

Barnesville COMPREHENSIVE HOUSING STUDY

November 2010



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Introduction

Overview

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

Community Partners Research, Inc., was hired by the Barnesville Economic Development Authority to conduct a study of the housing needs and conditions in the City of Barnesville.

Goals

The multiple goals of the study include:

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

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from August to November 2010. Data sources included:

- ▶ U.S. Census Bureau
- ▶ Demographic estimates and projections from the State Demographer
- ▶ Claritas, Inc.
- ▶ Records and data from the City of Barnesville
- ▶ Records and data maintained by Clay County
- ▶ Interviews with City elected officials and staff
- ▶ Interviews with community leaders
- ▶ Interviews with people familiar with the area's housing conditions including realtors, property managers and developers
- ▶ Area housing agencies
- ▶ State housing agencies
- ▶ Rental property owner surveys

Limitations

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

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Demographic Data Overview

Sources of Data

The following pages contain updated demographic data obtained from a variety of local, state and national sources. For basic population and household information, the Minnesota State Demographer's Office represents the most reliable source. Their most recent estimate information is for 2009.

The U.S. Census Bureau also has 2009 estimates available, but these are for population levels only. The City of Barnesville and the neighboring jurisdictions that form a market area are too small to be included in the American Community Survey data set prepared by the Census Bureau. With limitations on the information from public sources, some information has also been acquired from Claritas, Inc., a private company that produces demographic data and projections.

Market Area Overview

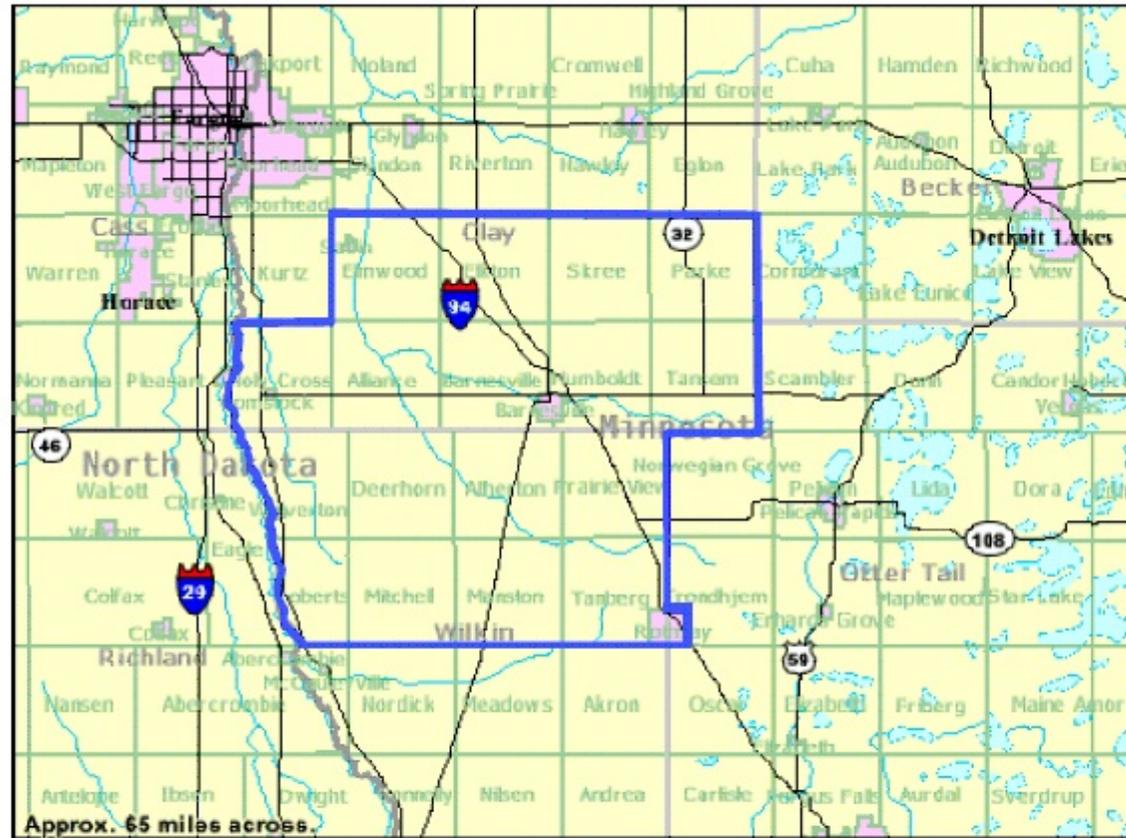
A previous housing study completed for the City of Barnesville by Maxfield Research had examined demographic information for a primary market area that immediately surrounds the City. For consistency in analysis, Community Partners Research has utilized the same basic geographic definition for a primary market area. It includes Cities and Townships from the Counties of Clay, Wilkin and Otter Tail Counties.

The jurisdictions in Clay County include the Cities of Barnesville, Comstock and Sabin, and the Townships of Alliance, Barnesville, Elmwood, Elkton, Holy Cross, Humboldt, Parke, Skree and Tansem. The jurisdictions in Wilkin County include the City of Wolverton, and the Townships of Atherton, Deerhorn, Manston, Mitchell, Prairie View, Roberts, Tanberg and Wolverton. The City of Rothsay is partially in Wilkin County and partially in Otter Tail County.

For comparative purposes, some of the data tables also include information for all of Clay County, and the Fargo-Moorhead Metropolitan Statistical Area (MSA).

Market Area Map

- Boundaries**
- State
 - '08 County
 - '08 Co Sub
 - '08 Place
 - '08 Place
- Features**
- Major Road
 - Stream/Waterbody
 - Stream/Waterbody



Population Estimates and Trends

Official population estimates for Barnesville and the individual jurisdictions in the Market Area are available from two sources, the U.S. Census Bureau and the Minnesota State Demographer. Both of these sources review other information when making their annual estimates, including new housing construction activity.

In the table that follows, population levels have been tracked since 1980, using the decennial Census and the 2009 estimates from the State Demographer's Office. Comparison between the Demographer's estimates and the Census Bureau's estimates have been made in the text discussion that follows.

Table 1 Population Trends - 1980-2009						
	1980 Population	1990 Population	% Change 1980-1990	2000 Population	% Change 1990-2000	2009 Estimate
Barnesville	2,207	2,066	-6.4%	2,173	5.2%	2,318
Market Area	7,176	6,691	-6.8%	6,553	-2.1%	6,601
Clay County	49,327	50,422	2.2%	51,229	1.6%	56,763
Fargo-Moorhead MSA	137,574	153,296	11.4%	174,367	13.7%	199,989*

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

* 2009 estimates for the Fargo-Moorhead MSA are from the 2009 American Community Survey

The City of Barnesville experienced above-average population growth over the past decade, adding 145 residents between 2000 and 2009. In the 1980s, the City had lost more than 6% of its population. While much of the lost population was regained in the 1990s, the City's population level at the time of the 2000 Census was still smaller than counted in 1980. However, the gains made over the last decade now have the City well above the 1980 level.

Alternate population estimates exist for Barnesville from the Census Bureau's Annual Population Estimates program, and from Claritas, Inc., a private data reporting service. The Census Bureau places the City's 2009 population at 2,324, nearly identical to the State Demographer's estimate. The Claritas estimate is for 2010, and places the population at 2,386, slightly higher the official government sources.

Although the growth within the City of Barnesville has now resulted in a larger population level than in the past, the remainder of the Market Area has not fared as well. When compared to the 1980 level, the Market Area's 2009 population is down more than 575 people, or approximately 8%, according to the State Demographer.

Between 2000 and 2009, the Market Area did add some residents, but this was due to growth within the City of Barnesville. The remaining aggregation of small cities and rural townships continued to lose population.

Strong population growth has been occurring in the larger region. Between 2000 and 2009, all of Clay County added more than 5,500 new residents, for a growth rate of nearly 11%. The entire Fargo-Moorhead MSA grew even faster, adding nearly 26,000 new residents, for a growth rate of nearly 15%. Although Moorhead and Clay County have shown substantial growth, most of the population increase has occurred in the North Dakota portion of the MSA.

Only limited information exists on the contributing components of population growth. In their County-level estimates, the Census Bureau does identify different factors for population change. In Clay County, the Census Bureau estimates that 51% of the population growth between 2000 and 2009 was due to "domestic migration", as more people moved into the County than moved out. The second largest component, "natural increase", accounted for 44% of the growth, as births exceeded deaths. The final significant contributor was "international migration", as approximately 5% of the growth was due to people coming from foreign locations.

While recent population growth within the City of Barnesville is a positive trend, it is important to recognize that the rate of growth within the City has been well below the level in the larger region. The 145 new residents added between 2000 and 2009 (State Demographer estimate) represented only 2.6% of the net growth in all of Clay County, and only 0.6% of the net population increase in the entire Metropolitan Statistical Area.

Between 2000 and 2009, more than 78% of the MSA's net population growth has occurred in Cass County, with nearly 22% in Clay County. Most of the Clay County growth has been in and around Moorhead. Combined, the Cities of Moorhead and Dilworth have accounted for more than 95% of the net population growth Countywide. Among the smaller Cities, Barnesville has captured approximately 2.6% of the County's population and the City of Hawley has captured 0.6% of Clay County's net growth between 2000 and 2009.

Projected Population

Population projections exist from various sources, including the Minnesota State Demographer's Office and the City's Comprehensive Plan. Both of these sources offer projections that were calculated earlier in the past decade. As a result, they may not be an accurate reflection of the most recent trends. After presenting the different forecasts that exist, Community Partners Research has analyzed the various projections to determine the most likely predictor of future growth.

The City’s Comprehensive Plan was adopted in 2004, and contained various scenarios for future population growth. The following table compares the range of growth for population that was presented in the Plan in comparison to the most recent estimate.

Table 2 Comp Plan Population Projections Through 2015				
City of Barnesville	2009 Population Estimate	2010 Projection	2015 Projection	Incremental Growth 2010 to 2015
Low Growth	2,318	2,466	2,567	101
Medium Growth	2,318	2,501	2,547	46
High Growth	2,318	2,419	2,487	68

Source: State Demographer; Barnesville Comprehensive Plan

The 2004 Comprehensive Plan examined three growth possibilities for the City, extending to the year 2030. It is important to note that the terms used in the Comp Plan, “high”, “medium” and “low” growth are somewhat misleading when examining 2010 and 2015 projections. For example, the “high growth” scenario actually has the lowest projected population level for the year 2010, even though it does have the highest projected level by the year 2030.

When compared to the most recent official estimate from the State Demographer’s Office, all three projection methods used in the Comp Plan were too high in their near-term forecast for the year 2010. The 2010 projections ranged from 2,419 people to 2,501 people, compared to the 2009 estimate of 2,318 residents in Barnesville. Between 2009 and 2010, there were only a few new housing options created, and net population growth will probably be limited. As a result, it appears that all of the Comp Plan forecasts will be well above the actual population level.

With the 2010 starting point being too high, it is more relevant to focus on the net expected change in population between 2010 and 2015. The three Comp Plan forecasts expect the City to add between 46 and 101 new residents over the next five years. Actual growth near the middle of this possible range would be consistent with the rate of change since 2000.

The next table presents population projections to the year 2015 using two other sources. The first set of projections has been calculated by Community Partners Research using the trend information available from recent population patterns. The second set of projections has been prepared by the State Demographer’s Office. The Demographer’s projections were calculated prior to the current economic recession and slowdown in housing markets. As a result, they tend to reflect growth patterns that were present prior to the year 2007.

Table 3 Population Projections Through 2015			
	2009 Population Estimate	2015 Projection Community Partners Research	2015 Projection State Demographer
Barnesville	2,318	2,415	2,599
Market Area	6,601	6,633	6,997
Clay County	56,763	59,950	60,230
Fargo-Moorhead MSA	199,989*	219,580	205,120*

Source: Community Partners Research, Inc.; State Demographer

* MSA projection is from Minnesota and North Dakota State Demographers

The projections for the City of Barnesville represent a possible range of growth within the City to the year 2015. The lower-end projection, from Community Partners Research, expects the City to add approximately 100 new residents between 2009 and 2015. The higher-end projection, from the State Demographer’s Office, expects the City to add approximately 280 new residents.

Although the higher-end projection is certainly possible to attain, it is not consistent with near-term patterns. To achieve this forecasted level, the City would need to add approximately 47 new residents per year. According to the most recent estimate from the Minnesota State Demographer, the City gained only one net resident between 2008 and 2009, and since 2006, the City has actually been losing population. The City had been growing at a faster rate until 2005, but growth has slowed significantly after 2005. The Demographer’s projections were calculated on a growth rate that is no longer present.

The Community Partners Research projection would also be much higher than short-term patterns would suggest. However, since the year 2000, the City has averaged approximately 16 new residents per year, and sustaining this pace of growth is a realistic projection to the year 2015.

The projections for the Market Area also show a possible range of population change to the year 2015. The projection generated by Community Partners Research expects the entire Market Area to add only 32 new residents by 2015. Excluding the City of Barnesville from the aggregation, this projection expects the loss of more than 65 people from the smaller jurisdictions.

The Demographer’s projection for the Market Area expects the addition of more people, but this is mainly driven by their growth projection for Barnesville. Excluding the City, only limited growth is projected in the remaining jurisdictions.

Both projection sources show solid growth for Clay County and the entire Fargo-Moorhead MSA. The MSA projection from the Minnesota and North Dakota State Demographers is too low, but this is due to a very conservative forecast for Cass County from the North Dakota Demographer’s Office. Past patterns would support a rapid growth rate for the MSA.

An alternative method of projecting population growth for Barnesville would be to base the possible change off of the growth potential of the larger region. Since 2000, Barnesville has represented approximately 2.6% of the net population growth Countywide. If this percentage can be maintained, the City would add between 85 and 95 new residents by 2015, a very similar number to the Community Partners Research projection. Maintaining a consistent percentage of net growth in the entire MSA would yield a projection of 105 to 115 additional people by 2015.

Projected Population by Age

The Minnesota State Demographer’s Office has issued population projections by age group for each County in Minnesota. Although Barnesville represents only a small portion of the entire County, these projections can provide some insight into the changing patterns in the area.

Table 4 Clay County Projected Persons by Age - 2010 - 2015			
Age Range	2010 Projection	2015 Projection	Percent Change
0-19	15,050	16,270	8.1%
20-24	7,000	6,540	-6.6%
25-34	8,910	10,130	13.7%
35-44	5,960	6,130	2.9%
45-54	7,620	6,720	-11.8%
55-64	5,590	6,710	20.0%
65-74	3,310	3,960	19.6%
75-84	2,360	2,360	0%
85+	1,270	1,420	11.8%
Total	57,070	60,240	5.6%

Source: Minnesota State Demographer; Community Partners Research, Inc.

