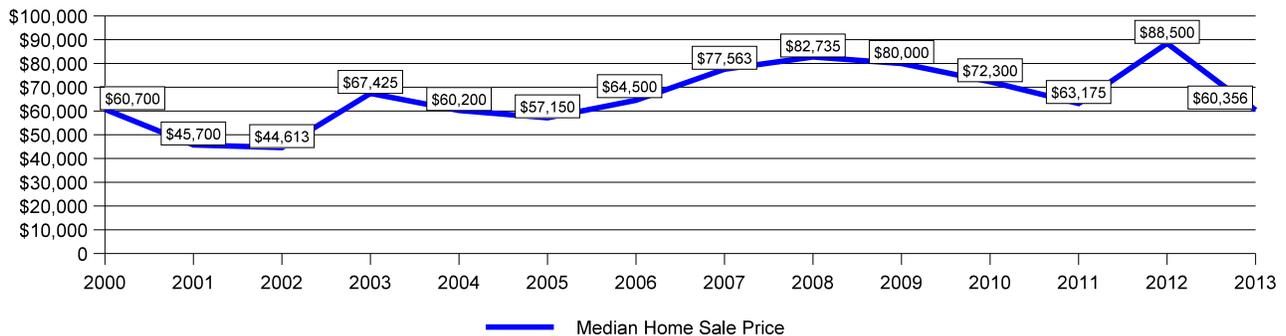
The sales records reviewed were for improved residential parcels with less than four units. While it is possible that some structures had more than one living unit, such as a duplex, it is assumed that the large majority of the sales are single family houses. The adjusted sale price has been examined. This would reflect any adjustments made by the Assessor's Office for items, such as personal property, which may have been included in the transaction.

Table 20 Median Value of Recent Residential Sales - New York Mills

Sales Year	Number of Sales	Median Price	Highest Price	Lowest Price
2013	19	\$60,356	\$125,800	\$16,000
2012	13	\$88,500	\$181,250	\$50,000
2011	14	\$63,175*	\$153,300	\$33,675
2010	14	\$72,300*	\$126,250	\$34,500
2009	16	\$80,000	\$188,000	\$59,531
2008	21	\$82,735	\$200,000	\$26,000
2007	22	\$77,563*	\$135,500	\$13,600
2006	21	\$64,500	\$154,500	\$25,400
2005	25	\$57,150	\$284,000	\$12,000
2004	19	\$60,200	\$114,600	\$16,000
2003	18	\$67,425*	\$123,120	\$45,650
2002	22	\$44,613*	\$90,000	\$14,900
2001	17	\$45,700	\$89,400	\$10,400
2000	20	\$60,700*	\$120,300	\$12,825

Source: Otter Tail County Assessor; Community Partners Research, Inc.

* Calculated median from the two closest sales

Median Home Sale Prices in New York Mills: 2000 to 2013

Since the number of annual home sales is relatively small, the median price in certain years may not be an accurate reflection of overall values. However, when viewed over a longer period, certain trends emerge. In the period from 2000 to 2008, there was a general upward trend in the midpoint sale price.

After 2008, the median price began a gradual decline, coincident with a national economic recession, and a collapse in national housing markets. However, between 2011 and 2012, there was a large increase in the median sale price, which then reversed again in 2013. At this point, it is not clear whether 2012 represented an aberration, or if existing home values have largely recovered, and possibly 2013 represents an artificially low value based on limited sales. Year-to-date in 2014, only three sales have been recorded, which does not yield any additional insight into recent trends.

Despite the year-to-year variation in the median price, overall home values in New York Mills tend to be relatively low. There have only been three years of the past 14 years when the median sale price was \$80,000 or higher.

The volume of annual qualified sales has also varied, from a high of 25 sales in 2005, to a low of only 13 sales in 2012. The number of good sales in 2013 was the highest level achieved since the year 2008.

The table above also provided information of the highest annual sale prices. Over the 14 years reviewed, the highest valued sale was for \$284,000. During this time, only two houses in New York Mills have sold for \$200,000 or more, and the most recent of these sales was in 2008.

An alternate home value estimate is available from the 2012 American Community Survey. This source places the midpoint owner-occupied house value at \$87,700, very similar to the median sale price that year of \$88,500.

Bank-Owned Sales

The sales records from Otter Tail County also provide some information on the reason that some sales were rejected, and viewed as “unqualified” sales. One of the identified rejection codes was for “bank sales”. These would generally reflect sales of distressed properties, where the lender had obtained ownership, such as foreclosures. When the lender then sells these houses back into private ownership, they are not viewed by the County as fair market transactions.

The following table tracks the number of bank sales that were listed for each year, along with the median transfer price. Sales by government agencies, such as HUD or MHFA, have also been included, when these appeared to be foreclosure-related.

Table 21 Bank-Owned Sales - New York Mills		
Sales Year	Number of Bank Sales	Median Price
2013	9	\$41,650
2012	11	\$34,000
2011	5	\$26,500
2010	5	\$60,000
2009	2	\$37,200*
2008	2	\$54,000
2007	3	\$33,000
2006	1	\$44,900
2005	2	\$60,000*
2004	1	\$52,900
2003	1	\$40,700
2002	2	\$30,400*
2001	1	\$52,000
2000	1	\$28,500

Source: Otter Tail County Assessor; Community Partners Research, Inc.

* Calculated median from the two closest sales

Bank-owned home sales have become a larger issue in New York Mills over the past four years. Prior to 2010, the City had been experiencing between one and three bank sales per year. However, since 2010, between five and 11 bank sales have occurred per year, and 2012 and 2013 represented the two largest years for these types of distressed sales. The actual median transfer price for these sales was well below the median sale price for qualified sales.

According to community leaders, these recent bank-owned home sales may represent a delay in property transfer. It is believed that most home foreclosures had occurred previously, but the lending institutions did not re-sell the foreclosed homes for a few years.

Otter Tail County Home Foreclosure Activity

Starting in 2006, many national reports began to surface about the growing number of 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 2007. Their reports provide details on foreclosure activity at the County level dating back to 2005, as well as a comparison with other Counties in the State.

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

Table 22 Otter Tail County Home Foreclosures - 2005 to 2013									
Foreclosures	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number	59	92	89	101	117	158	146	120	98
Rate	0.25%	0.39%	0.37%	0.42%	0.47%	0.65%	0.60%	0.49%	0.40%

Source: HousingLink; Community Partners Research

Based on the HousingLink data, Otter Tail County did experience a significant increase in the number of home foreclosures, especially between 2005 and 2010, when the number nearly tripled. However, after reaching a peak in 2010, the annual number of foreclosures has been declining, and the total for 2013 was comparable to the level in 2006.

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. The foreclosure rate in Otter Tail County has remained relatively low over this time period. For comparative purposes, Otter Tail County ranked 51th for the rate of foreclosure among Minnesota's 87 Counties in 2013 (1st being the highest rate of foreclosure). In comparison, for the year 2010 when Otter Tail County recorded its highest number of foreclosures, the County ranked still ranked 55th among Minnesota's Counties for the rate of foreclosure.

Housing Condition Survey

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the older existing single family housing stock in three neighborhoods in New York Mills. Newer houses and subdivisions were generally excluded. The boundaries of the three neighborhoods are as follows:

- Neighborhood #1 - the portion of the City that is south of the railroad tracks, west of Main Avenue and east of South Boardman Avenue
- Neighborhood #2 - the portion of the City that is south of the railroad tracks and east of Main Avenue
- Neighborhood #3 - the portion of the City that is north of the railroad tracks, south of Highway 10 and east of Walker Avenue

Houses that appeared to contain more than one residential unit were excluded from the survey. Mobile homes in parks were also excluded, although mobile homes located in the surveyed neighborhoods were viewed and rated.

Houses were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated based on a visual observation of the physical condition of the exterior of each structure, which is assumed to be a reasonable indicator of the structure's interior quality.

Dilapidated was the lowest rating used and indicates that major renovation is needed 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 generally 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.

The individual neighborhoods varied in size. The percentage of units is calculated by row for each neighborhood.

Table 23 Windshield Survey Condition Estimate - 2014					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	40 / 33.9%	38 / 32.2%	32 / 27.1%	8 / 6.8%	118
Neighborhood #2	30 / 42.9%	27 / 38.6%	7 / 10.0%	6 / 8.6%	70
Neighborhood #3	75 / 44.1%	66 / 38.8%	24 / 14.1%	5 / 2.9%	170
Total	145 / 40.5%	131 / 36.6%	63 / 17.6%	19 / 5.3%	358

Source: Community Partners Research, Inc.

Although a majority of the houses in each neighborhood were rated within one of the top two condition categories, there were also units needing more significant repair. Neighborhood #1, in the southwestern portion of the City, had the highest percentage of houses that were rated in the Major Repair or Dilapidated categories. This included eight houses that were rated in very poor condition, and possibly suitable for demolition and clearance.

In neighborhoods #2 and #3, less than 20% of the houses were rated in the Major Repair or Dilapidated categories. However, both neighborhoods also had at least five structures that were rated as Dilapidated. Overall, 19 houses in these three neighborhoods were rated in the lowest condition category.

In each of the neighborhoods at least one-third or more of the houses were rated as Sound, showing no exterior evidence of needed repairs.

Rental Housing Data

According to the 2010 Census, the City of New York Mills had 221 occupied rental housing units, and at least 31 unoccupied rental units, for a total estimated rental inventory of 252 units. The City's rental tenure rate was 41.5% in 2010, well above the Statewide rental rate of 27%.

At the time of the 2000 Census, New York Mills had 198 occupied rental units, and at least 10 vacant units, for a total rental housing inventory of 208 units. The City's percentage of occupied rental units in 2000, at 40.2%, was also well above the Statewide rate of 25.4%.

Between 2000 and 2010, the City added 23 renter-occupancy households, and at least 44 rental housing units.

Some rental housing construction did occur during the decade. The Country View Townhomes project added 18 units, with most of these apparently permitted in 2005. There were also 14 units constructed in the Eagleview Apartments project, which was probably issued a building permit in 2003. These two multifamily developments would represent 32 of the estimated net gain of 44 rental units over the last decade.

The remaining growth in the rental stock probably occurred through tenure conversion, as housing that was formerly owner-occupied switched to rental use. A review of building permit data indicates that more than 30 single family houses were built in New York Mills in the previous decade, or approximately 15 more homes than the growth in owner-occupancy households. This would imply that 10 or more single family units potentially converted to rental occupancy. City staff have confirmed that rental conversion has been occurring.

Rental Housing Survey

In April and May 2014, a telephone survey was conducted of multifamily rental projects in New York Mills. The survey focused on rental properties with four or more units, although some smaller properties were also included.

The table that follows presents information for market rate, tax credit, subsidized, and senior housing with services developments separately.

Surveyed unit totals included:

- ▶ 75 market rate units
- ▶ 20 moderate rent tax credit units
- ▶ 90 subsidized housing units
- ▶ various units/beds in specialized senior housing projects

Market Rate Summary

Eight market rate multifamily properties were contacted, with a combined 75 rental units. The largest project, Country View Townhomes, has 18 units. The smallest property, the Griffin Triplex, has only three units. One additional project, Mill Valley Townhomes, was still being constructed at the time of the survey, and was not included in some of the tabulations provided below.

