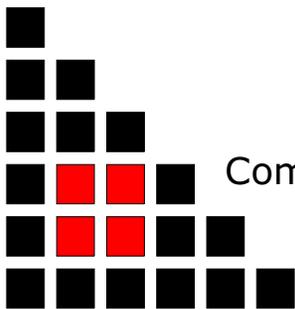


City of Perham HOUSING STUDY

September 2014

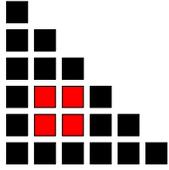
An analysis of the overall housing needs
of the City of Perham



Community Partners Research, Inc.

10865 32nd Street North

Lake Elmo, MN 55042



Community Partners Research, Inc.

10865 32nd Street North

Lake Elmo, MN 55042

Phone: 651-777-1813 Fax: 651-204-0019

September 5, 2014

Kelcey Klemm, City Manager
City of Perham
125 Second Avenue NE
Perham, MN 56573

Dear Kelcey:

We are pleased to present you with a Housing Study for Perham, examining the overall housing needs of the City. Perham continues to experience job growth and economic expansion that have created the need for additional housing, especially for an expanding work force.

Going forward, the City has significant growth potential, driven in large part by the strength of the local economy. Over the past several years many communities around the State experienced downward movement in their local employment levels, as national economic conditions resulted in job losses. This was not the case in Perham, as the City has experienced a pattern of steady job growth for more than 10 years. The employment level in Perham is expected to keep growing, provided that an adequate labor force is available. The area does not have a surplus of housing options, and job growth, household growth and housing unit construction will all be intertwined over the next several years.

This Study has devoted a significant amount of attention to future levels of household growth, as a primary demand-generator for new housing construction. A range of growth potential exists. In recent decades the City has demonstrated a sustained ability to grow at a consistent pace. But this past growth has not always been adequate to meet the work force demands of area industries. Over the next several years, above-average growth potential exists, as housing developers become more active in building units to meet the demand that is created by new job creation.

At the higher-end of the forecasted range, it is possible that 30 to 35 net households could be added to the City in an average year. If realized, this would be a significantly greater level of growth than has been achieved in

the past. Even if a lower level of growth is realized, more consistent with past trends, there would still be annual household additions and a commensurate level of new housing construction would be required.

In the early part of the previous decade, much of the demand for housing was being met through the construction of traditional, single family homes. More recently, the focus has shifted to demand for rental housing, as the City looks to attract new residents, many who come from outside the immediate area.

After examining the various growth scenarios, the demographic changes in the region, and other demand-generators, this Study has identified the potential for the development of a significant number of housing units in Perham over a five-year period. At the upper end of projected growth range, potential demand would exist for as many as 100 rental housing units. These units would ideally serve a variety of income ranges, expanding the supply of housing choices to all area residents. Perham serves as the preferred location for most future rental construction to serve the immediate area. Future production at this projected level, when combined with units created over the past few years, would be substantially greater than the level of rental construction that the community has been able to achieve in the past.

Potential demand for owner-occupancy housing should also exist in Perham, although in this market segment there is competition from the surrounding rural areas. The growth projections used in this Study would indicate demand potential for 10 to 15 owner-occupancy units per year in Perham. Although annual production at this level has been achieved at times in the recent past, sustained annual construction at this level has not existed since 2006. It is probable that single family construction activity will gradually improve over the next several years.

The smaller cities and rural townships around Perham will continue to supply some housing options for the area's workforce. However, much of this will be through the fixed supply of housing that already exists, and is generally very affordable. While the rural areas and lake shore settings provide attractive locations for home owners, almost no rental production would be expected outside of Perham.

September 5, 2014
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It is important to acknowledge that the City and community leaders have been very aware of the need for additional housing. Perham serves as a model for affordable rental production, spurred by local developers that recognize the need for expanded work force housing. The City has also taken direct action to offer affordable home ownership opportunities. These proactive efforts have contributed to the ongoing growth and prosperity of the community.

In the document that follows, analyses have been provided on a number of demographic and housing topics. Readers are encouraged to consult the detailed information for a better understanding of the housing issues discussed in this letter.

Community Partners Research has enjoyed the opportunity to assist you with this project, and we remain available to answer your questions, or provide additional explanations as needed.

Sincerely,

A handwritten signature in blue ink, appearing to read 'S. Knudson', with a long horizontal flourish extending to the right.

Scott L. Knudson
Community Partners Research

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Introduction

Overview

Community Partners Research, Inc., was hired by the City of Perham 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 August 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
- A Maxfield Research 2007 study

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.

This study was prepared by:
Community Partners Research, Inc.
10865 32nd Street North
Lake Elmo, MN 55042
(651) 777-1813

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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 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 cities 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 both the City 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

Previous housing studies have been completed for the City of Perham, including a December 2007 document prepared by Maxfield Research Inc. The 2007 study included a defined market area of jurisdictions that immediately surround the City of Perham. To maintain consistency, and to better examine recent growth compared to past projections, the same market area geography has been examined in this 2014 Study

Referred to in this Study as the Market Area, it includes the Cities of Perham, Dent and Richville, and the Townships of Corliss, Dead Lake, Edna, Gorman, Hobart, Otto, Perham, Pine Lake and Rush Lake.

Population Trends Analysis

At the time that this Study was completed, the Minnesota State Demographer’s Office had released official population and household estimates for 2013.

Table 1 Population Trends - 1980 to 2013							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Estimate
Perham	2,086	2,075	2,559	23.3%	2,985	16.6%	3,095
Market Area	7,073	7,387	8,920	20.8%	9,390	5.3%	9,541
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 Perham has been growing at a rapid rate. Between 2000 and 2010, the City added 426 residents, for a percentage increase of nearly 17%. This continued a strong growth pattern that emerged in the 1990s, when the City’s population increased by more than 23%. Over a 20-year period from 1990 to 2010, the City added more than 900 residents.

Two estimates have been released after the 2010 Census. Both show some continued growth in Perham. The Minnesota State Demographer’s Office has issued a 2013 population estimate which shows the City adding 110 people 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, shows Perham adding 102 residents between 2010 and 2013.

Longer-term information can also be tracked for the 12 jurisdictions that form the Market Area. From 2000 to 2010, the Market Area added a total of 470 residents. However, most of the net population growth was attributable to the City of Perham. Outside of Perham, the remaining 11 jurisdictions added a combined total of only 44 permanent residents.

After 2010, growth in the Market Area has also occurred. Based on the State Demographer’s 2013 estimates, the remainder of the Market Area, after Perham is removed, had a net gain of 41 residents. The Census Bureau’s tracking of recent change is slightly lower, with a net gain of 30 people for the 11 jurisdictions outside of Perham.

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 most recent estimate shows the County adding 255 residents, including the 110 in the City of Perham. 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 Perham in 2013 was 2,963, indicating population loss after the 2010 Census. ESRI projects future population loss through the year 2018.

Community Partners Research views the ESRI estimates as inaccurate, and their projections as unreliable. ESRI has not been used in making the recommendations contained in this Study.

Race/Ethnicity

At the time of the 2010 Census, more than 94% of the people living in Perham were identified as “White” for race. Only 4.8% of the City’s population was identified as Hispanic/Latino for ethnicity. Due to the relatively small minority populations living in Perham, no further information has been reported in this Update.

Group Quarters

The 2010 Census recorded 134 Perham residents living in group quarter’s facilities, including 92 people living in nursing homes, and 42 people living in some type of noninstitutional facility.

The overall group quarter’s population was up by 33 people from the 2000 Census. However, the number of residents in nursing homes decreased slightly, from 97 people in 2000 to 92 people in 2010. The noninstitutionalized population increased substantially, from only four people in 2000, to 42 people in 2010.

The 2013 population estimate from the State Demographer’s Office shows 134 people still living in group quarters facilities, unchanged from the 2010 Census.

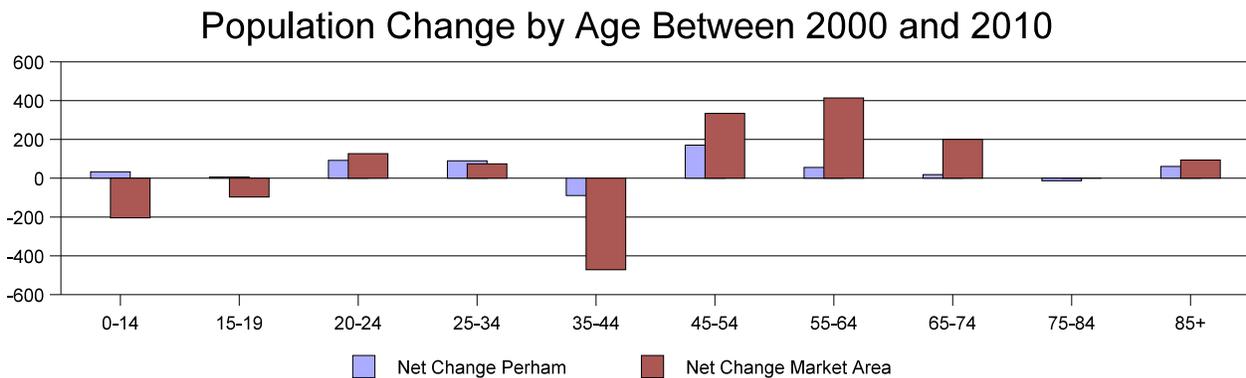
Population by Age Trends: 2000 to 2010

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 Perham			Market Area		
	2000	2010	Change	2000	2010	Change
0-14	517	550	+33	1,843	1,639	-204
15-19	193	199	+6	690	593	-97
20-24	109	201	+92	329	456	+127
25-34	263	353	+90	829	903	+74
35-44	395	306	-89	1,403	931	-472
45-54	247	418	+171	1,223	1,557	+334
55-64	204	260	+56	1,018	1,432	+414
65-74	223	242	+19	817	1,017	+200
75-84	256	243	-13	562	562	0
85+	152	213	+61	206	300	+94
Total	2,559	2,985	+426	8,920	9,390	+470

Source: U.S. Census

With strong growth over the prior decade, Perham added population in most of the defined age ranges. In numeric terms, the largest net growth in Perham occurred within the middle adult age group between 45 and 54 years old. Solid growth also occurred among young adults, between 20 and 34 years old.

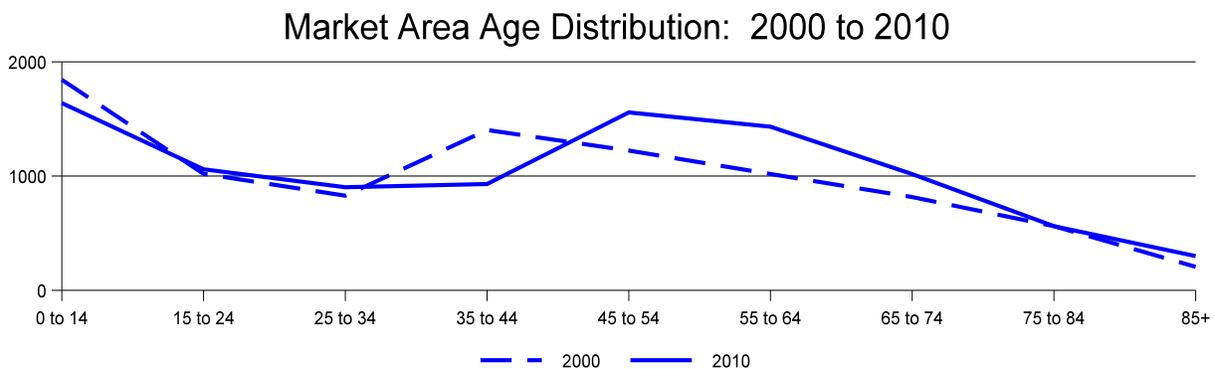


For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been very evident in the larger Market Area. Between 2000 and 2010, the entire Market Area had a net gain of nearly 750 people in 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.

As an attractive retirement area, with lakes and recreational opportunities, the Market Area also had strong growth in the youngest senior age group between 65 and 74 years old. The older senior age groups also increased in size, but overall, more than 68% of the net growth in senior citizens was due to people in the 65 to 74 year old range.

There were some variations in the younger age ranges, with a 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. There was relatively strong net growth in some of the younger adult age groups, between 20 and 34 years old. This 15-year age grouping added approximately 300 people during the decade. However, growth in this younger adult group could not compensate for the large decrease in the 35 to 44 year old range, or the decrease in children within the Market Area. Overall, the Market Area had a decrease of 572 residents age 44 or younger.

The Market Area reduction that occurred in the number of children, age 19 and younger, was consistent with enrollment trends in the Perham/Dent Public Schools. Enrollment information from 2004 to 2010 showed a reduction of nearly 170 students during this time period.



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

Household Trends Analysis

The following table reports decennial Census information along with the most recent 2013 estimates from the State Demographer’s Office.

Table 3 Household Trends - 1980 to 2013							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Estimate
Perham	818	880	1,104	25.6%	1,304	18.1%	1,354
Market Area	2,462	2,772	3,542	27.8%	3,901	10.1%	3,971
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 official 2013 estimate from the State Demographer’s Office identified 1,354 households in the City of Perham, up by 50 households from the level counted in the 2010 Census. Between 2000 and 2010, the City had very rapid growth, adding 200 households. Over the 20-year period from 1990 to 2010, Perham added 424 total households.

The annualized rate of growth in the previous decade was approximately 1.7% per year. Through the first three years of the current decade, the annualized rate has been approximately 1.2% per year within the City.

For the entire Market Area, 359 households were added between 2000 and 2010. If Perham is removed from the aggregated area, the remainder of the Market Area added 159 households over the decade.

After 2010, there has been some minor household growth. The entire Market Area has added 70 households, according to the State Demographer’s preliminary 2013 estimates. This total would include 50 households in Perham, and 20 households in the remaining jurisdictions.

A more 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. This total would include the 70 households added in the Otter Tail County jurisdictions that form the Market Area.

As with population data, Community Partners Research also acquired household information from ESRI, a private data reporting service. This shows household losses since 2010, and projects minor loss over the next five years. Due to their inaccuracy, ESRI estimates and projections have not been used.

Average Household Size

The following table provides decennial Census information on average household size dating back to 1980. The 2013 estimates are from the State Demographer’s Office.

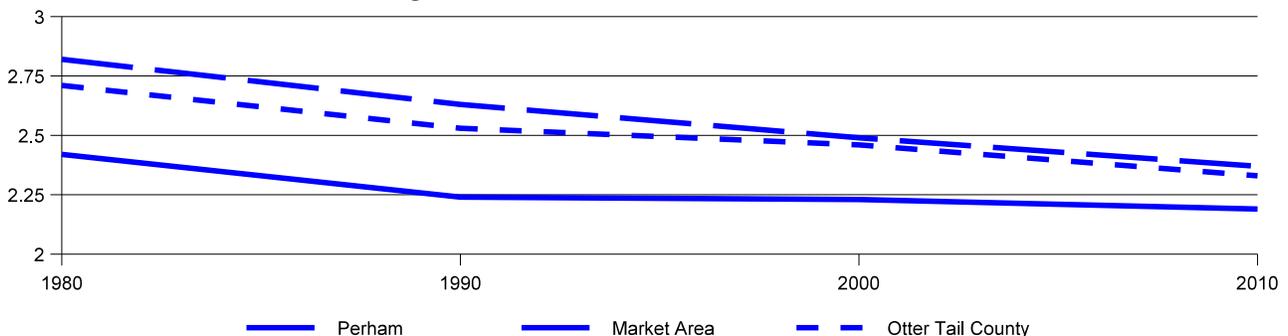
Table 4 Average Number of Persons Per Household 1980 to 2013					
	1980 Census	1990 Census	2000 Census	2010 Census	2013 Estimate
Perham	2.42	2.24	2.23	2.19	2.19
Market Area	2.82	2.63	2.49	2.37	2.37
Otter Tail County	2.71	2.53	2.46	2.33	2.33

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.

Over a longer time period, the average household size in Perham has been continually growing smaller. However, the City’s average household size has not decreased as rapidly as the average for all of Otter Tail County. Between 2000 and 2010, the City’s average household size decreased from 2.23 people to 2.19 people, and then has remained stable, according to the State Demographer’s estimate for 2013.

Average Household Size: 1980 to 2010



The average household sizes for the entire Market Area and for the County have also remained stable since 2010.

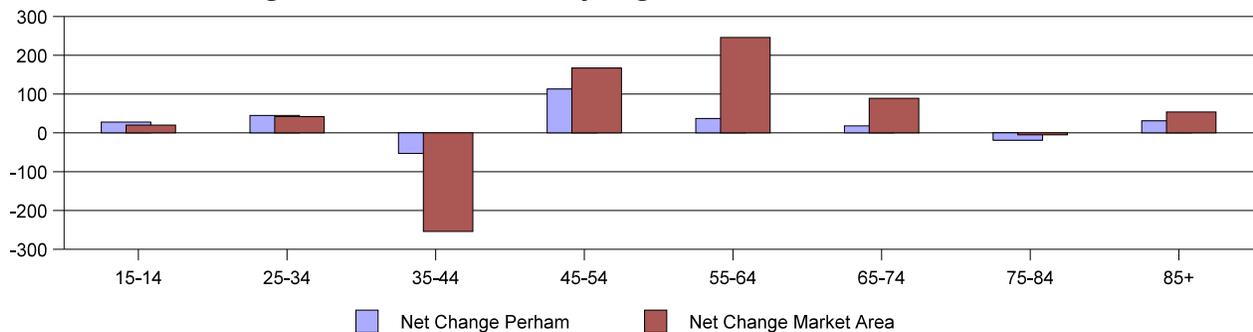
Household Characteristics: Age Trends

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 Perham			Market Area		
	2000	2010	Change	2000	2010	Change
15-24	63	91	+28	122	142	+20
25-34	148	193	+45	408	450	+42
35-44	231	178	-53	748	494	-254
45-54	150	263	+113	695	862	+167
55-64	116	153	+37	546	792	+246
65-74	137	155	+18	508	597	+89
75-84	174	155	-19	389	384	-5
85+	85	116	+31	126	180	+54
Total	1,104	1,304	+200	3,542	3,901	+359

Source: U.S. Census

Change in Households by Age Between 2000 and 2010



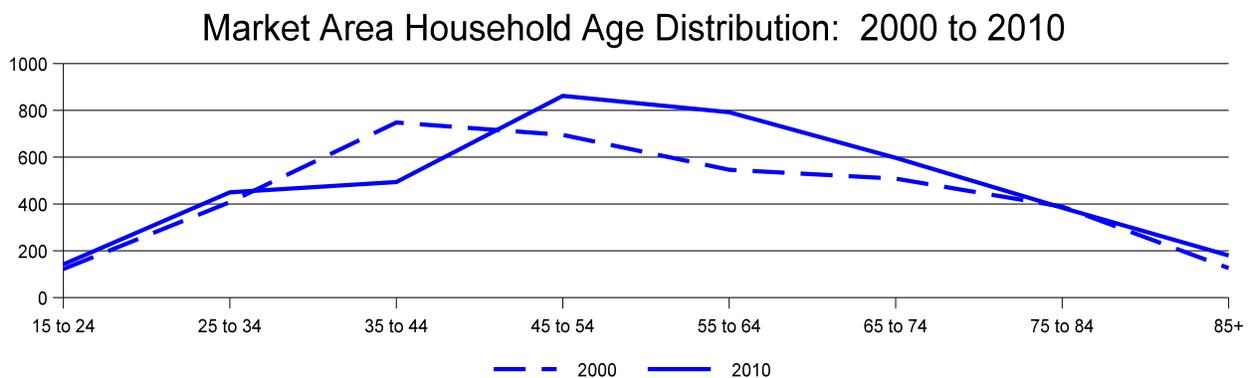
In the prior decade, Perham added 200 total households. As a result, there was some net growth in most of the defined age ranges. The City experienced the strongest numeric growth in the middle-aged adult age group between 45 and 54 years old, with the addition of 113 households.