The State Demographer's age-based projections do identify some general trends that exist in the County. In percentage terms, the largest net growth is expected in the age ranges between 55 and 64 years old and age 65 to 74 years old. The number of young adult households, age 25 to 34 is also expected to increase.

Two defined age groups are expected to decrease in size. The number of people age 45 to 54 years old is projected to show the biggest decrease. The number of young adults in the 20 to 24 year old range is also expected to decline. No growth is forecasts among senior citizens age 75 to 84 years old.

Household Estimates and Trends

The Census Bureau defines a “household” as all of the people who occupy a housing unit as their usual place of residence. A household may be a single individual living alone in a housing unit, or it may be multiple people who are related or not related living in a single housing unit. To be defined as a “family household” there must be a group of two or more people who reside together and who are related by birth, marriage, or adoption.

Household information for Barnesville and the surrounding area is available from the decennial census and from official estimates from the Minnesota State Demographer.

Table 5 Household Trends - 1980-2009						
	1980 Households	1990 Households	% Change 1980-1990	2000 Households	% Change 1990-2000	2009 Estimate
Barnesville	797	809	1.5%	865	6.9%	958
Market Area	2,457	2,465	0.3%	2,495	1.2%	2,658
Clay County	16,199	17,490	8.0%	18,670	6.8%	22,038
MSA	48,812	57,771	18.4%	69,985	21.1%	84,330*

Source: U.S. Census; Minnesota State Demographer

* 2009 estimates for the Fargo-Moorhead MSA are from the 2009 American Community Survey

Despite some fluctuations in the City’s population over time, Barnesville has consistently added households in recent decades. In the 1980s, the City averaged just over one new household per year. In the 1990s, the City averaged nearly six new households per year. Through the first nine years of the past decade, the City averaged approximately 10 households per year.

While the recent level of household growth is impressive, when compared to past patterns, it is important to note that most of the new households were added in the earlier years of the past decade, including 26 new households between 2001 and 2002. Between 2000 and 2005, the City averaged 14 new households per year. Between 2005 and 2009, the City averaged fewer than six new households per year.

The remainder of the Market Area has had limited growth, if Barnesville is excluded. Between 2000 and 2009, the remainder of the Market Area did add 70 households. However, over a longer time frame, between 1980 and 2009, only 40 households have been added outside of the City of Barnesville, a reflection of the household losses in prior decades.

A much stronger growth pattern has been present in Clay County. In the 1980s, the County averaged nearly 130 additional households per year. In the 1990s, the average dropped, but was just below 120 new households per year. The growth rate accelerated greatly after 2000, with the County averaging nearly 375 additional households per year through 2009.

Growth rates for the entire MSA have been even higher, driven by the addition of nearly 11,000 additional households in Cass County between 2000 and 2009.

The Barnesville Comprehensive Plan stated that the City had been capturing 1.76% of all household growth in the Fargo-Moorhead area between 1994 and 2003. The actual source information for both the 1994 starting point and the 2003 ending point is not clear. Since neither date coincides with an official Census Bureau estimate, it appears that the base information was obtained from other sources. As a result, this household capture rate cannot be verified by this Study.

However, it is possible to analyze the more recent household capture rate, between 2000 and 2009, using Census Bureau data for the Fargo-Moorhead MSA, and Census Bureau and State Demographer data for Barnesville. Between 2000 and 2009, The Fargo-Moorhead MSA added 14,345 net households, while Barnesville added 93 net households. This represented a capture rate of 0.65%. Over a longer time period, between 1990 and 2009, the City captured 0.56% of the net household growth within the MSA.

Household Projections

Household projections also exist from various sources, including the City’s Comprehensive Plan. It is also possible to convert population projections, such as those issued by the State Demographer, into household projections, using some basic assumptions about average household size.

As with population forecasts, the City’s Comp Plan contained three growth ranges, termed high, medium and low, through the year 2030. The following table presents the 2010 and 2015 forecasts, and the incremental change over the five-year period.

Table 6 Comp Plan Household Projections Through 2015				
City of Barnesville	2009 Household Estimate	2010 Projection	2015 Projection	Incremental Growth 2010 to 2015
Low Growth	958	1,048	1,121	73
Medium Growth	958	1,063	1,148	85
High Growth	958	1,028	1,157	129

Source: Barnesville Comprehensive Plan

All three projection scenarios assumed that the City’s household level in 2010 would be significantly higher than the actual estimate issued by the Minnesota State Demographer’s Office for 2009. When calculated in the 2004 Comprehensive Plan, these forecasts had been based on a much higher level of housing unit production than actually occurred in the latter part of the decade.

As stated in the population projections from the Comp Plan presented earlier, even though the 2010 starting point appears to be inaccurate, the incremental growth over the next five years can still be examined. When reduced to an annual average, the range goes from a low of 15 households per year, to a high of 26 households per year.

The higher end of this range appears to be an unrealistic forecast in 2010, as new housing construction activity has been well below that level for the past five years. The lower end of the range, with average annual growth of approximately 15 households, is more realistic. While actual growth has been below this level recently, the City did have some years in the past decade when housing unit construction and household growth were both at or above this level.

The following table examines projections created by Community Partners Research, using trend information from the past few years. Alternate forecasts exist at the County level from the State Demographer’s Office. At the City and Market Area level, the Minnesota State Demographer’s population projections have been converted into household projections by Community Partners Research.

Table 7 Household Projections Through 2015			
	2009 Household Estimate	2015 Projection Community Partners Research	2015 Projection State Demographer
Barnesville	958	1,020	1,095
Market Area	2,658	2,750	2,867
Clay County	22,038	23,850	22,710
Fargo-Moorhead MSA	84,330*	96,200	N/A

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

The household growth projection calculated by Community Partners Research expects Barnesville to add 62 net households between 2009 and 2015. Reduced to an annual average, this projection expects approximately 10 net households per year. While this pace of growth would be very consistent with the past decade, it is well above the level that the City has experienced since 2005.

The projection extrapolated from the State Demographer data would expect the City to add as many as 137 new households by 2015, or approximately 23 households in an average year. While this projection is possible, it appears unlikely. The City has only approached this level of annual household growth twice over the past 30 years, when the City added 26 households between 2001 and 2002, and 21 new households between 2003 and 2004. Since 2004, the largest single year incremental growth has been 10 households added between 2004 and 2005. The Demographer’s projections were prepared shortly after the rapid growth years between 2001 and 2004, and were based on an assumption that this rate could be sustained.

Household projections from Claritas, Inc., were also examined for the City of Barnesville. Claritas expects that the City will add 56 net households between 2010 and 2015. At 11 households in an average year, the Claritas projection is very similar to the Community Partners Research forecast.

The Market Area projection, as calculated by Community Partners Research, expects only limited growth to occur outside of the City limits of Barnesville. When Barnesville is removed from the aggregation, the remainder of the Market Area will only add five households in an average year, based on this forecast.

Once again, the projection derived from State Demographer data is more optimistic, and expects the remainder of the Market Area to add 70 total households between 2009 and 2015, or approximately 12 per year.

Claritas has a pessimistic view of the rural areas around Barnesville. Their projection for net growth between 2010 and 2015 is only 28 households. When Barnesville is removed from the aggregated area, there is a projected net loss of 28 households from the remaining jurisdictions.

The available projections for all of Clay County and for the Fargo-Moorhead MSA expect significant growth to continue. In the recent past, more than 76% of all the household growth in the MSA has occurred on the North Dakota side of the border.

Average Household Size

Recent estimates are available on average household size. The following table primarily uses 2009 estimates prepared by the Minnesota State Demographer's Office, with the American Community Survey used for the 2009 MSA estimate.

Table 8 Average Number of Persons Per Household 1980-2009				
	1980 Census	1990 Census	2000 Census	2009 Estimate
Barnesville	2.66	2.46	2.42	2.36
Market Area	2.89	2.68	2.60	2.46
Clay County	2.77	2.64	2.53	2.39
MSA	N/A	2.51	2.38	2.27

Source: U.S. Census; State Demographer

* 2009 estimates for the Fargo-Moorhead MSA are from the 2009 American Community Survey

The average household size in Barnesville has continued to grow smaller over the last few decades. This has sometimes resulted in a declining population despite some growth in the number of households. Smaller average household sizes can be caused by a variety of factors, but an aging population and a smaller number of families with children are major contributors to the decrease in the area.

Since the 2000 Census was completed, the average household size in Barnesville has decreased by 0.06 persons per household. While in real terms this is not a large numeric reduction, it does represent a decrease of 2.5% in the size of the average household. When multiplied times the number of households within the community, the reduction that has occurred since the year 2000 represents approximately 57 fewer people in the City's households.

The City's average household size in 2009 was below the Statewide average of 2.46 persons per household. The average household size for the entire Market Area was very similar to the Minnesota average.

Average Household Size Projections

The City's Comprehensive Plan, adopted in 2004, contained some projections of future household size. The following table presents the 2009 average household size estimate from the State Demographer's Office, along with the 2010 and 2015 projections from the Comp Plan.

Table 9 Projected Average Number of Persons Per Household			
	2009 Estimate	2010 Projection	2015 Projection
Barnesville	2.36	2.35	2.22

Source: State Demographer; Barnesville Comprehensive Plan

The average household size projections contained in the Comprehensive Plan expect fewer people per household in the future. The 2010 projection of 2.35 persons per household is very consistent with the State Demographer’s estimate of 2.36 persons.

Going forward, the Comp Plan assumes a significant drop in the average household size by 2015, down to 2.22 persons per household. If this projection is accurate, it will be difficult for the City to add population over the next five years. The City would need to add between 60 and 70 additional households just to maintain a stable population level.

Claritas, Inc., has also produced a projection of average household size for Barnesville. Claritas believes that the average household size in 2010 is 2.39 persons per household. This is larger than other available estimates, although it still shows a decrease since 2000. Claritas projects that the average household size will decline only slightly by 2015, down to 2.37 persons per household.

Household Income Estimates

Only limited information is available on income levels for households residing in the Barnesville area. The City and the surrounding rural jurisdictions have not been included in the Census Bureau's American Community Survey (ACS) program. ACS income information does exist at the County level, but Barnesville and the other Clay County jurisdictions represent only a small portion of the County, limiting the usefulness of this source.

Income information is available from Claritas, Inc., a private data reporting service. In addition to median income information, Claritas provides detailed breakdowns of estimated income by range. The following tables examine income information for the City of Barnesville and for the entire Market Area.

Claritas typically has a very conservative view of demographic changes that have occurred in Greater Minnesota over the past decade. For the City, Claritas estimates that there are 970 total households in 2010, which is generally similar to the State Demographer's 2009 estimate of 958 households plus one additional year of growth. However, for the Barnesville Market Area, Claritas estimates that fewer than 30 households have been added between 2000 and 2010. This estimate is well below the State Demographer's, which shows that 163 households were added between 2000 and 2009. The Claritas estimates for the Market Area should therefore be viewed as conservative for the total number of households present.

In addition to household income distribution, Claritas provides an estimate of the median income level.

Table 10 Median Household Income - 2000 to 2010			
	2000 Median	2010 Median	% Change
City of Barnesville	\$36,243	\$51,960	43.4%
Barnesville Market Area	\$41,121	\$57,186	39.1%

Source: Claritas, Inc.; Community Partners Research, Inc.

According to Claritas, Inc., the median household income for all households in Barnesville has increased by more than 43% since the year 2000, and the median income level for the Market Area has increased by more than 39%.

The estimated median household income levels for both the City and for the Market Area are relatively high. One of the contributing factors may be the small number of renter-occupancy households in the area. At the time of the 2000 Census, only 12.3% of Market Area households were renters. This was approximately one-half of the Statewide rate. While specific tenure estimates do not exist for 2010, it is probable that the percentage of renters has not grown significantly since 2000, as only a handful of new rental housing units were constructed in the last decade.

Claritas also provides an estimate of income distribution. For comparison, a 2000 income distribution from Claritas has also been provided. The first table presents information for the City of Barnesville only, and the second table is for all Market Area households.

Table 11 Barnesville Estimated Household Income Distribution - 2010			
Household Income	Number of Households in 2000	Number of Households in 2010	Change 2000 to 2010
\$0 - \$14,999	144	89	-55
\$15,000 - \$24,999	152	104	-48
\$25,000 - \$34,999	125	116	-9
\$35,000 - \$49,999	174	158	-16
\$50,000 - \$74,999	187	235	+48
\$75,000 - \$99,999	55	147	+92
\$100,000+	33	121	+88
Total	870	970	+100

Source: Claritas, Inc.; Community Partners Research, Inc.

Claritas believes that substantial gains have been made in household income in Barnesville. When compared to their 2000 estimates, there has been a large decrease in the number of households with an annual income below \$50,000, and a large increase in the income ranges of \$50,000 or more. The largest net gain in households has occurred from those making more than \$75,000 per year.

The solid growth in higher income households has also been present in the entire Market Area.

Table 12 Market Area Estimated Household Income - 2010			
Household Income	Number of Households in 2000	Number of Households in 2010	Change 2000 to 2010
\$0 - \$14,999	321	200	-121
\$15,000 - \$24,999	343	221	-122
\$25,000 - \$34,999	370	260	-110
\$35,000 - \$49,999	521	398	-123
\$50,000 - \$74,999	597	627	+30
\$75,000 - \$99,999	216	416	+200
\$100,000+	125	396	+271
Total	2,493	2,518	+25

Source: Claritas, Inc.; Community Partners Research, Inc.

The income distribution information for the Market Area shows that household income levels have also improved substantially since 2000. While the Market Area totals include the gains made within the City of Barnesville, there has also been a substantial increase in higher income households outside of the City limits.

Lower income households have limitations on the amount of money available for housing costs. Households earning less than \$15,000 need a housing unit that costs less than \$375 per month to avoid a cost burden. In 2010, only 200 Market Area households need a housing unit in this price range. Conversely, more than 800 households can afford a monthly housing cost contribution of \$1,875 or more.

There is no updated information on household income by tenure, but most renter households tend to have incomes well below the overall median, while most owner households are above the median.

Racial and Ethnic Minority Population Data

At the time of the 2000 Census, Barnesville and the other Market Area jurisdictions had only a small racial and ethnic minority population. For race, nearly 98.6% of the population was listed as White. For ethnicity, only 0.7% of the population identified themselves as being Hispanic/Latino.