Unit Mix

New York Mills has a wide variety of rental options, from traditional apartment buildings to town house rental projects. The bedroom mix of units is as follows. Since the newest development, Mill Valley Townhomes is nearing completion, the bedroom mix has been included.

- 1 Bedroom - 11 units (12.1% of market rate total)
- 2 Bedroom - 58 units (63.7%)
- 3 Bedroom - 22 units (24.2%)

Occupancy/Vacancy

No vacant units were reported in any of the market rate properties. According to owners/managers, good demand exists, and any turnover units generally fill quickly.

Pre-leasing has started on the 16 units in Mill Valley Townhomes, and seven units, including five of the three-bedrooms, have already been committed. Mill Valley should open for occupancy in late June or early July.

Rent Structure

The rent structure in New York Mills varies widely, reflecting the diversity in the housing stock. Some of the units include the primary utility payments with the rent, while in other cases, the tenant pays the major utilities in addition to rent. We have attempted to estimate tenant-paid utilities into a gross rent estimate. The Identified Range column defines the highest and lowest gross rents identified by the 2014 survey, while the Prevailing Range column defines the gross rents being charged by a majority of the units surveyed.

<u>Units Type</u>	<u>Identified Range</u>	<u>Prevailing Range</u>
1 Bedroom	\$510 - \$700	\$510 - \$620
2 Bedroom	\$525 - \$860	\$550 - \$770
3 Bedroom	\$650 - \$1000	\$700 - \$985

Most of the City's multifamily rental units are in a generally moderate rent range. The highest rents being achieved are in the Hammers town house rentals. Tenants in these units pay all utilities, which brings the estimated gross rent to a higher level than other units that have many of the utilities included in the contract rent.

Despite the presence of newer units, often in very attractive town house projects, gross rents in New York Mills probably do not exceed \$1,000 in a typical month, with average utility usage.

Tax Credit Summary

New York Mills has three rental projects that received federal low income housing tax credits. One of these projects, Finlandia Apartments, also utilized USDA Rural Development subsidy assistance, and has been included in the subsidized rental section that follows.

The other two tax credit projects, Parkview Apartments and Summerplace, both operate as moderate rent housing. However, both of these projects have completed their initial 15-year compliance requirement and are in the extended compliance phase.

Unit Mix

Parkview has 12 units and Summerplace has eight units. The bedroom mix for the moderate rent tax credit inventory is as follows:

- 1 Bedroom - 1 units (5% of tax credit total)
- 2 Bedroom - 10 units (50%)
- 3 Bedroom - 9 units (45%)

All 20 units are tax credit assisted, so income limits and rent caps apply. However, in the extended compliance phase existing tenants do not need to be income-certified annually.

Occupancy/Vacancy

Both buildings reported full occupancy on the date of the survey. Both reported that inquiries are received from a number of prospective tenants, but some have to be rejected because they exceed the income limits. Both properties indicated that a waiting list is maintained, but due to limited turnover, the waiting list is often out-of-date.

Rental Rates

The federal tax credit program places maximum rent limitations on assisted units. For 2014, maximum gross rents for older existing units at 60% of median income were as follows:

<u>Bedroom Size</u>	<u>Maximum Allowable Rent</u>
One-Bedroom	\$723
Two-Bedroom	\$867
Three-Bedroom	\$1,002

The gross unit rents at Parkview and Summerplace are well below the maximum tax credit limits, and are actually below the limits set at 40% of median income.

The maximum rents allowable under the tax program are generally at or above the prevailing rates for most market rate units in New York Mills. It is probable that in order to stay competitive with other rental projects in the City, the tax credit properties charge rents that are well below the maximum federal limits. Tax credit projects also have income restrictions that apply, which reduces the potential tenant base, also requiring a lower rent structure to remain competitive.

Subsidized Summary

New York Mills has four rental projects that provide subsidized rental housing. Combined, these four projects have 90 units. Two of the projects, Finlandia Apartments and Scandia Village are available as general occupancy housing, and have a combined 40 units. The other two subsidized projects, Heritage Manor and Kaleva Apartments are designated for senior/disabled occupancy, and have a combined 50 units.

Unit Mix

The subsidized rental projects range in size from 10 units to 30 units. The bedroom mix breakdown is as follows:

- ▶ 81 one-bedroom (90%)
- ▶ 9 two-bedroom (10%)

Although Finlandia and Scandia Village both offer general occupancy housing, it is probable that both were originally developed as senior/disabled occupancy housing, and then converted to general occupancy at a later date. Both primarily offer one-bedroom apartments, which is not typical for general occupancy housing.

Occupancy / Vacancy

There were three unoccupied general occupancy units reported on the date of the survey. However, these units had just turned over earlier in the week, and were in the process of being filled. The manager had six applications for the three available units. As a result, the estimate vacancy rate for subsidized general occupancy units is estimated at 0%.

Six vacancies were reported in subsidized projects primary serving senior/disabled populations. The senior/disabled unit vacancy rate was 12%. As stated above, there are a large number of subsidized one-bedroom apartments in New York Mills, including 49 designated for senior/disabled occupancy.

Rental Rates

Most of the subsidized units in New York Mills have project-based rent subsidy contracts, allowing tenants to pay rent based on 30% of income. However, in 11 of the Rural Development units, a minimum basic rent amount applies, even if it exceeds 30% of income. It is possible that a low income household could use a tenant-based Voucher in a unit that cannot offer project-based rent assistance.

Tenant-Based Rent Assistance Vouchers

In addition to the subsidized projects with project-based rent subsidies, New York Mills also has 11 households being assisted with HUD Housing Choice Vouchers. Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts. The rent assistance is administered by the Otter Tail County HRA.

Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month. It is possible that some of the households may be using their rent assistance in one of the subsidized projects, if that project does not have rent assistance available for all tenants.

In addition to Housing Choice Vouchers, the Otter Tail County HRA also administers some rent assistance programs for special need's populations, including homeless individuals and households, and people with persistent mental illness issues.

When tenant-based rent assistance is combined with the units in the four subsidized projects, there are 101 households with access to some form of subsidized housing. This represents more than 45% of all renter households in the City. However, it is possible that some overlap exists, as some Vouchers may be in use in subsidized projects that cannot offer project-based rent assistance for all units.

If the 20 tax credit units are added to the available inventory of assisted housing, more than 54% of all renter households in New York Mills have access to some form of either shallow subsidy or deep subsidy rental housing, although once again, some of the Vouchers are probably being used in the tax credit units, resulting in some overlap in resources.

Senior Housing with Services Summary

New York Mills has a variety of specialized senior housing options in four different residential facilities.

The City has a skilled nursing facility, Elders Home, which is licensed for 51 residents, including eight in a secured memory care wing known as South Haven. The licensing in 2014 is approximately half the level that had once existed, although a higher capacity was also dependent on more shared occupancy rooms.

There is one assisted living provider, Home Sweet Home, that offers care in a residential setting, with capacity for six residents.

The two subsidized housing projects for seniors identified earlier also facilitate the delivery of home health care services through outside providers. Any services are contracted directly by the residents. Heritage Manor is affiliated with the Elders Home. Kaleva Apartments is HUD-subsidized and serves senior/disabled tenants.

Home Sweet Home reported that all six beds were occupied. There was some unused capacity in each of the other senior housing options, including six vacant apartments in the two independent subsidized properties.

No specific monthly rent/fee information was obtained for the assisted living or skilled nursing beds, since it is often dependent on the level of care being received by the resident.

Table 24 New York Mills Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate					
Country View Townhomes 400 John Mark Ave 320-632-5918	16 - 2 Bedroom <u>2 - 3 Bedroom</u> 18 Total Units	\$740 \$825 +electric	No vacant units	Mix of tenants	Town house units with attached 2-car garage constructed in 2005. Rent includes heat, hot water, water, sewer and garbage, with tenant paying electric. Amenities include stove, refrigerator, dishwasher, built-in microwave, disposal, AC, and in-unit laundry hookup. Two-bedrooms have 964-982 sq ft, and 3-bedrooms have 1313 sq ft; all units have 1 bathroom. General mix of tenants from younger workers to seniors. Good demand and full occupancy.
Eagleview Apartments 90 Miller St 218-385-1300	1 - 1 Bedroom 9 - 2 Bedroom <u>4 - 3 Bedroom</u> 14 Total Units	\$500 \$590-\$645 \$685 +electric	No vacant units	Mix of tenants	Two-level apartment building without elevator, constructed in early 2000s. Tenants pay electric, but heat, hot water, water, sewer and garbage are included in rent. Unit amenities include stove, refrigerator, dishwasher, in-unit laundry, AC and detached double garage. Higher rent 2-bedrooms and 3-bedrooms have 2 bathrooms. No information available on sq ft in units. Manager reports full occupancy and a mix of tenants, including senior citizens.
Field Stone Condos 218-385-4526	4 - 1 Bedroom <u>1 - 3 Bedroom</u> 5 Total Units	\$450-\$500 N/A +utilities	No vacant units	Mix of tenants	Rental condos in a 14 unit condominium project that was created when a former hospital building was converted to housing. Nine units have been sold and 5 are used as rentals. Tenants pay all utilities, but rent does include monthly association fee. Units have been successful as rentals, with a general mix of older and younger tenants.

Table 24 New York Mills Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate					
Gardenview Apartments 412 Randall Dr 218-385-1300	1 - 1 Bedroom <u>7 - 2 Bedroom</u> 8 Total Units	\$485 \$550-\$600 +electric	No vacant units	Mostly senior tenants	One-level apartment building constructed in mid-1990s. Tenants pay electric, but heat, hot water, water, sewer and garbage are included in rent. Unit amenities include stove, refrigerator, dishwasher, in-unit laundry hookup, AC and detached double garage. Higher rent 2-bedrooms have 2 bathrooms. No information available on sq ft in units. Manager reports full occupancy and most tenants are senior citizens.
Griffin Triplex 205 E Centennial 84 Drive 218-385-2074	1 - 1 Bedroom <u>2 - 2 Bedroom</u> 3 Total Units	\$500 \$420-\$500 +utilities	No vacant units	Younger and middle-aged tenants	Former house built in approx. 1900 that has been converted to 3 rental units. Basement unit at lower rent and units on upper floors at higher rents listed. Two-bedrooms share a 2-car garage. Tenants pay for electricity directly, and surcharge to owner for other utilities of approx. \$100 per month. Units have stove, refrigerator and washer/dryer. Owner reports full occupancy and good demand from working age tenants - stairs discourage senior renters. Some tenants have been commuters to Perham or Wadena.
Hammers Rentals S Walker Ave 218-346-3550	2 - 1 Bedroom 8 - 2 Bedroom <u>4 - 3 Bedroom</u> 14 Total Units	\$583 \$716 \$849 +utilities	No vacant units, waiting list	Primarily middle-aged and senior tenants	Town house-style rental units constructed between 1998 and 2000. One 8-unit building, one 4-unit building and a duplex. One-level units with no stairs, open floor plans and attached garage. Appliances provided include stove, refrigerator, dishwasher, disposal and washer/dryer. Tenants pay all utilities in addition to rent. Manager reports a mix of tenants but middle-aged and senior households are typical renters. One-bedrooms have approx. 850 sq ft and 1 bathroom; 2-bedrooms have 1000 sq ft and 1 bathroom; 3-bedrooms have 1200 sq ft with 1.5 bathrooms. Full occupancy and a waiting list reported.