The City also added households in the two youngest adult age groups, households age 24 and younger and households in the 25 to 34 year old age group. However, much of the net gain in the younger groups was then negated by a smaller number of households in the 35 to 44 year old range. As a result, only limited growth occurred from households age 44 and younger.

Perham also had some growth in households headed by senior citizens, age 65 and older. This was primarily due to older senior households, age 85 and above. In the previous decade the number of specialized senior housing options expanded in Perham and this helped the City attract or retain older seniors looking for age-appropriate housing.

The patterns in Perham did differ from those in the entire Market Area. Growth was especially strong in the age ranges between 45 and 74 years old. The Township areas around Perham contain a number of lakes and high amenity residential options, which were popular with empty nesters and younger seniors.

In contrast to some growth in younger adult households in Perham, the entire Market Area had a net loss of households age 44 and younger. There was a large decrease in the number of households in the 35 to 44 year old range, as the “baby bust” generation that followed the baby boomers was not as large, and did not replace the previous generation as they moved through the aging cycle.



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 Perham.

Table 6 Perham Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	221	199	-22
Single Parent with own children	100	140	+40
Married Couple without own children	281	308	+27
Family Householder without spouse	40	75	+35
Total Families	642	722	+80
Non-Family Households			
Single Person	410	495	+85
Two or more persons	52	87	+35
Total Non-Families	462	582	+120

Source: U.S. Census

Between 2000 and 2010, Perham experienced net growth in the number of family households. This was primarily due to an increase in the number single parent households with children, and other family households without spouses. There was a reduction of married couples with children, but some growth in the number of married couples without children.

The City also had even greater net growth in non-family households. This was primarily due to an increase in the number of one person households, although some growth also occurred among households composed of unrelated individuals living together.

Trend-Based Household Projections

The following table presents household projections using two 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.

Table 7 Household Projections Through 2015/2020					
	2013 Preliminary Estimate	Community Partners Research		State Demographer	
		2015 Projection	2020 Projection	2015 Projection	2020 Projection
Perham	1,354	1,415	1,515	N/A	N/A
Market Area	3,971	4,047	4,227	N/A	N/A
Otter Tail County	24,228	24,350	25,650	24,991	25,858

Source: State Demographer; Community Partners Research, Inc.

The household projections calculated by Community Partners Research would expect ongoing growth within the City of Perham in the next few years. Going forward, between 2013 and 2015, this projection anticipates that the City will add approximately 30 households in an average year. Much of this near-term growth will be due to a significant increase in rental housing that is being constructed in 2014. After 2015, average annual growth of approximately 20 households per year would be expected.

The entire Market Area should also continue to grow, although the City of Perham will represent the largest share of the area’s total growth. Outside of Perham, the remainder of the Market Area would be expected to add approximately 14 households per year through 2015. From 2015 to 2020, average annual growth of approximately 16 households per year would be expected in the portion of the Market Area that is outside the City of Perham.

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.

Trend-Based 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	142	118	-24
25-34	450	498	+48
35-44	494	532	+38
45-54	862	567	-295
55-64	792	1,010	+218
65-74	597	839	+242
75-84	384	476	+92
85+	180	187	+7
Total	3,901	4,227	+326

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 240 households.

Younger adult households, age 25 to 44 years old, are also expected to increase somewhat in number. However, growth within this 20-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.

Although all of the senior age groups are projected to grow in size, most of the growth will be due to younger seniors, age 65 to 74. More moderate growth will occur within the older senior ranges, especially among senior households age 85 and older.

Alternative Projection Based on Job Growth Potential

Although the trend-based calculations presented on the previous pages can be supported by patterns over the past 23 years, an argument can also be made that future growth has the potential to occur at an even faster rate. This change in the rate of growth would be driven by job creation, which could alter the traditional pattern, and result in an above-average in-migration of people and households.

A more detailed explanation of this job-related projection method has been presented in the Findings and Recommendations section of this Study, presented later in the document. In summary, a projection based on job growth potential yields a forecast that the entire Market Area could add between 80 and 85 additional households within the next few years. This would be in addition to the trend-based annual growth that has been occurring over the past few decades. This job-related growth would result in a larger annual incremental increase than past trends would suggest.

For the purposes of this Study, the projection calculated from historic trends has been referred to as the “low end projection”, while the forecast made from added job growth potential has been referred to as the “high end projection”.

Table 9 Market Area Household Growth - Potential Ranges		
	Low End Growth Average Annual Range	High End Growth Average Annual Range
Market Area	30 to 35 Households	45 to 50 Households

Source: Community Partners Research, Inc.

For the demand calculations presented later, the high end range has been used. This assumes that the Market Area has the potential to add 45 to 50 net households in an average year. If sustained growth at this level is achieved, it is probable that some of the age progression patterns, outlined in the previous pages, will be somewhat altered. If above-average growth occurs, it would probably be due to more younger households being attracted to fill available jobs.

Housing Tenure Information

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

Table 10 Perham Housing Tenure: 2000 to 2010					
Owners			Renters		
2000 Census	2010 Census	Change	2000 Census	2010 Census	Change
654	731	+77	450	573	+123

Source: U.S. Census

Between 2000 and 2010, the City added 77 owner-occupancy households and 123 renter-occupancy households, lowering the rate of home ownership. In 2000, 59.2% of the City’s households were home owners. By 2010, the ownership rate had decreased to 56.1%.

Table 11 Market Area Housing Tenure: 2000 to 2010					
Owners			Renters		
2000 Census	2010 Census	Change	2000 Census	2010 Census	Change
2,847	3,090	+243	695	811	+116

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 243 households, while the number of renters increased by 116 households. The home ownership tenure rate for the Market Area was 80.4% in 2000. By 2010, it had dropped to 79.2%.

Over the decade, the Market Area jurisdictions outside of Perham experienced a slight drop in the number of renter-occupancy households. In 2010, nearly 71% of all renter households lived in the City of Perham, compared to less than 24% 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 Perham and in the entire Market Area in 2010.

Table 12 Tenure by Age of Householder: 2010				
Age	Perham		Market Area	
	Owners	Renters	Owners	Renters
15-24	22 / 24.2%	69 / 75.8%	49 / 34.5%	93 / 65.5%
25-34	93 / 48.2%	100 / 51.8%	293 / 65.1%	157 / 34.9%
35-44	104 / 58.4%	74 / 41.6%	390 / 78.9%	104 / 21.1%
45-54	174 / 66.2%	89 / 33.8%	724 / 84.0%	138 / 16.0%
55-64	110 / 71.9%	43 / 28.1%	719 / 90.8%	73 / 9.2%
65-74	103 / 66.5%	52 / 33.5%	528 / 88.4%	69 / 11.6%
75-84	86 / 55.5%	69 / 44.5%	294 / 76.6%	90 / 23.4%
85+	39 / 33.6%	77 / 66.4%	93 / 51.7%	87 / 48.3%
Total	731 / 56.1%	573 / 43.9%	3,090 / 79.2%	811 / 20.8%

Source: U.S. Census

Household tenure by age patterns show a preference for home ownership in most of the defined age ranges. In Perham, only the age groups, at the youngest and oldest ends of the range predominantly rented their housing. Home ownership rates were above 66% for each of the 10-year age groups from 45 to 74 years old.

Patterns for the entire Market Area showed an even strong preference for home ownership. The ownership rate was above 65% for each of the age ranges between 25 and 84 years old. Only households age 24 or younger, and households age 85 and older 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 Perham and for the entire Market Area.

Household Size	Perham			Market Area		
	2000	2010	Change	2000	2010	Change
1-Person	141	179	+38	544	594	+50
2-Person	258	286	+28	1,187	1,469	+282
3-Person	87	109	+22	395	392	-3
4-Person	101	90	-11	407	375	-32
5-Person	48	45	-3	213	183	-30
6-Person	16	12	-4	73	48	-25
7-Persons+	3	10	+7	28	29	+1
Total	654	731	+77	2,847	3,090	+243

Source: U.S. Census

Consistent with the age patterns presented earlier, the City of Perham added a number of households with three or fewer members, generally reflecting the aging of the baby boomer generation and fewer children per family. Overall, there was a net increase of 88 home owners in one to three person households, and a net loss of 11 home owners with four 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 14 Rental Tenure by Household Size: 2000 to 2010						
Household Size	Perham			Market Area		
	2000	2010	Change	2000	2010	Change
1-Person	269	316	+47	358	396	+38
2-Person	102	145	+43	173	223	+50
3-Person	35	53	+18	70	78	+8
4-Person	26	28	+2	49	62	+13
5-Person	12	24	+12	28	33	+5
6-Person	5	3	-2	11	11	0
7-Persons+	1	4	+3	6	8	+2
Total	450	573	+123	695	811	+116

Source: U.S. Census

Over the past decade, most of the growth among renters in Perham was due to smaller households, especially with one or two persons in the household. However, there was growth among most household sizes, including the number of renter households with five or more people.

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

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 15 Median Household Income - 2000 to 2012			
	2000 Median	2012 Median	% Change
Households			
Perham	\$28,397	\$41,382	45.7%
Otter Tail County	\$35,395	\$47,579	34.4%
Minnesota	\$47,111	\$58,434	24.0%
Families			
Perham	\$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.

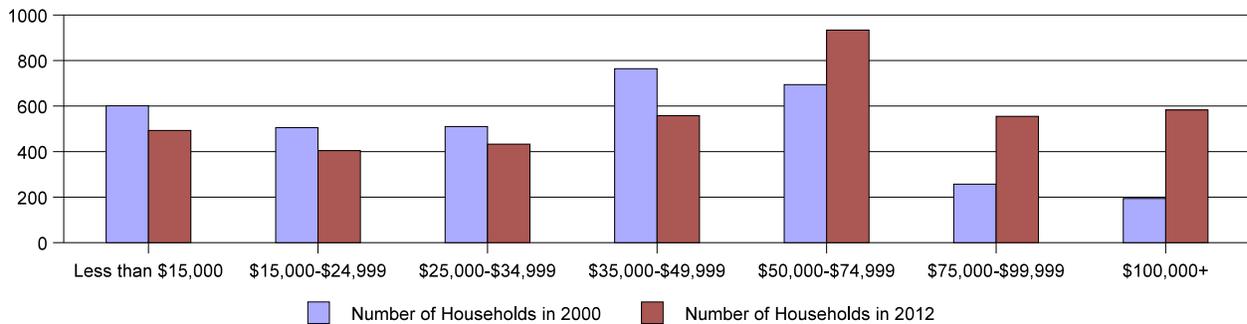
Market Area Household Income Distribution

The 2012 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 a slightly higher household count than the State Demographer’s estimate presented earlier.

Table 16 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	601	493	-108
\$15,000 - \$24,999	505	404	-101
\$25,000 - \$34,999	510	433	-77
\$35,000 - \$49,999	764	558	-206
\$50,000 - \$74,999	694	934	+240
\$75,000 - \$99,999	257	555	+298
\$100,000+	194	583	+389
Total	3,525	3,960	+435

Source: 2000 Census; 2012 ACS 5-year survey

Market Area Household Income Distribution: 2000 and 2012



According to income estimates contained in the 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 more than 925 households. Although there was a decrease in the number of households in each of the lower income ranges, there were still nearly 900 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 28 fewer households. For renters, the ACS had 87 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 low for the number of home owners, and slightly high for the number of renter households in 2012.

Table 17 Market Area Household Income by Tenure - 2012			
Household Income	Owner	Renter	Total
\$0 - \$9,999	134 / 50.4%	132 / 49.6%	266
\$10,000 - \$14,999	76 / 33.5%	151 / 66.5%	227
\$15,000 - \$19,999	149 / 72.0%	58 / 28.0%	207
\$20,000 - \$24,999	110 / 55.8%	87 / 44.2%	197
\$25,000 - \$34,999	334 / 77.1%	99 / 22.9%	433
\$35,000 - \$49,999	397 / 71.1%	161 / 28.9%	558
\$50,000 - \$74,999	836 / 89.5%	98 / 10.5%	934
\$75,000+	1,026 / 90.2%	112 / 9.8%	1,138
Total	3,062	898	3,960

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 \$15,000, rented their housing near or above a rate of 50%. For households with an annual income of \$50,000 or more, the rate of home ownership was approximately 90%. Overall, nearly 77% 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 Perham was \$57,966 in 2012, compared to a median for renter households of only \$22,135.

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 Perham 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 18 Perham Renter Household Cost Burden - 2012			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	164 / 46.5%	13 / 5.0%	177 / 28.8%
20% to 29.9%	74 / 21.0%	64 / 24.4%	138 / 22.4%
30% to 34.9%	69 / 19.5%	26 / 9.9%	95 / 15.4%
35% or more	39 / 11.0%	150 / 57.3%	189 / 30.7%
Not Computed	7 / 2.0%	9 / 3.4%	16 / 2.6%
Total	353	262	615

Source: 2012 American Community Survey 5-year estimates

Using a standard that 30% of income for housing defines a cost burden, most Perham renter households did not have a burden for rental housing in 2012. However, among all renters, approximately 46% were paying 30% or more of their income for housing.

A rental cost burden was more common for senior citizen renters, as more than 67% of households age 65 and older reported that they were paying 30% or more of their income. Among non-senior renters, approximately 31% were paying 30% or more of their income.

Overall, Perham had more than 280 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 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 Perham 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.

Percent of Income for Housing	Households with a Mortgage	Households without a Mortgage	Total
Less than 20%	188 / 40.3%	249 / 80.6%	437 / 56.3%
20% to 29.9%	154 / 33.0%	17 / 5.5%	171 / 22.0%
30% to 34.9%	39 / 8.4%	0 / 0%	39 / 5.0%
35% or more	86 / 18.4%	40 / 12.9%	126 / 16.2%
Not Computed	0 / 0%	3 / 1.0%	3 / 0.4%
Total	467	309	776

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, more than 21% of all home owners reported that they paid more than 30% of their income for housing. Most of these households were paying more than 35% of income for housing costs.

As would be expected, the large majority of cost-burden home owners had a mortgage on their home. However, approximately 24% 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

In addition to the demographic data provided earlier, this 2014 Study has also collected information about the existing housing stock in the City of Perham.

These items include:

- ▶ Housing unit construction
- ▶ Home sales
- ▶ Home foreclosure activity
- ▶ Housing condition analysis
- ▶ Rental housing data

New Housing Construction Activity

Table 20 Perham Housing Unit Construction Activity: 2000 to 2014*				
Year	Single Family Detached	Single Family Attached	Multifamily/ Apartments	Total Units
2014*	4	0	24	28
2013	7	0	48	55
2012	13	4	14	31
2011	7	0	12	19
2010	5	0	0	5
2009	10	0	0	10
2008	9	0	28	37
2007	7	0	0	7
2006	16	0	0	16
2005	11	0	0	11
2004	16	4	0	20
2003	18	0	14	32
2002	22	0	0	22
2001	8	4	9	21
2000	9	6	9	24
TOTAL	162	18	158	338

Source: City of Perham; Census Bureau

* 2014 is through August

The City of Perham has experienced ongoing housing construction activity with approximately 310 units constructed from 2000 through the end of 2013. While a majority of the units have been single family detached houses, there have also been a number of multifamily rental projects, including 48 rental units that were issued a building permit in 2013.

Over the 14-year period reviewed (including partial-year 2014) there were an estimated 162 single family detached houses constructed, and 18 units in attached housing configurations, such as twin homes or town house units. It is assumed that most of the attached units were intended for owner-occupancy, although some may also be used as rental housing.

Much of the single family activity (including attached and detached) occurred from 2000 to 2006, at a time when state and national housing construction activity was also very strong. During this 7-year period, there were 114 single family units that were issued a building permit, or an average of approximately 16 units per year.

After 2006, single family activity slowed somewhat, although the number of units did vary from year to year. In the 7-year period from 2007 to 2013, the total number of single family units that were permitted dropped to 62, or an annual average of nearly nine units per year.

Although annual single family housing construction slowed after 2006, multifamily rental production has been increasing. In the 7-year period from 2007 to 2013, building permits were issued for 102 multifamily units, or nearly 15 units per year. Much of this is very recent, with two projects proceeding in 2013 that will add 48 rental units. In 2014, a permit had been issued for a 24-unit apartment project, and additional developments were being discussed.

In the 7-year period from 2000 to 2006, there were 32 multifamily permits issued, for an average of fewer than five units per year.

It is possible to identify the larger multifamily rental projects that have been constructed over the past 14 years. All of these projects serve the general occupancy, market rate segment, although some units may have income limits that apply due to the use of City Tax Increment Financing (TIF) assistance.

2013

Pine Edge Townhomes - A developer started construction in 2013 on 32 rental town house units. Specific information on this project could not be obtained, but the developer has similar projects in other area communities, including New York Mills and Wadena. These town houses have an attached 2-car garage. Estimated gross rents will be less than \$850 for a two-bedroom unit, and less than \$1,000 for a three-bedroom. City TIF assistance will require that some units have a maximum income limit, but a number of these units will probably be occupied by seniors/retirees on fixed incomes that can meet the requirements.

Clearwater Apartments V - The fifth building in the Clearwater Apartments project was permitted in 2013. This building will offer market rate rental housing. Building V will have 16 total units, equally split between one-bedroom and two-bedroom options. Estimated gross rents are less than \$625 for a one-bedroom and less than \$775 for a two-bedroom apartment.

2012

Clearwater Apartments IV - The fourth building in the Clearwater Apartments project was permitted in 2012. This development offers market rate rental housing. Building IV has 16 total units, including one-bedroom, two-bedroom and three-bedroom options. Estimated gross rents are less than \$625 for a one-bedroom, less than \$775 for a two-bedroom, and less than \$900 for a three-bedroom apartment.

2011

Clearwater Apartments III - The third building in the Clearwater Apartments project was permitted in 2011. This development offers market rate rental housing. Building III has 12 total units, including two-bedroom and three-bedroom options. Estimated gross rents are less than \$775 for a two-bedroom, and less than \$900 for a three-bedroom apartment.

2008

Clearwater Apartments I and II - The first two buildings in the Clearwater Apartments project were permitted in 2008. This development offers market rate rental housing. Buildings I and II have 28 total units, including one-bedroom, two-bedroom and three-bedroom options. Estimated gross rents are less than \$600 for a one-bedroom, less than \$775 for a two-bedroom, and less than \$850 for a three-bedroom apartment.

2003

The Pines - The Pines Apartments was issued a building permit in 2003, for 14 market rate rental units. Estimated gross rents are approximately \$550 for a one-bedroom, less than \$700 for a two-bedroom, and less than \$750 for a three-bedroom apartment.

2001

Pointe Properties II - The second 9-unit townhouse building was issued a building permit in 2001. Pointe Properties offers market rate rental housing. Most units are one-level town houses with an attached garage. Estimated gross rents are less than \$800 for two-bedrooms and less than \$1,100 for three-bedroom options.

2000

Pointe Properties I - The first 9-unit townhouse building was issued a building permit in 2000. Pointe Properties offers market rate rental housing. Most units are one-level town houses with an attached garage. Estimated gross rents are less than \$800 for two-bedrooms and less than \$1,100 for three-bedroom options.

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 looks 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.