With such a small population of racial and ethnic minorities, no new information is available for the Market Area after 2000. There is some new information for all of Clay County. In their 2009 population estimates, the Census Bureau indicated that 94.8% of the County's population was White, up from 94.0% in 2000. In 2009, 3.5% of the County's population was Hispanic/Latino, down from 3.7% in 2000. While some actual numeric growth may have occurred, in percentage terms, the population of racial and ethnic minorities has declined Countywide.

Housing Construction Activity

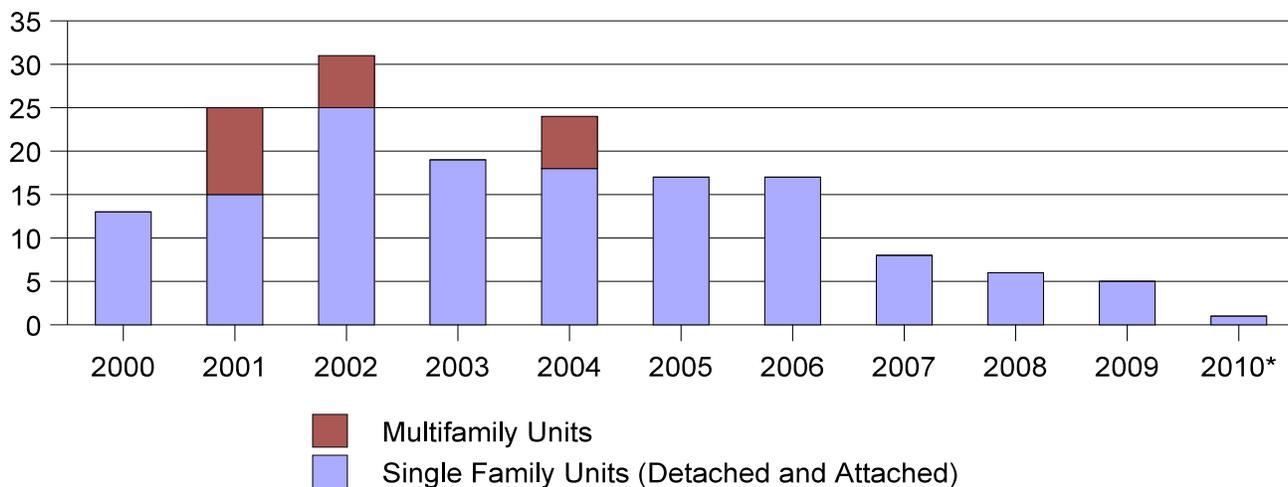
The following table examines housing construction activity using building permit reports from the City of Barnesville.

Table 13 Housing Unit Construction Activity - 2000 to 2010*												
Housing Type	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Single Family	13	15	25	19	18	17	17	8	6	5	1	143
Multifamily	0	10	6	0	6	0	0	0	0	0	0	22
Total	13	25	31	19	24	17	17	8	6	5	1	165

Source: City Building Permits; Community Partners Research
 * 2010 is through October.

The building permit reports used for this section did not always differentiate single family construction by type of structure. While most of the single family permits were for detached houses, some attached construction of twin home units also occurred.

Housing Unit Construction in Barnesville



Barnesville has had sustained success in recent decades with the construction of single family housing. While the table above tracks building permit issuance from 2000 forward, the City was also successful with new construction activity in the late 1990s. Between 1996 and 2006, the City had only one year when fewer than 10 single family housing permits were issued. In 1999 and 2002, the City issued 25 single family permits. Over the 14-year time period from 1996 to 2009, the City averaged 14 single family housing starts per year.

The level of new single family housing construction has been greater than the estimated level of household growth within Barnesville. This implies that some housing units have also been lost, or that some level of vacancy exists in the housing stock. It is also possible that the household estimate for the City is too low, and do not fully reflect the occupants of the newly constructed housing. If the household estimate is low, this should be corrected when the 2010 Census releases information.

Some of the single family construction has included twin homes, with both units intended for owner-occupancy. While determining attached single family construction was difficult from building permit reports, a visual inspection identified seven twin home structures, with 14 units, that appear to have been constructed in the past decade. These 14 attached units would represent approximately 10% of all single family housing starts since 2000.

Three multifamily projects were constructed. One is a ten-unit senior building that provides assisted living. The other units represent market rate rental housing. Twelve units were constructed, with six in 2002 and a second phase of six units in 2004.

Existing Home Sales

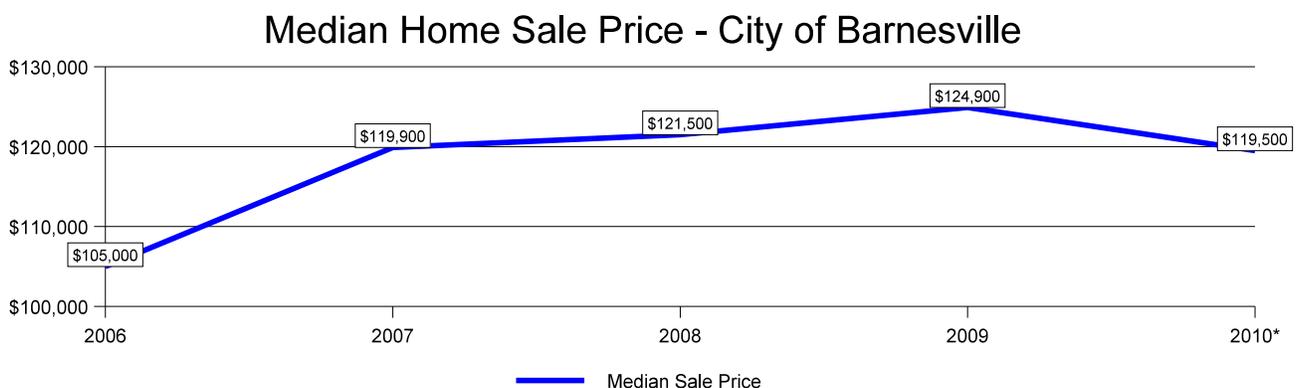
This section examines houses that have been sold within the City of Barnesville in recent years. It is important to note that in some years, the number of houses that have sold is limited, and may not be an accurate indicator of overall home values. However, this sample does provide some insight into those units that are turning-over in the City.

The sales information in the following two tables has been provided by the Clay County Assessor’s Office, and reflects only those sales that are determined to be “fair market transactions”. This table primarily reflects existing home sales. New construction sales activity would generally not be recorded in the data that was used for this analysis.

The records maintained by the Assessor only included sales through August of 2010. For other years presented, the sales reflect a full 12 months of activity.

Table 14 Barnesville Median Value of Home Sales - 2006 - 2010*		
Calendar Year	Number of Good Sales	Median Sale Price
2010*	17	\$119,500
2009	43	\$124,900
2008	29	\$121,500
2007	47	\$119,900
2006	51	\$105,000

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



Between 2006 and 2007, there was a significant increase in the City’s median sale price. This time period reflected the peak of the housing boom that occurred in the last decade. After 2007, there was a gradual increase in the median sale price for existing homes in Barnesville. Partial-year information for 2010 indicates that the median may be dropping slightly, but this may also be a result of only eight months of sales activity. Over the past four years, the median home sale price has generally been between \$120,000 and \$125,000.

According to County records, there have been no sales since 2006 for more than \$300,000. The highest-priced sale over the five years reviewed was for \$289,900. This sale occurred in 2008. Between 2006 and 2009 there were two or more sales each year for more than \$200,000. However, through August of 2010, the highest-valued sale was for \$182,000.

To examine sales by price range, a 12-month sales period has been assembled for analysis. This period starts in September 2009, and ends in August 2010.

Table 15 Barnesville Sales by Price Range - Sept. 2009 to Aug. 2010		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	2	6.3%
\$50,000 - \$74,999	3	9.4%
\$75,000 - \$99,999	6	18.8%
\$100,000 - \$124,999	7	21.9%
\$125,000 - \$149,999	7	21.9%
\$150,000 - \$174,999	3	9.4%
\$175,000 - \$199,999	3	9.4%
\$200,000+	1	3.1%
Total	32	100%

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

A large majority of recent residential sales were priced less than \$150,000. In the 12-month sales period, more than 62% of all existing homes were sold in the price range between \$75,000 and \$150,000. Approximately 16% of the sales were for less than \$75,000, and approximately 22% were for more than \$150,000.

Multiple Listing Service Sales Information

Another source of information on residential sales is the Multiple Listing Service (MLS). One advantage of the MLS reports is the ability to compare Barnesville’s sales with other nearby markets. The following table examines the median sale prices for houses sold in 2009 and 2010, in the Barnesville, Moorhead, Fargo and West Fargo markets.

Table 16 MLS Median Value of Home Sales - 2009 - 2010*			
MLS Area	2009 Median	2010 Median	Percent Change
Barnesville	\$127,000	\$125,000	-1.6%
Moorhead	\$138,500	\$140,611	+1.5%
Fargo	\$137,000	\$141,900	+3.6%
West Fargo	\$154,964	\$161,000	+3.9%

Source: Multiple Listing Service; Community Partners Research, Inc.

The median sale price in Barnesville in 2010 is \$125,000, according to the Multiple Listing Service reports. The timing of the report, from mid-November 2010, would not reflect a full year of sales activity.

The 2010 median derived from MLS sales is slightly higher than the median taken from County sales records, of \$119,500 in 2010. The median from County records for 2009 was also lower, at \$124,900. The MLS and the County sales records do examine a slightly different pool of home sales. For example, County records would include home sales that were not listed on the MLS, including houses that were “for sale by owner”. As a result, it is possible that some lower-valued sales are not included in the MLS summary, resulting in a slightly higher calculated median. Although the MLS medians for Barnesville are slightly higher than the median from County records, both show a moderate decline in the median sale price between 2009 and 2010.

When Barnesville’s median MLS sale price is compared to other large Cities in the region, two observations are evident. First, the median sale price in Barnesville is at least \$10,000 lower. Second, Barnesville is the only market where the median sale price decreased between 2009 and 2010. This may be due to market conditions, as some Realtors have suggested that sales activity in small Cities has weakened. However, it may also be caused by relatively few sales in recent years. With a limited sales sample in Barnesville, the addition or subtraction of even a few sales has the potential to move the midpoint number.

Home Foreclosure Activity

Starting in 2007, 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, the foreclosure crisis then spread to broader segments of the housing market as the national economy moved into a recession.

While tracking current foreclosures is relatively easy, predicting future foreclosure activity is more difficult. Delinquent borrowers have a number of different procedural steps that must be met before actual foreclosure occurs. Our research indicates that recent foreclosure activity in Barnesville has been limited, but we cannot predict the future foreclosures that may occur.

County-Level Foreclosures and Rankings

HousingLink has been tracking mortgage foreclosure activity across the State. Their most report, titled "2010 Semi-Annual Foreclosures in Minnesota", was published in August 2010. The HousingLink reports provide a source for comparative data between Counties. The foreclosure information tracked by HousingLink is based on the number of Sheriff's Sales within each County.

A rate of foreclosure has also been calculated by HousingLink, comparing the number of residential tax parcels in each County to the number of foreclosures. While this does provide a standard that can be used for general comparison purposes, the methodology was not adjusted by tenure or households to better reflect the rate of foreclosure among home owners.

	2007	2008	2009	2010*
Clay County	70 / 0.41%	76 / 0.44%	85 / 0.48%	44
Minnesota	1.15%	1.46%	1.28%	N/A

Source: HousingLink; Community Partners Research

* 2010 is through June 30

HousingLink tracks an increasing volume of foreclosures in Clay County between 2007 and 2009. However, in real numbers, there were less than 100 foreclosures per year Countywide in recent years.

For the first six months of 2010, there were 44 foreclosures. If this level is replicated in the last two quarters, the number of foreclosures in 2010 will be slightly higher than in 2009.

Clay County's rate of foreclosures has remained relatively low by Statewide standards. For calendar year 2009, Clay County's rate of foreclosures, compared to residential tax parcels, was less than 40% of the Minnesota rate.

County Assessor Data

The previous table presented County-level data from HousingLink. The Clay County Assessor was also contacted for information about recent residential foreclosure activity. The County did not have records for the individual small Cities, but was able to remove the City of Moorhead activity from the remainder of the County.

- ▶ 2004 - 22 foreclosures
- ▶ 2005 - 15 foreclosures
- ▶ 2006 - 19 foreclosures
- ▶ 2007 - 20 foreclosures
- ▶ 2008 - 29 foreclosures
- ▶ 2009 - 41 foreclosures

Although only a few of these home foreclosures have probably occurred in Barnesville, there has been a recent upward trend in activity outside of Moorhead. Between 2007 and 2009, the number of foreclosures has doubled in the small Cities and Townships.

Realty Trac Data

Another source of information that is often cited for national stories on home foreclosures is Realty Trac, Inc. In October 2010, Community Partners Research viewed the Realty Trac website. There were eight bank-owned properties in Barnesville that appeared to be single family homes.

Rental Housing

Total Unit Inventory

Limited updated information is available about the rental housing inventory in Barnesville. The City is too small to be included in the Census Bureau's American Community Survey, which provides demographic and housing estimates at different times between the decennial census.

Barnesville does have a rental registration program in place. However, participation is not mandatory. As a result, it does not provide an accurate inventory of all rental housing. The City's website does maintain a listing of apartment rental options to assist people looking to move to the community.

The 2000 Census did provide information about the rental stock in Barnesville. At that time, the City had 158 occupied rental units and at least 15 vacant rental units, for a total estimated inventory of 173 rental units.

Since the 2000 Census was completed, a limited amount of new rental construction has occurred. There were 12 rental units built in the Blue Eagle Townhomes project. There were also 10 assisted living units constructed in Golden Manor, but it is very possible that the Census Bureau would view these as "group quarters" housing, rather than independent living units, because they do not have kitchens or the ability to provide for independent living. No information is available about any rental units that may have been demolished or converted to other uses since 2000.

Additional Census details were also available on unit type in 2000. At that time there were 63 occupied rental units that were single family units, mobile homes or two-unit structures. A listing of "non-homestead" houses was obtained from the County Assessor's Office. In 2010, Barnesville had 75 one- or two-unit structures that were not homesteaded for tax purposes. Non-homestead status does not always indicate rental use, but it does generally imply that the unit is not owner-occupied. Assuming that most of the non-homestead units in 2010 are being used for rental housing, the Census count of 63 units in 2000 still appears to be relatively accurate.

The apartment listing maintained by the City shows 156 multifamily rental units in Barnesville in 2010. With the estimate that approximately 63 rental units exist in single family houses, mobile homes and duplexes, the City's total rental inventory probably includes approximately 220 total rental housing units in 2010.