Table 24 New York Mills Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate					
Mill Valley Townhomes John Mark Ave 320-632-5918	8 - 2 Bedroom <u>8 - 3 Bedroom</u> 16 Total Units	\$800 \$950 +electric	Pre-leasing	Under construction	Town house units with attached 2-car garage under construction with occupancy planned for late June. Pre-leasing underway with five 3-bedrooms already leased, and two 2-bedrooms. Rent includes heat, hot water, water, sewer and garbage, with tenant paying electric. Amenities include stove, refrigerator, dishwasher, built-in microwave, disposal, AC, and in-unit laundry hookup. Two-bedrooms have 950 sq ft and 1 bathroom, and 3-bedrooms have 1292 sq ft and 1.5 bathrooms. Most of the pre-leased 3-bedrooms are retirees looking to move from ownership to rental.
Mills Brothers Properties 223 S Main Ave 218-346-7645	1 - 1 Bedroom 2 - 2 Bedroom <u>1 - 3 Bedroom</u> 4 Total Units	\$550 \$550 \$650	No vacant units	Mix of singles and families	Older house that was converted to rental apartments in the 1980s. Three units on ground level and 1 unit upstairs. Rent includes all utilities. Owner reports full occupancy with good demand - units are lower priced which is in demand. Tenants are a mix of singles, couples and families that work in NYM or some that commute to Perham.
White Gables Apartments 411 E Gilman St 218-385-2300	6 - 2 Bedroom <u>2 - 3 Bedroom</u> 8 Total Units	\$615 \$660 +electric	No vacant units	Mix of seniors and working age tenants	One-level apartment building constructed in 1995. Each unit has detached 2-car garage. Amenities include stove, refrigerator, dishwasher, disposal, in-unit laundry and wall AC. Tenants pay electric, but other utilities including heat are included in rent. Owner estimates that 2-bedrooms have 950 sq ft and 1 bathroom and 3-bedrooms have 1050 sq ft and 2 bathrooms. Many tenants are long-term and may be at lower rents than those listed. Good demand with full occupancy; approx. half of tenants are seniors, and most younger renters commute to Wadena or Perham for jobs/school.

Table 24 New York Mills Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Tax Credit					
Parkview Apartments 407 E Gillman 218-385-2300	1 - 1 Bedroom 5 - 2 Bedroom <u>6 - 3 Bedroom</u> 12 Total Units	\$469 \$535 \$580	No vacant units	Households at or below 60% of median income	Tax Credit 3-level apartment building placed in service in 1991. Project entered extended compliance phase in 2007. All units serve tenants at or below 60% of median, but existing tenants are no longer re-certified annually. Rent includes all utilities - units are Voucher-eligible and 4 Vouchers in use at time of survey. Amenities include stove, refrigerator, disposal, all AC and detached garage. Coin laundry facilities available. All units have 1 bathroom and 1-bedroom has 660 sq ft, 2-bedrooms have 880 sq ft and 3-bedrooms have 1000 sq ft. Manager reports full occupancy, but some applicants are rejected as over-income, including couples that work at Brunswick. No waiting list is maintained because becomes quickly out of date.
Summerplace 105 Wendy Woods Ln	5 - 2 Bedroom <u>3 - 3 Bedroom</u> 8 Total Units	\$540 \$625 +electric	No vacant units	Households at or below 60% of median income	Tax Credit apartment building placed in service in 1995. Project entered extended compliance phase in 2010. All units serve tenants at or below 60% of median. Building is 2-level without elevator. Tenants pay electric, but heat, hot water, water, sewer and garbage are included in rent. Amenities include stove, refrigerator, dishwasher, detached garage and coin laundry. No units vacant at time of survey and a waiting list is maintained. Some applicants are rejected because income is too high.

Table 24 New York Mills Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Subsidized - General Occupancy					
Finlandia Apartments 107 Edgewood St 218-864-5400	<u>10 - 1 Bedroom</u> 10 Total Units	\$450-\$588 30% of income	No vacancies, waiting list	General occupancy	Rural Development and tax credit apartment building placed in service in 1991. Project entered extended compliance phase in 2006 but continues to operate as Rural Development subsidized housing. One-level building. Nine units have project-based rent subsidy that allows rent based on 30% of income, remaining tenant pays 30% of income but not less than basic or more than market rents listed. Amenities include community room and patio. Manager reports full occupancy and very low turnover rate - waiting list is kept but no useful with so few units turning over each year. Most single tenants or senior renters. Brunswick workers do live in project but pay market rent based on their income.
Scandia Village I-III 102-106 Edgewood St	22 - 1 Bedroom <u>8 - 2 Bedroom</u> 30 Total Units	\$451-\$500 \$510-\$550 30% of income	3 vacant units, 3 - 2 Bdrm apps being processed	General occupancy	Rural Development subsidized apartments in 3 one-level buildings. Originally constructed for senior/disabled occupancy but later changed to general occupancy. Twenty units have project-based rent subsidy that allows rent based on 30% of income, remaining tenants pay 30% of income but not less than basic or more than market rents listed. Amenities include community room and patio, coin laundry and garage parking for extra \$20. Three units open at time of survey but 6 applications received and in process to fill units. Two-bedrooms are more likely to turn over as families tend to move.

Table 24 New York Mills Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Subsidized - Senior/Disabled Occupancy					
Heritage Manor 105 Edgewood St 218-385-2005	<u>20 - 1 Bedroom</u> 20 Total Units	\$484 30% of income	4 vacant units	Senior/ disabled occupancy	HUD Section 202 apartment building constructed in 1998 and affiliated with Elders Home skilled nursing facility. Designated for senior (age 62+) or disabled occupancy. All tenants have access to rent assistance that allows rent based on 30% of income. Units have life-line emergency call system, wide doors and walk-in shower. Meals-on- wheels available and tenants have access to home health care providers, with services privately contracted. Four units vacant at time of survey and some vacancies are typical. Some applicants are rejected due to income limits.
Kaleva Apartments 205 Walker Ave N 218-385-3273	<u>29 -1 Bedroom</u> <u>1 - 2 Bedroom</u> 30 Total Units	30% of income	2 vacant units	Senior (age 62+) and/or disabled occupancy	HUD subsidized 3-level apartment building designated for senior/disabled tenant occupancy, and constructed in 1978. All tenants pay rent based on 30% of income. Project amenities include community room, patio, controlled access, off-street parking with plugins, community laundry, sauna, and storage area. Home health care services and meals-on-wheels available, but contracted privately. Manager reports 2 vacant units at time of survey due to turnover, but no waiting list exists.

Table 24 New York Mills Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Senior Housing with Services					
Home Sweet Home Assisted Living 412 Hummingbird Ln 218-385-2660	capacity for 6 residents	N/A	Fully occupied	Assisted living	Board-and-lodging style facility providing assisted living options for seniors in a residential setting. Six rooms available with capacity for 6 residents. Meals and assisted living services provided, although some higher services, such as lifts, are not available. Owner reports full occupancy and good demand. County Elderly Waiver assistance is accepted.
South Haven S Tousley 218-385-2005	8 memory care beds in secure wing of Elders Home	N/A	2 beds available	Memory care	Four shared occupancy rooms in secured wing of Elders Home. Primarily for people with wandering risk - not designed for more advanced memory care needs. Six of the 8 beds were occupied at time of survey - 1 or 2 available beds typical, due in part to turnover.
Elders Home S Tousley 218-385-2005	Licensed for 51 skilled nursing beds, including 8 in memory care wing	N/A	Annual occupancy rate in mid-80%	Skilled nursing home	Skilled nursing home that is licensed for 51 beds in 2014, including 8 beds in South Haven memory care wing. Affiliated with Heritage Manor senior apartments. Some rooms near rehab center are oriented to shorter-term stays but all beds are available to longer-term residents. Facility has de-licensed beds over time; originally 100 beds, and had 64 beds 10 years ago. Current size allows for many single rooms and no plans to further de-license any beds. Occupancy rate is reported to be in mid-80% range.

Source: Community Partners Research, Inc.

Employment and Economy

While many factors influence the need for housing, job opportunities represent a predominant demand-generator. Without jobs and corresponding wages, the means to afford housing is severely limited. Employment opportunities are provided by a range of private and public business sectors. Jobs are available in manufacturing, education and health services and other industry sectors. The type of employment, wage level, and working conditions can each influence the kind of housing that is needed and at what level of affordability.

Labor Force, Work Force and Unemployment

The Minnesota Department of Employment and Economic Development provides labor force and employment information at the County level for all of Otter Tail County. Due to the size of the community, similar information is not available specifically for New York Mills. The following table looks at information for the County since 2000.

Table 25 Otter Tail County Labor Statistics: 2000 to 2013						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2000	29,321	28,114	1,207	4.1%	3.1%	4.0%
2001	29,838	28,491	1,347	4.5%	3.8%	4.7%
2002	30,006	28,480	1,526	5.1%	4.5%	5.8%
2003	30,194	28,543	1,651	5.5%	4.9%	6.0%
2004	29,862	28,314	1,548	5.2%	4.6%	5.6%
2005	29,555	28,090	1,465	5.0%	4.2%	5.1%
2006	29,217	27,770	1,447	5.0%	4.1%	4.6%
2007	29,364	27,792	1,572	5.4%	4.7%	4.6%
2008	29,691	27,892	1,799	6.1%	5.4%	5.8%
2009	30,324	27,827	2,497	8.2%	8.0%	9.3%
2010	31,552	29,331	2,221	7.0%	7.4%	9.6%
2011	31,405	29,433	1,972	6.3%	6.5%	8.9%
2012	31,116	29,412	1,704	5.5%	5.6%	8.1%
2013	31,012	29,364	1,648	5.3%	5.1%	7.4%

Source: LAUS - MN Department of Employment and Economic Development

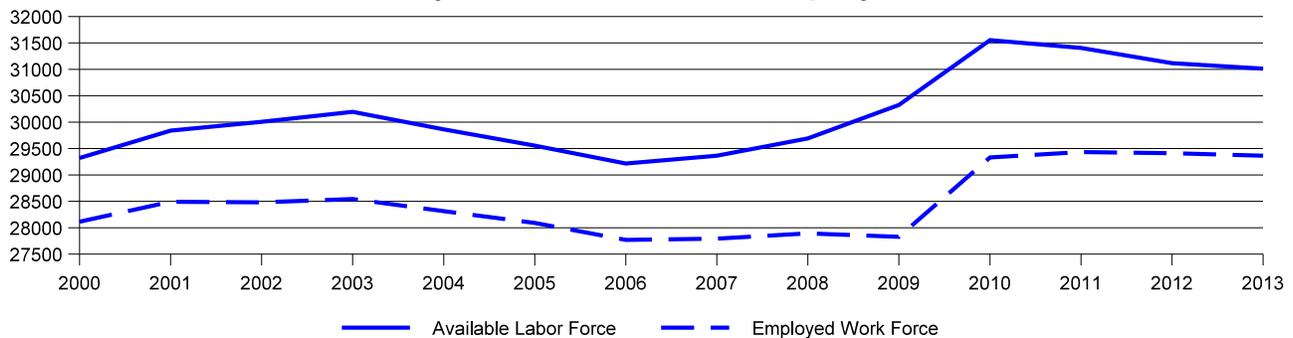
The Local Area Unemployment Statistics data (LAUS) tracks employment by place of residence. It shows how many County residents are actively in the labor force, and their employment status, regardless of where they actually work.