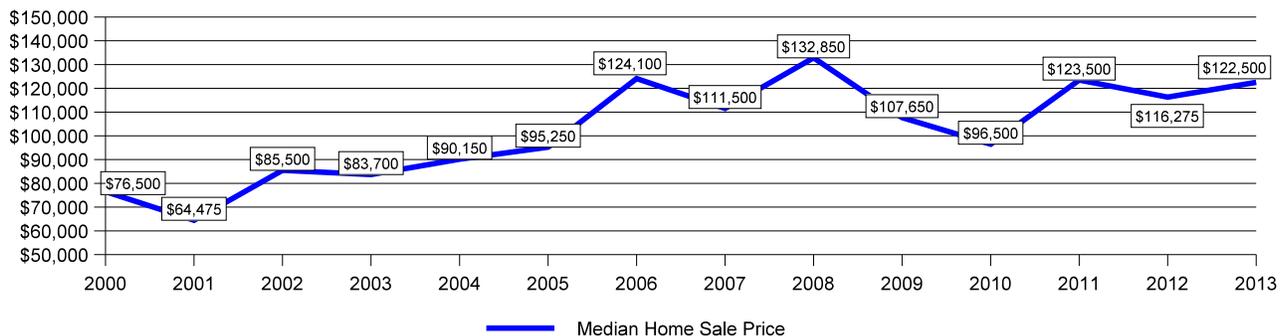
The sales records reviewed were for improved residential parcels with less than four units. While it is possible that some structures had more than one living unit, such as a duplex, it is assumed that the large majority of the sales are single family houses. The adjusted sale price has been examined. 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 21 Median Value of Recent Residential Sales - Perham

Sales Year	Number of Sales	Median Price	Highest Price	Lowest Price
2013	39	\$122,500	\$215,172	\$48,300
2012	40	\$116,275*	\$222,350	\$15,000
2011	37	\$123,500	\$261,500	\$13,000
2010	28	\$96,500*	\$351,154	\$28,500
2009	44	\$107,650*	\$215,490	\$20,000
2008	36	\$132,850*	\$229,500	\$19,900
2007	31	\$111,500	\$279,000	\$34,700
2006	45	\$124,100	\$285,000	\$49,250
2005	48	\$95,250*	\$275,900	\$34,500
2004	54	\$90,150*	\$411,900	\$23,000
2003	49	\$83,700	\$167,900	\$16,500
2002	32	\$85,500*	\$244,260	\$7,500
2001	25	\$64,475	\$214,500	\$17,500
2000	43	\$76,500	\$206,900	\$19,225

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

* Calculated median from the two closest sales

Median Home Sale Prices in Perham: 2000 to 2013

Since the number of annual home sales varies from year to year, 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 two-year decline, coincident with a national economic recession, and a collapse in national housing markets. However, after 2010, the median sale price began to increase once again, and the 2013 median was only slightly lower than the 2006 median. 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 Perham tend to be relatively high, compared to other communities of its size. In seven of the past eight years, the median home sale has been higher than \$111,000.

The volume of annual qualified sales has also varied, from a high of 54 sales in 2004, to a low of only 25 sales in 2001. Over the four-year period from 2003 to 2006, there was an above-average volume of home sales, generally consistent with the strongest years of a housing boom in the previous decade.

The table above also provided information of the highest annual sale prices. In 13 of the 14 years reviewed, at least one existing home sale occurred for more than \$200,000.

An alternate home value estimate is available from the 2012 American Community Survey. This source places the midpoint owner-occupied house value at \$147,600, well above the median sale price that year of \$116,275.

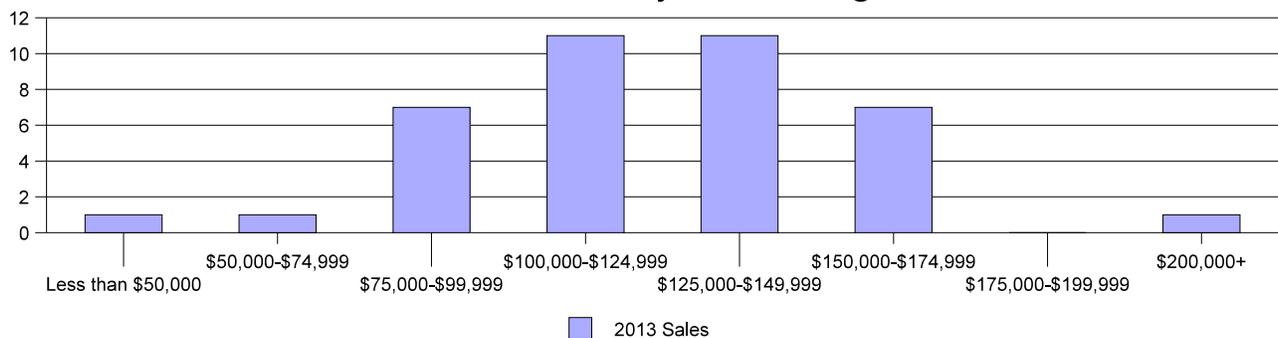
Home Sales by Price Range

The following table looks at single family houses that sold in calendar year 2013 in Perham by defined price ranges. This information is from Otter Tail County's sales records.

Table 22 Perham Home Sales by Price Range: 2013		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	1	2.6%
\$50,000 - \$74,999	1	2.6%
\$75,000 - \$99,999	7	17.9%
\$100,000 - \$124,999	11	28.2%
\$125,000 - \$149,999	11	28.2%
\$150,000 - \$174,999	7	17.9%
\$175,000 - \$199,999	0	0%
\$200,000 or more	1	2.6%
Total	39	100%

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

Perham Home Sales by Price Range: 2013



A large majority of recent residential sales were priced less than \$150,000. Overall nearly 80% of the existing home sales in Perham were in the moderate to lower price ranges. Last year only one existing house sold for more than \$175,000.

Active Residential Listings

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Perham and the surrounding area. On May 12, 2014, there were 75 single family houses that were listed for sale. However, many of the listings appeared to be outside of the city limits of Perham, but were in the immediate area and identified by a Perham search parameter.

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

The following table examines the MLS listings by listing price. It includes all types of homes as posted on Realtor.com, including those that are outside of the city limits.

Table 23 Perham Active MLS Listings by Price Range - May 2014		
Asking Price	Number of Listings	Percent of Listings
Less than \$50,000	0	0%
\$50,000 - \$74,999	2	2.7%
\$75,000 - \$99,999	7	9.3%
\$100,000 - \$124,999	4	5.3%
\$125,000 - \$149,999	5	6.7%
\$150,000 - \$174,999	5	6.7%
\$175,000 - \$199,999	9	12.0%
\$200,000+	43	57.3%
Total	75	100%

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

Based on the listings on Realtor.com, most of the houses currently being offered for sale are priced above \$200,000. Many of these higher-priced homes appear to be along lakes and are probably outside of the city limits. Overall, only 24% of the active listings are priced below \$150,000. In 2013, most of the existing home sales in Perham were for less than \$150,000.

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 24 Bank-Owned Sales - Perham		
Sales Year	Number of Bank Sales	Median Price
2013	7	\$70,000
2012	3	\$49,900
2011	4	\$44,400*
2010	1	\$100,200
2009	0	N/A
2008	2	\$78,443
2007	4	\$63,950
2006	1	\$82,500
2005	3	\$63,000
2004	3	\$80,617
2003	0	N/A
2002	0	N/A
2001	0	N/A
2000	0	N/A

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

* Calculated median from the two closest sales

Bank-owned home sales have generally not been a significant issue in Perham. However, the largest single-year volume of bank sales occurred in 2013, so it is possible that the problem is still emerging. Prior to 2004, no bank-owned sales were present. In the 10-year period from 2004 to 2013, the City averaged two to three bank sales per year. The actual median transfer price for bank sales was well below the median sale price for qualified sales.

Otter Tail County Home Foreclosure Activity

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

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 25 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 two neighborhoods in Perham. The boundaries of the neighborhoods are as follows:

Neighborhood #1 - north of the railroad tracks, east of 1st Avenue N, west of 5th Avenue NE, and south of 5th Street NE

Neighborhood #2 - north of the railroad tracks and west of 1st Avenue N, east of Lake Avenue NW, south of 7th Street NW

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 within 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 26 Windshield Survey Condition Estimate - 2014					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	32 / 42.1%	30 / 39.5%	11 / 14.5%	3 / 3.9%	76
Neighborhood #2	34 / 33.3%	55 / 53.9%	12 / 11.8%	1 / 1.0%	102
Total	66 / 37.1%	85 / 47.8%	23 / 12.9%	4 / 2.2%	178

Source: Community Partners Research, Inc.

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

In neighborhood #2 less than 13% of the houses were rated in the Major Repair or Dilapidated categories. However, in this neighborhood nearly 54% of the houses were rated as Minor Repair, indicating that most exterior improvements were required. There was only one house in this neighborhood that was rated as Dilapidated.

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.

Lots and Land

There are residential subdivisions within the City of Perham that offer choices for new home construction. There are also land and lot options that exist outside of the city limits, but within the immediate vicinity.

Clearwater - This publicly-owned subdivision was created to provide affordable lot options for new home construction. Lot prices start at approximately \$10,500. City TIF assistance is available that reduces or eliminates special assessments. Some affordable speculative home construction has been done, including houses built by the Perham HRA and West Central Communities Action, although as many as three spec homes remain unsold. In 2014, approximately 23 vacant lots are available in the most recent development phase. Some of the vacant lots are privately owned. A future addition could add up to 36 more lots.

Westwind - The Westwind Subdivision started in 1994 has been developed in phases, with some vacant lots still available, primarily in the 3rd Addition. The prices range from \$15,100 and \$21,500, according to the developer. City TIF assistance is available that reduces or eliminates special assessments. In 2014, approximately 17 buildable lots are still available in the first three Westwinds Additions. Over the past three years approximately five lots have sold in an average year. In 2013, above-average sales occurred due in part to the construction and sale of six spec homes. Despite success, no spec home construction has occurred in 2014 due to a lack of builder capacity. Plans exist for a possible 4th Addition in the future that could add up to 27 lots. This phase would be initiated when the current inventory is largely sold.

Prairie's Edge - This subdivision has been developed in phases over time. City TIF assistance is available that reduces or eliminates special assessments. In 2014, approximately 12 lots are available that could be used for new home construction. Approximately 27 additional lots are platted and appear to be partially improved. An extension of the streets and utilities would be required to access an additional 17 lots that are also platted. No information was available on lot prices, but these are probably comparable to other options in the City.

East Park Addition - This subdivision was originally created in 1990, and includes both attached and detached single family homes. In 2014, there are seven vacant lots remaining, primarily suited for detached home construction. Lot prices range from \$12,000 to \$16,000, with all assessments paid. One lot was sold in this subdivision in 2013.

The Link's - This 16-lot subdivision was created in the mid-2000s and is located along the golf course. In 2014 there are nine vacant lots remaining. Lot prices range from \$30,000 to \$40,000. Due the higher pricing and golf course location, houses in this subdivision have tended to be in the higher price ranges for Perham, generally between \$220,000 and \$260,000. According to the developer, one lot was sold in 2013.

Scattered Infill Lots - While no definitive list exists, there appear to be some lots that still exist within other subdivisions that have largely been developed. However, these lots may have covenants that dictate the type of house that can be constructed. According to City staff, few infill lots exist within the older portions of the community, which would be suitable for affordable housing construction or the relocation of existing structures.

Rural Subdivisions - The City of Perham is surrounded by attractive rural residential opportunities, including lots located near lakes, wetlands or wilderness areas. The website Realtor.com lists 48 residential parcels that are listed for sale for less than \$17,000, identified as the Perham area. Many additional lots also exist that are priced at \$17,000 or more. It is assumed that most of these lots would require additional investment in on-site sewer and well improvements.

Rental Housing Data

According to the 2010 Census, the City of Perham had 573 occupied rental housing units, and at least 37 unoccupied rental units, for a total estimated rental inventory of 610 units. The City's rental tenure rate was 43.9% in 2010, well above the Statewide rental rate of 27%.

At the time of the 2000 Census, Perham had 450 occupied rental units, and at least 18 vacant units, for a total rental housing inventory of 468 units. The City's percentage of occupied rental units in 2000, at 40.8%, was also well above the Statewide rate of 25.4%.

Between 2000 and 2010, the City added 123 renter-occupancy households, and at least 142 rental housing units.

During the decade, some new units were constructed, including 18 units in the Pointe Properties project, 14 units in the Pines Apartments, and 28 units in the first two phases of Clearwater. However, the 60 combined units constructed between 2000 and 2010 was well below the net gain in units as counted by the Census, indicating that some level of unit conversion also occurred. This may have included units that had formerly been owner-occupied that converted to rental use.

The belief that some units changed from owner to renter-occupancy is also supported by statistics on home ownership. Between 2000 and 2009, there were approximately 140 single family houses constructed in Perham (both detached and attached single family). However, during the decade, the City had an increase of only 77 owner-occupancy households, approximately one-half the level of new construction. This would imply that other houses, including older single family units, were converted into rental use. If the newly constructed rental units are added to the potential unit conversions, the unit count is close to the total net gain in rental unit availability over the decade.

Construction After 2010

After the 2010 Census was completed, a number of additional multifamily projects have been built. Including units that started construction in 2013, the City's rental inventory has added at least 74 units after the 2010 Census, bringing the total estimated inventory to approximately 680 to 690 units in 2014.

Rental Registration Total

The City of Perham has a rental housing registration requirement. In 2014 there are 491 rental units identified in program records. This total does not include the 48 units still under construction.

The rental registration excludes certain properties, including Lakeland Apartments, St. James Manor and Briarwood Apartments that provide subsidized senior/disabled housing, or housing with supportive services. These three properties would add 101 units to the total. That would result in approximately 592 current rental units. While this is lower than the estimated total from the 2010 Census, it does yield a reasonably similar estimate of the size of the rental inventory.

Rental Housing Survey

In April and May 2014, a telephone survey was conducted of multifamily rental developments in Perham. The survey focused on rental properties with four or more units, although some information was also collected on units in smaller structures. The table that follows presents information for market rate, tax credit, subsidized, and senior housing with services projects separately.

There were 459 housing units/rooms of all types that were contacted in the survey. This total includes sleeping rooms in some of the senior assisted living projects that would not be counted as an individual living unit by the Census. Adjusting for the specialized units, there were approximately 417 fully functional rental housing units that were surveyed, or approximately 65% of the City's estimated total of rental housing units.

The units that were successfully contacted include:

- ▶ 278 market rate units
- ▶ 38 moderate rent tax credit units
- ▶ 73 subsidized units for senior/disabled occupancy (including occupancy preference)
- ▶ 70 senior assisted living units/rooms

The findings of the survey for independent living units are provided below. The findings of the survey for senior housing with services units are presented in the next section of this Study.

Market Rate Summary

A number of different market rate rental projects were surveyed in Perham, including multiple properties that have been constructed within the past 15 years. At the time of the research for this Study, both Clearwater Apartments Building V and the Pine Edge Townhomes project were still being constructed. Usable information was available on the newest Clearwater building and it has been included in the analysis. Attempts to learn specific information about the Pine Edge project were unsuccessful.

In total, usable information was collected from 278 market rate units. However, in some cases, specific information about bedroom mix or rent structure was not provided, so a smaller subset of units has been used in some of the following sections.

Unit Mix

Specific unit mix information was available for 202 market rate units, as follows:

- ▶ Studio/Efficiency - 1 unit (0.5% of total units)
- ▶ One-bedroom - 26 units (12.9%)
- ▶ Two-bedroom - 145 units (71.8%)
- ▶ Three-bedroom - 30 units (14.9%)

Occupancy / Vacancy

Within the market rate multifamily segment there was one vacant unit reported of the 278 used in the occupancy calculation. This represents a vacancy rate of 0.4%. The one vacancy that was reported had just occurred due to tenant turnover and was in the process of being filled.

Most owners/manager talked about strong demand, especially for moderately-priced rentals. Many indicated that any available units were filled by word of mouth referrals, as advertising could lead to a large volume of telephone calls and inquiries from prospective tenants.

Rental Rates

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

In the first column, the lowest and highest gross rents have been identified, as reported in the telephone survey. Since the highest and lowest ends of the rent range may not be representative of most units, a second column has also been listed. The Prevailing Rents attempts to define the gross rents being charged by a majority of the units surveyed.

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>	<u>Prevailing Rents Majority of Units</u>
1-bedroom	\$425-\$600	\$450-\$600
2-bedroom	\$460-\$860	\$510-\$760
3-bedroom	\$740-\$1100	\$740-\$1000

It is important to note that there is significant variation in the age and style of units reflected in the rent ranges above. Many of the newer projects at the higher end of the rent range offer town house style units with attached garages, while units at the lower end are typically apartment rentals in older buildings.

Tax Credit Summary

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

Perham has two rental projects constructed through the federal low income housing tax credit program. Both projects received a tax credit award in the 1990s, and both have completed their initial 15-year compliance period requirement.

Country Pine Apartments was placed in service in 1991 and has 24 affordable units. Parkview Apartments was placed in service in 1995 and has 14 affordable units.

Unit Mix

Within the two projects assisted through the tax credit program, the bedroom mix is as follows:

- ▶ One-bedroom - 2 units
- ▶ Two-bedroom - 20 units
- ▶ Three-bedroom - 16 units

Occupancy/Vacancy

At the time of the 2014 rental survey, there were no vacant tax credit units identified. Both properties reported the existence of waiting lists.

Rental Rates

The federal tax credit program places maximum rent limitations on assisted projects. The units are designated for households at or below the income limits set at 60% of median income. For 2014, maximum gross rents for units at 60% of median income are as follows:

<u>Bedroom Size</u>	<u>60% Rent Limit</u>	<u>Prevailing Rents</u>
One-bedroom	\$723	\$420-\$500
Two-bedroom	\$867	\$480-\$585
Three-bedroom	\$1,002	\$530-\$675

The prevailing gross unit rents being charged by tax credit projects in Perham are well below the maximum allowable limits. In all cases, reported gross rents are below the limits set at 50% of the federal median income level. These units are also older housing, having been constructed in the 1990s.

The maximum rents allowable under the tax program at 60% of median income are generally above the prevailing rates for most market rate units in Perham. For example, a tax credit unit could potentially charge up to \$867 for a two-bedroom unit, which is higher than the rents being charged in the new Clearwater Apartments. 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, resulting in a lower rent structure to remain competitive.

Subsidized Summary

Perham has only two rental projects that provide subsidized rental housing. Lakeland Apartments is a HUD-subsidized project with 35 units, and St. James Manor is a HUD-subsidized 38 unit project. Both buildings have project-based rent assistance that allows lower income tenants to pay rent based on 30% of income.

St. James Manor is designated for seniors (age 62+) or disabled tenants. Lakeland Apartments was originally constructed as senior/disabled housing, but a later HUD rule change opened up Public Housing for general occupancy. However, Lakeland has a preference for seniors (age 62+) or disabled tenants, and all but two of the current residents are preference holders.

Unit Mix

Since both buildings were originally designed as senior/disabled housing, 72 of the 73 combined units are one-bedroom apartments. Lakeland has one two-bedroom unit.

Occupancy / Vacancy

At the time of the rental survey, all of the units in St. James Manor were occupied, and a waiting list existed. There were three unoccupied units in Lakeland due to recent turnover, but applicants were being processed to fill these units. Lakeland maintains a waiting list, but not all households are prepared to move when a unit becomes available.

Rental Rates

As stated above, all income-eligible tenants can access project-based rent assistance. In Lakeland, a \$400 ceiling rent applies for more moderate income households. A ceiling rent may also exist at St. James Manor but was not defined.

Voucher Rent Assistance

In addition to the subsidized projects with project-based rent subsidies, Perham also had 22 households being assisted with HUD Housing Choice Vouchers in May 2014. 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.

When tenant-based rent assistance is combined with the units in the two subsidized projects, there are 95 households with access to some form of subsidized housing. This represents approximately 15% to 16% of all renter households in the City. If the tax credit units are added to the available inventory of assisted housing, approximately 22% of all renter households in Perham have access to some form of either shallow subsidy or deep subsidy rental housing, although at least seven Vouchers were being used in the tax credit units resulting in some overlap in resources.