Although the rental housing inventory in 2010 is substantially larger than in 2000, there were numerous vacancies present. The inventory estimate also includes 16 units in Barnesville Apartments that are not in use, and the property may soon be in foreclosure.

Adjusting for the 16 closed units in Barnesville Apartments, the total estimated rental inventory in 2010 is approximately 204 total units. We would further estimate that approximately 175 to 180 rental units were occupied in October 2010. This would represent a net gain of between 17 and 22 renter households when compared to April 2000.

Pending Projects

Our research did not identify any pending rental development projects.

Some of the existing multifamily rental developments may be for sale, or may have recently been sold to new owners. One project, Barnesville Apartments, is reportedly heading toward foreclosure.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily rental buildings in the City. The survey attempted to contact all of the properties listed on the City website. The survey was conducted in October 2010. Multiple attempts were made to contact each building. Information was tallied separately for different types of rental housing, including market rate units, tax credit units, subsidized housing, and senior housing with services.

A total of 166 multifamily rental units of all types were contacted in the survey. This includes 16 units in Barnesville Apartments, which are no longer available for occupancy, and the 10 assisted living units in Golden Manor. Excluding closed units and assisted living, the survey successfully contacted more than 68% of all rental units estimated to exist in the City in 2010. The breakdown of units surveyed is as follows:

- ▶ 82 general occupancy market rate units
- ▶ 12 tax credit units
- ▶ 62 subsidized units
- ▶ 10 senior assisted living units

The findings of the survey are provided below.

Market Rate Summary

Usable information was obtained on 82 market rate rental units in 13 rental projects. The market rate properties ranged in size from three units to 12 units.

We did obtain some limited information from rental property owners that have single family rental houses, mobile homes and other small rental properties, but this information has not been included in the multifamily analysis that follows. Some general comments have been added concerning this segment of the rental market.

Unit Mix

The following information provides the bedroom mix for market rate multifamily units that were successfully contacted in the survey:

- ▶ 24 one-bedroom (29.3%)
- ▶ 54 two-bedroom (65.9%)
- ▶ 4 three-bedroom (4.9%)

Occupancy / Vacancy

We found nine units reported as vacant in our market rate rental survey. The nine vacant units, of 82 units surveyed, represent a vacancy rate of 11%.

Although most owners/managers indicated that occupancy rates are generally high, many commented that there can be limited demand in Barnesville. The Fargo area has a large inventory of newer rental housing, and rental rates tend to be moderate, due to competition between buildings. As a result, it is often difficult to attract renter households unless they work in or have other direct ties to Barnesville. In general, the cost savings that can be achieved by renting in Barnesville are not sufficient to offset commuting costs for renters working in Fargo-Moorhead.

Although we did not complete a formal vacancy survey of rental single family homes, there were reports that this is a popular option, especially for families. There is no indication that this segment of the market has a higher rate of vacancy than multifamily units.

There is a large available inventory of rental housing within the region, particularly in Fargo, West Fargo and Moorhead. Appraisal Services, Inc., a Fargo-based appraisal company, has tracked regional rental occupancy patterns for many years. For calendar year 2009, they tracked a regional vacancy rate of 5.6%, unchanged from 2008. The 2009 vacancy rate was below the 7.3%

rate in 2008, and the 8.2% vacancy rate in 2007. The vacancy survey for 2009 collected information from nearly 23,500 rental units, or approximately two-thirds of the units in the metro area. Within this sample, there were 1,370 vacant units.

Rental Rates

While some variation exists in Barnesville’s rental rates, most units are in a very moderate range. With the exception of Blue Eagle Townhomes, very little rental construction has occurred in Barnesville in many years. With most projects being more than 20 years old, contract rents tend to be moderate.

Some of the units include the primary utility payments with the rent, while in other cases, the tenant pays the major utilities in addition to rent. We have attempted to estimate tenant-paid utilities into a gross rent estimate for the following ranges. The Identified Range column defines the highest and lowest gross rents found in the survey. The Prevailing Range column defines a more narrow range of gross rents that are charged in a majority of the surveyed units.

	<u>Units Type</u>	<u>Identified Range</u>	<u>Prevailing Range</u>
▶	1-bedroom	\$355-\$525	\$425-\$525
▶	2-bedroom	\$390-\$830	\$480-\$580
▶	3-bedroom	\$950	\$950

Rental rates at Blue Eagle Townhomes are substantially higher than other properties in the City, and represent the upper end of the identified range for two and three-bedroom units. The only market rate three-bedroom units contacted in the survey were in Blue Eagle, so no range of rents was present.

Larger rental units, with three or more bedrooms, tend to be found in single family houses and mobile homes that are used for renter-occupancy. Rental rates can vary greatly in this segment of the market. With the inclusion of tenant-paid utilities, higher end house rentals can exceed \$900 per month.

Single Family Rental Inventory

Although the research for this Study focused on multifamily rental projects, some information was obtained from Clay County on single family rentals. A list of non-homestead single family properties was assembled from tax records and provided to the City. The Counties GIS Department was able to map these non-homestead parcels. While some of these may not be rental housing, they are also not owner-occupied in 2010.

Tax Credit Summary

Barnesville has only one rental project that has received federal low income housing tax credits. Sandstone Apartments was placed in service in 1998 and has 12 tax credit units.

Unit Mix

The unit mix for tax credit units in the City is as follows:

- ▶ 9 - Two-bedroom units
- ▶ 3 - Three-bedroom units

Occupancy/Vacancy

At the time of our rental survey in 2010 there were no vacancies reported in Sandstone Apartments. However, the manager stated that vacancies can be present due to limited demand for this type of housing in Barnesville.

Rental Rates

The federal tax credit program places maximum rent limitations on assisted units. All of the units in Sandstone are designated for households earning 60% or less of the estimated County median income. For 2010, the federal maximum gross rents for units at 60% of median income were \$921, and were \$1,064 for three-bedroom units.

The 60% maximum rents allowable under the program are well above the prevailing rates for market rate units in Barnesville, or the Fargo-Moorhead area. While Sandstone is allowed to charge rents this high under the federal regulations, the actual gross rents in the project are substantially lower, at approximately \$520 for a two-bedroom unit and \$630 for a three-bedroom unit. These gross unit rents are close to the limits for units at 35% of median income.

Sandstone Apartments is the only tax credit project in the Barnesville area. A large inventory of tax credit housing exists in Fargo, West Fargo and Moorhead. Additional projects exist in Pelican Rapids and Fergus Falls.

Subsidized Summary

We were able to identify three subsidized projects providing rental opportunities for lower income households. These projects have a combined 62 units. However, one of these projects, Barnesville Apartments, was closed for occupancy in October 2010. Any tenants in the units had been relocated, and the property was possibly heading toward foreclosure. The future disposition of this property is unknown.

Leonhardt Manor is subsidized through USDA Rural Development. This project has 16 one-bedroom units, is designated for senior and/or disabled tenant occupancy. Four of the displaced tenants from Barnesville Apartments had been relocated into Leonhardt Manor.

The third subsidized project in Barnesville, Fairview Apartments, has 30 one-bedroom units. This is a HUD Public Housing development that was originally constructed for senior and/or disabled tenant occupancy. A later HUD rule change had opened this project to general occupancy, but a preference does exist for senior and disabled households.

Unit Mix

All of the remaining subsidized units in Barnesville have only one bedroom. The Barnesville Apartments did have three two-bedroom units.

Occupancy / Vacancy

The telephone survey found five vacancies in the 46 subsidized units, for a vacancy rate of 10.9%. All five vacancies were in Leonhardt Manor. These vacancies existed even though the project had added four displaced households from Barnesville Apartments.

Poor occupancy was the cause of the closure of Barnesville Apartments. Prior to closing, both Barnesville Apartments and Leonhardt Manor were at approximately 50% occupancy.

Despite the vacancy problem in Barnesville Apartments and Leonhardt Manor, Fairview Apartments did maintain a waiting list.

Rental Rates

All of the units in Fairview Apartments have an operating subsidy available that allows rent to be charged on 30% of household income. For higher income tenants, there is a ceiling rent at \$350.

Ten of the 16 units in Leonhardt Manor have rent assistance available that allows tenants to pay 30% of income. All of the rent-assisted units are occupied. In the remaining units, tenants pay 30% of income or a basic rent of \$425, whichever is greater. Five of the six units without rent assistance were vacant in October 2010. The one basic rent unit that was occupied was being rented by a household with a tenant-based rent assistance Voucher.

Housing Choice Voucher Program

In addition to subsidized rental properties with project-based rent assistance, Barnesville renters have access to tenant-based rent assistance through the Housing Choice Voucher Program. Voucher assistance is administered by the Clay County HRA and can be used in any suitable private market rental unit in the County. With a Voucher, the household pays approximately 30% of income toward rent, with the Voucher paying the difference.

In October 2010, there were approximately 360 Vouchers available Countywide. There were three Voucher households living in Barnesville. According to Program staff, it is typical to have between one and five Barnesville households receiving assistance.

There is a long waiting list for Vouchers. In 2010, there were nearly 550 households waiting for assistance. Because of the lengthy waiting time, the waiting list was closed to new applicants. In most parts of the State, demand for the Program has grown as economic conditions have deteriorated.

Senior Housing with Services Summary

Units by Type

The Minnesota Department of Health identifies two licensed providers of senior housing with services in Barnesville. One of these is the Good Samaritan Society of Barnesville which is licensed for 35 nursing home beds. The other provider is Golden Manor of Barnesville which provides assisted living services.

Assisted Living

Golden Manor was constructed in 2000 and has 10 units available. In October 2010, nine of the units were occupied. The vacant unit had been available for a few months, although inquiries were being received from prospective residents.

Nursing Home Beds

The Good Samaritan Home is currently licensed for 35 beds. Over time, this project has de-licensed beds, including five in August 2010. It had once been licensed for 42 beds.

Table 18 Barnesville Multifamily Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Meyer Apartments 311 2 nd St SE	1 - 1 Bedroom <u>7 - 2 Bedroom</u> 8 Total Units	\$365 \$390 +heat, electric	No vacancies	Mix of tenants	Two story apartment building constructed in 1980. Eight garages are attached. Tenants pay heat (electric) and electricity in addition to rent. Amenities include a coin laundry facility. Manager says units are always full - due in part to low rents.
Solum Apartments 105-111 Front St S	6 - 1 Bedroom <u>1 - 2 Bedroom</u> 7 Total Units	\$350-\$425 \$475 +heat, electric	1 vacant 1 bedroom unit	Mix of tenants	Rental units on upper floors of older, downtown commercial buildings. Tenants pay heat (electric) and electricity in addition to rent. One vacant unit at time of survey - vacancy has existed for a while.
Blue Eagle Townhomes 1104 4 th Ave NE	8 - 2 Bedroom <u>4 - 3 Bedroom</u> 12 Total Units	\$725 \$825 +utilities	1 vacant 2 bedroom	General occupancy	Market rate town house units constructed in 2002 and 2004. Tenants pay all utilities in addition to rent. Amenities include dishwasher, in-unit laundry, attached garage, and patios. Large 2 bedrooms have 950 sq ft, and 3 bedrooms have 1050 sq ft. One unit vacant at time of survey due to recent turnover - manager says that project has been popular with area renters.
Heritage Manor 110 6 th Ave NW	1 - 1 Bedroom <u>11 - 2 Bedroom</u> 12 Total Units	\$350 \$400 +utilities	2 vacant 2 bedroom units	General occupancy	Three-level apartment building constructed in 1980. Tenants pay all utilities in addition to rent. Amenities include garage and balcony. Two units vacant at time of survey - manager reports limited demand and annual occupancy rate of approximately 90%.
Creamery Apartments 119 Main Ave E	5 - 1 Bedroom <u>4 - 2 Bedroom</u> 9 Total Units	\$325 \$350 +electric	4 vacant units	Mix of tenants	Former creamery building that was converted to rental housing in 1967. Rent includes heat but tenant pays electric. Owner reports 4 vacancies at time of survey, including 1 unit that needs repairs before it can be occupied. Three of the 4 vacancies are 1 bedrooms.
304 4 th St SE	1 - 1 Bedroom <u>2 - 2 Bedroom</u> 3 Total Units	\$350 \$450-\$475 +electric	No vacancies	Mix of tenants	Older house converted into apartment units in the 1980s. Rent includes heat but tenant pays electric. Two garages available for extra fee. Coin laundry facility in basement. Ownership changed in 2010, but former owner said occupancy history has been good - many tenants have been commuters.

Table 18 Barnesville Multifamily Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
JNH Apartments 412 Front St S	<u>4 - 2 Bedroom</u> 4 Total Units	\$375 +utilities	No vacancies	Mix of tenants	Older commercial building converted into housing approximately 20 years ago. Tenants pay all utilities in addition to rent. Amenities include coin laundry and off street parking. Owner reports full occupancy and good occupancy history - many tenants have been commuters.
411 4 th St NE	<u>4 - 2 Bedroom</u> 4 Total Units	\$400 +electric	No vacancies	Mix of tenants	Two-level apartment building constructed in 1968. Rent includes heat and garage, but tenant pays electric. Owner reports good demand with all units occupied at time of survey. Most tenants are seniors or work in Barnesville, not commuters.
204 Main Avenue E	<u>4 - 1 Bedroom</u> 4 Total Units	\$375 +heat, electric	No vacancies	Singles and couples	Two-level apartment building. Tenants pay heat (electric) and electricity in addition to rent. Some units have in-unit laundry. Owner reports good demand with all units occupied at time of survey. Most tenants are singles or couples.
312 2 nd St SE	<u>4 - 1 Bedroom</u> 4 Total Units	\$350 +electric	No vacancies	Singles and couples	Two-level apartment building. Rent includes heat but tenants pay electric. Owner reports good demand with all units occupied at time of survey. Most tenants are singles or couples.
City Center Apartments 119 Front St	<u>1 - 1 Bedroom</u> <u>2 - 2 Bedroom</u> 3 Total Units	\$275 \$300 +heat, electric	1 vacant 1 bedroom unit	Mix of tenants	Units are above downtown commercial business - created in 1977 when older building was renovated. Tenants pay heat (electric) and electricity in addition to rent. One vacant 1 bedroom unit at time of survey - manager reports annual occupancy of around 80%.
702 5 th St SE	<u>1 - 1 Bedroom</u> <u>3 - 2 Bedroom</u> 4 Total Units	\$375 \$445 +electric	No vacancies	Mostly singles	Two-level apartment building constructed in mid-1970s. Rent includes heat and garage, with tenant paying electric. Amenities include laundry room. Good demand with full occupancy. Most tenants are single people who work in Barnesville.
704 5 th St SE	<u>8 - 2 Bedroom</u> 8 Total Units	\$425 +electric	No vacancies	Mostly seniors	Two-level apartment building constructed in early 1970s. Rent includes heat and garage, with tenant paying electric and water. Amenities include coin laundry room on each floor. Good demand with full occupancy. Most tenants are seniors.