When viewed over a longer time period there has been growth in the size of the County's available labor force, even though there has been upward and downward movement from year to year. When comparing 2013 to 2000, the County's labor force increased by nearly 1,700 people, or 5.8%. However, the size of the labor force actually reached its peak level in 2010, and then gradually decreased in size over the next three years.

The employed work force has also increased in size, when viewed over a longer time period. From 2000 to 2013, the number of employed County residents increased by 1,250, or 4.4%. Since the employed resident population increased at a lower rate than the growth in the available work force, the County's unemployment rate increased slightly, from 4.1% in 2000 to 5.3% in 2013.

The County's unemployment rate reached its highest level in 2009, at 8.2%, but has steadily declined since that time. Over the last three years the Otter Tail County unemployment rate has been generally similar to the Statewide rate, and well below the national unemployment rate.

Otter Tail County Labor Force and Employed Work Force



Although there have been some cyclical changes from year to year, the longer-term patterns for Otter Tail County show an upward trend in the size of the available labor force and in the employed work force.

Employment and Wages by Industry

The following table shows the annual employment and average annual wages by major employment sector. It is important to note that the major sectors listed do not represent all employment in the City. Some groups, including self-employment, are not represented. This table only provides information for New York Mills. The previous table, which provided information on the County's labor force, represents the location of the worker by their home residence, while the following table, represents the location of the job.

Table 26 New York Mills Average Annual Wages by Industry - 2013		
Industry	Employment	Average Annual Wage
Total All Industry	1,310	\$30,888
Natural Resources, Mining	N/A	N/A
Construction	N/A	N/A
Manufacturing	N/A	N/A
Trade, Transportation, Utilities	79	\$22,100
Financial Activities	36	\$43,992
Professional and Business Services	N/A	N/A
Education and Health Services	392	\$23,764
Leisure and Hospitality	N/A	N/A
Other Services	54	\$14,664
Public Administration	37	\$23,140

Source: QCEW - MN Department of Employment and Economic Development

The average annual wage in New York Mills for all industry in 2013 was \$30,888. This assumes full-time employment for 52 weeks at the average weekly wage rate.

Many of the specific industry sectors were not reported. This includes Manufacturing, which would presumably be the largest employment sector in the City. According to community leaders, the starting wage at Lunds/Brunswick would be approximately \$13/hour. At full-time employment, this would be an annual wage of approximately \$27,000.

The highest paying reported wage sector was Financial Activities, at \$43,992. The lowest paying reported wage sector was Other Services at \$14,664. Both of these were relatively small employment sectors.

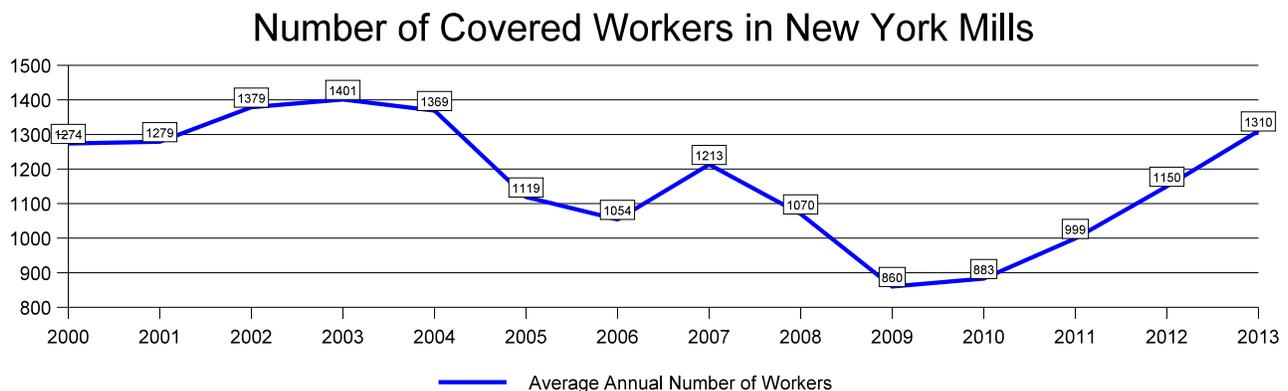
New York Mills Annual Covered Employment

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 New York Mills back to the year 2000.

Table 27 New York Mills Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	1,274	2007	1,213
2001	1,279	2008	1,070
2002	1,379	2009	860
2003	1,401	2010	883
2004	1,369	2011	999
2005	1,119	2012	1,150
2006	1,054	2013	1,310

Source: QCEW - MN Department of Employment and Economic Development

There has been upward and downward movement over the years in the number of employees working in New York Mills. The years from 2009 to 2011 represented a reduction in the number of local employees. However, after 2011, the number of employees rebounded, and 2013 represents the highest employment level since 2004.



Projected Employment

There are two available sources of information on employment projections for the area. The State Demographer’s Office has issued projections for the size of the available labor force at the County level. Overall, the Demographer projects a stable labor force in Otter Tail County. Between 2010 and 2015, this projection source expects the labor force to increase by 150 people, but then decrease by 150 people between 2015 and 2020, for no change over the entire decade.

The second available data source is the MN Department of Employment and Economic Development. Their projections are for the region, which includes 26 Counties in northwestern Minnesota. For the 10-year projection period, between 2010 and 2020, they believe that total employment growth in northwestern Minnesota will be at a rate of 14.4%, with more than 36,000 jobs added.

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 New York Mills. The first table only examines people that lived in New York Mills, and tracked their drive time to work. It excludes people that work at home.

Table 28 Commuting Times for New York Mills Residents - 2012		
Travel Time	Number	Percent
Less than 10 minutes	243	33.8%
10 to 19 minutes	205	28.6%
20 to 29 minutes	112	15.6%
30 to 44 minutes	72	10.0%
45 minutes or more	86	12.0%
Total	718	100%

Source: 2012 American Community Survey 5-year estimates

The majority of New York Mills residents were commuting less than 20 minutes to work in 2012. Presumably, most residents were working within the City limits, or in the immediately surrounding area, including Wadena and Perham. Overall, more than 62% of residents commuted 19 minutes or less to work.

However, fewer than 34% of the City’s residents had a commute time of less than 10 minutes. Given the small size of the City, a person working within New York Mills would generally have a very short drive time. This does imply that most residents work outside of the City.

Approximately 22% of residents had a drive time of one-half hour or more for employment, and may be traveling to larger regional centers such as Detroit Lakes.

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

Table 29 Commuting Times for New York Mills Employees - 2012		
Travel Time	Number	Percent
Less than 10 minutes	368	29.4%
10 to 19 minutes	376	30.0%
20 to 29 minutes	186	14.8%
30 to 44 minutes	190	15.2%
45 minutes or more	133	10.6%
Total	1,253	100%

Source: 2012 American Community Survey 5-year estimates

For people that worked in New York Mills, approximately 41% traveled 20 minutes or more. Overall, more than 500 people traveled to New York Mills from these greater distances, including more than 320 people that traveled 30 minutes or more. However, approximately 59% workers had a commute time of 19 minutes or less, and would either be City residents, or were living reasonably close to the city limits.

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.

According to the report for New York Mills, there were 960 people that were employed within the city limits in 2011. Only 64 (6.7%) of these New York Mills-based employees actually lived within the City. The remaining 896 (93.3%) employees lived outside the City limits.

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 the Highway 10. 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.

Table 30 Employee Inflow/Outflow Analysis - 2011			
City	Number of People Employed in the City	Percent of City Employees that also Reside in the City	Percent of City Employees that Live Outside of the City
New York Mills	960	6.7%	93.3%
Perham	3,843	17.7%	82.3%
Wadena	3,145	24.1%	75.9%
Frazee	515	8.9%	91.1%
Detroit Lakes	9,936	18.4%	81.6%

Source: Census Bureau, Center for Economic Studies

As indicated in the table above, a very small percentage of the jobs based in New York Mills are actually filled by people that live within the City. In 2011, more than 93% of the people working within the City actually lived outside of the city limits.

Although this commuting pattern is not unique to the larger region, New York Mills has the highest percentage of commuters of the five cities reported. In each of the cities along Highway 10, more than 75% of the jobs are filled by commuters. The percentage of jobs in the City that are filled by City residents is well below the percentages achieved in either Perham or Wadena. Of the larger employment centers in the area, Wadena fills the highest percentage of jobs with City residents.

This Census source also reports on worker outflow patterns. Despite the large number of jobs located in New York Mills, most residents actually leave the City, and commute elsewhere for work. While there are 64 New York Mills residents that both live and work within the City, there are 327 New York Mills residents that actually leave the City for employment. In both Detroit Lakes and Wadena, a majority of City residents do work within their home community, but in Perham and Frazee, most City residents also leave their home community for employment.

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Findings and Recommendations

Overview

This 2014 Housing Study by Community Partners Research has examined the most recent information available on demographic and housing market conditions in the New York Mills area. This includes the updated benchmark that was established by the release of the 2010 U.S. Census, which has allowed for the issuance of newly calibrated forecasts and projections.

Prior to addressing specific segments of the local housing market, some summary information has been presented. Much of the base information for these summary pages has been presented in greater detail in the previous demographic, existing housing and employment sections provided earlier in this document.

Growth Trends and Projections Overview

The Demographic section of this report has presented information on the current estimates for the City and the surrounding area, referred to as the New York Mills Market Area. In general terms, New York Mills has experienced some past growth in population and households, but the level of growth has been very moderate, especially over the last six or seven years.

Over a longer time period, from 1990 to 2013, New York Mills experienced an increase of approximately 260 residents and nearly 140 households. During this 23-year time period, some growth also occurred in the rural townships that surround the City, but excluding New York Mills, the remaining Market Area jurisdictions added fewer than 120 people in 158 households.

Although long-term growth for both the City and the Market Area has been occurring, in more recent years the growth has been slowing. In the 13-year period from 2000 to 2013, the City added only 41 households and 41 people. After 2010, no growth has occurred, according to the most recent estimates.

When viewed as an annual average, New York Mills averaged approximately six households per year when viewed over a 23-year time period. When viewed over 13 years, the annual average dropped to fewer than four households per year.

Although the most recent estimates from the State Demographer do not show any population or household growth for New York Mills after the year 2010, this should change in the near future, as 16 new rental units will become available for occupancy in the summer of 2014. Absorption of these units is proceeding well, based on pre-leasing activity, and the 2014 or 2015 estimates, when released should track the population and household growth that results from this expansion of the housing stock. The City should return to an annual average of three to four households per year for the five-year period between 2010 and 2015.

A primary method for projecting future household growth is based on the continuation of past trends and patterns. For New York Mills, the relatively consistent annual average growth that has existed since the year 2000 points to an expectation of future growth of approximately four households per year. This has the potential to be a conservative projection, given the strong local economy and the potential that ongoing job creation could yield even greater future household growth, but past patterns would not indicate that any sudden change in the rate of growth should be expected.