Table 27 Perham Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate					
Bergum Apartments 3 rd Ave SE 218-346-6825	2 - 1 Bedroom 8 - 2 Bedroom 10 Total Units	\$560 +heat, electric	No vacant units	Primarily seniors	Apartments in two garden-level walkups with 4 units and 6 units, constructed in 1973 and 1974. Rent includes water, sewer and garbage, with tenant paying heat (electric) and electric. Amenities include detached garage parking. One-bedrooms have more than 800 sq ft and 2-bedrooms have 900 to 1000 sq ft; all have 1 bathroom. Most tenants are seniors. Good demand and full occupancy.
Clearwater Apartments I and II 734 8 th Ave SW 218-346-3255	4 - 1 Bedroom 16 - 2 Bedroom 8 - 3 Bedroom 28 Total Units	\$550 \$660-\$725 \$800 +electric	1 vacant unit, 1- 2 Bdrm	Primarily working age tenants	Two 14-unit apartment buildings with 2 levels and no elevator constructed in 2008. Rent includes heat, sewer, water and garbage, with tenant paying electric. Amenities include stove, refrigerator, dishwasher, microwave, AC in-unit laundry, and 2-car garage. Project amenities include secured entrance and patio/balcony. Half of 2-bedrooms have 2 bathrooms and are at higher rent listed. No information on unit size. One unit vacant at time of survey due to recent turnover, but available units generally fill quickly. Most tenants are working age, often KLN employees.
Clearwater Apartments III-V 734 8 th Ave SW 218-346-3255	12 - 1 Bedroom 24 - 2 Bedroom 6 - 3 Bedroom 42 Total Units	\$575 \$725 \$850 +electric	No vacant units in III and IV, building V under construction	Primarily working age tenants	Three apartment buildings constructed in 2011, 2012 and 2013. Rent includes heat, sewer, water and garbage, with tenant paying electric. Amenities include stove, refrigerator, dishwasher, microwave, in-unit laundry, and single car garage. Project amenities include secured entrance and patio/balcony. Units are smaller than in I and II. The estimated unit size is approximately 550 sq ft for one-bedrooms, and between 800 and 850 sq ft for two-bedrooms. All one and two-bedrooms have 1 bathroom, and 3-bedrooms have 2 bathrooms. Most tenants are working age, often KLN employees. All finished units occupied. Building V with 16 units will open for occupancy in June, with 16 names already on list for unit - no pre-leasing will start until a completed unit is available for showing.

Table 27 Perham Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate					
Gleason Rentals 320 1 st Ave S 337 1 st Ave NW	Single family houses and conversions 11 Total Units	\$300-\$700 utilities vary	No vacant units	Mix of tenants	Rental property owners with 11 units in Perham, ranging from single family houses to homes that have been divided into 3 or 4 units. Owner says units are in the lower to moderate rent range and in high demand. No vacancies and no difficulty finding tenants. Highest-priced units are single family houses.
Hammers Rentals S Walker Ave 218-346-3550	28 - 2 Bedroom 10 - 3 Bedroom 38 Total Units	\$716 \$849 +utilities	No vacant units, waiting list	Primarily middle-aged and senior tenants	Town house-style rental units constructed between 1988 and 1999. Two buildings with 10 units, 2 buildings with 8 units and 1 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. Some furnished units also available. Manager reports a mix of tenants but middle-aged and senior households are typical renters. Two-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.
Hanson Rentals 218-371-1636	1 Bedroom 2 Bedroom 3 Bedroom 65 total units in multiple buildings	\$335-\$500 \$360-\$800 \$850 +utilities vary by unit	No vacant units	Mix of tenants	Hanson Rentals has 65 units in Perham, ranging from single family houses to 12-unit Sunrise Apartments. No specific property level information provided, but general summary information listed. Rents reflect a range charged for various units - tenant-paid utilities vary by unit. No vacancies, and many long-term tenants. Any turnover units are filled by word of mouth.
Highlander Apartments 801 4 th St SW 218-291-1875	1 - Studio 5 - 1 Bedroom 12 - 2 Bedroom 18 Total Units	\$400 \$425 \$475 +electric	No vacant units	Mix of tenants	Three-level apartment building without elevator that was constructed in the 1970s. Rent includes heat, water, sewer and garbage, with tenant paying electric. Amenities include stove, refrigerator, dishwasher, disposal, AC and coin laundry on each floor. Studio has 400 sq ft, 1-bedrooms have 700 sq ft and 2-bedrooms have 900 sq ft; all units have 1 bathroom. Manger reports full occupancy and low turnover rate - units are affordable and many tenant are long-term.

Table 27 Perham Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate					
Pine Edge Townhomes 320-632-5918	2 Bedroom <u>3 Bedroom</u> 32 Total Units	\$800 \$950 +electric	Under Construction	General occupancy	Town house style units that are under construction and scheduled for initial occupancy in July 2014. All units offer one-level living with a private entrance and attached 2-car garage. Rent includes heat, water, sewer and garbage, with tenants paying electric. Unit amenities include kitchen with stove, refrigerator, dishwasher, built-in microwave and disposal. Units have in-unit laundry hookup and wall AC. Two-bedroom units have approximately 800 sq ft and 1 bathroom. Three-bedrooms have approximately 1,100 sq ft and 1.5 bathrooms.
The Pines 612 Pine Lane Drive	1 - 1 Bedroom 9 - 2 Bedroom <u>4 - 3 Bedroom</u> 14 Total Units	\$515 \$585-\$660 \$680-\$690 +electric	No vacant units	Mix of tenants	Two-level apartment building without elevator that was constructed in 2003. Rent includes heat, water, sewer and garbage, with tenant paying electric. Unit amenities include stove, refrigerator, dishwasher, microwave, AC, patio/deck, in-unit laundry for most units, and 2-car garage. Building has security entrance. One-bedrooms have 636 sq ft, 2-bedrooms have 882 sq ft, and 3-bedrooms have 1063 sq ft. Lower-rent 2-bedrooms have 1 bathroom, but most units have 1.5 or 2 bathrooms. Manager reports full occupancy and good demand.
Pointe Properties 218-346-5295	16 - 2 Bedroom <u>2 - 3 Bedroom</u> 18 Total Units	\$675 \$950 +utilities	No vacant units	Primarily seniors	Town house rental units in two 9-unit buildings constructed in 2001 and 2003. Two-bedroom units are 1-level with attached garage, and 3-bedrooms are 2 level with 2 car attached garage. Tenants pay all utilities (all electric). Amenities include stove, refrigerator, dishwasher, disposal, AC and in-unit laundry. Two-bedrooms have 1032 sq ft, and 3-bedrooms have 1900 sq ft. Owner reports full occupancy and good demand - approx. 75% of tenants are senior citizens.

Table 27 Perham Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate					
Stone Crest Apartments 200-210 2 nd Ave NE 218-371-0611	2 - 1 Bedroom <u>22 - 2 Bedroom</u> 24 Total Units	\$375 \$400 +heat, electric	No vacant units	Mix of tenants	Two 2-level apartment buildings without elevator constructed in 1978. Water, sewer and garbage included in rent, with tenant paying electric and heat (electric). Garage available for extra \$35. Amenities include stove, refrigerator, dishwasher, disposal and patio/balcony. Coin laundry available on each floor. Located near library and park. General mix of tenants but many work at KLN; and 5-6 tenants have Vouchers. No vacancies and strong demand - any turnover units are filled by word of mouth.
Wasche Apartments	N/A	N/A	N/A	N/A	Unable to contact.
Witzke Apartments 3 rd Ave NE 218-234-1904	<u>10 - 2 Bedroom</u> 10 Total Units	\$450 +heat, electric	No vacant units	Mix of younger couples and seniors	Rental units in a 4-plex constructed in 1979 and a 6-plex constructed in 1980. Both buildings are 2-level without elevator. Rent includes water, sewer and garbage, with tenant paying heat (electric) an electric. Rent includes detached garage. Units are basic affordable housing with 1 bathroom. Coin laundry facilities. Most tenants are young couples without children or empty-nester/retirees. Full occupancy with very strong demand for affordable housing.

Table 27 Perham Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Tax Credit					
Country Pine Apartments 508 Pinewood Ln 218-849-2351	1 - 1 Bedroom 11 - 2 Bedroom <u>12 - 3 Bedroom</u> 24 Total Units	\$395 \$445 \$495 +electric	No vacant units, waiting list	Households at or below 60% of median income	Tax Credit 3-level apartment building without elevator placed in service in 1991. Project entered extended compliance phase in 2006. All units serve tenants at or below 60% of median. Rent includes all utilities except electric. Amenities include stove, refrigerator, dishwasher, AC, coin laundry facilities and detached garage for extra \$30. No units vacant at time of survey and waiting list exists, although low turnover results in limited use of waiting list. Manager says 7 current tenants receive rent assistance thru Voucher or other programs. All units have 1 bathroom; no information on unit sizes.
Parkview Apartments 606 Pine Lane Dr 218-847-3191	1 - 1 Bedroom 9 - 2 Bedroom <u>4 - 3 Bedroom</u> 14 Total Units	\$475 \$550 \$635 +electric	No vacancies, waiting list	Households at or below 60% of median income	Tax Credit 2-level apartment building placed in service in 1994. Project entered extended compliance phase in 2010. All units serve tenants at or below 60% of median. Rent includes heat, water, sewer and garbage, with tenant paying electric. Amenities include stove, refrigerator, dishwasher, disposal, AC, window coverings, balcony/patio, and 1-car garage. Building has security entrance and coin laundry. One-bedrooms have 636 sq ft, 2-bedrooms have 882 sq ft, and 3-bedrooms have 1063 sq ft. No units vacant at time of survey and a waiting list exists.

Table 27 Perham Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Subsidized - Senior/Disabled Occupancy					
Lakeland Apartments 218-346-4582	34 - 1 Bedroom <u>1 - 2 Bedroom</u> 35 Total Units	\$400 \$479 30% of income	3 vacant units in the process of being filled	Senior/ disabled occupancy preference	HUD Public Housing apartment building constructed in 1968. Originally built as senior/disabled housing but a later HUD rule change made this available for general occupancy. However, occupancy preference given to tenants age 62 and older or disabled - all but 2 current tenants are preference holders. Tenants pay rent based on 30% of income up to maximum rent listed. Amenities include community room, laundry room, gazebo, sunroom, garden plots and extra storage. Home health care options promoted but contracted privately by tenant. Three units vacant at time of survey due to turnover, but applications being taken to fill units - waiting list exists but not always useful when turnover occurs.
St. James Manor 415 8 th Ave SW 218-347-1854	<u>38 - 1 Bedroom</u> 38 Total Units	30% of income	No vacant units, waiting list	Senior/ disabled tenant occupancy	HUD Section 202/811 subsidized apartment project constructed in the 1980s and designated for senior (age 62+) and/or disabled tenant occupancy. Part of the Perham Living campus that also includes Briarwood and a skilled nursing home. Tenants pay rent based on 30% of income. Amenities include emergency call system and access to 24-hour staffing. Additional services available a la carte from Perham Living, including meals, housekeeping, laundry, medication dispensing and personal care services. Nearly 1/3 of current tenants acquire some additional services. Units have 565 sq ft and 1 bathroom. Energy upgrade in rent years included new appliances and remodeled bathrooms with walk-in shower. Project is full with a 10 name waiting list.

Source: Community Partners Research, Inc.

Senior Housing with Services

The City of Perham has a number of specialized senior housing units, which provide some level of services along with a housing unit. These primarily offer housing with supportive services for an elderly population.

In some cases, these housing options target one specific segment of the market. In other cases, multiple segments are being served. Most of the providers are in stand-alone facilities. However, the City has one larger-scale senior housing provider, Perham Living, that offers a senior campus, providing a 'continuum of care' option for residents.

To analyze the supply of units in Perham, Community Partners Research examined licensing records maintained by the Minnesota Department of Health. Projects that were identified as licensed for "housing with services" within the City were identified and contacted.

Although there are some industry definitions that identify the different types of specialized senior housing, there can be some variation in how these definitions are used. For example, some senior projects may identify themselves as "independent living" rental housing for seniors, but they are licensed as housing with services providers by the State of Minnesota. The features that differentiate these units from truly independent housing are the availability of some services, such as a daily meal, weekly assistance with housekeeping and laundry, and similar offerings that may be included in the rent package.

Even standard definitions can be difficult to apply, as some buildings can offer "flexible" units in a single project where the resident can purchase very limited light services, or more intensive assisted living types of services. In these types of properties, a resident can age-in-place, by staying in their same apartment unit while gradually adding greater levels of supportive services.

For the analysis that follows, Community Partners Research has attempted to group the senior housing providers into the following categories, using information available on the types of services that can be accessed:

- ▶ Senior housing with light services
- ▶ Assisted living
- ▶ Memory care
- ▶ Skilled nursing homes

Senior Housing with Services

Unit Inventory

As used in this Study, senior housing with services defines a housing project where the basic monthly rent amount is either inclusive of certain service offerings, such as a daily meal, or these types of light services are readily available, even if purchased separately. In most cases, other light services may include an emergency call system, weekly laundry service or assistance with housekeeping.

The primary provider of light services housing is Briarwood, which is part of the Perham Living senior campus. Briarwood has 28 total senior apartments. It is physically connected to the skilled nursing home and St. James Manor, a subsidized senior apartment building.

Although Briarwood is called an independent living facility, the basic monthly rent includes all utilities, a noon meal, light housekeeping and emergency call system. Additional services are then purchased 'a la carte'.

According to the manager, increasingly seniors are acquiring more intensive services, up to 24-hour care. More than two-thirds of current tenants acquire some additional services. The remaining one-third are viewed as oriented to housing with light services. In 2014, this would represent nine or ten units.

It should also be noted that both of the subsidized senior rental projects in Perham have the potential to offer some degree of light services for residents. However, this is through a contract between the tenant and the home health care provider. One of the subsidized buildings, St. James Manor is connected to Briarwood. The two subsidized properties have a combined 73 apartment units.

At the time of the rental survey, all of the units in Briarwood were occupied, and a waiting list existed.

The basic rental rate in Briarwood varies by unit size. The lowest-priced unit would be a one-bedroom apartment with a monthly rent of \$1,128.

Assisted Living

Assisted living providers are able to offer a higher level of care and services for their senior residents. Although some facilities will offer a bundled package of services with the monthly rent, and others will sell the services 'a la carte', the assisted living providers are able to offer a significant assistance with daily living activities. Assisted living will have 24-hour on-site staffing, and the availability of skilled nursing. All meals are available, as well as the ability to assist with medications.

Unit Inventory

The research for this Study identified five different providers of senior assisted living in Perham. Most of these providers are in smaller, board-and-lodging style facilities. Thomas House, which has three separate residential locations has been counted as a single provider.

The largest single facility is Briarwood, which offers flexible units as defined previously. While the exact number of true assisted living residents was not defined, the manager indicated that approximately 18 or 19 current residents do purchase a higher level of services than is included in the basic monthly package. For the purposes of this Study, these residents are assumed to be accessing assisted living services. In Briarwood, residents live in a more traditional apartment unit.

The Thomas House I-III has capacity for 18 total assisted living residents in its three separate houses that were converted to multi-resident senior use. Residents have a private sleeping room, with either a private or shared bathroom. All other living spaces are shared between the residents of the home.

Prairie View Assisted Living has combined capacity for 12 residents in two residential structures. Residents have a private sleeping room with a private bathroom. All other living spaces are shared between the residents of the home. A third house with capacity for seven or eight people will start construction in 2014.

Someplace Special has capacity for seven residents in an older residential house that was converted to assisted living use. Residents have a private sleeping room with a shared bathroom. All other living spaces are shared between the residents of the home

7th Heaven Assisted Living has five available rooms. Designed for married couple occupancy, the facility has capacity for 10 residents, but most rooms are typically used for single occupancy. Residents have a private sleeping room with a shared bathroom. All other living spaces are shared between the residents of the home.

With the assumption that two-thirds of the residents in Briarwood utilize assisted living services, and that the rooms in the board-and-lodging style facilities are used for single occupancy, the existing facilities in Perham can accommodate approximately 60 residents needing assisted living care.

Occupancy/Vacancy

There were five vacant units/rooms in the board-and-lodging style facilities reported to the rental survey. All of the units in the only apartment-style project were occupied, and a waiting list existed.

Rental Rates

Rental rates for assisted living can vary widely depending on the actual level of services provided in the basic room and care package. In most projects, the monthly fee also includes a basic array of services, typically all meals and utilities, emergency call systems, 24-hour staffing, access to skilled nursing staff, and weekly laundry and housekeeping services. Additional, specialized services may then be purchased as needed, often on an 'a la carte' basis.

While many of the assisted living options would be considered "private pay", some of the units/rooms are available to lower income seniors that receive assistance through the State's Elderly Waiver program administered through the County. In some of the facilities, all of the residents were receiving County assistance.

Memory Care Housing

Memory care housing represents a very specialized segment of the senior market. People with health issues due to dementia, Alzheimer's Disease, or other causes may often be housed in assisted living centers, nursing homes, or less service-intensive forms of senior housing in the earlier phases of memory loss. However, as the problems progress, it is often necessary to provide housing in special facilities that provide a secure environment and specialized care targeted to memory care residents.

The research for this Study did not identify any specific providers of memory care housing in Perham. However, many of the facilities indicated that they have residents with memory loss issues.

Skilled Nursing Homes

Skilled nursing homes have historically represented the most service-intensive form of senior housing. This segment of the market has been in transition, however, as other forms of senior housing, such as assisted living, have grown in availability, and become the preferred option for many seniors.

Telephone interviews with administrators of nursing homes in Minnesota have highlighted the fact that nursing home residents are staying for shorter periods of time, and many nursing homes have designated a significant share of their beds for short-term/rehabilitation stays. This trend is also evident in Perham.

Unit Inventory

There is one State-licensed skilled nursing home in Perham. Perham Living is licensed for 96 beds in 2014. Perham Living had once been licensed for as many as 102 residents. While some de-licensing has occurred in the past, the licensing is currently stable.

Perham Health has 15 beds for short-term rehab/recovery stays and 73 beds available for longer-term residents.

Occupancy/Vacancy

Although we did not complete a formal “snapshot” occupancy survey, Perham Living reported a high annual occupancy rate.

Rental Rates

No information was collected on daily rates. Rates are generally impacted by State policy of reimbursement.

Market Share for Specialized Senior Housing

Senior Demographics

Housing with services projects can attract seniors of any age, but typically have the greatest utilization by older seniors. To better analyze the market share for the various forms of housing in Perham, Community Partners Research has compared the supply of various types of units to market area demographic data for older seniors, age 75 and above.

The 2010 Census provides the most accurate information on the area's senior population. In April 2010, there were 1,879 senior citizens (age 65+) living in the Perham Market Area, including 862 people age 75 or older.

The population of senior citizens has been growing. However, most of the growth in the previous decade was due to younger seniors, age 65 to 74 years old. Within the Market Area, approximately 94 older senior citizens were added between 2000 and 2010.

Between 2010 and 2020, some additional net growth should continue to occur within the target population of senior citizens age 75 and older. However, in real terms, the incremental growth should be limited. The trend-based projections used for this Study point to a probable increase of approximately 150 older seniors in the Perham area by 2020.

For senior-headed households, there were 1,161 households in Perham Market Area that had a householder age 65 or older at the time of the 2010 Census. Of these households, 564 had a householder age 75 or older.

Available projection data would show some expected growth in the number of older senior households through 2015 and beyond. However, in numeric terms, the expected net growth would be somewhat limited. For the entire Market Area, the forecasts would point to net growth of between 90 and 100 older senior households between 2010 and 2020.

It is important to note that the senior population statistics from 2010 would include seniors already residing in senior housing, including nursing homes, and assisted living facilities. Adjustments to the senior population and the number of senior-headed households will be made for each of the different housing types reviewed. For example, when examining the seniors that form a potential market for an assisted living unit, it is necessary to subtract the seniors that already reside in more service intensive forms of senior housing, such as a nursing home.

Skilled Nursing Homes

Since utilization of nursing home beds varies by short-term versus longer-term stays, some assumptions need to be applied to this segment of the market. After talking to representatives from Perham Living, it is estimated approximately 80 skilled nursing beds are generally available for longer-term residents.

When compared to the older senior population in Market Area, the available supply of longer-term nursing home beds requires a capture rate of approximately 8.5% to 9% of the total population of older seniors (age 75+).

Although calculations have been performed on the market share for nursing homes, there has been a long-standing moratorium on adding beds, and any new nursing home facilities are typically limited to replacing existing beds, rather than adding to the total inventory. As a result, no additional capture by nursing homes would be expected in the future. Instead, it appears that the supply of longer-term occupancy beds may decrease, as more beds are devoted to rehab/recovery stays or other uses in the future.

