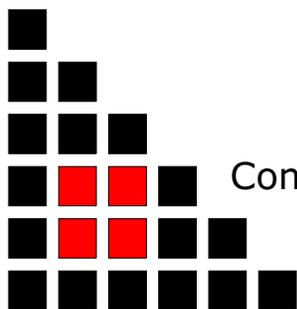


City of Fairmont HOUSING STUDY

November 2013

An analysis of the overall housing needs
of the City of Fairmont, MN



Community Partners Research, Inc.

1011 Newhall Drive

Faribault, MN 55021

List of Sections

	<u>Page</u>
Introduction	2
Demographic and Projection Data	4
Existing Housing Data	29
Rental Housing Inventory	40
Employment and Local Economic Trends Analysis	52
Findings and Recommendations	57
Fairmont in Comparison	105
Agencies and Resources	115

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 Fairmont are privately owned and were constructed with private funds. On an increasing scale, however, the public is demanding that public officials control what happens in this largely private housing market by eliminating blight, protecting individual investments, and generating new housing growth to meet economic development needs.

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

Goals

The multiple goals of the study include:

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

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from April to October, 2013. Data sources included:

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

This study was prepared by:

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

Section Table of Contents

	Page
Demographic Data Overview	5
Population Data and Trends	6
Group Quarters/Student Population	7
Population by Age Trends: 2000 to 2010	8
Population Projections	10
Household Data and Trends	11
Household by Age Trends: 2000 to 2010	12
Average Household Size	14
Household Projections	15
Household Projections by Age	16
Households by Type	18
Housing Tenure	19
Tenure by Age	20
Tenure by Household Size	21
2011 Income Data	22
Household Income Distribution	25
Fairmont Income Distribution by Tenure	25
2011 Estimated Income and Housing Costs - Renters	27
2011 Estimated Income and Housing Costs - Owners	28

Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources. At the time that research was completed for this Study, both the U.S. Census Bureau and the Minnesota State Demographer's Office had released basic demographic estimates for the year 2012. However, these annual estimates are generally limited to basic counts, such as population and household levels.

For more detailed demographic variables, the 2010 Census is viewed as the most reliable data source. While the last Census is an accurate benchmark for demographic data, it was more limited in scope than in the past. As a result, some of the demographic variables, such as income and housing cost information, are not available. To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households.

The American Community Survey does provide detailed demographic characteristics. However, because the American Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate. The following tables incorporate the 2010 Census data, when available, or the American Community Survey data, when it is viewed as reliable.

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For the City of Fairmont, the 2011 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between 2007 and 2011. For Martin County, two sets of 2011 estimates exist, based on sampling completed over a five-year period and over a three-year period between 2009 and 2011. Use of the five-year sampling data for Martin County maintains consistency with the use of the same sample for Fairmont.

Population Data and Trends

Table 1 Population Trends - 1980 to 2012						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2012 Estimate
Fairmont	11,265	10,889	-3.3%	10,666	-2.1%	10,521
Martin Co.	22,914	21,802	-4.9%	20,840	-4.6%	20,477

Source: U.S. Census; MN State Demographer

- ▶ According to the 2010 U.S. Census, the City of Fairmont and Martin County both had population losses from 2000 to 2010. Fairmont’s population was 10,666 in 2010. This was a 223-person decrease from 2000, which was a population loss of 2.1%.
- ▶ Martin County’s population was 20,840 in 2010. This was a 962-person decrease from 2000, which was a population loss of 4.6%.
- ▶ Fairmont and Martin County also experienced population decreases in the 1990s. Fairmont’s population decreased by 376 people and Martin County’s population decreased by 1,112 people.
- ▶ Fairmont’s population is primarily White and non-Hispanic/Latino. At the time of the 2010 Census, 95.6% of the City’s residents identified their race as White, with the Asian population at 0.7%, the Black/African American population at 0.5% and the American Indian population at 0.3% of the City’s population. Approximately 5.3% of the City’s residents were identified as Hispanic/Latino.
- ▶ According to the 2010 Census, 234 Fairmont residents lived in group quarters, primarily living in skilled nursing facilities.
- ▶ The State Demographer and the Census Bureau have released population estimates following the 2010 Census. For Fairmont, the most recent estimates are effective on July 1, 2012. The State Demographer estimate shows the City’s population at 10,521 people, down 145 residents from the 2010 Census. The U.S. Census population estimate for Fairmont in 2012 is 10,463, down 203 people from the 2010 Census.
- ▶ For all of Martin County, the State Demographer’s 2012 estimate shows the County’s population at 20,477, which is a decrease of 363 people since the 2010 Census. The U.S. Census 2012 estimate for Martin County is nearly identical at 20,475 people, down by 365 since the 2010 Census.