The Impact of Employment on Future Household Growth

The City of New York Mills has long been an area employment center, primarily due to the long history of Lund boats being manufactured in the community. Brunswick/Lund has experienced changes in the level of employment, and reduced its number of workers in the last years of the previous decade, but lately has been adding employees.

Although specific information was not obtained from the company, the number of workers in the City that were covered by unemployment insurance dropped from 1,213 in 2007, to 860 workers in 2009. This was probably due to layoffs at Brunswick/Lund, as the economic recession starting in 2007 had an impact on sales. However, after stabilizing in 2009 and 2010, the company has once again been adding employees, and has approximately 700 workers in 2014.

According to Brunswick/Lund representatives, the company expects a relatively stable employment level for the next few years. A gradual employment increase is possible, but only 20 to 30 additional workers would be expected in the New York Mills operation.

While future job growth at Brunswick/Lund may not generate a substantial increase in people or households, the hiring that has occurred in the past few years does create some opportunities. As outlined earlier, fewer than 7% of the people working in New York Mills in 2011 actually lived in the City. More than 93% of workers were commuting in from outside the City limits. If the City could increase the percentage to even 10% over time, this could represent nearly 60 to 70 people. Converting people to households would yield the potential that 30 to 45 households could be added to bring the City to a more normal percentage of people that both live and work in the community.

While raising the percentage of workers that live within the community is a desirable goal, it should be noted that opportunities do already exist in New York Mills that have not been accessed by workers. Most notably there are affordable lots for new home construction, but this has attracted very limited interest in recent years. While affordable rental may be better matched to worker housing preferences, the economics of new construction do not generally translate into affordable rents. Creating a substantial number of affordable rental housing units will not be easily accomplished.

Summary of Growth Projections by Age Group

The Demographic section of this Study presented projection information on anticipated changes by age group over the next few years. This information can be informative in determining the changes that will be expected due to age patterns of the area population.

In general terms, most of the projected net growth to the years 2015 and 2020 will occur among people age 55 and older. In 2000, approximately 44% of all households in the New York Mills Market Area had a head of household that was age 55 or older. By 2010, older adult households had grown to more than 46% of all households. By 2020, trend-based projections indicate that more than 53% of all households in the Market Area will be headed by a person age 55 or older.

The largest age-based changes will occur in the specific age groups between 55 and 74 years old. This would reflect the aging “baby boomers”, nearly all of whom will be age 55 or older by the year 2015. No real growth is expected in the number of older senior citizen households (age 75+), so nearly all of the net growth will be in the 55 to 74 year old ranges through the year 2020.

While minor growth is projected within certain younger 10-year age groups, overall, there will probably be a net reduction in the number of households age 54 or younger. This forecast is based on a continuation of past patterns, as locally and regionally there have been a declining number of younger residents. These patterns could change if a substantial number of younger households migrate to the area, but the age cohort trailing behind the baby boomers was much smaller in size, and locally and regionally there are fewer young adults than in the past.

Summary of Housing Unit Demand and Tenure Projections

As an area employment center, New York Mills has developed housing options in recent decades, especially in rental housing. The City's rental tenure rate was at nearly 42% in 2010, and had been increasing over time. After 2010, the City has had more rental housing units constructed than owner-occupancy units. While the new rental housing will not be occupied until later in 2014, the City's rental tenure rate should be even higher than 42% by the year 2015.

Although the previous decade was often regarded as a very strong period for home ownership, New York Mills added more renters than owners. In terms of net change, the City added 23 renter households but only 18 owner households. This was somewhat offset by the patterns for the larger Market Area. If New York Mills is excluded, the remainder of the Market Area had an increase of 98 owner-occupancy households between 2000 and 2010. At the same time, the remainder of the Market Area experienced a small net reduction of renter-occupancy households, as renters increasingly located within the city limits.

From a perspective of market potential, the previous decade indicated that New York Mills had the ability to capture all of the rental demand from the immediate area, but less than 20% of the demand for owner-occupancy housing. The rural areas that surround New York Mills hold a very strong attraction for prospective home owners.

One additional factor that also needs to be addressed concerning demand for home ownership opportunities is the disparity that developed in New York Mills over the previous decade between unit construction and the level of owner-occupancy household growth. New houses issued a building permit between 2000 and 2009 would probably have completed construction and been available for occupancy by the time the 2010 Census was completed. Based on building permit records, there were approximately 33 single family houses constructed in New York Mills during this time period, but a net gain of only 18 owner-occupancy households during the decade.

Some of the discrepancy may be due to vacant houses that were for sale at the time of the Census and presumably were intended for owner-occupancy. It is also possible that some single family units were demolished or removed over the last decade. However, at the same time, the number of occupied rental units was greater than the level of multifamily unit construction, implying that as many as 12 houses that had once been owner-occupied changed to rental use.

In the rural areas outside of New York Mills, the impact of seasonal use properties must also be considered. In 2010, there were more than 150 housing units within the New York Mills Market Area that were used as seasonal/recreational properties. Over time it is possible that some of the household growth will be able to use existing housing, by converting it to year-round use. This could allow for some expansion of permanent resident households without the need for a commensurate level of new unit construction.

Projected Demand

There are multiple methods available for converting projected household growth over the next few years into expected tenure preference. Based on historical tenure patterns for the area, most of the Market Area demand would come from owner-occupancy households, as approximately 79% of all households owned their unit in 2010.

Age-based tenure patterns would be reasonably similar to historic tenure preferences, as most of the net household growth is expected to occur within the age ranges that have traditionally had very high rates of home ownership. If future households maintain the tenure preferences that are similar to previous groups, then most Market Area demand would exist for ownership options.

However, the actual tenure patterns that emerged in the City of New York Mills in recent years have not followed historical precedent. Between 2000 and 2010, most of the City's household growth was caused by renter households. This may have been due in part to economic factors near the end of the decade, including a national recession and a collapse in the national housing "bubble". But shorter-term patterns do point toward greater demand for rental housing than owner housing for the next several years in New York Mills.

After examining different possibilities, Community Partners Research has made tenure forecasts that do incorporate the most recent patterns present in the community. We would expect that growth-generated demand will create the need for approximately two to three owner-occupancy units per year, and approximately two to three renter-occupancy units. This tenure split would not be as great as the rental demand that was evident over the last decade. However, it still reflects greater preference for rental housing within the City of New York Mills.

While household growth will be a primary demand-generator for new construction, there are other factors that will also contribute to building activity. Pent-up demand will be a contributing factor for additional rental housing development. This is most evident in the goal to attract more workers to actually live in the City. In recent years, there has been very limited availability of rental housing in New York Mills. The vacancy rates in the various rental segments that can serve working age people are all very low at the time of this Study.

It is important to note that we have estimated potential demand in the City of New York Mills. In the specific recommendations that follow, we have made an actual construction forecast that also incorporates current economic and market conditions, which have recently suppressed building activity to a lower level for certain types of housing. It is also probable that the five-year projections will not necessarily result in a consistent level of annual construction.

For example, rental production is most likely to occur in larger phases of construction, as rental housing will nearly always be in multifamily structures. In 2013, permits were issued for 16 rental units in a single year, representing an expansion of more than 5% in the City's rental inventory. This will probably be followed by years with lower levels of production until a stable occupancy pattern is sustained.

Rental Housing Recommendations

Overview: Rental housing is a very important part of the local market within New York Mills. At the time of the 2010 Census, nearly 42% of all households in the City were renting their housing. This percentage has probably been increasing since that time, and should be above 43% rental by the year 2015.

Between 2000 and 2010, the City added more renter-occupancy households than owner-occupancy households. For the net growth in households over the prior decade, 56% can be attributed to renters. Growth in the number of renter households was greater than actual unit construction. This was probably caused by conversion, as some housing units that had previously been owner-occupied switched to rental use.

New York Mills tends to have two distinct segments within its rental market. There is a large inventory of income-restricted units, which represent more than 40% of all rental options in 2014. Although no income-restricted housing has been built since the mid-1990s, housing with income limits still accounts for a large percentage of the total rental inventory.

The City also tends to have a reasonably large percentage of newer, market rate units. Including Mill Valley, which is still under construction, conventional rental housing that is less than 20 years old accounts for nearly 30% of all rental options. For a relatively small community, New York Mills has achieved success in ongoing production of market rate housing. In most smaller communities, market rate rental construction activity has been very limited in recent decades, but in New York Mills, Country View Townhomes, Eagleview Apartments, Gardenview Apartments, Hammers Rentals, Mill Valley Townhomes and White Gables Apartments have all been built since 1995.

There is a relatively small percentage of units that exist in older rental multifamily buildings, especially apartment-style housing. Most of the older rental stock is in single family houses and mobile homes.

Some of the newer rental buildings have a more moderate rent structure, especially the apartment buildings constructed in the 1990s or early 2000s. The town house-style units have a higher rent structure, but even these rental prices are viewed as attractive for the quality of the unit being provided.

Looking at the growth potential for the City to the year 2020 yields a reasonable projection of approximately four additional households in an average year. Depending upon the actual tenure distribution rate that is applied, an annual average of approximately two to three additional rental units per year

would be indicated to keep pace with expected growth. Over a five-year period, this would yield demand potential for 10 to 15 additional rental units after 2014.

This growth-generated projection assumes that New York Mills will continue to capture nearly all of the rental demand created from the immediate Market Area. This has been the case in the recent past, and is likely to continue in the future, as the rural areas around the City represent a strong attraction for home owners, but limited potential for renters.

The growth-based demand calculation also anticipates some continued softness in the home ownership segment, consistent with the patterns that have existed since 2008. With movement from rental housing to home ownership somewhat suppressed, there has been greater demand for rental units. This Study has used the projection that near-term rental demand will be higher than the historical tenure preference patterns that have existed in the New York Mills area in prior decades.

In addition to unit needs created by overall household growth, additional demand potential exists from people that work in New York Mills but do not live in the City. Based on worker inflow/outflow patterns, fewer than 7% of the people that work in New York Mills actually live in the community. If this percentage could be raised to 10%, which would still be low by comparable standards, it would require that 30 to 45 additional households be added. Most of this potential growth would initially be oriented to rental housing, with the potential for an additional 20 to 30 units for worker housing.

Based on the rental survey completed for this Study, most of the rental market oriented to younger workers has a low vacancy rate in 2014. However, there are currently 16 new units under construction that will enter the market in 2014. The impact of these new units would need to be reevaluated after a stable occupancy pattern is achieved. However, some additional rental production could still be justified, especially units in a more moderate price range that would be suitable as work force housing.

The following recommendations address specific segments of the New York Mills rental market.

1. Promote the Production of Moderate Rent Market Rate Rental Housing

Findings: The research for this Study indicates potential rental housing demand for approximately 30 to 45 units over the next five years. Much of this would be based on supplying work force housing opportunities, to attract renter households that currently are employed within the City but live outside of New York Mills. As stated previously, more than 93% of the City's work force is commuting into the community each day. Over time, it should be possible to capture part of this potential, especially if suitable housing options can be created.