Memory Care Housing

Perham currently has no facilities specifically designed for memory care needs, although most housing with services providers have some memory care residents that can function in housing with more independent residents.

There are a large number of specialized memory care options in the nearby communities of Detroit Lakes, Frazee and New York Mills.

Assisted Living

When examining market demand for assisted living, the supply of units has been compared to the number of older senior households, rather than population. Older seniors living in some other intensive form of senior housing, such as nursing homes or memory care, would not have been counted as a household by the 2010 Census.

In the Perham Market Area there were 564 older senior households, age 75 and above, according to the 2010 Census. This group has probably increased in size since 2010, based on aging patterns for the area, but would still be less than 600 households.

Calculating the actual supply of assisted living units in Perham is somewhat difficult, due to the flexible approach used by the largest single provider. This Study has used the assumption that up to two-thirds of the residents of Briarwood may be receiving a higher level of services, similar to those offered in designated assisted living projects.

The City has as an estimated capacity for approximately 60 assisted living residents. This represents approximately 10% to 10.5% of the older senior citizen households living in the Perham area. Although the existing supply of units/rooms represents a relatively high capture rate within the target market, at the time of the research for this Study, most of the units/rooms were occupied, although some unused capacity existed.

Housing with Light Services

Perham has some housing that can offer more independent senior living with the availability of services for purchase. However, these units are primarily in Briarwood, and over time, have been shifting toward more assisted living use.

Light services units are typically compared to the distribution of all older senior households, rather than population. Housing with light services can serve a more active and independent senior, and it is more common to see couples reside in this housing, as well as single person households.

After adjusting for senior households that already live in more service-intensive assisted living, we would estimate the target market at approximately 525 to 540 total households in the Perham area in 2014.

Since only nine or ten units in Briarwood currently are used as light services housing, the required capture rate is approximately 2%. Substantially more units would exist if the subsidized rental projects are added to the available inventory. Given the flexible approach offered in Briarwood, the actual use of assisted living versus light services housing can change with actual demand.

Table 28 Perham Senior Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Subsidized - Senior/Disabled Occupancy					
Lakeland Apartments 218-346-4582	34 - 1 Bedroom <u>1 - 2 Bedroom</u> 35 Total Units	\$400 \$479 30% of income	3 vacant units in the process of being filled	Senior/ disabled occupancy preference	HUD Public Housing apartment building constructed in 1968. Originally built as senior/disabled housing but a later HUD rule change made this available for general occupancy. However, occupancy preference given to tenants age 62 and older or disabled - all but 2 current tenants are preference holders. Tenants pay rent based on 30% of income up to maximum rent listed. Amenities include community room, coin laundry, gazebo, sunroom, garden plots and extra storage. Home health care options promoted but contracted privately by tenant. Three units vacant at time of survey due to turnover, but applications being taken to fill units - waiting list exists but not always useful when turnover occurs.
St. James Manor 415 8 th Ave SW 218-347-1854	<u>38 - 1 Bedroom</u> 38 Total Units	30% of income	No vacant units, waiting list	Senior/ disabled tenant occupancy	HUD Section 202/811 subsidized apartment project constructed in the 1980s and designated for senior (age 62+) and/or disabled tenant occupancy. Part of the Perham Living campus that also includes Briarwood and a skilled nursing home. Tenants pay rent based on 30% of income. Amenities include emergency call system and access to 24-hour staffing. Additional services available a la carte from Perham Living, including meals, housekeeping, laundry, medication dispensing and personal care services. Nearly 1/3 of current tenants acquire some additional services. Units have 565 sq ft and 1 bathroom. Energy upgrade in rent years included new appliances and remodeled bathrooms with walk-in shower. Project is full with a 10-name waiting list.

Table 28 Perham Senior Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Senior Housing with Services					
7 th Heaven Assisted Living 210 7 th Ave 218-346-7077	5 rooms with capacity for 5 to 10 residents	N/A	3 vacant rooms	Assisted living	Residential facility constructed in 2001 and later converted to assisted living use. Five private sleeping rooms with shared bathrooms and other living spaces. Licensed capacity for 10 residents if all rooms were double-occupancy by married couples. Only 2 rooms were occupied at time of survey - demand may not pick up again until the fall. Most residents are private pay but County assistance also utilized.
Briarwood 630 5 th St 218-347-1865	5 - 1 Bedroom 13 - 1 Bdrm large <u>10 - 2 Bedroom</u> 28 Total Units	\$1128 \$1203 \$1349 +services as needed	No vacant units, waiting list	Senior housing with services	Senior housing facility that is part of the Perham Living campus which also includes St. James Manor and a skilled nursing home. Three-level building with elevator that was constructed in 1998. Units are independent living apartments with supportive services available. Rent includes all utilities, noon meal, light housekeeping and emergency call system. Additional services are purchased a la carte, and increasingly seniors are acquiring more intensive services, up to 24-hour care. More than 2/3 of current tenants acquire some additional services. One-bedrooms have 676 or 728 sq ft and 2-bedrooms have 884 sq ft; all units have 1 bathroom. Project is fully occupied with a waiting list.
Perham Living 735 3 rd St 218-346-4500	Licensed for 96 skilled nursing beds	N/A	High annual occupancy rate	Skilled nursing home	Skilled nursing home that is licensed for 96 beds in 2014 - had been 102 beds in the past, but current licensing is stable. Part of Perham Living senior complex that also includes Briarwood and St. James Manor. Fifteen beds in Transitions are designated for short-term recovery/rehab stays, and remaining beds available for longer-term residents. Annual occupancy rate is high.

Table 28 Perham Senior Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Senior Housing with Services					
Prairie View Assisted Living 825 7 th Ave 218-346-3167	Capacity for 12 residents in 2 houses	Based on service needs	Full occupancy	Assisted living	Senior assisted living in 2 residential structures constructed in early and mid-2000s. Each house has capacity for 6 residents in private sleeping room with private bathroom. All meals and services provided, based on assessment of service needs. Good demand and full occupancy reported - a third house with capacity for 7 or 8 people will start construction in 2014. Approximately 50% of residents use County assistance programs.
Some Place Special 449 W Main 346-2431	Capacity for 7 residents in residential setting	N/A	2 vacant rooms	Assisted living	Senior assisted living in an older house. Originally used for adult day care and then converted to assisted living in 2006. Residents have private sleeping rooms and share 3 bathrooms and other living spaces. High level of care can be provided. Two rooms unoccupied at time of survey - occupancy can change due to high turnover. All current residents receive County assistance.
The Thomas House 701 Thomas Ave 218-346-3064	Capacity for 6 residents	Based on service needs	Full occupancy	Assisted living	Senior assisted living in a house that was converted in 2002. Residents have private sleeping room with private or shared bathroom. All meals and services provided, based on assessment of service needs. Owner reports good demand and full occupancy. Approximately 50% of residents use County assistance programs.
The Thomas House II 738 Thomas Ave 218-346-3064	Capacity for 6 residents	Based on service needs	Full occupancy	Assisted living	Senior assisted living in a house that was converted in 2004. Residents have private sleeping room with private or shared bathroom. All meals and services provided, based on assessment of service needs. Owner reports good demand and full occupancy. Approximately 50% of residents use County assistance programs.

Table 28 Perham Senior Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Senior Housing with Services					
The Thomas House III 812 4 th Ave 218-346-3064	Capacity for 6 residents	Based on service needs	Full occupancy	Assisted living	Senior assisted living in a house that was converted in 2007 and joined Thomas House in 2012. Residents have private sleeping room with private or shared bathroom. All meals and services provided, based on assessment of service needs. Owner reports good demand and full occupancy. Approximately 50% of residents use County assistance programs.

Source: Community Partners Research, Inc.

Employment and Economy

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

Labor Force, Work Force and Unemployment

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

Table 29 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: 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.

Otter Tail County Labor Force and Employed Work Force



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.

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 for 2013. It is important to note that the major employment sectors listed do not represent all employment in the City. Some groups, including self-employment, are not represented.

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

Table 30 Perham Average Annual Wages by Industry - 2013		
Industry	Employment	Average Annual Wage
Total All Industry	4,195	\$36,556
Natural Resources, Mining	N/A	N/A
Construction	N/A	N/A
Manufacturing	1,465	\$41,184
Trade, Transportation, Utilities	558	\$24,180
Information	123	\$48,464
Financial Activities	114	\$44,616
Professional and Business Services	398	\$52,468
Education and Health Services	785	\$34,996
Leisure and Hospitality	231	\$9,412
Other Services	87	\$17,472
Public Administration	44	\$33,748

Source: MN Department of Employment and Economic Development

The average annual wage in Perham for all industry was \$36,556 in 2013. This assumes full-time employment for 52 weeks at the average weekly wage rate.

The highest paying wage sectors were Professional and Business Services, and Information, at \$52,468 and \$48,464, respectively.

Manufacturing was the largest employment sector in the City, representing nearly 35% of all reported workers. The average annual wage in this sector was \$41,184, the fourth highest of all sectors in the City.

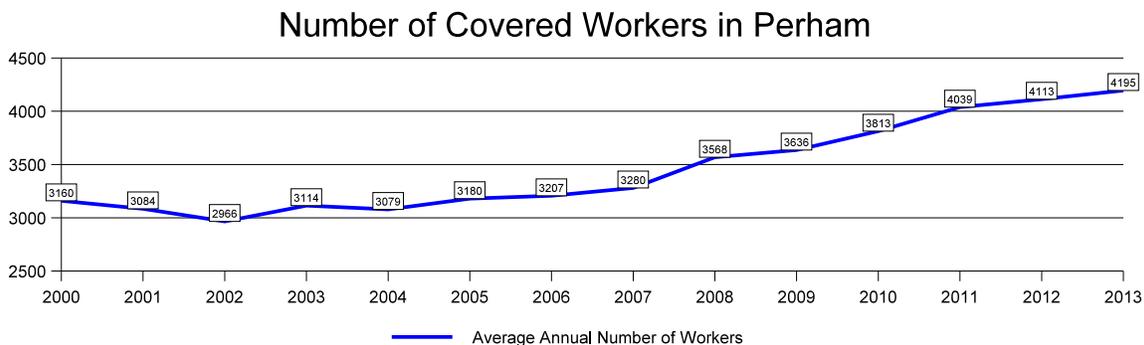
The lowest paying wage sectors were Leisure and Hospitality and Other Services, both with an average annual wage below \$20,000. Trade, Transportation and Utilities was also a relatively low paying sector, at \$24,180. Trade, Transportation and Utilities was also the third largest employment sector, representing more than 13% of all workers in the City.

Perham 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 Perham back to the year 2000.

Table 31 Perham Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	3,160	2007	3,280
2001	3,084	2008	3,568
2002	2,966	2009	3,636
2003	3,114	2010	3,813
2004	3,079	2011	4,039
2005	3,180	2012	4,113
2006	3,207	2013	4,195

Source: QCEW - MN Department of Employment and Economic Development



There has been a long-term pattern of growth in the number of employees working in Perham. Growth has been especially strong since 2007, as more than 900 workers have been added. This growth occurred at a time when most of the nation was in a period of economic recession.

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

Table 32 Commuting Times for Perham Residents - 2012		
Travel Time	Number	Percent
Less than 10 minutes	838	61.7%
10 to 19 minutes	240	17.7%
20 to 29 minutes	136	10.0%
30 to 44 minutes	96	7.1%
45 minutes or more	49	3.6%
Total	1,359	100%

Source: 2012 American Community Survey 5-year estimates

The large majority of Perham 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. Overall, more than 79% of residents commuted 19 minutes or less to work. However, approximately 11% of the City’s residents did commute a half hour or more for employment.

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

Table 33 Commuting Times for Perham Employees - 2012		
Travel Time	Number	Percent
Less than 10 minutes	1,169	28.9%
10 to 19 minutes	1,258	31.1%
20 to 29 minutes	759	18.8%
30 minutes +	859	21.2%
Total	4,045	100%

Source: 2012 American Community Survey 5-year estimates

For people that worked in Perham, approximately 40% traveled 20 minutes or more. Overall, more than 1,600 people traveled to Perham from these greater distances, including more than 850 people that traveled 30 minutes or more. However, approximately 60% 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 Perham, there were 3,843 people that were employed within the city limits in 2011. Only 668 (17.7%) of these Perham-based employees actually lived within the City. The remaining 3,163 (82.3%) 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 34 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
Perham	3,843	17.7%	82.3%
Wadena	3,145	24.1%	75.9%
New York Mills	960	6.7%	93.3%
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 relatively small percentage of the jobs based in Perham are actually filled by people that live within the City. In 2011, more than 82% of the people working within the City actually lived outside of the city limits.

This commuting pattern is not unique. 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 relatively similar in both Perham and Detroit Lakes. Wadena fills the highest percentage of jobs with City residents.

Despite the large number of jobs located in Perham, many City residents actually leave the City, and commute elsewhere for work. This same Census Bureau source shows 668 Perham residents both live and work within the City, but 888 Perham residents actually leave the City for employment. In both Detroit Lakes and Wadena, a majority of City residents also work within their home community, but in Perham, New York Mills and Frazee, most City residents actually leave their home community for employment.

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Findings and Recommendations

Overview

In 2007, the City of Perham had a housing study completed by Maxfield Research Inc. This study coincided with the start of a prolonged period of national economic recession. It also coincided with the start of a national “housing bubble” collapse. As a result, some of the market conditions and assumptions that had existed before 2007 changed rapidly in the following years.

This 2014 Housing Study by Community Partners Research has examined the information contained in the previous study, while incorporating the most recent information available on demographic and housing market conditions. 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 Market Area. In general terms, Perham has continued to grow at a fairly rapid rate. From 1990 to 2013, Perham experienced an increase of more than 1,000 residents and nearly 475 households. Over this 23-year time period, an even greater level of growth occurred in the small cities and rural townships that surround Perham. Between 1990 and 2013, the remaining Market Area jurisdictions (excluding Perham) added 1,134 people and 725 households.

Although long-term growth for both the City and the Market Area has been strong, in more recent years the growth has been more concentrated within Perham. In the 13-year period from 2000 to 2013, the City added 250 households, while the remainder of the Market Area added 179 households.

When viewed as an annual average, Perham has been able to maintain growth of 19 to 21 households per year when viewed over a 23-year or a 13-year time period. The annual average growth in the remainder of the Market Area dropped to approximately 16 households per year between 2000 and 2010, as Perham surpassed the rural jurisdictions.

The most recent estimates from the State Demographer do show continued population and household growth for Perham over the past few years. In the three-year period between 2010 and 2013, the City added 50 households according to the Demographer. This numeric growth is generally consistent with the new housing construction that occurred during that time period, as 55 new housing units were permitted between 2010 and 2012. However, in 2013, 55 additional new housing units started construction in Perham. With this housing becoming available for occupancy in 2014 and 2015, the City should return to an annual average of 20 or more 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 Perham, the consistent annual average growth as demonstrated in recent decades results in an expectation of future growth in a range of approximately 20 to 25 households per year. This is referred to earlier in this Study as the “low-end” projection. 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. The “high end” projection is based on market area growth of 45 to 50 households per year, as will be discussed on the following page.

The Impact of Employment on Future Household Growth

The City of Perham has long been a regional employment center. While the City has a number of companies, the largest single employer within the community is KLN Family Brands, which is divided into four major product divisions. In 2014, this company was actively attempting to hire new employees for its Perham-based operations. The company also projects to continue adding employees for the foreseeable future. Employment expansions by KLN Family Brands, as well as other local employers, have generated demand for additional housing within the Market Area.

It is possible to track longer-term employment trends in Perham, using information collected through the Quarterly Census of Employment and Wages (QCEW), which tracks employees covered by unemployment insurance requirements. In the time period from 2000 to 2013, there were approximately 1,000 covered workers added within the City of Perham.

The net growth in Perham-based employment can be compared to household growth over the same basic time period. The entire Perham Market Area added approximately 429 households. The analysts recognize that not all of the new households in the Market Area were the direct result of job growth, as the area also attracts retirees, home-based employment and other residents. It is also recognized that some Perham employees commute from locations that are outside of the Market Area jurisdictions. However, over the time period reviewed, there have been years of very strong housing construction, and opportunities have existed for commuters to move closer to Perham.

While not a perfect predictor, the comparison of employment growth to household growth over this multi-year period can be used as another indicator of future growth potential. If reduced to a ratio, approximately one new permanent household has added in the Market Area for every 2.4 jobs created in Perham. Given the steady, long-term job growth in Perham, this has supported the relatively consistent addition of approximately 20 to 25 households per year in Perham, and 30 to 35 households per year within the entire Market Area.

Despite continued past household growth, local estimates indicate that as many as 200 jobs are currently available but unfilled in Perham. This would imply that household growth has not been sufficient at past levels to keep pace with job creation, in either the City or the Market Area, as these unfilled jobs have not been claimed by people willing to commute from greater distances. At the ratio of one household per 2.4 unfilled jobs, this would yield an estimate that between 80 and 85 additional households could be added to the expected annual trend-based growth pattern to help address the near-term employment needs.

An argument can be made that an even greater level of household growth would be better suited to job growth. However, local employers have acknowledged the difficulty of attracting people, given the competition that exists from places like Detroit Lakes, Fargo, St. Cloud and other growing communities in the larger region. As a result, creative strategies are being pursued to add employees, such as greater labor force participation among existing area residents, that can help reduce the amount of in-migration that would otherwise be required.

If the trend-based growth projection and the unfilled job potential are added together, the potential growth for the Market Area increases to approximately 45 to 50 households per year over a five-year projection period. This is referred to in this Study as the "high end" projection, and has been used in the demand forecasts that follow.

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 Perham Market Area had a head of household that was age 55 or older. By 2010, older adult households had grown to more than 50% of all households. By 2020, trend-based projections indicate that more than 59% 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. Some minor growth in older senior citizen households (age 75+) may be possible, but in real numbers, this older senior group will probably increase by fewer than 100 households in the Perham Market Area during the entire decade between 2010 and 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.

The age-based progression patterns outlined in this Study could change if a substantial number of younger households migrate to the Perham 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 a small regional center, especially for employment opportunities, Perham has developed a diverse range of housing options for a city its size. This is most evident in rental housing, as a large percentage of resident households rent their housing. The City's rental tenure rate was at nearly 44% in 2010, and had been increasing over the previous decade. After 2010, the City has had more rental housing units constructed than owner-occupancy units. While much of the rental housing will not be occupied until later in 2014, the City's rental tenure rate should be even higher than 44% by the year 2015.

Although the previous decade was often regarded as a very strong period for home ownership, Perham added substantially more renter households than owner households. In terms of net change, Perham added 123 renter households but only 77 owner households. This was somewhat offset by the patterns for the larger Market Area. If Perham is excluded, the remainder of the Market Area had an increase of 166 owner-occupancy households between 2000 and 2010. At the same time, the remainder of the Market Area outside of Perham experienced a small net reduction of renter-occupancy households.

From a perspective of market potential, the previous decade indicated that Perham had the ability to capture all of the rental demand from the immediate area, but less than one-third of the demand for owner-occupancy housing. The rural areas that surround Perham, including lake shore opportunities, 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 Perham 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 140 single family units constructed in Perham during this time period, but a net gain of only 77 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 probable that some single family units were demolished or removed over the decade. However, at the same time, the number of occupied rental units was much greater than the level of multifamily unit construction, implying that a number of houses that had once been owner-occupied changed to rental use.

In the rural areas outside of Perham, the impact of seasonal use properties must also be considered. In 2010, there were 1,877 housing units within the Perham 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 a significant 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 Perham in recent years have not followed historical precedent. Between 2000 and 2010, most of Perham'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 Perham's local economy remained strong during this time of national recession, and shorter-term patterns instead point toward greater demand for rental housing than owner housing for the next several years in Perham.

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 10 to 15 owner-occupancy units per year, and approximately 15 to 20 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 Perham.

While household growth will be the 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. In recent years, there has been very limited availability of rental housing in the City. The vacancy rates in the various rental segments were all very low at the time of this Study. There is also pent-up demand for very affordable housing, as Perham has no subsidized housing for families with children.