Table 18 Barnesville Multifamily Rental Housing Inventory					
Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Tax Credit					
Sandstone Apartments 125 6 th St SW	9 - 2 Bedroom <u>3 - 3 Bedroom</u> 12 Total Units	\$480 \$580 +electric	No vacancies	All units at 60% of median income	Tax credit apartment project awarded credits in 1997 and placed in service in 1998. All units serve households at 60% of median income. Rent includes heat and detached garage, with tenant paying electric. Amenities include controlled access, coin laundry, and balcony/patio. Two bedrooms have 842 to 1007 sq ft, and three bedrooms have 1054 sq ft and 1.5 bathrooms. All units full at time of survey but manager says it is typical to have vacancies due to limited demand in Barnesville.
Subsidized					
Leonhardt Manor 302 5 th St NE	<u>16 - 1 Bedroom</u> 16 Total Units	\$425 30% of income	5 vacant units	Senior and disabled occupancy	Rural Development subsidized rental project designed for senior (62 and older) and disabled tenant occupancy. Ten tenants pay rent based on 30% of income up to maximum rents; remaining tenants pay 30% of income but not less than basic rent listed. All rent assisted units are full and 1 tenant has a Voucher, but remaining 5 units are vacant. Basic rent was lowered from \$525 to \$425, but vacancies remain, and rent will be raised to \$510 soon. Four tenants moved in from Barnesville Apartments, which may be headed for foreclosure.
Barnesville Apartments 802-806 5 th St SE	13- 1 Bedroom <u>3 - 2 Bedroom</u> 16 Total Units	N/A	Property is vacant and in foreclosure	8 general occupancy and 8 senior occupancy	Property is now closed and soon be in foreclosure. Rural Development subsidized rental project, with 8 units for general occupancy and 8 for senior/disabled occupancy. Prior to closing, 8 units were occupied - 5 transferred to Leonhardt Apartments. Limited demand in Barnesville and rents that were too high lead to poor occupancy.
Fairview Apartments 208 6 th St NE	<u>30 - 1 Bedroom</u> 30 Total Units	\$350 30% of income	No vacancy, waiting list	General occupancy with preference for seniors and disabled	HUD Low Rent Public Housing apartment units for general occupancy built in 1970. Units are in 8 buildings with 3 or 4 units per building. Originally designated for senior disabled occupancy but later HUD rule change made it general occupancy - preference given to seniors, near-seniors and disabled. All tenants pay rent based on 30% of income, up to ceiling rent listed. Two units are fully accessible. Full occupancy at time of survey and 12 name waiting list.

Table 18 Barnesville Multifamily Rental Housing Inventory					
Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Section 8 Housing Choice Vouchers	Program participation of 3 Barnesville households of 360 households in Clay County	30% of income	N/A	N/A	HUD Housing Choice Vouchers provide tenant-based rent assistance that can be used in any suitable rental unit. Tenant rent contribution is based on 30% of income, with the assistance program paying additional subsidy. In October 2010, program had 360 participating households in Clay County, including 3 in Barnesville. In past years, between 1 and 5 Barnesville households has been typical. Waiting list of 550 names has resulted in closure of list to new applicants.
Senior Housing with Services					
Golden Manor of Barnesville	10 units	N/A	1 vacant unit	Assisted Living	Senior assisted living facility constructed around 2000. Units are apartment style, with bathroom, but no kitchen facilities. Residents receive all meals, laundry, house keeping and assistance with medication. More intensive services can be purchased for additional fee. One unit vacant at time of survey - has been available for a while but some inquiries have been received.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends

While many factors influence the need for housing, employment opportunities represent a predominant demand generator. Without jobs and corresponding wages, the means to afford housing is severely limited.

Employment opportunities may be provided by a broad range of private and public business sectors. Jobs may be available in manufacturing, commercial services, agriculture, public administration, and other industries. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what level of affordability.

Major employers in Barnesville with 10 or more employees include:

▶ Barnesville Public School District	120 employees
▶ Barnesville Good Samaritan Center	73 employees
▶ City of Barnesville	36 employees
▶ DBS, Inc.	29 employees
▶ Cenex General Store	18 employees
▶ Barnesville Area Clinic	16 employees
▶ Barnesville Grocery	16 employees
▶ Wells Fargo	11 employees
▶ Midwest Bank	11 employees

Source: Community Profile, Minnesota Department of Employment and Economic Development

There are a limited number of employment options available within the City of Barnesville. The largest employers tend to either be public sector jobs or are in the services sector.

The City's location within commuting distance of both Fargo-Moorhead and Fergus Falls, makes it a bedroom community to these regional centers. As a result, many Barnesville residents commute for employment.

Work Force and Unemployment Rates

Employment information is only available at the County level. Unless otherwise noted, all data in the following tables are for all of Clay County. This information has been obtained from the Minnesota Department of Employment and Economic Development.

Table 19 Clay County Average Annual Labor Force 2000 -2010*

Year	Labor Force	Employed	Unemployed	Unemployment Rate	Unemployment Rate - MN	Unemployment Rate - US
2000	28,029	27,138	891	3.2%	3.1%	4.0%
2001	28,559	27,595	964	3.4%	3.8%	4.7%
2002	29,050	28,015	1,035	3.6%	4.5%	5.8%
2003	30,643	28,571	1,072	3.6%	4.9%	6.0%
2004	30,268	29,166	1,102	3.6%	4.6%	5.6%
2005	30,845	29,756	1,089	3.5%	4.2%	5.1%
2006	31,324	30,304	1,020	3.3%	4.1%	4.6%
2007	31,322	30,229	1,093	3.5%	4.6%	4.6%
2008	32,306	31,127	1,179	3.6%	5.4%	5.8%
2009	33,310	31,670	1,640	4.9%	8.0%	9.3%
2010*	33,821	32,259	1,562	4.6%	7.2%	9.8%

Source: Minnesota Department of Employment and Economic Development

Note: Not Seasonally Adjusted

* 2010 reflects information through September

Clay County has had a gradual increase in the size of the available labor force in recent years. Much of this growth would be due to a steady increase within the City of Moorhead.

Between 2000 and 2009 (the last full year of data), the Clay County labor force increased by 18.8%. During the decade, 5,281 people joined the labor force. However, more than 73% of this growth was within Moorhead.

The employed work force has generally shown similar patterns. Between 2000 and 2009, the number of employed people in Clay County increased by 16.7%, or 4,532 jobs. Once again, nearly 76% of the net growth in employment was within the City of Moorhead.

While there was solid employment growth within the County over the last decade, the available labor force did grow at an even faster rate. As a result, there was a gradual increase in the unemployment rate, rising from 3.2% in 2000 to 4.9% in 2009. Although the County's unemployment rate reached a high point for the decade in 2009, the rate was still well below the comparable State and National rates.

Through the first three-quarters of 2010, Clay County has seen growth in both the labor force and the employed work force. The unemployment rate has dropped slightly, to 4.6%, and still remains well below the State and national rates.

Employment and Wages by Industry

The following table shows the average annual wages by major employment sector in 2009, the last full year of data. This information is available for the City of Barnesville. It is important to note that the major employment sectors listed may not represent all employment in the City.

Table 20 Barnesville Average Annual Wages by Industry Detail - 2009		
Industry	2009 Employment	2009 Average Annual Wage
Total All Industries	602	\$23,296
Natural Resources	N/A	N/A
Construction	N/A	N/A
Manufacturing	N/A	N/A
Trade, Transportation, Utilities	130	\$24,908
Information	N/A	N/A
Financial Activities	49	\$28,080
Professional and Business Services	N/A	N/A
Education and Health Services	227	\$28,964
Leisure and Hospitality	41	\$7,384
Other Services	36	\$10,608
Public Administration	79	\$15,808

Source: Minnesota Department of Employment and Economic Development

With limited employment in some industry sectors, no information is available on the number of employees or wages.

The average annual wage for all industries in 2009 in Barnesville was \$23,296. This average wage was well below the Clay County average of \$31,096 for all industries.

The largest single employment sector reported in Barnesville was Education and Health Services, with 227 employees. This sector also paid the highest average wage, at \$28,964. The employment within this sector would be consistent with the large employer summary provided earlier in this section, which showed the Barnesville Public Schools and the Good Samaritan Center as the largest employers within the City.

The lowest paying wage sectors were Leisure and Hospitality, with an average annual wage of only \$7,348, and Other Services, with an average annual wage of only \$10,608.

Employment Projections by Industry

The Minnesota Department of Employment and Economic Development has generated employment projections for each region of the State. Clay County is included in the Northwestern Region. The following table compares employment in the general industry classifications in 2006, and the projected level of employment by 2016, with percentage change.

Table 21 Regional Projected Employment by Industry - 2016			
Industry	2006 Employment	2016 Projected Employment	Percent Change 2006-2016
Total All Industry	258,122	281,962	9.2%
Natural Resources and Mining	5,436	5,194	-4.5%
Construction	11,169	12,282	10.0%
Manufacturing	29,974	29,410	-1.9%
Trade, Transportation, Utilities	45,134	46,976	4.1%
Information	3,594	3,285	-8.6%
Financial Activities	7,700	9,133	18.6%
Professional and Business Services	9,413	12,414	31.9%
Education and Health Services	54,067	65,716	21.5%
Leisure and Hospitality	22,697	25,403	11.9%
Other Services	10,813	11,759	8.7%

Source: Minnesota Department of Employment and Economic Development

Projections for the year 2016 show growth in the employment level in Northwest Minnesota. Overall, the number of jobs is projected to increase by 9.2% between 2006 and 2016.

The largest percentage increase is projected in the Professional and Business Services sector, with growth of nearly 32%. Education and Health Services is also projected for an increase of more than 21%. Education and Health Services is Barnesville's largest employment sector.

Overall job losses are projected in three sectors, Information, Natural Resources/Mining, and Manufacturing.

Growth Trends and Projections Overview

The Demographic Data section of this report has presented information on the official estimates for Barnesville and the surrounding area. In general terms, Barnesville has been able to consistently add households in recent decades, even during times when the City's population grew smaller. In the decade of the 1980s, the City averaged just over one net household per year. In the 1990s, the City averaged nearly six net households per year. Through the first nine years of the past decade, the City averaged 10 net households per year.

In the 1980s, the limited growth in households could not compensate for fewer people in the average household, and the City lost population. However, since 1990, the level of household growth has been sufficiently high, and the City's population has grown as well, despite a continued reduction in average household size. In 1980, the average Barnesville household had 2.66 persons. By 2009, the City's average household size had declined to 2.36 persons.

Growth within Barnesville has often been countered by household losses in the smaller Cities and Townships that form the Market Area. The remaining portions of the Market Area have continued to lose population since 1980. Household patterns have been somewhat better. After losing households in the 1980s and 1990s, the remainder of the Market Area has added 70 new households since 2000, outside of the City of Barnesville.

Making household projections for Barnesville is difficult in 2010. While the relatively strong growth rate in the past decade points to the addition of future households, it must be acknowledged that most of the growth occurred in the earlier years of the past decade. Between 2000 and 2005, the City averaged 14 net households per year. Between 2005 and 2009, the City averaged fewer than six net households per year. In 2010, only one new housing unit has been constructed, and household growth will therefore be limited.

Various projections exist for future household growth, including various growth scenarios contained in the City's Comprehensive Plan. Most of the projections are based, at least in part, on the relatively rapid growth rate the City experienced in the late 1990s and early 2000s. For example, the three scenarios in the Comp Plan would expect average household growth between 15 and 26 net households per year. However, the City has not experienced this level of annual housing unit growth since 2006, and over the past four years, the average net gain in housing has been only four units per year. While some household growth is possible if vacant units become occupied, in general, household growth and housing unit construction are directly linked.

After examining recent patterns, the most reliable projection reviewed in this Study would expect Barnesville to add an average of 10 new households per

year between 2010 and 2015. However, it is very probable that even this level of growth will not be equally distributed over the five years. Most national experts expect housing markets to remain slow through 2012, with normal activity returning by 2013 or 2014. It is therefore very possible that Barnesville's annual household growth will be below 10 households per year in the near-term, but exceed that level in the years closer to 2015.

The most realistic projections for the Market Area expect limited growth outside of Barnesville. The best available forecast would expect the remaining jurisdictions to add a total of five households per year through 2015. Once again, this level of growth may be below average through 2012, and then above average after 2013.

While the projections used in this Study are consistent with longer-term patterns, an argument can be made that a much greater growth potential exists for Barnesville. This is based on its close proximity to the Fargo-Moorhead Metropolitan Area. Over the past three decades the Metropolitan Statistical Area (MSA) has added more than 35,000 new households.

The growth scenarios contained in the Comprehensive Plan have assumed that Barnesville would capture between 1% (low growth) and 1.76% (high growth) of the region's net gain in households. However, since 1980, Barnesville has successfully captured less than 0.5% of this region-wide household growth. Even during the stronger growth period since 2000, the City's share of the MSA's household growth has remained below 0.65%.

Trending forward the historic rate of growth for the Fargo-Moorhead MSA indicates that the area will typically add between 1,500 and 2,000 new households each year through 2015. Based on Barnesville's actual past capture rate, this forecast method indicates annual growth within a range of 7 to 13 households. The projection used by this Study, of 10 households per year, is at the middle of this range.

To grow at a faster rate, and reach the capture projections identified in the Comp Plan, Barnesville would need to attract a larger share of the household growth that would typically choose to locate in Fargo, West Fargo, Moorhead or Dilworth. Based on regional growth expectations, the City would need to add between 26 and 35 households per year (high growth), or capture between 15 and 20 households per year (low growth). While growth at this scale is certainly possible, it appears unlikely, given current economic and market conditions. The most realistic growth forecast still assumes that approximately 10 net households can be anticipated in Barnesville per year over the five-year projection period.

Summary of Growth Projections by Age Group

The Demographic section of this Study also presented projection information that is available for changes by age groups. Although this information is at the Clay County level, it can be informative in determining the changes that will be expected due to age patterns of the population.

In general terms, much of the projected net growth will occur among people age 55 and older through the year 2015. In 2010, approximately 22% of Clay County's population is age 55 or older. By 2015, nearly 24% of the population will be in these older age ranges.

While some growth is projected within the younger age ranges, nearly all of this is due to an expected increase in children, age 19 and younger. The County's population in the age groups between 20 years old and 54 years old are expected to remain essentially unchanged over the next five years.