The last two rental housing development projects that have been constructed in New York Mills have created high quality town houses, with attached garages and amenities associated with single family housing. In the opinion of the analysts, these units are very attractive for the gross rent being charged. In most communities, housing of this quality would command an even higher monthly rent. The newest units in Mill Valley Townhomes, which will become available for occupancy in 2014, will have a gross two-bedroom rent below \$850 and three-bedrooms will close to \$1,000 per month. In most cases, this would require that a renter household have an annual income of \$35,000 or more.

The largest employer in New York Mills, Brunswick/Lund, has a large work force that drives much of the potential for moderate rent housing. This is especially true of newer workers at the company, which are increasingly being recruited from greater distances. These workers will often have a starting wage of approximately \$12 per hour, which will increase to approximately \$16 per hour after a few years. At full time employment, these employees would initially be paid approximately \$25,000 per year, and would increase into the low \$30,000s within the first few years.

To better address demand potential from area workers, a more moderate rent structure would be needed. For one-bedroom rentals, a gross rent of \$600 to \$650 would be indicated, and for two-bedrooms, a rent of \$700 to \$750 would be better matched to starting pay levels. Even these rents may be considered high for entry-level workers, but producing even lower rents would be difficult without significant subsidies.

This recommended rent structure is lower than the levels being charged in Country View Townhomes or Mill Valley Townhomes, the latest additions to the local rental inventory. There are some indications that local workers occupy some of these newer units, but most demand comes from retired households looking to move from home ownership into rental.

The rent structure needed for work force housing is better matched to some of the apartment buildings that were constructed in the 1990s and early 2000s, including Eagleview, Gardenview and White Gables Apartments. Each of these buildings reported full occupancy to the rental survey, although many of the units were again occupied by seniors, instead of younger workers.

Recommendation: The demand calculations presented above yielded the potential need for 30 to 45 additional rental units in New York Mills over the next five years. Most of this unit production would be recommended in a more moderate price range, generally \$750 or less for a two-bedroom units, and \$650 or less for one-bedrooms.

Initial production of 20 to 24 moderately-priced units would help address the low vacancy rate within the moderate price range, and help to draw workers to the City. After stable occupancy patterns have been achieved, additional moderate rent production could be considered later in the five-year projection period.

Achieving new construction rental housing in this moderate price range will be challenging. The neighboring community of Perham has had some rental construction with gross two-bedroom rents below \$775 and gross one-bedroom rents below \$625 in the Clearwater Apartments. However, new housing in this price range is not typically being produced in other Minnesota communities, due to the costs associated with construction and the need for the developer to receive a return on investment.

The apartment projects in Perham are described as having a low rate of return for investors, and have been advanced by community leaders as an effort to create housing for an expanding work force. It is unlikely that a profit-motivated private developer could have achieved this moderate rent structure. New York Mills may have a similar group of community leaders that are interested in promoting work force housing. It may be possible to replicate the Perham model if new construction is pursued.

An opportunity that could also exist in New York Mills is to look for creating rental housing through the conversion of existing buildings into rental use. Conversion projects are unique, and sometimes have hidden costs that make units even more expensive than new construction. However, if suitable spaces exist that can be readily reconfigured into housing units, this may be a way to create housing in an affordable price range. The City has some older buildings that are underutilized which may be conducive to rental conversion.

In this recommendation we have largely focused on the end price for units. It is important to recognize that any new unit, created through new construction or conversion, must be viewed by the prospective tenant as an attractive place to live, with a desirable floor plan and amenities that are compatible with the price. New construction projects or building conversions may or may not be able to meet these criteria, and would have to be evaluated on a case-by-case basis.

2. Monitor the Potential for Additional Phases of Higher-Priced Rental Housing Development

Findings: New York Mills has three high quality rental town house projects that have been constructed over the past 15 years. The first of these projects, Hammers Rentals, created 14 town house and twin home units in 1999/2000. In 2005, 18 town house-style units were built in the Country View project. In 2013, a second phase of Country View, known as Mill Valley Townhomes started construction with 16 additional units.

These three projects represent the upper end of the rental price range in New York Mills. Gross rental rates for two-bedroom units are above \$800 per month, and approach \$1,000 for three-bedroom options. While these prices are higher than most other rental options in the City, the tenant gets a high quality unit, with attached garage parking, a relatively large floor plan, and modern amenities, such as in-unit laundry facilities.

If these units are examined on a price per square foot basis, with the amenities and features offered, they would be viewed as a very reasonably-priced option. However, based on the total monthly cost, these units would typically appeal to households with an annual income above \$35,000. In 2012, the median household income in New York Mills for renters was less than \$18,000, making rents above \$800 very difficult for a majority of existing renter households.

The analysis of renter household incomes contained in the 2012 American Community Survey does indicate that approximately 37% of all renter households in the Market Area had an annual income of \$35,000 or more, and form a potential market for higher-priced rental housing. The newer town house projects, including Mill Valley, represent less than 20% of the City's rental housing inventory. However, other higher-priced rental units also exist, such as rental houses, that could also appeal to renters that can afford a more expensive unit.

Recommendation: The 16 higher-priced units becoming available in the Mill Valley project represent a significant increase in the number of newer, high quality units in New York Mills. Although initial pre-leasing information indicates that the units are being well-received, the need for additional development should be monitored. A sustained, stable occupancy pattern in the higher-priced segment could indicate the potential for more units in the future, but this type of housing already makes up a relatively large share of the City's overall rental inventory.

The developers of the Mill Valley and Country View projects have a successful history of this type of rental construction in the larger region. The units that they create do not typically exist from other developers. As a result, they have effectively created their own market by offering units with many of the amenities of single family living, in a care-free rental housing environment. Many of their tenants in New York Mills are reported to be retirees, who have elected to sell a single family house and move into a single family-style rental unit.

Direct attempts to contact the developer were unsuccessful. However, based on information that can be obtained from the company website, New York Mills will have an above-average number of units from this developer, when compared to their other markets. In most of the other cities where this developer has housing, fewer than 4% of all households in the city would need to be captured to achieve full occupancy. In New York Mills, this percentage would be approximately 6% of all households that were present in 2013.

If the new units do achieve a stable, sustained occupancy pattern, it may be possible to consider another phase in the future. One factor that could benefit additional construction is the growing number of households age 55 and over that will be present through the year 2020. If evidence of unmet demand develops, such as a waiting list for the existing projects, then another phase of development could be considered.

3. Preserve and Protect the Existing Inventory of Affordable Income-Restricted Rental Housing

Findings: The City of New York Mills has a large inventory of rental housing that has received government assistance, and is designated to serve low and moderate income people. Some of this housing received a more “shallow” subsidy, such as federal low income housing tax credits, and provides apartments with a moderate rent structure. Other projects received a “deep” subsidy, and can generally serve even very low income renters by charging rent based on 30% of household income.

The two moderate rent projects, Parkview and Summerplace, have a combined 20 units for general occupancy. Income restrictions are set at 60% or less of the median income level. Both of these projects have completed their initial contract requirements for providing affordable housing, but will continue to operate under the basic rent and income limits under an extended compliance agreement. Both moderate rent projects reported full occupancy and the existence of a waiting list, although the waiting lists can quickly be out-of-date.

There are four federally-subsidized projects in New York Mills, with a combined 90 rental units. Although official income limits may be higher, most of these units tend to serve households at or below 50% of the median income level. Units with access to project-based rent assistance will often serve households below 30% of the median income level.

Two of the subsidized projects serve the general occupancy segment of the market. Finlandia Apartments and Scandia Village have a combined 40 apartment units. However, 32 of these 40 units have only one-bedroom, and are not well suited to families. There are eight two-bedroom apartments, but no three-bedrooms for larger families. It appears that Scandia was originally designated for senior/disabled tenant occupancy, but later was changed to general occupancy housing. It is possible that Finlandia followed the same path.

Despite the large number of one-bedrooms offered, there were no vacancies reported in the general occupancy subsidized projects and waiting lists were maintained, especially for units with project-based rent assistance.

New York Mills also has two apartment buildings that are designated for senior (age 62+) or disabled tenant occupancy. These projects, Heritage Manor and Kaleva, have a combined 50 apartment units, with 49 of these having one

bedroom. Heritage Manor is affiliated with the nursing home, and attempts to facilitate the delivery of services to residents through home health care providers. Kaleva also promotes service availability through a direct contract between the resident and the services provider.

The subsidized senior/disabled segment was the only part of the local rental market that had some vacancies at the time of the rental survey, with six unoccupied units reported. As stated above, there had once been even more senior-designated units in the City, but some have converted to general occupancy.

In addition to specific affordable rental projects, residents of New York Mills also have access to a tenant-based rent assistance Voucher program administered by the Otter Tail County HRA. While actual participation can change from year to year, there were 11 New York Mills households receiving Voucher assistance in 2014. It is very possible that some of the Vouchers were being used in moderate rent projects, such as Summerplace or Parkview, so Vouchers may not always expand the affordable unit supply.

Even with some overlap between Vouchers and other affordable housing, between 115 and 120 renter households in the City probably have access to some form of income-restricted housing. With 221 renter-occupancy households present in the City in 2010, this represented 50% or more of all rental housing opportunities, a very high percentage when compared to other Minnesota communities.

While this high distribution of income-restricted housing does not represent an ideal distribution of units, it is an affordable housing resource that could not be re-created in the present day. All of the affordable projects were developed more than 20 years ago, at a time when resources for affordable housing construction were more readily available. In 2014, it would be very difficult for a community the size of New York Mills to access these same type of resources for new unit creation.

Recommendation: In other communities across the State, there has been an ongoing loss of very affordable housing, as older tax credit and subsidized projects have fulfilled their contractual obligations and converted to market rate housing. Although some affordable projects in New York Mills may have changed their occupancy designation, no projects have left the subsidy program, and no projects are considered to be “at risk” in 2014, based on annual monitoring by the Minnesota Housing Finance Agency.

Although New York Mills has an above-average supply of income restricted housing, these very affordable units could not be replaced if they are lost. As a result, ongoing maintenance and preservation is encouraged as an affordable housing strategy.

If resources do become available, an increase in very affordable units for larger families needing two or more bedrooms, would be encouraged. However, it is not likely that new development resources will be available in the near-future, due to federal budget limitations.

In 2014, the occupancy patterns in the general occupancy units were very high, indicating adequate demand, although some one-bedroom senior-designated units were vacant. As part of modernization efforts, some subsidized properties have been able to reconfigure floor plans by merging two smaller units into a single apartment with more bedrooms. Since all general occupancy units are full in 2014, this approach would not be appropriate. But in the future, if some vacancy patterns develop, this may be a possible way to add more units for families.

Although we do recommend that the existing supply of units be preserved, it is possible that any income-restricted unit loss could benefit moderate income workers in the area. Some households, especially those with more than one income-earner, may not be income eligible for the income-restricted properties. If projects were to leave their subsidy program, these income limits would be lifted. However, lower income households would lose a valuable affordable resource.

4. Monitor Opportunities to Provide Senior Housing with Services

Findings: New York Mills does offer some specialized senior housing, serving senior residents as they move through the aging cycle. The primary housing option is the Elders Home, a skilled nursing facility that is licensed for 51 beds in 2014. Eight of these beds, known as South Haven, are dedicated to use by people with memory care needs. Some of the remaining beds are oriented to rehab/recovery stays, but generally 40 or more beds are available to longer-term residents.