It is important to note that we have estimated potential demand in the City of Perham. 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 48 rental units in a single year. Development proposals have surfaced for an even larger number of units in 2015. If rental construction proceeds at the level proposed in 2015, it will probably be followed by years with lower levels of production, reducing a multi-year average.

Rental Housing Recommendations

Overview: Rental housing is a very important part of the local market within Perham. The City serves as the primary rental center for the northern portion of Otter Tail County, as Perham trails only Fergus Falls for the total number of rental units in the County. At the time of the 2010 Census, nearly 44% of all households in Perham were renting their unit. This percentage has been increasing over time, and will probably be above 44% by the year 2015.

Between 2000 and 2010, the City added substantially more renter-occupancy households than owner-occupancy households. For the net growth in households over the prior decade, nearly 62% can be attributed to renter households. Growth in the number of renters was greater than actual unit construction. This was caused by conversion, as some housing units that had previously been owner-occupied switched to rental use.

Although Perham has a diverse rental inventory, with units serving different income levels and age groups, much of the demand has developed in the past 15 to 20 years, when the City experienced rapid growth. During this time, resources to create very affordable rental housing have tended to be scarce. As a result, all of the rental units constructed in the past 20 years have served the conventional, market rate segment of renter households. There has been no income-based housing constructed in Perham since Parkview Apartments was built in 1994.

The previous housing analysis for Perham, completed by Maxfield Research in 2007, had projected significant demand for rental housing, but had actually recommended fewer than 100 additional units by the year 2020. These units were distributed into various market segments, including specialized senior housing, affordable rental and market rate general occupancy housing.

Through the year 2014, there have already been 102 units that have been constructed in Perham, including 48 that are scheduled to open for occupancy in 2014. All of these are general occupancy market rate units, although some may have income limits as a condition of receiving City TIF assistance. Production through 2014 is already substantially above the level that had been recommended through the year 2020 in the previous housing study.

Looking at the "high end" growth potential for the City to the year 2020 yields a reasonable projection of up to 30 to 35 additional households in an average year. Depending upon the actual tenure distribution rate that is applied, an annual average of approximately 15 to 20 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 75 to 100 additional rental units after 2014.

This growth-generated projection assumes that Perham 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 Perham is the most appropriate location for multifamily development.

This calculation also anticipates some 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 Perham area in prior decades.

In addition to unit needs created by overall household growth, additional demand may exist from a current under-supply of rental housing. Based on the rental survey, most segments of the market have a low vacancy rate in 2014. However, there are currently 48 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. If low vacancy rates persist after these units are leased, then some additional production would be needed to address pent-up demand.

Pent-up demand also exists within certain specific subsets of the market. For example, the City has no subsidized rental housing that is designated for general occupancy and suitable for larger families. To the extent that these types of units can be created they would add to the overall construction recommendation.

The following recommendations address specific segments of the Perham rental market.

1. Promote Ongoing Production of Market Rate Rental Housing in Moderately-Sized Development Phases

Findings: Market rate rental housing is largely free of any occupancy or rental rate constraints, other than those imposed by a competitive marketplace. Some market rate units may apply age restrictions, and serve renters age 55 and older, but this age preference is generally the only limitation that exists.

While there is no definitive count on the number of conventional, market rate rental units in Perham, the research for this Study would point to approximately 550 total units in the City that are best described as market rate rental housing. This total includes 48 units that are opening for occupancy in 2014. A portion of these new units will have maximum income limits due to TIF usage, but the developer has had past success in qualifying households, especially seniors living on fixed incomes.

The rental housing survey completed for this Study found a very low vacancy rate of less than 1% in market rate rental units. The survey focused on multifamily rental projects with four or more units per building, but there were no indications that a higher vacancy rate existed in smaller rental properties or single family rentals.

Most of the property owners/managers that were contacted talked about very strong demand for rental housing. Many actually stated that they did not actually advertise unit availability, as word-of-mouth was sufficient to fill any unit that was vacated. Placing an ad could result in a large volume of phone calls from prospective tenants, especially for more moderately-priced housing.

Although Perham has a number of newer projects that have been constructed in the past 10 years, most market rate units are within a more moderate rent range. One active rental developer, Grow Perham, has been very focused on building moderately-priced housing that is suited to the community's growing work force. There are some higher-priced units, generally in town house configurations, but even these units tend to have attractive pricing for newly constructed rental housing.

Two-bedroom apartments in Grow Perham's newest Clearwater buildings tend to have a gross rent between \$740 and \$760 per month. Two-bedrooms in the newest town house rental project have a gross rent of approximately \$850 per month. The highest priced two-bedroom existing options in Perham are probably in Hammers rental town homes, and even these units are estimated to be below \$900 per month. For the quality of the units, these tend to represent below-market pricing when compared to other communities.

Older rental developments tend to charge lower rates. Gross rents below \$500 per month exist for some one-bedroom options, and below \$550 for some two-bedroom rentals. However, occupancy rates in these more affordable units are high, and the turnover rate may be low due to the limited availability.

The affordable market rate construction that has been occurring in the Clearwater Apartments complex has been successful. Five buildings with 70 total apartments have been built over the past six years. With each new building, pre-leasing has been sufficient to fill most units while construction is being completed.

The other new project that has completed construction in 2014, known as the Pine Edge Townhomes, will add 32 town house-style units, in two and three-bedroom configurations. These units offer many of the advantages of single family living, including a private entrance and attached garage parking. The company developing these units has a successful history of building this type of housing in the region. Existing projects are already operating in New York Mills, Wadena, and a number of other communities around the region. With attractive features and below-market pricing, these units have been very successful in other communities.

Recommendation: A combination of demand-generators, driven primarily by projected household growth, should yield demand for at least 75 to 100 additional rental units in Perham over the next five years. Ideally, these units would be allocated into different market segments, including some very affordable units. However, in practice it is probable that most of these units will be added in the conventional, market rate segment, consistent with the development patterns of the past 20 years.

Ongoing market rate production has been successful in Perham due to the more moderate price structure that is being achieved by developers. Similar units to Clearwater Apartments or Pine Edge Townhomes would tend to charge higher prices if they were constructed by different developers. To the extent that the recent Perham projects can be replicated, additional phased production is recommended to keep pace with anticipated growth. Smaller development phases over the five-year period would allow new units to be gradually introduced into the local market, preventing saturation.

One probable near-term project would be an additional building in the Clearwater complex. The building footprint that has been used in the last three phases would be used. This plan has accommodated a range of 12 to 16 units,

depending upon the inclusion of some two-bedroom and/or three-bedroom apartments. However, the next proposed building is likely to proceed with 20 one-bedroom apartments. The previous building was equally split between one and two-bedroom apartments.

The research for this Study would tend to support a focus on one and two-bedroom options, similar to Clearwater phases V and VI.

Contributing factors include:

- ▶ Approximately 80% of existing renter households have only one or two household members
- ▶ The target rent goal for a median income renter household in Perham would be near \$600 per month - with most renter households having low to moderate income, a lower rent structure is indicated, which is more closely achieved in smaller one and two-bedroom units
- ▶ The Pine Edge Townhomes project will add two and three-bedroom rental options in 2014 - by targeting one and two-bedroom apartments, Clearwater would focus on a different segment of the market

Shortly before the release of this Study, some additional proposed projects had started initial discussion, and no details on unit mix, amenities and pricing were available.

The Grow Perham group was also discussing another project that would largely create efficiency apartments at a lower monthly price. While this would add to the overall housing supply, these would be unique units, not typically constructed in other communities. At a possible target rent of \$400 for an efficiency unit, they would not directly compete with the other new apartment projects.

Excluding the efficiency units proposed by Grow Perham, the other development proposals that have surfaced could add approximately 94 additional rental housing units to Perham over the next few years. This would nearly reach the upper end of the projected demand range. Although the Grow Perham projects tend to have a more moderate rent structure, it is possible that the other proposed projects would serve the higher-end of the local rental market.

It is also possible that another phase of development will occur at Pine Edge Townhomes, if adequate land exists and the first phase achieves a stable occupancy pattern. The developers' history is to introduce additional units after two to four years in communities where occupancy is strong. For example, a second phase of town homes is currently being built in New York Mills. The primary limiting factor in Perham would be competition from the existing supply of similar units that exist in Perham, including the Hammers Townhomes, the Pointe town house projects, and the other new market rate projects that have been recently proposed.

If all of the proposed projects proceed, it would represent an unprecedented period of rental housing growth for Perham. The proposed unit production would exceed the commutative total achieved in the 13-year period from 2000 to 2012. To the extent that these projects were introduced in gradual phases, they could continue to proceed as units in the previous project are successfully absorbed. However, since multiple developers are involved, it is doubtful that a coordinated phase-in plan will occur. To the extent that multiple competing projects come on-line in the same time period, it is possible that some market saturation will occur, resulting in delayed lease-up for less competitive units.

Each of the developers should be cognizant of the different demand-generators present in Perham. Much of the future demand for rental housing will be driven by net growth from households age 55 and older. As stated earlier in this document, the fastest-growing segment of the local population is among people age 55 and older. The Pine Edge Townhomes project, in particular, can appeal to empty-nesters and seniors should find that these units offer an attractive alternative to home ownership, while retaining amenities such as attached garage parking and in-unit laundry. In other communities, demand from retiree households has been sufficient to meet any income requirements imposed as a condition of receiving City TIF assistance.

However, another demand-generator in Perham is working-age households that will come to the community for employment opportunities. This is a segment of the market that has generally been targeted by the Grow Perham projects. For these workers, a moderate rent structure is well-suited to the moderate wage jobs that continue to be created by local businesses.

2. Promote the Development of 20 to 24 Additional Tax Credit Moderate Rent Units

Findings: The federal low income housing tax credit program continues to be one of the only financial incentives still available for the production of more affordable rental housing. Perham has achieved some past success with tax credit housing, but the last project was constructed in 1994, and no new projects have advanced in the past 20 years.

There are two rental projects in Perham that received a tax credit award in the early 1990s. Country Pine Apartments was placed in service in 1991 and has 24 affordable units. Parkview Apartments was placed in service in 1995 and has 14 affordable units. The 38 moderate rent units that operate under the tax credit rent and occupancy restrictions represent less than 6% of the rental housing options in Perham.

Both projects have completed their initial 15-year compliance period requirement, but continue to offer affordable rental housing in their extended compliance phases. Extended compliance does not generally impact the availability of affordable housing, as new tenants must still meet the basic income requirements when they move into the project.

Consistent with other segments of the rental market, occupancy rates are high in the tax credit inventory. At the time of the 2014 rental survey, there were no vacant tax credit units identified. Both properties reported the existence of waiting lists.

The tax credit program does place gross rent caps on the assisted units. Maximum rents are generally set at a level that is designed to serve households at or below 60% of the median income level. However, in most cases, actual gross rents are kept well below the maximum allowable limits. For the current tax credit projects in Perham, gross two-bedroom rents are generally within a range between \$480 and \$585 per month, while three-bedrooms are between \$530 and \$675 for gross monthly rent. The federal limits would allow for substantially higher rent levels.

The 2007 Study from Maxfield Research had recommended the development of 16 to 24 affordable units, operating under the basic restrictions of the tax credit program. No new projects have been built since that time. Research for this Study did not identify any proposed tax credit projects.

Recommendation: Perham has not had any moderate rent tax credit units developed in the past 20 years, and the existing inventory of income-restricted housing represents a relatively small share of all rental options in the City. As part of an overall plan to expand work force housing options, the development of at least 20 to 24 moderate rent tax credit units would be recommended.

One of the concerns about tax credit development in Perham has been a possible mismatch between area wages and the income restrictions that apply. In 2014, a three-person family would need an annual income below \$32,820 to be income-eligible. While many area workers may exceed the income limits, especially if there is more than one income-earner, there also are many renter households that are below this limit. In 2012, nearly 60% of all renter households had an annual income below \$35,000, although many of these would have only one household member.

The City has experienced job growth in other employment sectors, including retail trade, leisure and hospitality and sectors that pay relatively low wage rates. Additional housing at affordable rents would be an appropriate compliment to the conventional, market rate projects that have recently been developed in Perham.

There have been some very attractive town house-style tax credit projects that have recently been constructed in communities such as Alexandria and Thief River Falls, which are also attempting to address work force housing needs. The project in Thief River Falls had proposed gross rents of approximately \$700 for a two-bedroom town houses and approximately \$800 for a three-bedroom. While these rents are not substantially lower than those being charged in Clearwater, the tax credit units are much larger and are generally designed for families with children.

A similar project in Perham would help to expand the rental options for low and moderate income renter families, and would help to address the low vacancy rate that exists in the more affordable segment of the market.

One of the only drawbacks to additional tax credit development is the potential that new town house units would have a competitive advantage over older apartment-style units, such as those being offered in Country Pine and Parkview Apartments. These buildings were at full occupancy with waiting lists in 2014.

It should also be noted that the tax credit application process is highly competitive, and securing an award will not be easy. A separate, project-specific market analysis would also need to be completed at the time of application. Points are awarded for certain development components, such as supportive housing for long-term homeless populations, and other factors which may be less applicable in Perham.

3. Develop Two-Bedroom and Three-Bedroom General Occupancy Subsidized Rental Housing Units as Resources Allow

Findings: This Study defines subsidized housing as rental units that can serve very low income households. Perham has only two subsidized projects providing rental opportunities for lower income households, and both projects are oriented to senior/disabled tenants, with 72 of the combined 73 units having only one bedroom. Perham has no subsidized rental projects that are oriented to families with children. This is atypical for a community as large as Perham.

The only access that lower income families in Perham have to subsidized housing is through the tenant-based rent assistance Voucher program. The Otter Tail County HRA administers Vouchers in the community. In 2014, approximately 22 Vouchers were in use in the City. Voucher assistance is portable, and moves with the household, so utilization will change from year to year.

Occupancy rates were generally high in the two senior/disabled subsidized projects. While a few vacancies existed, this was attributed to recent turnover. Most subsidized projects maintain waiting lists, so any turnover units are filled by an applicant that has been waiting for a unit to become available. It is possible that some units can remain temporarily vacant while a new applicant is being income-certified.

According to the 2012 American Community Survey, there were nearly 300 renter households in Perham that were paying 30% or more of their income for housing. Most of these households were paying 35% or more of their income for rental housing, which can be described as a severe rent burden. All of the renter households with a housing cost burden had an annual household income below \$35,000.

While most of the cost-burdened households were identified as age 65 or older, approximately 110 households paying 30% or more of their income for housing were in the age groups below 65 years old. Although many seniors continue to report a cost burden, there are more than 70 subsidized units that can serve these households, compared to no subsidized projects for general occupancy households needing two or more bedrooms.

Recommendation: Demographic evidence and rental survey findings point to unmet demand for very affordable rental housing, with rent based on household income. We would encourage the City, and its private development partners, to look for additional opportunities to secure subsidized housing resources. This could be in the form of project-based subsidized housing, or tenant-based rent assistance Vouchers. If resources for a new subsidized project can be secured, we would recommend a goal of constructing at least 24 units.

It is important to acknowledge that this is a goal, rather than an estimate of need. Based on waiting lists, income estimates and cost burden data, substantially more units could be successfully absorbed. But with very few resources available to develop “deep subsidy” housing, any expansion of supply is encouraged.

The research completed for this Study would be supportive of general occupancy housing, primarily with two or more bedrooms, since this segment of the lower income market is not currently being served in Perham. The cost burden statistics would also support additional construction in the senior/disabled segment of the market, but in the opinion of Community Partners Research, general occupancy units with two or more bedrooms would be a higher priority for the scarce resources that may exist.

With the difficulty of securing deep subsidy resources, it is unlikely that a single project of this scale could be instructed. Instead, it may be possible to have a portion of the units in a rental project set-aside for very low income renters. This could potentially be achieved through obtaining additional grant funding for a limited number of units in a mixed-income development. It may also be possible to secure some project-based rent assistance Vouchers from the County HRA.

4. Observations on Alternative Forms of Rental Housing

Findings: During the research process for this Study, there were some non-traditional forms of housing that were being discussed to address the community's need for an adequate work force. These included options such as dormitory-style units or studio/efficiency apartments. Shortly before the release of this Study, the Grow Perham group was actively discussing a project that would primarily create smaller efficiency apartments with a target rent of approximately \$400.

Although these types of housing options may exist in other communities, they have rarely been built in recent decades, unless they have been oriented to very specific market segments, such as post-secondary student populations, or people needing supportive services with their housing.

Recruitment efforts by KLN Family Brands for new workers may also attract single individuals into the community, looking for low cost housing options. The concept of efficiency apartments or studio units could potentially serve these populations, by providing a private living unit at a reduced cost.

Due to the employment demands of area companies, there are plans to bring in temporary workers from international locations. This could include workers with work permits that would live in the area for less than one year. Dormitory-style units could house these people at a lower cost than fully independent apartments. Small efficiency apartments could serve as an interim step for people relocating to the Perham area for employment.

While these small-unit housing concepts may be well matched to the potential needs of some workers, there are few comparable market examples that can be examined to determine feasibility. Private developers have generally not been producing this style of housing for the general rental market. The analysts are aware of one new studio apartment project in Watertown, SD that has largely catered to single workers. This project tends to have a high rate of turnover, as some people rent the units on a short-term basis until they can secure a larger, more permanent housing option.

In some communities, small rental units have been created through building conversion projects, often utilizing a former hotel or motel building that is conducive to reconfigure into efficiency/studio apartments. There are a number of former strip motels in the City of Alexandria that are now used as monthly rentals, and are often occupied by seasonal or limited-duration workers in the area. There may be one or more buildings in Perham that could be considered for possible conversion to this type of housing.

In Detroit Lakes, a large downtown building was converted into a mix of studio apartments and one-bedroom units. The Graystone Annex was able to secure federal low income housing tax credits to assist with the financing. This project was completed more than 10 years ago. In recent years, tax credits have generally been prioritized to family housing projects.

Recommendation: To meet the demands of workers, the development of alternative forms of rental housing is an appropriate strategy. However, this is unlikely to proceed as a for-profit development project, as private investors would generally have limited interest in long-term ownership of this type of housing. Instead, it would probably need direct backing by the employer, either through company ownership, or a longer-term master lease with a private developer.

While SRO units, dormitory-style housing or studio/efficiency apartments may be well-matched to current needs of some area workers, this type of housing would be less marketable in the future if temporary worker demand diminished.

Senior Housing with Services

Overview: Senior housing with services can cover a wide range of housing types. Assisted living and memory care housing are generally the most service-intensive units outside of nursing homes. High-service housing provides 24-hour staffing and a high level of assistance with daily living needs of residents. Housing with light services, sometimes referred to as congregate senior housing, generally offers a lower level of services, such as a daily meal and weekly light housekeeping. However, many light services senior projects do have additional services that can be purchased as needed, and with contracted home health care services, even skilled medical care can often be available to residents of light services units on a part-time basis.

A separate section of this Update addresses the existing inventory of specialized senior housing in Perham. It also compares the distribution of units by type to the target populations of senior citizens in the Perham area.

In 2014, the Perham Senior Living complex is actively planning an expansion of their facilities. They have commissioned a market analysis by Health Planning and Management Resources, inc., a company that specializes in senior projects. In addition to the project-specific research, Perham Senior Living also has direct knowledge of demand patterns and waiting list status from their existing operations. Community Partners Research did not have access to this detailed planning and research data.

The following recommendations should be viewed as general observations on the senior market in Perham. The information maintained by Perham Senior Living, including the Health Planning and Management Resources study, is viewed as the best available information on senior demand.

It is also important to state that the recommendations presented below have looked at overall demand, not competitive positioning for individual projects. We view Perham as a desirable location for specialized senior housing, with a hospital, services and community amenities that would appeal to seniors as they age. It is possible that more units may be proposed than we have recommended, as providers compete for market share. However, an oversupply of units would reduce occupancy rates in older, existing projects, as demand would not necessarily be sufficient.