For the Barnesville Market Area, the age-based changes will not have an overly large impact. Some net growth in households in the age groups between 55 and 74 years old can be expected. 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 citizens (age 75+) can also be expected, but in real numbers, this increase should be small.

However, as people age, they tend to look for housing that is age-appropriate. This will often result in movement of empty-nester and senior households into Cities that have housing and services options that are oriented to older adult households. While net growth of households age 55 and older may not be strong within the Market Area, it is very possible that more of these households will tend to look at Barnesville as an attractive living option, and will move from the more rural Townships and small Cities.

Certain age groups within the younger adult ranges should grow in size within the Market Area, most notably households between 25 and 44 years old. However, much of the gain in these groups will be negated by a decline of households in the 45 to 54 year old range, and among households age 24 and younger.

Summary of Housing Unit Demand and Tenure Projections

With its location between Fargo-Moorhead and Fergus Falls, Barnesville has achieved success as a “bedroom community”, by providing an attractive alternative to these larger Cities. As a result, Barnesville has tended to have an above-average rate of owner-occupancy housing, as higher-income households have tended to form the commuter base looking to live in a smaller town. Higher income households most often tend to own their housing unit.

At the time of the 2000 Census, only 18.3% of the City’s households rented their housing. This was well below the Statewide rate of 25.4%. Frequently, cities tend to have rental tenure rates above the State average, as rural townships tend to offer very few rental options. At the time of the 2000 Census, the rental tenure rate for the entire Barnesville Market Area was below 13%, as few rental housing opportunities existed outside of Barnesville.

The best available tenure estimate for the City in 2010 would still place the rate of home ownership between 82% and 83%. Only a small number of new rental units have been added to the local inventory. Most of the construction in the past decade was of owner-occupancy housing.

Applying historic tenure patterns to projected rates of growth results in a forecast that net demand for owner-occupancy housing will represent approximately 40 households, while net demand for rental units will represent 10 households between 2010 and 2015.

While household growth will be the primary demand-generator for new construction, there are other factors that may also yield demand. Annual construction of housing units since the year 2000 has been greater than household growth. For owner-occupancy housing, unit replacement and pent-up demand can also contribute to the need for new construction. The combination of factors could yield the potential for 12 to 14 units per year through 2015, or a cumulative total of 60 to 70 units.

It is important to note that this is potential demand. In the specific recommendations that follow, we have made an actual construction forecast that is lower. This is in response to current economic and market conditions, which have suppressed building activity. As a result, our unit recommendations coincide more closely with expected household changes, without an additional allowance for construction exceeding household growth.

For renter-occupancy housing, the combination of demand generators would yield potential for between 10 and 17 units over a five-year period extending to 2015. While this potential demand can be reached, the actual unit recommendations once again are somewhat dependent on improved housing market conditions.

As stated previously in the household growth summary, over the five-year projection period there will not necessarily be a consistent level of annual production. For owner-occupancy units, Barnesville has seen single-year construction range from a low of one unit (2010) to a high of 25 (2002). We would expect construction to remain below average in 2011 and 2012, and gradually increase through 2015. This pattern is realistic assuming that general economic conditions tend to improve.

Rental production is most likely to occur in one or two phases of construction, as rental housing will nearly always be in multifamily structures.

Strengths for Housing Development

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

- ▶ **Affordable housing stock** - The City of Barnesville has a relatively large stock of affordable, existing houses. Our analysis shows that the City's median home value based on recent sales is \$119,500. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Increasingly diverse housing stock** - The City has a mix of housing options, including townhouses, senior with services housing, etc.
- ▶ **Adequate land for development** - The City has adequate land available for both residential and commercial/industrial development.
- ▶ **Housing developers in the City** - Barnesville has housing developers that are willing to invest in housing projects in the community, including rental housing, attached ownership housing and single family development.
- ▶ **Barnesville Economic Development Authority** - The EDA has been active in developing subdivisions and promoting new housing construction.
- ▶ **Proximity to Fargo/Moorhead, Fergus Falls and Detroit Lakes** - Barnesville is located within commuting distance of Fargo/Moorhead, Fergus Falls and Detroit Lakes, all of which have employment, service, commercial and entertainment opportunities.
- ▶ **State, Federal, Non-Profit Funds** - The City and its developers have leveraged local funds for housing activities over the years with other resources including State, Federal and Non-Profit Funds. This experience in obtaining funds and the City's track record in appropriately utilizing the funds will continue to serve the City well when seeking funds in the future.
- ▶ **School system** - The City has an excellent public K-12 school system.
- ▶ **Infrastructure** - Barnesville's water, sewer and electrical power infrastructure is in good condition and can accommodate future expansion.

- ▶ **Commercial development** - Barnesville's commercial district is adequate to meet daily needs.
- ▶ **Housing Agencies** - Several housing agencies have the capacity to provide financing and administrative services for housing projects and programs in the City of Barnesville.
- ▶ **Home prices** - Some existing homes are selling at prices in the \$150,000 to \$250,000 range. This provides confidence for developers, builders and households to construct new homes.
- ▶ **Incentives** - Barnesville has incentives available to reduce the price of residential lots and to construct new homes.
- ▶ **Downtown Improvements** - The City is undertaking a Main Street improvement project which includes new utilities, streets, curb and gutter, sidewalks, landscaping, etc.
- ▶ **Marketing** - The City and EDA market and promote Barnesville's amenities, quality of life and housing opportunities.
- ▶ **I-94** - Barnesville is conveniently located on I-94.
- ▶ **Small town atmosphere** - Barnesville is a small town with the real and perceived amenities of a small town. This small town living is attractive to some households.
- ▶ **High Median Household Income** - The median household income for the Barnesville Market Area is \$57,186. This is high compare to many cities.

Barriers or Limitation to Housing Activities

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

- ▶ **Low rent structure** - The City's rent structure is low, which makes it difficult to construct new rental housing.
- ▶ **Competition with Fargo/Moorhead, Fergus Falls and Detroit Lakes** - Although it is an asset to be located within commuting distance of Fargo/Moorhead, Fergus Falls and Detroit Lakes, it can also be a barrier to new housing construction. These cities have more employment, service, retail and entertainment opportunities. The amenities Fargo/Moorhead, Fergus Falls and Detroit Lakes have to offer will often make them the preferred location for many households.
- ▶ **Limited employment opportunities** - Barnesville does not have a large number of major employers which limits the number of job opportunities.
- ▶ **Limited population and household growth** - Although Barnesville is expected to gain population and households over the next five years, growth will be limited.
- ▶ **Homes on the market** - Barnesville currently has an above average number of homes on the market. A large number of homes on the market can have a negative impact on new construction.
- ▶ **Lack of support services** - Barnesville has limited support services for certain types of households. Some support services are simply not available for individuals and households that need them.

Recommendations, Strategies and Housing Market Opportunities

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

- ▶ **Focus heavily on the preservation, maintenance and improvement of the housing stock that already exists** - A review of estimated market value data from Clay County indicates that the owner-occupied housing stock in Barnesville is valued at approximately \$100,000,000, and the rental stock is valued at approximately \$10,000,000. While some housing construction will occur in coming years, most of the housing opportunities will continue to be provided by the housing stock that is already on the ground. This is especially important for affordable housing opportunities, as it will almost always be less expensive to offer an affordable unit through rehabilitation versus new construction. Units that are lost due to deterioration and obsolescence cannot be replaced for a similar price. Evidence suggests that the majority of the existing stock is generally being well maintained, especially considering the age of the housing. However, a significant percentage of housing needs repair. Emphasis on continued improvement will be important to meet future housing needs.
- ▶ **Develop life cycle housing** - It is vital for a community that serves as a regional center to provide housing opportunities for all ages and household types. These housing opportunities enable a community to thrive, promote economic development and allow households to live in the community throughout their lives.
- ▶ **Promote new construction** - New construction provides housing opportunities, stimulates the economy and upgrades the community's housing stock. Both new owner occupied single family homes and rental units are needed to provide households in Barnesville with housing options and to assure a healthy housing stock.
- ▶ **Promote home ownership** - Home ownership is the preferred option for most households. Home ownership assists in creating community stability and commitment to the community. There are many younger families that are renting their housing. These households may be interested in home ownership, if an affordable opportunity is available.

- ▶ **The market for new housing development will generally not occur without proactive community involvement** - Much of the housing development that has occurred in the recent past has involved some form of public involvement or subsidy. Much of the City's rental housing has received public assistance. To compete in the home ownership segment of the market, public involvement is required for some types of housing.
- ▶ **Prioritize community housing goals** - Many of the recommendations in the Study will require staff-intensive efforts. The City should prioritize its housing goals and work with area housing agencies to establish a plan to achieve its goals.

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

Rental Housing Findings and Recommendations

Barnesville has traditionally had a relatively small supply of rental housing, compared to similar-sized communities. At the time of the 2000 Census the City's rental tenure rate was 18.3%, well below the Statewide average of 25.4%. While an official estimate does not exist in 2010, the research completed for this Study indicates that the rental tenure rate is nearly identical to the 2000 level.

The estimated rental inventory in 2010 includes approximately 204 rental units, with approximately 175 to 185 occupied units. There are an additional 16 units in the Barnesville Apartments that were closed in October 2010. This property may be headed for foreclosure and its future use as rental housing is uncertain.

Despite a relatively small supply of rental units, there are some vacancies in Barnesville. The telephone survey of multifamily market rate units found a vacancy rate above 10%. In the subsidized sector, the vacancy rate was also above 10%, and this calculation did not include the 16 closed units in Barnesville Apartments. The City's only tax credit project did report full occupancy, but even this project stated that some level of vacancy is typical.

The information collected in 2010 does not show any significant evidence of pent-up demand for rental housing in Barnesville. Although potential exists from the large number of renters in the Fargo-Moorhead MSA, most Barnesville renters have direct ties to the community. Some renters may commute to larger Cities in the region for employment, but the costs of commuting will largely negate any rent reduction that may be possible by renting in Barnesville.

Although current unmet demand is limited, the projected growth of the City will generate some need for additional rental units. The calculations used in this Study would support the development of 10 to 15 rental housing units by the year 2015.

Although some additional rental development may be needed, the City may not have adequate land availability at this time. According to City staff, there is no land in the community that is currently zoned R-3, and suitable for multifamily housing construction. This issue would need to be addressed before any plans are advanced for a new rental project.

1. Support the Development of 6 to 8 Market Rate Rental Housing Units

Findings: There has been only one market rate rental housing project developed in Barnesville in recent decades. The Blue Eagle Townhomes project has 12 total units and was developed in two 6-unit phases in 2002 and 2004.

This project did utilize some Tax Increment Financing assistance. As a result, 50% of the units must be occupied by households with an annual income that is 80% or less of the area median gross income, as adjusted by family size. For a family of three, this limit in 2010 would be \$49,050, which is relatively high for most renter households. Even with some occupancy requirements, this project largely functions as market rate housing.

As the newest rental housing, Blue Eagle has the highest rent structure in the City. Contract rent for a two-bedroom unit is \$725, and is \$825 for a three-bedroom unit. Tenants pay all utilities, bringing estimated gross rents above \$850 for a two-bedroom and above \$950 for a three-bedroom unit.

Although this rent structure is well above the prevailing rates for other market rate housing, the project has been popular with Barnesville renters, according to the property manager. Eleven of the 12 units were occupied in October 2010, when the rental survey was completed.

The Blue Eagle project offers an attractive style of unit, with town house design, attached garage parking, in-unit laundry, and other modern amenities. Two-bedroom units have 950 square feet of living space with one bathroom. Three-bedroom units have 1,050 square feet of living space and 1.5 bathrooms.

Recommendation: The growth patterns projected for Barnesville support the development of additional market rate housing over the next five years. With approximately 50 new households projected, an expansion of six to eight high quality market rate units would be appropriate to address growth-generated demand from renters.

Although Barnesville has other good market rate options, nearly all of the other multifamily buildings are more than 20 years old, with many dating to the 1970s or early 1980s. The 12 units in Blue Eagle Townhomes are the only new construction project in recent decades. These units represent approximately 6% of all rental opportunities in the City. An expansion of eight new units would still result in fewer than 10% of all rental units being in a higher rent range.

The age-based projections reviewed in this Study show a growing population of empty-nesters and younger seniors, with most of the net growth occurring in the 55 to 74 year old age ranges. While most of these households will continue to own their unit, as they age this group will also look for lower maintenance, age-appropriate housing. While any new units should provide for general occupancy, a key target market will be older adult renter households.

The town house style of construction used in Blue Eagle has been popular with area renters. While Barnesville does have some retail and service opportunities, residents of the City will often need to commute to places like Moorhead, Fargo and Fergus Falls. Units designed for active household, including senior citizens, will fit with the demand that should be present in the community.

Despite rates that are well above the prevailing rents in other market rate housing, Blue Eagle has been successful in maintaining a high rate of occupancy. Any newly constructed units will probably need to charge even higher rents, but a goal would be to keep rents as similar as possible to Blue Eagle.

The Blue Eagle Townhomes are privately owned. We believe that this should make it possible to attract a future private developer for additional construction. However, there are also numerous examples in Minnesota of public entities developing high quality rental units as part of community development efforts. Public development/ownership can provide some significant cost advantages, helping to keep rents in a more reasonable range. Barnesville has both an EDA and an HRA that could be used to develop housing.

2. Monitor the Need for Additional Tax Credit Rental Housing

Findings: Barnesville has one rental housing project that was constructed using the federal low income housing tax credit program. Sandstone Apartments was awarded tax credits in 1997 and placed in service in 1998. Sandstone has nine two-bedroom units and three three-bedroom apartments. This is the only tax credit project in the Barnesville Market Area.

There is a large inventory of tax credit housing in the surrounding region. According to the Minnesota Housing Finance Agency website, there are 254 tax credit units in Moorhead (105 are in the extended compliance phase), 78 units in Dilworth (30 are in extended compliance phase), 14 units in Hawley, 56 units in Pelican Rapids (16 are in extended compliance phase), and 28 units in Fergus Falls. There are more than 1,300 tax credit units in Cass County, primarily in Fargo and West Fargo.

All of the units in Sandstone Apartments are tax credit-assisted, and serve households at or below 60% of the median income level established for the County. For 2010, the maximum income by household size at 60% of median income is as follows:

One person	\$28,620	Five person	\$44,220
Two person	\$32,760	Six person	\$47,460
Three person	\$36,840	Seven person	\$50,760
Four person	\$40,920	Eight person	\$54,000

The use of Clay County income limits in Barnesville results in relatively high income levels that apply to tax credit housing. A large majority of all existing renter households in the area would be income-eligible to live in a tax credit rental unit.