Over time, the Elders Home has downsized significantly, as it was once licensed for as many as 100 beds. Changing demand as well as more desire for private occupancy rooms has resulted in many facilities that have de-licensed beds in rural Minnesota.

The Elders Home is affiliated with Heritage Manor, a 20-unit HUD subsidized senior apartment project. Although Heritage Manor does not offer any services, residents are able to contract for home health care services as needed. Kaleva Apartments, another federally subsidized building also facilitates home health care delivery.

There is only one licensed assisted living provider in New York Mills. Home Sweet Home has capacity for six residents in a board and care-style facility. Home Sweet Home was fully occupied when contacted by the rental survey.

Although New York Mills has a relatively high percentage of seniors and older adults, there is a fairly small primary market area that surrounds the City. The City of Wadena is approximately 13 miles east of New York Mills and the City of Perham is approximately 13 miles to the west. Both Wadena and Perham are substantially larger communities. Both have hospitals, services and amenities not present in New York Mills. Both also have larger senior housing campuses. As a result, there is a limited geographical area that contains seniors that would primarily orient to New York Mills for advanced housing with services.

While the Market Area designation used earlier in this Study may not be a perfect indicator of overall demand, it does provide an informative look at planning for specialized senior housing. At the time of the 2010 Census, there were 291 older senior citizens, age 75 and above, that were residing in the Market Area jurisdictions. This population of older seniors had decreased by 29 people when compared to the year 2000.

Patterns were similar for households headed by older seniors. In 2010, there were 186 households with a head-of-household age 75 or older, down from 195 older senior households in the year 2000.

The projections contained in this Study anticipate a further slight reduction in older seniors during the current decade. When 2020 projections are compared to 2010, approximately 11 fewer older senior residents would be expected, and five fewer households.

It is important to note that the senior population statistics from 2010 would include people already residing in senior housing, including the Elders Home and South Haven. If an assumption is made that between 40 and 45 older seniors already live in these forms of high service housing, the number of older seniors in the Market Area would decrease to approximately 240 to 250 people, in approximately 184 older senior households.

This would form a target population for any new specialized senior housing that would be considered, such as assisted living or lighter services housing. This does not yield much potential for a new project, unless a larger draw area is anticipated, bringing more older seniors from outside the immediately surrounding townships.

The current estimated capture rates for the existing providers are summarized as follows:

Elders Home - With 40 or more beds that are available for longer-term occupancy, Elders Home would need to capture approximately 13% to 15% of all of the older senior residents to achieve full occupancy. This is viewed as a high capture rate. As reported to the rental survey, annual occupancy is typically in the mid-80% range, less than full occupancy.

South Haven - There are eight dedicated beds for memory care residents in a special wing of the nursing home. To achieve full occupancy, this facility would need to capture nearly 3% of the older senior target population. While this percentage is not overly high, this facility reported that it is typical to have one or two unoccupied beds, often due to ongoing turnover that can occur in a frail senior population. There were two unoccupied beds at the time of the rental survey.

Home Sweet Home - As a Board and care-style facility, Home Sweet Home offers assisted living in a residential setting. If the supply of room/beds is compared to the number of older senior households, then no adjustment is necessary for older seniors living in some other intensive form of senior housing, such as nursing homes or memory care, which offer group quarters housing. To achieve full occupancy, the six rooms would need a capture rate of only 3.2% of older senior households. This is not viewed as an overly high capture rate and Home Sweet Home reported full occupancy to the rental survey.

Recommendation: Based on the research completed for this Study, we would not specifically recommend the development of specialized senior housing in New York Mills in 2014. While some unmet demand does exist, for a limited amount of assisted living and light services housing in particular, the potential market of older seniors is viewed as too small to justify a new construction project. The best possibility would seem to exist for the expansion of an existing facility, instead of a stand-alone project.

With approximately 245 older seniors not already living in advanced care housing facilities in 2014, and no real growth expected for several years, a new project would have limited demand. For example, if a housing with services project could capture even 7% to 8% of all older senior households, this would only yield approximately 12 to 14 units. Unless a substantial number of residents could be attracted from outside of the immediate area, a project of this small size would probably not be practical to construct.

It would be possible to promote the addition of some rooms/beds in smaller facilities, similar to the existing Home Sweet Home project. This could allow longtime residents to remain in the community as their care needs increase. It may also be possible to convert some rooms in the Elders Home to assisted living use, if occupancy rates are low.

It should be noted that the projections used in this Study do not expect any real growth in the area's older senior population through the year 2020. However, there will be growth in the number of area residents in the 55 to 74 year old age groups. Longer-term, after the year 2020, the older senior population should begin to grow, adding demand for more specialized care options.

Home Ownership Recommendations

Overview: The City of New York Mills has experienced a limited amount of new housing construction and development in past years. To better understand home ownership demand, Community Partners Research reviewed building permit summary reports for the years 2000 to 2013. During this 14-year period, building permits would indicate that as many as 36 single family units were constructed. All of these units are believed to be detached single family houses.

Although 36 were built, the large majority of the activity took place in the early years of the last decade. From 2000 to 2006, 29 single family houses were issued a building permit. This activity largely coincided with a time when state and national housing construction activity was also very strong. During this 7-year period, annual average construction was approximately four houses per year. Single family housing starts peaked in 2004, when nine single family permits were issued.

After 2006, single family activity slowed significantly. In the 7-year period from 2007 to 2013, the total number of single family units that were permitted dropped to seven houses, or an annual average of one house per year.

The downward trend in single family housing construction in New York Mills, starting in 2007, largely mirrored broader regional and national trends. The combination of a poor national economy and the collapse of a national “housing bubble” made potential buyers hesitant to enter the market. Developers and home builders were often left with unsold inventory and investments, which have greatly discouraged any speculative development in the marketplace. In New York Mills, a significant reduction of the work force at Brunswick/Lund occurred at this same time. While many of the jobs have since returned, demand for new homes has not resurfaced.

While broader economic and housing market conditions can be blamed for some of the reduction in new construction activity, there is also some evidence that home building was exceeding actual demand during the boom years of the prior decade. Between 2000 and 2010, the net growth in home ownership trailed well behind the net production of single family housing in New York Mills.

New houses issued a building permit between 2000 and 2009 would probably have completed construction and been available for occupancy by the time the 2010 Census was completed. Based on building permit records, there were

approximately 33 single family units constructed in New York Mills during this time, but a net gain of only 18 owner-occupancy households during the same period. If actual growth in ownership households is examined, rather than housing starts, demand for owner-occupancy units in New York Mills averaged fewer than two households per year in the prior decade.

National economic conditions and overall demand can also be seen in the home resale market, although to a lesser extent. The research for this Study examined the median home sale price back to the year 2000. From 2000 to 2008, there had been a general upward trend in the median home sale price in the City. However, after 2008, the median price dropped, and only one year since that time has reached a median home sale price above \$80,000. In three of the past four years, the median home sale price has been below \$75,000.

Going forward, the household growth projections used for this Study expect some limited demand for owner-occupied housing construction to the year 2020 and beyond. The forecasts for growth-generated demand should yield the potential for approximately two to three additional owner-occupancy units per year. A limited amount of additional production may also occur for unit replacement or pent-up demand for certain unit styles, but we would not expect this additional production to be large.

It should be noted that most of the demand for home ownership housing will in the larger area will be met outside of the city limits, especially in the rural areas that surround New York Mills. As stated previously, historically New York Mills has captured approximately 15% to 20% of the demand that has existed within the entire Market Area. The demand forecast and recommendations that follow are specific to the City of New York Mills. Different issues impacting home ownership will be addressed in the individual recommendations that follow.

5. Continue to Promote Affordable Single Family Home Construction Opportunities

Findings: Like many communities across the State, New York Mills elected to become actively involved in the promotion of affordable housing, since many private builders were not addressing the needs of first-time buyers during the boom years of the prior decade. The Country View Addition is publicly-owned. It was created to provide affordable lot options for new home construction. In 2014, lot prices as low as \$1,000 are being offered to income-qualified buyers. City TIF assistance is available that reduces special assessment costs.

In addition to reduced lot pricing and special assessment payment plans, the community has also packaged other types of assistance for potential home buyers. These include special offers from area businesses and merchants, such as a \$500 credit for natural gas service, a free fitness center pass, and discounts/offers at retail and convenience stores.

Despite the promotional efforts, only two new houses have been constructed in Country View since 2006, including a speculative construction home in 2014. The other new houses constructed in the City in recent years have been outside of the City-owned subdivision.

The experience in Country View is not unique. A publicly-owned subdivision in Perham has also had limited activity in recent years, and some affordable speculative home construction has not been successful, with three spec homes remaining unsold in 2014. Perham has also been offering reduced lot prices and financial incentives to qualified home buyers, but according to staff, only a few incentive loans have been made in recent years.

In Detroit Lakes, a local nonprofit developer, Midwest Minnesota Community Development Corporation (MMCDC) has been active in developing more affordable ownership opportunities. Lot sales and home building activity in the current phase of an affordable subdivision has proceeded slowly. In the past few years, only one or two homes per year have been constructed. Although MMCDC's goal is to produce affordable ownership options, recently constructed houses have generally been above \$200,000, due to construction and building materials costs.

Recommendation: The projections used for this Study do expect some limited demand for entry-level home construction, but this demand will be probably be for only one or two homes per year. New York Mills has taken the appropriate steps in promoting home ownership opportunities, and already offers the lowest-priced lot options in the area.

While potential demand should exist for one or two houses per year, from 2007 to 2013, no new homes have been built. An affordable spec home was being constructed in 2014.

There are some factors in New York Mills that negatively impact home building potential. The primary factor is the disparity between existing home prices and the costs associated with new construction. Although the number of existing homes for sale at any given time in New York Mills tends to be small, the median home sale price over the past 14 years has never reached \$90,000.

In three of the last four years, the median sale price has been less than \$75,000. With very affordable existing homes potentially available, buyers considering new construction may have options in the for sale market that are significantly less expensive.

A second limiting factor is the employment pattern in the City, impacted by job changes at Brunswick/Lund. As detailed previously, there have been significant reductions in the number of workers employed in the City at least two times in the recent past. While nearly all of the jobs have been recovered by 2014, potential home buyers will need to be sure that employment stability exists before making a long-term investment in purchasing a new home.

A third factor that may limit demand for new homes in Country View is the demographic patterns that show fewer households age 54 and younger than in the recent past. While this is a projection based on past trends, the larger region has a smaller number of households in the younger adult age ranges than in the previous decade. In the early 2000s, when more homes were being built, there was a growing number of households age 54 and younger. As the baby boomers have aged, greater focus should be applied to the market potential that exists for households looking for an age-appropriate housing option.

New York Mills has already taken most of the appropriate steps, with publicly-owned lots and an array of incentive programs. Continued promotion of the opportunities that exist will help the City achieve the potential that exists within this segment of the market.

The City could examine some of the incentive loan options being offered in Perham, where employer involvement has allowed some potential home buyers to access more than \$15,000 in loans/deferred loans for a new home purchase. Perham has been able to leverage employer assistance funds with other resources, such as the Greater Minnesota Housing Fund. While employer assistance funds have not been available in New York Mills, there is the possibility that a local investor group may be willing to become more involved in housing promotion, which could help to create a local loan pool. It is important to note that despite these additional resources, Perham has also experienced limited demand in their affordable subdivision.