5. Develop Specialized Memory Care Housing Options in Perham

Findings: Memory care housing represents a very specialized segment of the senior market. People with health issues due to dementia, Alzheimer’s Disease, or other causes may often be housed in assisted living centers, nursing homes, or less service-intensive forms of senior housing in the earlier phases of memory loss. However, as the problems progress, it is often necessary to provide housing in special facilities that provide a secure environment and care targeted to memory care residents.

The research for this Study did not identify any specific providers of memory care housing in Perham. The Perham Senior Living campus offers other forms of advanced senior care, but does not have a dedicated memory care wing.

There are a large number of specialized memory care options in the nearby communities of Detroit Lakes, Frazee and New York Mills. Detroit Lakes, in particular, has a relatively large number of units/beds dedicated to memory care needs. However, this would require Perham area residents to move to a different community if they needed this form of housing.

Recommendation: The development of specialized memory care housing in Perham would be an appropriate addition to the senior continuum of care that already exists in the community. Although specific details were not available to the analysts, a planned expansion at the Perham Senior Living campus would add memory care housing in the future. The proposed site for this housing would be at the former hospital building. No specific information on the number of beds was disclosed.

The 2007 study completed by Maxfield Research had calculated possible demand for up to 16 units/beds in Perham by the year 2012, and 10 to 14 units were recommended. Since that time, no units have been developed.

The demographic research by Community Partners Research, and presented earlier in this Study, projects that the Perham Market Area will have approximately 1,000 older senior citizens, age 75 and older, by the year 2020. This older senior population is slightly smaller in 2014, but will gradually grow through the remainder of the decade. If a capture rate of approximately 2% of the older senior population is applied, this would yield demand potential of approximately 18 to 20 units/beds in the Perham area by the year 2020. Potentially more units could be justified if a higher capture rate is applied, or a larger market area is used. However, it is important to note that memory care options already exist in neighboring communities, limiting the potential to draw residents from greater distances.

6. Support Proposed Expansion of Senior Housing with Services

Findings: Perham has one larger-scale provider of senior housing with services, Perham Senior Living, and a number of smaller-scale providers offering senior assisted living options in residential settings. While each of the smaller, board and lodging-style facilities offer their residents a high level of care, the options available at Briarwood, on the Perham Senior Living campus are more flexible.

Briarwood has 28 total senior apartments. It is physically connected to the skilled nursing home and St. James Manor, a subsidized senior apartment building. Briarwood can offer more independent senior living, with the basic monthly rent including all utilities, a noon meal, light housekeeping and emergency call system. However, additional services can also be purchased 'à la carte'. Over time, this building has tended to shift toward assisted living. According to the manager, increasingly seniors are acquiring more intensive services, including 24-hour care. More than two-thirds of current tenants acquire some additional services. The remaining one-third are viewed as oriented to housing with light services.

The residential assisted living facilities are Thomas House I-III, Prairie View Assisted Living, Some Place Special, and 7th Heaven Assisted Living. At single room occupancy, these board and lodging-style facilities have capacity for approximately 42 residents.

When compared to the population of older senior citizens in the Perham area, there is a relatively high percentage of assisted living capacity, and a relatively low supply of lighter services units. But this is based on the assumption that most of Briarwood's apartments have transitioned to higher-service assisted living over time. This may not be the case, as specific information on the level of services was not obtained.

The senior demographic data, presented earlier in this Study, show a growing population of senior citizens that are potential tenants for senior housing with services. However, most of the growth in the previous decade was due to younger seniors, age 65 to 74 years old. Within the Market Area, approximately 94 older senior citizens (age 75+) were added between 2000 and 2010.

Between 2010 and 2020, some additional net growth should continue to occur within the target population of senior citizens age 75 and older. However, in real terms, the incremental growth should be limited. The trend-based projections used for this Study point to a probable increase of approximately

150 older seniors in the Perham area by 2020. After 2020, larger-scale growth would be expected within the older senior age ranges, as the baby boom generation moves through the aging cycle.

Occupancy rates in the existing supply of units/beds tend to be high, although some unused capacity was present in some of the board and lodging-style facilities. Briarwood, part of the Perham Senior Living campus, reported full occupancy and a waiting list. In the opinion of the analysts, Briarwood has a competitive advantage, as part of a larger senior continuum of care campus, and based on the style and age of the facility.

Recommendation: The Perham Senior Living complex is actively planning an expansion of their campus in 2014. Although specific details were not disclosed, it will probably include some expansion of housing with services units. Based on the flexible model that is currently offered in Briarwood, it is assumed that the new expansion will allow for a reconfiguration of services, essentially expanding opportunities for both independent senior living with only light services, as well as options for assisted living. The proposed expansion is based on existing demand, as evidenced by their waiting list, and is supported by a project-specific analysis that has been completed.

The general research completed for this Housing Study would support a modest expansion of housing with services units at the Perham Senior Living campus. Unmet demand is already evident at Briarwood. The older senior population in the area continues to grow, although at a moderate rate over the next few years.

In the opinion of Community Partners Research, additional near-term units should be needed in the lighter services segment of the market. While Briarwood once served this market need, over time it has shifted to offering more service-intensive housing, effectively reducing options for more independent seniors. With the flexible approach that has been used at Briarwood, the proposed expansion at Perham Senior Living will probably allow seniors to age-in-place, by initially accessing lighter services housing, but offering the ability to add more intensive services over time.

Another housing with services expansion was also underway at the time of this Study as Prairie View Assisted Living was planning a third house with capacity for 7 or 8 people. Prairie View has current capacity for 12 residents in two residential structures. Residents have a private sleeping room with a private bathroom. All other living spaces are shared between the residents of the home. Construction of the third house will start in 2014.

Home Ownership Recommendations

Overview: The City of Perham experienced a significant amount of new housing construction and development in past years, especially in the first half of the last decade. 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 176 single family units were constructed. This total would include both detached and attached structures.

Although unit production was strong over this 14-year period, much of the activity took place in the early years of the last decade. Most of the single family activity (including attached and detached) occurred from 2000 to 2006, at a time when state and national housing construction activity was also very strong. During this 7-year period, there were 114 single family units that were issued a building permit, or an average of approximately 16 units per year. Single family housing starts peaked in 2002, when 22 permits were issued.

After 2006, single family activity slowed somewhat, although the number of units did vary from year to year. In the 7-year period from 2007 to 2013, the total number of single family units that were permitted dropped to 62, or an annual average of nearly nine units per year.

The downward trend in single family housing construction in Perham 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.

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 in the prior decade. Between 2000 and 2010, the net growth in home ownership trailed well behind the net production of single family housing in Perham.

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 140 single family units constructed in Perham during this time period, but a net gain of only 77 owner-occupancy households during the same time period.

If actual growth in ownership households is examined, rather than housing starts, demand for owner-occupancy units in Perham averaged fewer than eight households per year in the prior decade. This number is very similar to the annual average of nine single family housing starts per year, the level the City has averaged between 2007 and 2013.

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 to the year 2000. Over this time period, there has been a general upward trend in the median home sale price in the City. However, the highest median price levels were achieved in 2008 and 2006. After 2008 the median sale price dropped for the next two years. In 2013, the median price was nearly equal to the level that existed in 2006.

Going forward, the household growth projections used for this Study expect continued demand for owner-occupied housing construction to the year 2020 and beyond. The forecasts for growth-generated demand should yield the potential for approximately 10 to 15 owner-occupancy units per year. A limited amount of additional production has also tended to occur for unit replacement or pent-up demand for certain unit styles. We would not expect this additional production to be as large, so an overall production forecast of 10 to 15 houses per year in Perham appears to be realistic for the remainder of the decade.

This demand forecast is generally consistent with the recommendations that were contained in the 2007 study by Maxfield Research, which had recommended between 14 and 18 single family units per year through the year 2020. However, the City has only achieved this annual level of production in one year since 2007.

It should be noted that much of the regional demand for home ownership housing will be met outside of the City limits, especially in the rural areas and lake shore settings that surround Perham. As stated previously, historically Perham has captured approximately one-third of the demand that has existed within the entire Market Area. The demand forecast and recommendations that follow are specific to the City of Perham. Different segments of the home ownership market will be addressed in the individual recommendations that follow.

7. Most Demand for Single Family Home Construction will be for Moderate to Higher Priced Trade-Up Housing

Findings: The demographic analysis contained in this Study has tracked the advancing segment of the population that exists in the age ranges between 55 and 74 years old. As the large “baby boom” generation has moved through the aging cycle, they have created demand for age-appropriate housing options.

The tenure preference patterns within these growing age segments are clearly defined. In 2010, the home ownership tenure rates for Perham Market Area households in the 55 to 74 year old ranges were above 88%. Over the next several years, households age 55 and older will account for most of the area’s net increase in households. While Perham has been able to capture a portion of this demand, the rural areas and lake shore options that exist around Perham also represent an attractive option for trade-up housing.

Perham has a local development community that is well-suited to serve this segment of the market. The City has four or more active subdivisions that can accommodate moderately priced to higher priced housing. Infill lots also exist around the community, although these may often be less desirable for higher priced homes. Builder capacity exists, as the active subdivisions have been continually adding homes in recent years.

Recommendation: Housing units that are attractive to middle-aged and older adult households will continue to represent the largest share of home ownership demand in the Perham area over the five-year projection period. The forecasts used in this Study expect between 60% and 70% of the demand to be in a moderate to higher price ranges. This would equate to approximately 6 to 10 trade-up housing units per year in the City of Perham.

Moderate to higher priced houses should represent a mix of single family detached homes, as well as attached housing, which can appeal to mature households as they age. While attached housing units, such as twin homes or town houses, would be well-matched to life-cycle needs, it is likely that this segment of the market will remain suppressed until people regain confidence in the strength of the home ownership market. Attached housing will be discussed in greater detail later in this section.

Since households age 55 and older will typically own their current housing, the decision to purchase a different house will be based on economic conditions. The perceived strength of the local economy will have an impact on the confidence to invest in new housing in the community. They will also need to sell their existing home, typically of lower value. The projected decline in the

number of households age 54 and younger through the year 2020 would imply some reduced future demand from younger buyers, although this reduction would be small. Over time, it appears that some older homes have converted to rental use when they are sold, possibly in response to insufficient demand from owner-occupants.

As stated previously, our calculation is based on average annual demand, and in any given year there is potential for actual unit construction to be above or below the five-year average.

Housing construction that serves the moderate to higher price ranges will not generally require any active public role. This segment of the market can be well-served by the private development community. In Perham, it is unlikely that any additional subdivisions will be needed in the near-future, so land availability or public infrastructure extensions are less likely to be a development issue.

8. Promote Entry-Level Options for First-Time Home Buyers

Findings: Like many communities across the State, Perham elected to become actively involved in the promotion of affordable housing. The Clearwater Subdivision is publicly-owned. It was created to provide affordable lot options for new home construction. Lot prices start at approximately \$10,500. City TIF assistance is available that reduces or eliminates special assessments.

Some affordable speculative home construction has been done in Clearwater, including houses built by the Perham HRA and West Central Communities Action, although as many as three spec homes were unsold when the research for this Study was completed. In 2014, approximately 23 vacant lots are available in the most recent development phase of Clearwater, most of these still publicly-owned.

In addition to reduced pricing for lots, the City and the Perham HRA offer financial incentives to qualified home buyers, including Tax Increment Financing (TIF) assistance, and buyer assistance in the form of loans/deferred loans through an employer assistance fund and the Greater Minnesota Housing Fund (GMHF). These incentive programs can also be used in some of the other subdivisions in the City, including Westwind and Prairie's Edge. According to staff, 60 or more incentive loans have been made over time, but only a few of these incentive loans have been made in past few years.

Perham's experience with limited activity in the entry-level segment of the new home market is similar to trends in other communities. 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.

In New York Mills, lot costs are as low as \$1,000 in a City-owned subdivision, with TIF assistance and incentive loans available to qualified buyers. Only one affordable home has built in this subdivision since 2006.

Recommendation: The projections used for this Study do expect some potential demand for entry-level home construction, but this demand will be limited. Based on our calculations on projected age patterns and tenure demand, we would expect between 30% and 40% of the annual demand to be for a more affordable product. In an average year, this would equate to demand potential for approximately four to six lower-priced new homes per year.

While potential demand should be at this level, there are some limiting factors. The primary factor will be pricing. Entry-level homes generally imply a product that can sell for less than \$175,000. In Perham, recent efforts have attempted to keep this price even lower, with recent spec home activity priced below \$160,000. Houses that can be built in an affordable price range often have a limited amount of finished space, and few upgrade amenities. When features are added, the price increases substantially, as indicated by the \$200,000+ prices in the affordable subdivision in Detroit Lakes.

A second limiting factor is the existence of a relatively affordable existing housing stock, although the number of existing homes for sale at any given time in Perham tends to be small. Over each of the past five years, the median sale price for existing homes in Perham has been less than \$125,000. Even lower prices exist in the smaller communities in the region. With existing homes available, potential buyers of affordable new construction will have competitive options in the for sale market.

The third factor that will limit demand in this segment 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.

Perham has already taken an active role in the entry-level segment of the market, with publicly-owned lots and an array of incentive loan options. Continued promotion of the opportunities that exist will help the City achieve the potential that exists within this segment of the market.

9. Demand Should Gradually Begin to Increase for Attached Ownership Options

Findings: When new construction housing markets were extremely active in the first half of the last decade, there was a growing market share that was being captured by attached housing units intended for owner-occupancy. The popularity of attached unit styles had multiple causes. One advantage was price, as twin homes and town houses generally represented a cost advantage in land, construction and infrastructure costs compared to detached houses.

A second advantage of attached single family housing was lifestyle-related. A growing number of empty-nesters and younger seniors generated increased demand for age-appropriate housing that provided appropriate amenities to older adult buyers, and offered a “no maintenance” option of ownership.

As the national housing markets retreated in the late 2000s, alternative housing products, such as attached single family, often suffered the greatest hit. When people became concerned about owning or investing in new construction, they became even more concerned about less traditional products. In some Greater Minnesota communities where attached construction was strong, it was starting to represent more than 20% of all single family housing starts before the housing collapse. However, in 2014, attached housing tends to represent a small share of new construction in most communities.

Concerns also developed in the lending community about projects that had resident associations. As unit sales slowed, projects that had owner associations were not able to get the monthly payments out of unsold or foreclosed units. As a result, people that had bought into the project were required to pay extra amounts to support the maintenance and upkeep of the project. In response, some attached housing projects were required to demonstrate a certain percentage of pre-sale activity to lenders as a condition of securing financing.

Recommendation: Although attached housing for owner-occupancy never achieved a large market share in Perham, between 2000 and 2004, approximately 15% of all single family housing starts were in attached units. Over the past five years, this percentage has dropped below 10% of all single family construction activity.

Although demographic patterns are conducive to attached ownership housing construction, this segment of the market will probably remain suppressed until full confidence returns in the strength of the housing market. Throughout the five-year projection period, it is probable that attached units could attract a larger share of the new construction market. If a 15% share can once again be reached, this could potentially be two to four units in an average year. Demand will primarily come from older adult households, and unit features and amenities should be conducive to the life-cycle needs of empty-nester and senior households.

This recommendation is slightly lower than the forecast contained in the Maxfield Research study in 2007. Part of the Maxfield recommendation was based on an assumption that younger buyers would represent a portion of the market. In 2014, this seems less likely, as attracting younger buyers into new detached houses has been limited, and no evidence exists of younger buyers looking for attached homes.

One additional factor that could suppress near-term construction of attached housing is the existence of new rental town homes in the Pine Edge project. These two and three-bedroom rental options, with features including in-unit laundry and attached garage parking will provide a “care free” option for people looking for more age-appropriate housing. Rather than buy a town house unit, some people will instead elect to rent, especially at the attractive pricing for these rental units.

Attached housing is another segment of the home ownership market that should not require any direct public involvement. The private development community will generally respond, given adequate demand from consumers. There may be a limited public role in assuring that adequate planning/zoning approvals are made to assure lots and subdivisions that include attached housing.

10. Monitor Demand for Additional Subdivision/Lot Development

Findings: In 2014, the City of Perham has an adequate supply of residential lots, when compared to recent annual absorption rates. Some of the subdivisions have had very few lot sales in the past few years. While none of the existing subdivisions were identified as being in financial distress, there is some downward price pressure on lots, due to slow sales.

There are also fairly large unsold lot inventories elsewhere in the region, including Detroit Lakes and New York Mills. Some of the lots in Detroit Lakes have reverted to bank ownership. In New York Mills, some city-owned lots are being marketed as low as \$1,000 to income-qualified buyers.

The research for this Study identified as many as 60 improved lots available in at least four subdivisions in Perham. There are additional lots scattered around the community, including some lots that have previously been purchased, but are now being resold by the owner, and infill lots that remain in older development areas. The three largest active subdivisions, Clearwater, Westwind and Prairie's Edge, each have future development phases that are platted but not improved.

Specific pricing information was available for many of the lots. Most of the lots appear to be in a more affordable range, with multiple options priced below \$20,000.

Recommendation: The best available information on lots and subdivisions suggests that the supply is more than adequate for several years of future housing construction. While additional lot development would not be recommended in 2014, the supply and demand should be monitored. It is possible that certain types of lots may be needed in the future.

We would typically recommend that the supply of improved lots, or those in the development pipeline, be adequate to accommodate at least 2 ½ years of anticipated construction. The projected annual demand is projected between 10 and 15 lots per year. At that rate of absorption, the primary active subdivisions have a supply that could potentially exceed four years. While it is possible that the level of home building could rebound to higher level, the peak year for home construction in Perham was 22 houses in 2002. Even if this level could be reached and sustained, The current inventory of 60+ lots would represent more than a 2 ½ year supply.

The City already is involved in this housing segment, with public ownership of the Clearwater Subdivision. Any additional public role in this part of the market should be limited. In 2014, there is a relatively large inventory of lower priced lots. The two primary privately-owned subdivisions both have capacity for additional lot development phases.

Rehabilitation and Other Housing Issues

11. 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 Perham does contain an estimate of the age. For owner-occupancy units, the estimated median year of construction was 1972. Based on this estimate, more than 50% of the single family units in the City are more than 40 years' old.

A significant percentage of the housing stock is even older. The ACS estimated that approximately 155 owner-occupied housing units were constructed before 1940. This represented nearly 20% of all owner-occupancy units in the City. This was slightly 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 are deferred, older housing can slip into disrepair.

Discussions with City staff indicated that there are no specific neighborhoods in Perham that had large concentrations of substandard housing. However, two older neighborhoods in the northern portion of the City were viewed by the analysts. Although a large majority of the houses in each neighborhood were rated within one of the top two condition categories, there were also units needing repair. In the combined neighborhoods, approximately 15% of all rated houses were judged to be in one of the two lowest condition categories, including four houses that may be suitable for demolition and clearance.

Recommendation: Perham 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 last SCDP grant was closed out in 2012.

For several years, the SCDP program had moved away from larger grant awards that were focused on larger-scale impact. Instead, smaller annual awards were made to support sustained rehabilitation approaches. The program has changed back, and larger awards are again being made, making targeted neighborhood projects more achievable. However, since Perham may not have concentrated areas of need, achieving neighborhood impact may not be possible.

With a sizable single family inventory of older homes, ongoing efforts will be required to maintain and improve the older 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 \$125,000, lower than 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.

12. Promote Rental Housing Rehabilitation

Findings: As the second largest city in Otter Tail County, Perham has an above-average volume of rental housing units. Efforts to maintain and improve this stock of housing are important affordable housing strategies.

According to the 2010 Census, the City's rental tenure rate has increased, and was above 44% of all households. An estimate on the age of rental housing, from the 2012 American Community Survey, placed the median year of construction for rental units at 1980. According to this source, nearly 150 rental units in the City were constructed before 1940.

Although many rental units are old, property owners may have strong incentives to keep them in sound condition. A strong rental market, with high occupancy rates can motivate owners to maintain their units. The City also has a rental housing registration program that can help to monitor the rental stock.

The housing condition survey that was completed in two of the City's older neighborhoods could not identify housing tenure. However, it is known that a number of older single family homes in the City are renter-occupied. It is therefore probable that some of the houses judged to be in need of repair represent rental properties.