In addition to income limits, the tax credit program places gross rent caps on the rental units. The 60% of income gross rent limits in 2010 are as follows:

One-bedroom	\$767
Two-bedroom	\$921
Three-bedroom	\$1,064

The rent structure at Sandstone Apartments is well below the maximum allowable limits. The actual gross rents in the project are approximately \$520 for a two-bedroom unit and \$630 for a three-bedroom unit. These gross unit rents are close to the limits for units at 35% of median income. While actual rents at Sandstone are low by regulatory standards, they are very comparable to many of the market rate units in Barnesville, which do not have any income or occupancy restrictions.

At the time of our rental survey, there were no vacant units reported in Sandstone Apartments. However, the project manager reported that vacancies can be present at times, due to somewhat limited demand in Barnesville.

Recommendation: The 12 current tax credit units seem to be adequately addressing the need for this type of affordable rental housing. In 2010, we would recommend that the need for additional tax credit units be monitored.

In a City the size of Barnesville, we would typically expect the tax credit inventory to be within a range of 14 to 19 units. At 12 units, Barnesville is slightly below this level. As the City continues to grow, it may be possible to construct some additional units. By 2015, it may be possible to add 8 to 10 more units, depending on the demand that is evident at that time. However, the small-scale of a future expansion may make it impractical as a stand-alone project.

Although Sandstone Apartments reported full occupancy at the time of our rental survey, there was no evidence of pent-up demand in the form of a long waiting list. The project manager indicated that demand is somewhat limited, and that occasional vacancies can occur. There were also some vacancies reported in other moderate rent, market rate housing, that would be equally affordable.

Since tax credit rental housing often serves more moderate income families with children, it is generally desirable to locate units near employment centers. In competition for funds, the Minnesota Housing Finance Agency awards bonus points to Counties and communities showing strong job growth and/or household growth. Clay County does not qualify for any bonus points under the current rankings.

Even if Clay County is added to the list of high-ranking Counties in the future, there would probably be a preference to place units closer to the regional center. Although Barnesville does offer local employment opportunities, much of the area's job growth has been occurring in Fargo-Moorhead. This may cause households living in Barnesville to commute for employment.

3. Explore Preservation/Renovation of Subsidized Housing

Findings: For a relatively small City with a limited supply of rental housing, Barnesville has had a relatively large inventory of subsidized housing. There have been three separate subsidized developments operating in the City, the 30-unit Fairview Apartments project, the 16-unit Leonhardt Manor project, and the 16-unit Barnesville Apartment project. The combined 62 subsidized units have represented nearly 30% of the total rental inventory.

Most of the subsidized housing has only one-bedroom apartments available. In total, 59 of the 62 units have only one-bedroom, even though some of these are designated for general occupancy.

Fairview Apartments has been able to maintain a high rate of occupancy. However, Leonhardt Manor and Barnesville Apartments have had vacancy problems. In 2010, Barnesville Apartments was closed, and most of the tenants transferred to Leonhardt Manor. Even with the influx of transferred residents, Leonhardt Manor had five vacancies at the time of the rental survey.

Some of the vacancy problems can be attributed to the structure of the subsidy assistance. Both Leonhardt Manor and Barnesville Apartments utilized USDA Rural Development subsidies. Only a limited number of units in each project have rent assistance available. In units without rent assistance, tenants must pay a basic rent amount, even if this exceeds 30% of their household income.

All five of the vacancies in Leonhardt Manor were in basic rent units that did not offer rent assistance. In contrast, all 30 units in Fairview Apartments can charge rent based on 30% of income.

In addition to the project-based subsidies that exist, Barnesville renters also have access to the tenant-based Voucher program. In October 2010, there were three Barnesville households receiving rent assistance through this Program. While the Clay County Program is larger, it has been typical for fewer than five households to be receiving Voucher assistance at one time.

When project-based and tenant-based assistance is combined, there are approximately 44 households in some form of “deep subsidy” program in 2010. This represents approximately 25% of all renter households in the City.

Recommendation: At the time of this Study in 2010, the largest subsidized housing issue in Barnesville involves the eventual resolution of the Barnesville Apartments project. The project is closed and may soon be in foreclosure. Included in the 16 units are the City’s only subsidized two-bedroom apartments.

Barnesville’s inventory of one-bedroom subsidized units has exceeded demand, resulting in persistent vacancy issues. However, in 2010, the City has no subsidized options with two or more bedrooms. As a result, it would be appropriate to look at the potential for preserving the Barnesville Apartments, with the goal of reconfiguring the project into larger units for lower income families. There are numerous examples of both public and nonprofit housing agencies becoming involved in the preservation of subsidized housing.

Preservation/redesign may not be cost effective. It would also be very important that any preservation effort be based on the ability to secure some rent assistance commitments from Rural Development, so that the units could serve lower income people. If this project is not preserved as subsidized housing, it is possible that it will emerge from foreclosure as a moderate rent, market rate project. To remain as desirable housing, it is possible that rental rehabilitation assistance will be needed to prepare these units for reuse.

4. Monitor the Need to Expand Assisted Living Options for Seniors

Findings: The Barnesville Market Area has only two specialized housing options for senior citizens, and both of these are located in Barnesville. Golden Manor is a bed-unit assisted living facility. The Barnesville Good Samaritan Home is licensed for 35 skilled nursing beds. Golden Manor had nine of the 10 units occupied in October. While inquiries had been received concerning the vacancy, it had been unoccupied for a few months.

The Good Samaritan Home has gradually been retiring some beds, including five beds in August 2010. This facility once had 42 licensed nursing beds, but is now down to 35 in 2010.

The information on the senior population dates back to the 2000 Census. At that time, the Barnesville Market Area had a total senior population of 984 people, age 65 and older. Most of these were younger seniors, in the age range between 65 and 74 years old. There were 478 older senior citizens, age 75 and above, in 2000. Older seniors tend to use specialized senior housing at a much higher rate than younger seniors.

Using regional aging trends, it is possible to estimate the Market Area's senior population in 2010, and to project forward to 2015. For younger seniors, we would estimate that there are approximately 525 people age 65 to 74 years old in 2010. This group should add approximately 100 additional people by the year 2015.

For older seniors, age 75 and above, we would estimate that there are approximately 505 to 525 people in 2010. By 2015, the number of older seniors should increase by approximately 20 people, and will be between 525 and 545 older seniors.

Some of the older seniors are already residing in the Good Samaritan Home. After adjusting for approximately 30 nursing home residents, the number of older seniors available for other senior housing with services options would be approximately 475 to 495 people in 2010. The ten current units in Golden Manor require a market capture rate of approximately 2.0% to 2.1% to achieve full occupancy.

Recommendations: In comparably-sized communities, we would expect that between 2.5% and 3.5% of older seniors would look to an assisted living option. For the Barnesville Market, this would be within a range of 12 to 17 units. Projecting forward to the year 2015, demand will only grow slightly. At the same utilization rates, demand would increase by only one additional unit due to growth in the older senior population between 2010 and 2015.

Currently, there are 10 assisted living units in the City of Barnesville. Although our demand calculations show that by the year 2015, Barnesville may need as many as eight additional assisted living units, there is competition within the region. Moorhead, Fergus Falls and Fargo are much larger, and can offer advanced medical care and other services for older seniors. As a result, it is possible that the lower utilization of assisted living in the Market Area is the result to the draw created by the surrounding regional centers.

There is also an argument that current economic conditions are causing seniors to delay life-cycle changes in housing. The vacancy that exists in Golden Manor has existed for a few months, indicating that pent-up demand for assisted living is not an issue in 2010. The occupancy patterns should be monitored over the next few years. If unmet demand develops, a small-scale expansion of assisted living would be appropriate to meet the needs of seniors.

Longer-term, the demand for specialized senior housing will continue to grow. The age-based projections used in this Study anticipate that much of the net population growth by 2015 will be in the 55 to 64 and 65 to 74 year old age groups. After 2020, the number of older seniors in the area will grow rapidly, reflecting the aging of the “baby boom” generation.

5. Promote Expanded Use of Housing Choice Vouchers

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

In Clay County, the Voucher Program is administered by the Clay County HRA, based in Dilworth. In 2010, the HRA has budget authority for approximately 360 participating households, but only three Barnesville households were receiving Voucher Assistance.

As the national and regional economy has weakened, demand for rent assistance has increased. The waiting list for Voucher assistance in Clay County has approximately 550 names in 2010. Due to the length of the wait, the list is closed to new applicants.

Recommendation: Expanded use of the Voucher Program will assist lower income renters in Barnesville. Although the federal government has not been active in expanding resources for subsidized housing construction, there has been some incremental growth in the tenant-based Voucher Program in recent decades. From a practical standpoint, the Housing Choice Voucher Program is the single best way that Barnesville can expand very affordable housing options. In 2010, the waiting list in Clay County is closed to new applicants, due to the length of the current list. When it does reopen, low income Barnesville renters should be encouraged to apply for this Program.

Home Ownership Recommendations

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

The median owner-occupied home value in Barnesville is estimated to be \$119,500 (see sales data in tables 14 and 15 earlier in this document). With approximately 50% of the homes in Barnesville valued under \$119,500, Barnesville has a good market for first time home buyers and households seeking moderately priced homes. The affordable price of Barnesville homes, is attractive when compared to prices in some of the larger cities within commuting distance of Barnesville. Additionally, the City of Barnesville has an above average number of homes currently for sale.

Our analysis of the Barnesville Market Area shows an increasing population of households in the traditionally strong home ownership age ranges between 55 and 74 years old. While most households in these age ranges already own their housing, this group represents a strong potential market for 'trade-up' housing. Increasingly, the older age ranges within this group look for lower maintenance housing options, such as twin homes or town house developments.

Also, the number of households in the 25 to 44 age range is expected to increase in the Market Area. Households in these age ranges are typically first-time home buyers. While some of these households already own their housing, those households that have not been able to achieve the goal of home ownership, may need the assistance of special programs to help them purchase their first home and will be seeking affordable homes such as the homes in Barnesville.

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

6. Utilize and promote all programs that assist with home ownership

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

First time home buyer assistance, down payment assistance, low interest loans, gap financing and home ownership training programs help to address affordable housing issues. With the City's median home value at \$119,500, many of the homes in the existing housing stock in Barnesville are valued under purchase price limits for first-time home buyer assistance programs.

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

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

Recommendation: The Barnesville EDA and area housing agencies should continue to utilize all available home ownership assistance programs to promote home ownership. The City, in coordination with other Clay County Cities, should also explore the possibility of obtaining specific program set-asides for home ownership programs offered through the Minnesota Housing Finance Agency. Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher participation limits for income and purchase price, and the flexibility for more local design and control. Mortgage programs should also be developed that include all households and not just first time home buyers to encourage trade-up housing activity.

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

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

7. Develop a Purchase/ Rehabilitation Program

Findings: Barnesville has a stock of older, lower valued homes, some of which need repairs. The median estimated market value for homes in Barnesville is \$119,500. As some of the homes substantially below the median price come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

The Minnesota Housing Finance Agency has provided funding in the past to develop a Purchase/Rehabilitation Program, although funding is not available in 2010. Under the program, the City or a housing agency purchases an existing home that needs rehabilitation, rehabilitates the home, sells the home to a low income family and provides a mortgage with no down payment, no interest and a monthly payment that is affordable for the family. The Program accomplishes many community goals, including the promotion of home ownership for lower income people, and the repair of substandard housing units.

In many cases, the cost of acquisition and rehab will exceed the house's after-rehab value. Although a public subsidy may be involved, the cost to rehab and sell an existing housing unit is generally lower than the subsidy required to provide an equally affordable unit through new construction.

The Purchase Plus Program is also an MHFA Program that provides households with mortgage funds for the purchase and rehabilitation of substandard existing homes. This Program could also be utilized in Barnesville.

Recommendation: We recommend that the City of Barnesville consider the creation of a purchase/rehabilitation program. Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, over 80% of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was also available.

A purchase/rehabilitation program will achieve several goals. The programs will encourage home ownership, prevent substandard homes from becoming rental properties and rehabilitate homes that are currently substandard. Area housing agencies and financial institutions could offer some rehabilitation assistance in conjunction with its first-time buyer programs to make the City's older housing a more attractive option for potential home buyers.

A private investor has purchased several homes in Barnesville and has rehabilitated the houses. The investor is renting most of these homes, but has expressed interest in selling the units after rehabilitation. Possibly a housing agency could partner with this investor to purchase, rehabilitate and sell or lease homes.

Due to the lack of MHFA funding in 2010, it may be necessary to utilize an SCDP grant, FHLB funds or another source to fund a purchase/rehabilitation program.

8. Consider a local down payment assistance program or a community-based home ownership promotion program

Findings: One of the largest identifiable barriers preventing low and moderate income households from owning a home is the inability to save money for down payment and closing costs, especially with current mortgage lending regulations. Some communities have addressed this issue by creating a local fund to match home owner down payments to encourage home ownership.

For example, one southern Minnesota city has initiated a Down Payment Assistance Program using Small Cities Development Program revolving income funds with the Programs guidelines as follows:

- ▶ Assistance of \$5,000 or 50% of the down payment, whichever is less
- ▶ Purchaser must be first time home buyer
- ▶ Purchase price cannot exceed a specified limit
- ▶ Purchaser must be at or below 80% of county median income
- ▶ Loan is repaid without interest whenever the house is sold

Other examples of City efforts and promotions to encourage home ownership include:

- ▶ **Chamber Bucks** in the amount of \$1,000 are provided to buyers of new and existing homes. The Chamber Bucks are good for purchases at participating Chamber of Commerce member businesses. Chamber Bucks are funded jointly by the City and the Chamber of Commerce.
- ▶ **City Utility Credit** in the amount of \$500 is provided for the first year of occupancy in the purchased house. The credit applies to refuse and recycling collection, water and wastewater services.

- ▶ **Slow Second Mortgage** financing is available as an alternative to the down payment assistance. The Slow Second Mortgage provides 10 percent of the mortgage amount in a second mortgage loan. Payment of principal on the loan can be deferred for as long as 10 years, and the interest during the deferred period is paid by the City. This mortgage is provided through the tax increment financing assistance to the subdivision. TIF income requirements under State law apply to program participants.

Recommendation: The City of Barnesville should explore the possibility of creating a down payment assistance program or innovative home ownership promotion program. As money is repaid into the fund when houses are sold, the fund can become a revolving source of funds to promote home ownership. Local employers, the Small Cities Development Program, the Federal Home Loan Bank, the Minnesota Housing Finance Agency and Tax Increment Financing may be sources to contribute to the fund.