6. Consider a Shared-Risk Approach to Speculative Home Construction

Findings: With very limited activity in the City-owned Country View Addition, there has been some discussion about the need for speculative home construction. A spec house 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 floor plans and features in the home while it is under construction.

In 2014, a local builder did start construction of an affordable spec home in Country View. While specific information was not obtained from the builder, City representatives indicated that the estimated sale price was in a range between \$130,000 and \$140,000.

While there are some advantages to spec home construction, there are also substantial risks. In the City of Perham, as many as four speculative homes were constructed by public and nonprofit housing agencies in recent years. Three of these are still unsold, and one was sold at a loss to its construction price. Some of the difficulty in selling the houses in Perham has been attributed to designs that were not attractive to potential buyers. In attempting to build an affordable home, certain amenities and features cannot be offered. Perham's experience highlights the risk involved in holding a house that is slow to sell.

New York Mills has taken steps to promote spec home development and affordable home sales, including the greatly reduced lot pricing in Country View. The City has also been able to defer special assessment balances until the time the home is sold.

Recommendation: Given the limited demand that has been evident in New York Mills over the past seven years, it is difficult to recommend that many spec homes be constructed until demonstrated success is achieved with the sale of some homes. However, there are also financial risks associated with holding unsold lots that have special assessment balances that are payable.

In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. One builder incentive is to waive any water/sewer hook-up fees and building permit fees until the home is sold. This would somewhat reduce the builder's risk, by reducing upfront development costs. New York Mills has already taken this step with special assessment payments.

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. This could be a possible option for community leaders and investors that have been considering a more direct role in housing promotion.

If the spec home under construction in 2014 is successfully sold, the builder may elect to proceed with another house, and more proactive City involvement may not be required.

7. Promote the Affordable Existing Housing Stock in the City

Findings: Although lower values for existing homes serve as a deterrent to new construction, older homes do offer a very affordable home ownership option. This Study tracked the sales activity in New York Mills back to the year 2000. Over the past 14 years, the median home sale price in the City has not exceeded \$90,000 in any year. In 11 of the last 14 years the median sale price has been below \$80,000. Prices in New York Mills are substantially lower than in Perham or Detroit Lakes, based on median sales values. Lower-valued existing homes can represent a very attractive ownership option for potential home buyers in the larger region.

There is also comparable home value information that is available from the 2012 American Community Survey, based on the estimated median value for owner-occupied houses. According to this source, the median home value in New York Mills was \$87,700 in 2012. For comparison, the median home value in Wadena was \$97,700, and the median value in Perham was \$147,600. The median value in New York Mills was also substantially lower than the nearby regional centers, including \$114,700 in Fergus Falls, \$153,500 in Alexandria, and \$154,900 in Detroit Lakes. When compared to the larger cities in the area, New York Mills can offer more affordable home ownership options.

Recommendation: One of the community goals is to attract a greater share of local workers to live in the community. Promotion of the affordable ownership options can help achieve this goal. The City does have a competitive advantage, with a lower average home value than surrounding communities.

There is some evidence that over time, some of the City's older, lower-valued homes have been purchased for use as rental housing. While this expands rental options, it is probably in the City's best long-term interest to attract home owners, and increase the rate of home ownership.

The City has been offering incentives to people that build a new home in the Country View Addition. If these incentives are not being offered to buyers of existing homes, it may be possible to expand the incentive program as part of a promotion that identifies the City's more affordable ownership options.

8. Monitor Home Foreclosure/Bank-Owned Sales Trends

Findings: Starting in 2006 and 2007, home foreclosures, short sales, and bank-owned real estate sales became an increasing problem across the State. In most communities, the number of distressed transactions tended to peak late in the last decade, and then began to decrease.

In New York Mills, bank-owned home sales have become a larger issue over the past four years. Prior to 2010, the City had been experiencing between one and three bank sales per year. However, since 2010, between five and 11 bank sales have occurred per year, and 2012 and 2013 represented the two largest years for these types of distressed sales.

There is no clear explanation for the increasing volume of distressed transactions. There were some work force reductions at Brunswick/Lund after 2008, and this could be a delayed reaction to those job losses. Some community leaders believe that an above-average number of foreclosures occurred during these years, and that banks have been slow to re-sell these homes, resulting in the above-average number of sales in the past few years. Since 2010, there has been job growth, which should help to prevent ongoing foreclosures. Although home values may have decrease somewhat, there was not a large increase in home values during the boom years.

In addition to losing individual home owners, foreclosure activity can impact the broader housing market. The actual median transfer price for the bank-owned sales was well below the median sale price for fair market transactions. The lower median home sale prices for open market sales may have been negatively impacted by a larger volume of distressed sales over the past three to four years.

Recommendation: Although there are few direct City actions that can be taken concerning home foreclosures, the City may want to monitor this trend. The Otter Tail County Assessor's Office can produce annual reports of sales transactions of bank-owned homes.

While the disposition of bank-owned home sales cannot be easily tracked, it is possible that some of the lower-valued properties are being sold to investors, and converted to rental use. Property tax classifications may help to identify whether bank-owned home sales have been purchased for owner or renter occupancy.

Rehabilitation and Other Housing Issues

9. Promote Owner-Occupied Housing Rehabilitation

Findings: Unlike previous decennial censuses, the 2010 U.S. Census did not collect specific information about the housing stock, including age of construction. However, the 2012 American Community Survey for New York Mills does contain an estimate of the age. For owner-occupancy units, the estimated median year of construction was 1969. Based on this estimate, more than 50% of the single family units in the City are more than 45 years' old.

A significant percentage of the housing stock is even older. The ACS estimated that approximately 100 owner-occupied housing units were constructed before 1940. This represented more than 28% of all owner-occupancy units in the City. This was much higher than the Statewide average for pre-1940 owner-occupancy housing of approximately 18%.

While age does not always indicate a need for rehabilitation, older housing does require more maintenance to remain in good condition. If investments in maintenance and improvement are deferred, older housing can quickly slip into disrepair.

As part of the research for this Study, a visual housing condition survey was completed in three older neighborhoods in New York Mills. The combined totals for these neighborhoods found that nearly 60% of the older single family housing stock was judged to be in need of some repair. While most units only needed minor repair, nearly 23% of all rated structures needed either major repairs, or were judged to be beyond repair. A separate recommendation follows that addresses possible demolition and clearance of very substandard housing.

Recommendation: New York Mills has been successful in the past in securing funding and delivering programs for owner-occupied housing rehabilitation. The primary funding source for concentrated neighborhood rehabilitation programs is the Small Cities Development Program (SCDP), administered by the MN Department of Employment and Economic Development (DEED). The City has participated in two or more rehabilitation grant programs in recent years, with the last grant ending in 2012. According to City staff, there was some difficulty attracting qualified applicants for the most recent grant.

For several years, the SCDP program had moved away from larger grant awards that were focused on neighborhood impact. Instead, smaller annual awards were made to support sustained rehabilitation approaches. The program has changed back, and larger awards are again being made, making targeted neighborhood projects more achievable. The housing condition analysis in this Study could be used to help define a target area of the City.

With a sizable single family inventory of older, lower valued homes, ongoing efforts will be required to maintain and improve the existing housing stock. Older houses often provide the most affordable ownership option for area families. Based on recent sales activity, the median home sale price for existing houses was below \$75,000 in three of the past four years, generally less than half the cost of any new construction alternatives. Efforts to improve the quality and condition of older housing can greatly benefit the community as it tries to expand the affordable options for residents.

10. Promote Rental Housing Rehabilitation

Findings: As an area employment center, New York Mills also has an above-average volume of rental housing units. Efforts to maintain and improve this stock of housing are an important affordable housing strategy. The City has a rental property ordinance in place, but there has been limited implementation or enforcement, according to City officials.

According to the 2010 Census, the City's rental tenure rate has been increasing, and was at nearly 42% of all households. Most of the City's multifamily rental stock is relatively new housing, with nearly all of the larger apartment projects constructed after 1980. This is reflected in the 2012 American Community Survey, which placed the median year of construction for rental units at 1993.

While most of the multifamily stock is in relatively new housing, the City also has a relatively large number of single family houses that are used as rental property. According to this source, 45 rental units in the City were constructed before 1940.

Although many rental units in one or two unit structures are old, property owners should have reasons to keep them in sound condition. A strong rental market, with high occupancy rates can motivate property owners to maintain their units.

Recommendation: The rehabilitation of older units can be one of the most cost-effective ways to maintain a supply of decent, safe and sanitary affordable housing. The City has been active in promoting rental rehabilitation, with past programs funded through SCDP grants.

In addition to the SCDP-funded activities, other resources have recently become available for rental rehab. In 2011, the Minnesota Housing Finance Agency (MHFA) announced a new rental rehabilitation program for use in Greater Minnesota. This is administered regionally by the Clay County HRA.

11. Promote Mobile Home Park Improvement

Findings: Although Community Partners Research did not conduct a condition survey of the mobile homes in the City's mobile home park, a visual inspection was made. The park has a number of vacant pads and older mobile homes, with some in poor condition. It is doubtful that a severely substandard mobile home can be economically rehabilitated.

In addition to the poor condition of some of the mobile homes, there are problems unique to mobile home parks, including the tendency for units to decrease in value as they age, and the concentration of a large number of households in a small area.

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

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

- ▶ **Operation Safe Mobile Home Park** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished/salvaged. The owner could then use the funds from the sale to help purchase a new home. In some cases, housing agencies have provided funding for down payment assistance or gap financing programs to purchase new mobile homes. Also, mobile home dealerships have participated with buying the salvaged homes.
- ▶ **Time of Sale Inspection Program** - This inspection program is designed to provide safe living conditions to community residents through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale. All identified safety hazards must be corrected before the unit is sold and/or occupied.
- ▶ **Cooperative/Land Trust** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.

12. Acquire and Demolish Dilapidated Structures as Needed

Findings: The housing condition survey completed within three older neighborhoods in New York Mills identified 19 homes that are dilapidated and probably too deteriorated to rehabilitate. There were also 63 homes that were rated as needing major repair. Without corrective action, these houses also have the potential to deteriorate further, and may be candidates for acquisition and clearance in the future.

Recommendation: Many communities, often in cooperation with area housing agencies, have been active in the past in acquisition and clearance programs. After clearance, some of the lots have been available for residential re-use, including affordable new home construction. According to City officials, New York Mills has promoted property clearance in the past.

Based on the findings of the neighborhood housing condition analysis, ongoing efforts to clear substandard structures will be required. In New York Mills, there may be opportunities to utilize infill lots for modular home development projects. There are modular home builders in the area, but covenants on most of the City's available lots prohibit placement of modular structures. Infill lots created through clearance efforts may represent an alternative location.

In the recent past, it has been more difficult to secure grant funding for demolition and reuse. With the decrease in home building activity, state funding partners have generally moved away from programs that replace cleared structures with affordable new construction. However, the SCDP program has placed renewed emphasis on neighborhood impact, and this may present an opportunity for grant funds to be used. Interest from local investors and community leaders could also be explored, especially if cleared lots were used for affordable replacement housing.