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. 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.

13. 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 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.

14. Acquire and Demolish Dilapidated Structures as Needed

Findings: The housing condition survey completed within two older neighborhoods in Perham identified four homes that are dilapidated and probably too deteriorated to rehabilitate. There are also 23 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. Based on the findings of the neighborhood housing condition analysis, some opportunities exist in Perham.

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. Groups promoting affordable ownership, such as Habitat for Humanity may have an interest in using cleared lots for affordable replacement housing.

Perham in Comparison to Other Cities

Some standardized data sources exist that can be used to compare the City of Perham to other communities in the region. For demographic items such as population and household growth, the decennial U.S. Census, along with more recent estimates by the Minnesota State Demographer's Office can be used.

For information on household income and housing costs, the best source is the Census Bureau's American Community Survey, which collects sample data within each community and then generates estimates from these samples. There is a margin of error that exists in the American Community Survey estimates, depending upon the specific variable being examined. However, the same sample methodology would be used in each city, so a standardized process does exist.

Perham is somewhat unique as a relatively small city that serves as a regional employment center. As a result, comparisons have been made with small cities in the region, which are more similar in population, as well as communities that are substantially larger, but are also areas with larger-scale job growth.

The specific smaller communities selected for comparison include New York Mills, Ottertail, Battle Lake and Frazee. The larger communities are Wadena, Detroit Lakes, Fergus Falls and Alexandria.

Population in 2013

The most recent official population estimates are from the Minnesota Demographer’s Office and are effective for the year 2013. This provides for a comparison of the relative size of each community.

Table 35 Comparison of Population in 2013		
City	Estimated Population in 2013	Rank 1 = Largest population
Perham	3,095	5
New York Mills	1,199	7
Wadena	4,098	4
Frazee	1,390	6
Ottertail	592	9
Battle Lake	887	8
Detroit Lakes	8,851	3
Fergus Falls	13,295	1
Alexandria	13,045	2

Source: State Demographer; Community Partners Research, Inc.

The City of Perham is in the middle of the nine communities included in this comparison section. The Cities of Fergus Falls, Alexandria and Detroit Lakes are substantially larger, but are other employment centers in the immediate region.

The two communities that are most similar to Perham for total population are Wadena, which had approximately 1,000 more residents than Perham in 2013, and Frazee, which had approximately 1,700 fewer residents.

The Cities of Frazee, New York Mills, Battle Lake and Ottertail are substantially smaller than Perham, but are all located within reasonable commuting distance.

Household Estimate in 2013

Table 36 Comparison of Households in 2013		
City	Estimated Households in 2013	Rank 1 = Most households
Perham	1,354	5
New York Mills	533	7
Wadena	1,849	4
Frazee	560	6
Ottertail	253	9
Battle Lake	389	8
Detroit Lakes	4,011	3
Fergus Falls	5,907	2
Alexandria	6,149	1

Source: State Demographer; Community Partners Research, Inc.

Consistent with total population, Perham was in the middle of the comparison cities for total number of households.

Alexandria actually had more households than Fergus Falls, based on the 2013 State Demographer estimates. Fergus Falls had a larger group quarter's population than Alexandria, living in facilities such as student housing complexes.

Population Change 2000 to 2010

Table 37 Comparison of Population Change - 2000 to 2010			
City	Numeric Change 2000 to 2010	Percentage Change 2000 to 2010	Rank 1 = Highest % Growth
Perham	+426	16.6%	4
New York Mills	+41	3.5%	6
Wadena	-206	-4.8%	9
Frazee	-27	-2.0%	7
Ottertail	+121	26.8%	1
Battle Lake	+128	17.1%	3
Detroit Lakes	+1,221	16.6%	5
Fergus Falls	-333	-2.5%	8
Alexandria	+2,250	25.5%	2

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

The City of Perham experienced population growth of 16.6% between 2000 and 2010. This placed the community near the middle of the comparison communities. However, the City did generally outperform the other communities, for the rate of growth when a closer examination is made.

The City of Ottertail had the largest percentage growth, but this was due in part to the City's relatively small size, which yielded a larger percentage change with the numeric addition of 121 people. The City of Alexandria also had a large percentage increase, and ranked second for the rate of growth, but it is known that much of this was attributable to annexation activity between the City and the adjoining Townships. Battle Lake ranked third among the comparison communities, but once again this is a relatively small community, and the net gain of 128 residents yielded a large percentage change.

Three of the comparison communities, Fergus Falls, Wadena and Frazee, each had a net loss of residents over the previous decade.

Household Change 2000 to 2010

Table 38 Comparison of Household Change - 2000 to 2010			
City	Numeric Change 2000 to 2010	Percentage Change 2000 to 2010	Rank 1 = Highest % Growth
Perham	+200	18.1%	3
New York Mills	+41	8.3%	6
Wadena	-31	-1.7%	9
Frazee	+36	7.1%	7
Ottertail	+55	28.9%	1
Battle Lake	+59	18.0%	4
Detroit Lakes	+545	16.4%	5
Fergus Falls	+181	3.2%	8
Alexandria	+1,251	30.9%	2

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

The City of Perham also added more households than most of the comparison communities, when viewed as percentage growth.

Ottertail once again showed the largest percentage increase, but as the smallest city used in the comparison, Ottertail showed a larger percentage change than the bigger communities while adding 55 households. Alexandria ranked as the second largest for percentage growth, but much of this would have been caused by annexation of existing households that had formerly been in the surrounding townships.

Only one of the comparison communities, Wadena, actually lost households over the prior decade. Both Frazee and Fergus Falls had experienced some population loss, but both of these communities added some households. Wadena lost both population and households over the decade.

Average Household Size in 2013

The Minnesota State demographer’s Office has issued estimates of average household size. The most recent estimates at the city level are for 2013. A small average household size generally indicates an aging population, with many people living alone, as well as fewer children in the community.

Table 39 Comparison of Average Household Size in 2013		
City	Average Household Size 2013 MN State Demographer	Rank 1 = Highest Median Size
Perham	2.19	3
New York Mills	2.12	8
Wadena	2.13	6
Frazee	2.38	1
Ottertail	2.34	2
Battle Lake	2.14	4
Detroit Lakes	2.12	7
Fergus Falls	2.14	5
Alexandria	2.06	9

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

Perham had the third largest average household size of the comparison communities, at 2.19 persons. While the City compared well with this group of cities, the average household size was much smaller than the Statewide average of 2.48 persons per household in 2012 (2013 average has not yet been released).

The Cities of Frazee and Ottertail had the largest average household sizes, at 2.38 and 2.34 persons, respectively. These were the only cities in the comparison group that had an average household size above 2.20 persons per household.

Alexandria had the smallest average household size at 2.06 persons. This is partly due to the fact that Alexandria has a very large stock of rental housing in the city limits, including many senior options, and a very high rate of home ownership in the townships that immediately surround the City.

Median Age in 2010

The 2010 Census included a calculation of the median age for all residents. A higher median age is typically an indicator of both an older population, and fewer children within a community.

Table 40 Comparison of Median Age in 2010		
City	Median Age - 2010 Census	Rank 1 = Lowest Median Age
Perham	41.5	4
New York Mills	38.9	3
Wadena	42.0	6
Frazee	36.7	1
Ottertail	47.7	8
Battle Lake	49.5	9
Detroit Lakes	41.6	5
Fergus Falls	43.4	7
Alexandria	38.8	2

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

Perham was near the middle of the comparison group, with the fourth youngest median age, at 41.5 years. For comparison, the median age Statewide in 2010 was at 37.4 years.

Frazee had the lowest median age, at 36.7 years. Alexandria had the second lowest median age. Like some of the other comparison communities, including Detroit Lakes, Wadena and Fergus Falls, Alexandria has a student population which adds younger residents to the community. However, despite the impact of some students, Detroit Lakes, Wadena and Fergus Falls all had an older median age than Perham.

The two smallest cities used in this comparison, Battle Lake and Ottertail, had the oldest median ages, at 49.5 and 47.7 years respectively.

Rental Tenure Rate

The 2010 Census provided information on the number and percent of home owners and renters within each community. Larger cities often have a higher rental rate than small cities, as multifamily rental projects are generally constructed within regional centers. The following table examines the rental tenure percentage.

Table 41 Comparison of Rental Tenure in 2010		
City	Percent Renters - 2010 Census	Rank 1 = Lowest Rental Percentage
Perham	43.9	8
New York Mills	41.5	6
Wadena	40.1	5
Frazee	42.0	7
Ottertail	19.6	1
Battle Lake	32.9	2
Detroit Lakes	39.5	4
Fergus Falls	36.2	3
Alexandria	47.9	9

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

Perham had the second lowest rate of owner-occupied housing among the comparison communities, with a rental rate of 43.9%.

Alexandria was the only city with a higher rental rate, but Alexandria is somewhat unique in that the immediately surrounding townships are generally extensions of the City, and have a high rate of owner-occupancy. Many of the other comparison cities, including Perham, Detroit Lakes and Fergus Falls also have high rates of home ownership outside of the City, but in most cases, these houses are farther removed from the city borders. In Alexandria, the township development is often immediately contiguous to the city limits, and the high rental rate is somewhat misleading.

The lowest rates of rental housing were present in the smallest communities of Ottertail and Battle Lake.

Median Household Income in 2012

The American Community Survey issues estimates for the median income for all households in each City. The most recent estimates are for 2012.

Table 42 Comparison of Estimated Median Household Income in 2012		
City	Median Income - 2012 ACS	Rank 1 = Highest Median Income
Perham	\$41,382	1
New York Mills	\$36,635	6
Wadena	\$26,766	9
Frazee	\$35,313	8
Ottertail	\$40,694	3
Battle Lake	\$38,011	5
Detroit Lakes	\$39,846	4
Fergus Falls	\$41,080	2
Alexandria	\$36,211	7

Source: 2012 American Community Survey; Community Partners Research, Inc.

Perham had the highest median household income of the nine comparison communities, at \$41,382 in 2012.

Fergus Falls and Ottertail ranked two and three, and also had medians that were above \$40,000.

Wadena had the lowest median income and was the only comparison city with a median below \$30,000.

Median Owner-Occupancy Household Income in 2012

The American Community Survey issues estimates for the median income for all households in each city based on housing tenure. The most recent estimates are for 2012.

Table 43 Comparison of Estimated Owner Household Income in 2012		
City	Median Income - 2012 ACS	Rank 1 = Highest Median Income
Perham	\$57,966	3
New York Mills	\$51,685	5
Wadena	\$44,398	6
Frazee	\$43,214	7
Ottertail	\$41,528	8
Battle Lake	\$40,417	9
Detroit Lakes	\$58,598	2
Fergus Falls	\$59,440	1
Alexandria	\$52,650	4

Source: 2012 American Community Survey; Community Partners Research, Inc.

Although Perham had the highest median income for all households, the City had the third highest median when only home owners were examined.

Fergus Falls and Detroit Lakes had the highest median income levels for home owners. These two cities, along with Perham, each had home owner medians above \$57,000.

Battle Lake, Frazee, Ottertail and Wadena each had a median home owner annual income that was below \$45,000.

Median Home Value in 2012

The 2012 American Community Survey contains an estimated median value for owner-occupied houses in each City.

Table 44 Comparison of Estimated Median Home Values in 2012		
City	Median Owner-Occupied Home Value - 2012 ACS	Rank 1 = Highest Median Value
Perham	\$147,600	4
New York Mills	\$87,700	9
Wadena	\$97,700	7
Frazee	\$92,800	8
Ottertail	\$187,500	1
Battle Lake	\$141,700	5
Detroit Lakes	\$154,900	2
Fergus Falls	\$114,700	6
Alexandria	\$153,500	3

Source: 2012 American Community Survey; Community Partners Research, Inc.

Perham was just above the middle of the group of comparison cities with a median home value of \$147,600 in 2012. Although a higher median value can make home ownership more difficult, a higher value generally reflects stronger demand, and may indicate better quality units.

The Cities of Ottertail, Detroit Lakes and Alexandria had the highest median home values, at \$187,500, \$154,900 and \$153,500, respectively. Each of these cities has some lake shore properties within the community which tend to have higher values.

The lowest median value was in New York Mills, at \$87,700. New York Mills, Frazee and Wadena each had a median home value that was below \$100,000 in 2012.

Percentage of Household Income Required for Home Ownership in 2012

The American Community Survey collects information on household incomes as well as housing costs. An estimate is then made of the percentage of household income that is required for ownership costs. This includes households with and without a mortgage.

Table 45 Comparison of Estimated Median Ownership Costs in 2012		
City	Median Percentage of Household Income Applied to Home Ownership Costs - 2012 ACS	Rank 1 = Lowest Median Percentage
Perham	18.2%	3
New York Mills	17.7%	1T
Wadena	22.9%	8
Frazee	19.1%	5
Ottertail	24.2%	9
Battle Lake	21.1%	7
Detroit Lakes	18.9%	4
Fergus Falls	17.7%	1T
Alexandria	20.9%	6

Source: 2012 American Community Survey; Community Partners Research, Inc.

Perham had the third lowest percentage of income required for ownership. The City did have a higher median home owner income than most of the other comparison cities, which contributes to this lower percentage.

Only Fergus Falls and New York Mills residents had to apply a lower percentage of their income for home ownership. It should be noted that the estimated median home value in both of these communities was much lower than the median value in Perham.

Ottertail had the highest percentage of income required for home ownership. Ottertail had the highest median home value of the comparison communities, but had the second lowest median home owner income.

Percentage of Household Income Required for Home Ownership in 2012 - Owners with a Mortgage

While the previous table was useful in examining ownership housing costs, it included all home owners, including those without a mortgage that may have owned their current home for many years. The following table only examines households with a mortgage in 2012.

Table 46 Estimated Median Ownership Costs with Mortgage in 2012		
City	Median Percentage of Household Income Applied to Home Ownership Costs - 2012 ACS	Rank 1 = Lowest Median Percentage
Perham	23.3%	4
New York Mills	19.4%	1
Wadena	28.4%	8
Frazee	19.8%	2
Ottertail	35.4%	9
Battle Lake	23.4%	5
Detroit Lakes	23.5%	6
Fergus Falls	21.4%	3
Alexandria	25.3%	7

Source: 2012 American Community Survey; Community Partners Research, Inc.

Perham ranked near the middle of the comparison cities for the percentage of income required for ownership for households with a mortgage. As stated previously, the City did have a higher median home value than most of the other comparison.

New York Mills, Frazee and Fergus Falls required the lowest percentage of income for a mortgage. The median home value in each of these cities was \$30,000 to \$60,000 lower than in Perham.

Ottertail and Wadena had a higher percentage of income needed for ownership costs among households with a mortgage. Both of these communities were in the bottom half of the comparison for owner-occupancy median income.

Median Renter Household Income in 2012

The American Community Survey issues estimates for the median income for all households in each city, based on owner or renter status. The most recent estimates are for 2012.

Table 47 Comparison of Estimated Median Renter Income in 2012		
City	Median Income - 2012 ACS	Rank 1 = Highest Median Income
Perham	\$22,135	3
New York Mills	\$17,986	8
Wadena	\$15,737	9
Frazee	\$20,250	7
Ottertail	\$29,000	1
Battle Lake	\$25,568	2
Detroit Lakes	\$21,901	5
Fergus Falls	\$20,414	6
Alexandria	\$22,083	4

Source: 2012 American Community Survey; Community Partners Research, Inc.

Perham had the third highest renter median income, at \$22,135. Although this ranked well among the comparison communities, it was substantially lower than Perham's median income for owner-occupants of nearly \$58,000.

Both Battle Lake and Ottertail had higher medians for renter households, but this may have been due to the limited sampling that was conducted, as both of these cities have a smaller number of renter households.

The lowest median renter income levels were in Wadena and New York Mills, both below \$18,000 per year.

Median Gross Rent in 2012

The 2012 American Community Survey contains an estimated median for gross rent (rent plus tenant-paid utilities) in each city.

Table 48 Comparison of Estimated Median Gross Rent in 2012		
City	Median Gross Rent - 2012 ACS	Rank 1 = Highest Median Rent
Perham	\$578	5
New York Mills	\$563	7
Wadena	\$494	9
Frazee	\$571	6
Ottertail	\$783	1
Battle Lake	\$759	2
Detroit Lakes	\$608	3T
Fergus Falls	\$554	8
Alexandria	\$608	3T

Source: 2012 American Community Survey; Community Partners Research, Inc.

Perham was in the middle of the comparison group, with a median gross rent of \$578 per month.

While a lower rent structure makes housing more affordable, it can also be an indicator of condition and quality, as there may be a small supply of newer units with high quality amenities.

The highest gross rents existed in Ottertail and Battle Lake. However, this may represent a sampling error, as both of these communities have a limited number of renters, and the sample may have overweighted the surveyed units.

Wadena and Fergus Falls had the lowest median gross rents. Both of these communities have a relatively large supply of rental housing, and both experience limited household growth over the previous decade.

Percentage of Household Income Needed for Rental Costs in 2012

The American Community Survey collects information on household incomes as well as housing costs. An estimate is then made of the percentage of household income that is required for monthly rent.

Table 49 Comparison of Estimated Median Renter Costs in 2012		
City	Median Percentage of Household Income Applied to Gross Rent - 2012 ACS	Rank 1 = Lowest Median Percentage
Perham	28.9%	2
New York Mills	29.8%	5
Wadena	37.9%	9
Frazee	29.5%	4
Ottertail	27.0%	1
Battle Lake	31.5%	8
Detroit Lakes	30.2%	6
Fergus Falls	29.4%	3
Alexandria	31.4%	7

Source: 2012 American Community Survey; Community Partners Research, Inc.

Perham had the second lowest percentage of income required for rental, at 28.9%. Only renters in Ottertail needed to apply a smaller share of their income for housing in 2012.

The goal of most affordable housing programs is to achieve a rent that requires less than 30% of household income. Four of the nine comparison cities, required the median household to pay 30% or more of income for rental housing in 2012.

Wadena had the least affordable rental housing when compared to household income, with 37.9% of income required for monthly rent. However, Wadena also had the lowest median household income for renters.

Median Year Built: Owner-Occupancy Housing

The American Community Survey issues estimates for the median year of construction for owned and rented housing units.

Table 50 Median Year of Construction for Owner-Occupied Housing		
City	Median Year Built - 2012 ACS	Rank 1 = Newest Median
Perham	1972	4
New York Mills	1969	5
Wadena	1955	9
Frazee	1963	7
Ottertail	1985	1
Battle Lake	1973	3
Detroit Lakes	1968	6
Fergus Falls	1960	8
Alexandria	1976	2

Source: 2012 American Community Survey; Community Partners Research, Inc.

Perham was near the middle of the comparison group for the median age of the owner-occupancy housing stock. The median year of construction for owner-occupied units was 1972.

Ottertail had the newest housing stock, with the median year of construction at 1985 for owner-occupancy housing. As with other Ottertail estimates, the limited sampling that can be completed in a small community could impact the estimate.

Wadena and Fergus Falls had the oldest housing stock with 1955 and 1960, respectively, as the median years of construction.

Median Year Built: Renter-Occupancy Housing

The American Community Survey issues estimates for the median year of construction for rented housing units.

Table 51 Median Year of Construction for Renter-Occupied Housing		
City	Median Year Built - 2012 ACS	Rank 1 = Newest Median
Perham	1980	4
New York Mills	1993	1
Wadena	1973	7
Frazee	1972	8T
Ottertail	1985	2
Battle Lake	1981	3
Detroit Lakes	1976	6
Fergus Falls	1972	8T
Alexandria	1977	5

Source: 2012 American Community Survey; Community Partners Research, Inc.

For rental housing, Perham had a median year of construction of 1980, ranking the community near the middle of the comparison cities for age of housing.

New York Mills had the newest median age, at 1993. Many of the larger rental projects in New York Mills were constructed over the last 30 years, resulting in a relatively new median age.

Frazee and Fergus Falls had the oldest housing stock with 1972 as the median year of construction for rental units.