New Housing Construction

Findings: Barnesville experienced strong single family owner occupied family housing construction in the early and mid 2000's. From 2000 through 2006, a total of 124 single family homes were constructed, which is an average of 18 homes per year. From 2007 through 2010, construction has slowed and 20 single family homes have been constructed in Barnesville, which is an average of five homes per year. To date in 2010, only one home has been constructed. The peak years for new construction were 2002 when 25 owner-occupied units were constructed, 2003 when 19 new homes were constructed and 2004 when 17 homes were constructed. Construction was also strong from 1995 to 1999 when 70 homes were constructed, which is an average of 14 homes per year.

The attractiveness of the community, the City's status as a small regional center, the area's amenities, incentives that are available to buy lots and build homes and the City's marketing, should result in the continued construction of new homes annually. However, attractive residential lot options must continue to be available for new construction to take place over the next five years.

Household growth projections for the Barnesville Market Area indicate some limited demand for owner-occupied housing construction. Most of the growth that is anticipated through 2015 in the Market Area will be among households in the age ranges between 55 and 74 years old. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced, trade-up housing and low maintenance housing such as town homes and twin homes. There is also growth projected in the Market Area among younger households, in the 25 to 44 year old range. Many of the households in these age ranges are first time home buyers.

It is our opinion that if the City, the EDA, area housing agencies and developers are proactive, six to nine homes can be constructed annually in Barnesville over the next five years. This projection is based on the availability of attractive residential lots for new construction. Our projection for single family housing starts includes homes built in new subdivisions and on infill lots, and includes single family owner-occupied attached housing units, such as twin homes and town houses.

The breakdown of our projection of six to nine new owner occupied housing units annually is as follows:

▶ Higher & median price homes	1-2 homes
▶ Affordable homes	3-4 homes
▶ Twin homes/Town homes	<u>2-3 units</u>
Total	6-9 units

Because of the slow recovery of the economy, new home construction numbers are down and numerous lots are available in the Fargo/Moorhead area, many of which are or will be available at reduced prices. Thus, it is not projected that Barnesville will experience the high number of new homes that were constructed from 2000 to 2006.

9. Lot Availability and Development

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Barnesville. Currently, there are approximately six lots available in Heartland 3rd Addition, 26 lots in the Del Acres-Gilbertson Addition, 11 lots in Stoneridge Addition, and one lot in the Heartland 2nd Addition. There are also 10 lots available in Pearl View Estates, which is outside of the City limits. There are also a few other miscellaneous in fill lots available. It is estimated that there are currently approximately 44 lots available in the City's subdivisions, plus 10 lots in Pearl View Estates.

In addition to these lots, there are also several infill lots scattered around the City that we did not attempt to count. We also do not know the availability of some of these infill lots.

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace, based on annual lot usage. Using our projections that between six to nine new houses will be constructed per year, the City should have approximately 15 to 23 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction. The available inventory could include lots that are currently buildable, as well as lots in the advanced planning stages that could be available for the next construction season.

Using this standard, the City of Barnesville, with approximately 44 lots, plus the Pearl View Estates lots, currently has an adequate number of available lots. The available lots also provide an adequate variety of options including twin home lots.

However, the Barnesville EDA and developers should continue to plan for the development of lots as there may be a need for additional lots by the year 2015.

10. Promote townhouse, twin home and cooperative housing development

Findings: Barnesville has experienced some attached owner occupied housing development in recent years. Since 2000, approximately 10% of single family housing starts have been in the form of twin home units. Some communities have seen attached housing take an increasingly large share of new construction activity over the last decade.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making homes available for families. It is estimated that the 55 to 74 age ranges in the Barnesville Market Area will increase by the year 2015. It is important for the City to offer a range of life-cycle housing options to these households as many of these households will be seeking to downsize into low maintenance housing options.

Recommendation: It is our projection that approximately 30% of the City of Barnesville's new single family construction will be twin home/town home construction over the next five years, which is approximately two to three units annually or a twinhome/townhome development of 10 to 15 units over the next five years.

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

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

The public sector's role in any owner-occupancy attached housing development will be limited, as the private sector will meet this housing need if a demand exists. The City should assure that adequate land is available for development and that zoning allows for attached housing development. The City currently has lots zoned for twin home construction.

Another opportunity to develop owner-occupied senior housing is a Co-op concept. The senior household purchases a unit and also pays a monthly maintenance fee. At the time of sale, the household is guaranteed the original purchase amount plus a predetermined profit.

Typically, the developer pre-sells a percentage of the units prior to construction, thus, assuring a successful project.

A Co-op has recently been developed in Fergus Falls and the project has been very successful. A similar, but smaller project may be feasible in Barnesville.

11. Continue and consider the expansion of new home construction incentive programs

Findings: The Barnesville EDA is providing incentives to construct new homes in Barnesville. Incentives include reduced lot prices (some lots can be purchased for the cost of special assessments only), cash incentives to start construction before a designated date and utility incentives.

These incentives should be continued and possibly expanded. These incentive programs provide an advantage over competing cities and make Barnesville an attractive option. Some cities have provided property tax abatements and down payment assistance.

It has also become very difficult to obtain construction financing to construct a home. The development of a construction loan program to assist households to construct a new home in Barnesville would be very beneficial.

Recommendation: We recommend that the Barnesville EDA continue its incentive programs on an ongoing basis. The programs enable Barnesville to be competitive with other cities that are marketing their cities and in some cases offering incentives.

12. Develop Spec Homes

Findings: The slow recovery of the economy, a large inventory of homes on the market, foreclosures and falling home prices, all have had a significant impact on new home construction.

New home construction will continue to be stagnant for some time. The development of spec homes can stimulate new construction.

The Barnesville EDA should consider the construction of spec homes either independently or through a partnership with a private developer.

Some Minnesota Cities have developed spec builder programs to encourage developers to construct spec homes. These programs include:

- ▶ Reduced lot prices
- ▶ Interest free construction financing for up to six months
- ▶ Developer doesn't pay for the lot until the home is sold

Recommendation: We recommend the construction of spec homes by private developers, the Barnesville EDA or through a private/public partnership.

We also recommend that because of the volatility of the market, developers and the Barnesville EDA should construct only one spec home and not begin construction on a second spec home until the first home is sold. Also, first the spec homes should be affordable, under \$170,000. Additionally, incentives should be available to the home buyers.

Finally, we recommend that the Barnesville EDA create a Spec Home Incentive Program.

13. Continue cooperation with housing agencies and nonprofit organizations supporting new home construction

Findings: With the difficulty of producing new houses that are affordable to lower income people, it is important to take advantage of opportunities presented by other groups and organizations such as Habitat for Humanity. Habitat for Humanity has been very successful and very proactive in constructing new homes in Clay County.

Additionally, Lakes and Prairies Community Action Partnership, Inc. and West Central MN Communities Action, Inc. have constructed homes in the area in the past and have access to resources to construct affordable homes.

Additional financial resources that may be available for affordable new home construction include the Minnesota Housing Financing Agency (MHFA), the Small Cities Development Program (SCDP), the Greater Minnesota Housing Fund (GMHF) and the Federal Home Loan Bank (FHLB).

Recommendation: We recommend that the City of Barnesville and the Barnesville EDA continue to develop relationships with nonprofit groups and housing agencies that help to produce affordable housing units. The City should continue to contribute to projects through lend donations, grant writing, project coordination activities, loans, public improvements, etc.

14. Continue home ownership awareness programs

Findings: Opportunities for new housing construction are sometimes limited because of the lack of information and awareness of financing programs, lots on the market, local builders, etc. This is especially evident for new households moving into the area. The home buying/home building process can be very intimidating for first-time home buyers and builders.

Recommendation: We recommend the continued creation of Informational Brochures and other marketing materials that describes the lots, builders and financing programs that are available in Barnesville. Buying a lot, selecting a builder, obtaining financing and constructing or purchasing a home can be an intimidating process. Often households have not been through this process and do not know where to begin or how to proceed. A "How-To" brochure with pertinent and up-to-date information will encourage and assist households with constructing a home or finding a suitable move-up home.

Another possibility for promoting ownership options is to organize a Housing Fair that educates and informs the public on lots, builders, finance programs, etc. The Housing Fair should include developers, builders, lenders, realtors, public agencies, etc. Local employers should be contacted to assess their interest and possible participation in the event.

Housing Rehabilitation

Findings: Barnesville has an asset in its existing housing stock. A review of Clay County tax information for residential parcels in Barnesville shows that the existing housing stock represents more than \$110,000,000 in market value. Approximately \$100,000,000 is in owner-occupied properties.

Existing units, both now and into the future, will represent the large majority of the affordable housing opportunities. Existing units generally sell at a discount to their replacement value. Units that are not maintained may slip into disrepair and be lost from the housing stock. Investment in housing rehabilitation activities will be critical to offering affordable opportunities.

Housing options for most households will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair are required. Without rehabilitation assistance, the affordable stock will shrink, creating an even more difficult affordability situation.

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

15. Promote rental housing rehabilitation programs

Findings: Based on U.S. Census data and our estimates, the City of Barnesville has approximately 200 rental units in 2010. These rental units are in large multifamily projects, small rental buildings, mixed use buildings, duplexes and single family homes. Many of these rental structures are over 25 years old and could benefit from rehabilitation.

Currently, there is an eight-plex that is substandard and for sale. There is also a 16-unit Rural Development project, Barnesville Apartments, that is vacant and may soon be in foreclosure.

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

Recommendation: The City of Barnesville and the Barnesville EDA should consider seeking funds to implement a rental rehabilitation program. Potential funding sources include SCDP, MHFA and FHLB funds. The Barnesville EDA could work with a private developer to rehabilitate the eight-plex and Barnesville Apartments.

16. Promote ongoing owner-occupied housing rehabilitation efforts

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

Although the Barnesville housing stock is in good condition, there are still a number of homes that need housing rehabilitation. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink in the City of Barnesville.

The Minnesota Small Cities Development Program (SCDP) continues to be the major source of funding for housing rehabilitation. The City of Barnesville recently utilized SCDP funds to rehabilitate single family homes. The Minnesota Housing Finance Agency also provides funding for housing rehabilitation. There are also Weatherization funds administered by West Central Communities Action, Inc. that are available to Barnesville homeowners.

Additionally, Lakes and Prairies Community Action Partnership is sponsoring the Northern Lights Group Workcamp initiative. Through this initiative, volunteers will repair 60 homes in Clay and Wilkin Counties. The Workcamp will be headquartered in Barnesville.

Recommendation: We recommend that the City of Barnesville and area housing agencies continue to seek other local, state and federal funds to assist in financing housing rehabilitation programs.

Other Recommendations

17. Create a plan and continue coordination among housing agencies

Findings: Barnesville needs resources to plan and implement the housing recommendations advanced in this Study. The Barnesville EDA, the Clay County HRA, Lakes and Prairies Community Action Partnership, Inc., and West Central MN Communities Action, Inc., are currently the entities providing housing services in Barnesville and Clay County. The Barnesville Housing and Redevelopment Authority provides public housing, but is currently not active in providing other services and programs.

Recommendation: It is our recommendation that the City prioritize the recommendations of this Study and develop a plan to address the City's housing needs. The Plan should include strategies, time lines and the responsibilities of each agency. It may be necessary for area housing agencies to assist with the development and implementation of housing programs and projects.

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

18. Continue Marketing Efforts

Findings: The City of Barnesville and the Barnesville EDA have successfully marketed the City and its amenities over the past 15 years.

The City of Barnesville has positioned itself as a strong option for households who are seeking small town living in the larger Fargo/Moorhead Metro Area.

From 1996 to 2010, 205 new homes have been constructed in Barnesville. Much of this success can be attributed to Barnesville's marketing efforts.

Recommendation: The City of Barnesville should continue its marketing efforts as the marketing has been successful and Barnesville has the reputation as an excellent small city to live in with many amenities including an excellent

school system, parks, nice subdivisions, etc. The City should also continue to preserve and improve its amenities and services.

For example, a major concern of commuters with children is daycare. An excellent daycare system provides commuters the peace of mind to live in Barnesville and work elsewhere. A service such as daycare is necessary if families with children are to consider Barnesville as a location to buy or build a home.

19. Continue and possibly expand the Barnesville Main Street and Store Front Revitalization Programs

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

The City of Barnesville is undertaking a Main Street improvement project which includes new utilities, streets, curb and gutter, sidewalks, landscaping, etc.

The Barnesville Main Street Program promotes the Downtown and the City's Store Front Revitalization Program provides funds for building additions, exterior improvements, etc.

Recommendation: We recommend that the City of Barnesville and the Barnesville EDA continue to improve, expand and promote its Commercial District by continuing and possibly expanding its Main Street and Store Front Revitalization Programs.

Agencies and Resources

The following local and state agencies administer programs or provide funds for programs and projects.

Barnesville

Barnesville Economic Development Authority

Post Office Box 550
Barnesville, MN 56514
(218) 354-2145

Lakes and Prairies Community Action Partnership, Inc.

715 11th Street North, Suite 402
Moorhead, MN 56560
(218) 299-7000

West Central MN Communities Action, Inc.

411 Industrial Boulevard
Elbow Lake, MN 56531
(800) 492-4805

Barnesville Housing and Redevelopment Authority

P.O. Box 158
Barnesville, MN 56514
(218) 354-7700

Clay County Housing and Redevelopment Authority

116 Center Ave. E.
Dilworth, MN 56529
(218) 233-8883

List of Interviews and Key Informants

The following individuals were interviewed in person or by telephone to collect information for this Housing Study:

Karen Lauer - Barnesville Economic Development Director
Robert Sefkow - Developer
Ted DuCharme - Realtor
Kari Myhre - Realtor
Cindy Sillerud - Realtor
Brendan Muldoon - Realtor
Fred Dahnke - Mayor
Mike Rietz - City Administrator
Brad Field - President Wells Fargo, EDA Chairman, Housing Committee
Gene Prim - Editor Barnesville Record-Review, Housing Committee
Merlin Strom - City Council Member, Planning Commission Chairman
Jeremy Krause - City Council Member, Owner-Building Center
Del Ellefson - City Council Member, EDA Board
Ryan Tonsfeldt - Main Street President
Diane Hanson - Building permit information
Melissa McCray - Assistant Administrator, Good Samaritan Nursing Home
Dale Rollie - Lakes and Prairies Community Action Partnership, Inc.
Jim Braton - rental property owner, investor
David Johnson - Barnesville Homes
Mark Sloan - Clay County GIS
Ryan DeJong - Clay County Assessor
Bobbi Jo Stanfill - Clay County HRA

In addition to these individuals, information was collected through a telephone survey from the owners/managers of 14 multifamily rental projects in Barnesville.