Group Quarters Population/Student Data

Fairmont has a number of people residing in group quarters. The following table displays changes in this population subset over the past 30 years.

Table 2 Group Quarters Populations in Fairmont: 1980 to 2012					
	1980 Census	1990 Census	2000 Census	2010 Census	2012 Estimate
Fairmont	212	252	297	234	238

Source: U.S. Census; MN State Demographer

According to the 2010 Census, Fairmont had 234 people living in group quarters housing. In Fairmont, this population was identified within three primary groups. People living in skilled nursing facilities represented approximately 56% of the group quarters total. People living in other forms of noninstitutional facilities represented approximately 35% of the total. REM Heartland has housing options for special needs populations in Fairmont which were probably included in this category. People in correctional facilities for adults represented approximately 9% of the total. The most recent estimate from the State Demographer’s Office shows the City’s group quarters population remaining relatively stable between 2010 and 2012.

Between 2000 and 2010, Fairmont had a net reduction of 63 group quarters residents. This represented more than 28% of the City’s population loss in the last decade. Most of the change in group quarters residents between 2000 and 2010 was due to a decrease of institutional facilities’ residents, including a juvenile institution that was counted in 2000, but not in 2010. According to City staff, a former juvenile resource center has been converted to an in-patient treatment center, and would no longer be viewed as a group quarters residence.

Student Population

Presentation College has a campus in Fairmont. However, the College does not have any on-campus student housing options, and none of the City’s group quarters residents are specifically identified as students.

Enrollment information is available for the College, but enrollment does not necessarily indicate that the student is living in Fairmont, or that the student is living independently. Many students are “traditional” students, in the age range between 18 and 22 years old. Many also originate from the immediate area. As a result, at least some of the Fairmont-based student population may still reside with other family members.

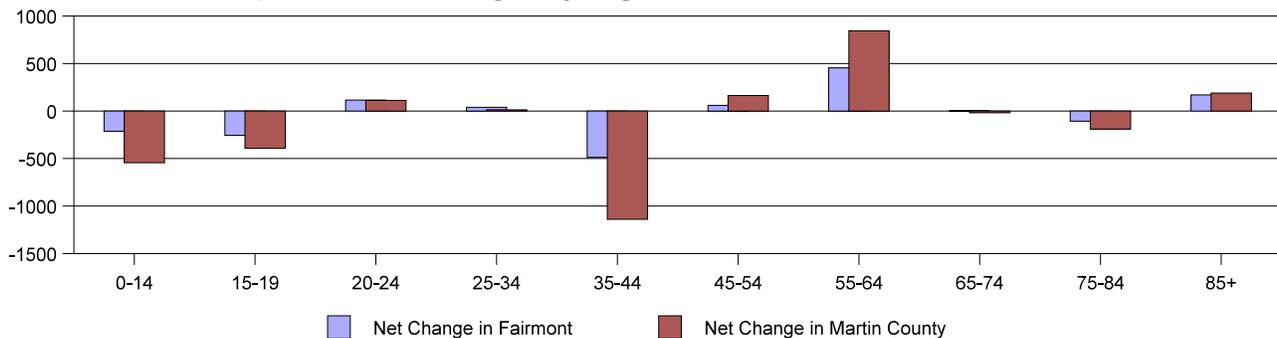
Population by Age Trends: 2000 to 2010

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

Table 3 Population by Age - 2000 to 2010						
Age	Fairmont			Martin County		
	2000	2010	Change	2000	2010	Change
0-14	2,096	1,883	-213	4,291	3,747	-544
15-19	833	577	-256	1,689	1,297	-392
20-24	450	565	115	841	953	112
25-34	1,112	1,151	39	2,115	2,128	13
35-44	1,590	1,103	-487	3,306	2,167	-1,139
45-54	1,514	1,574	60	3,112	3,275	163
55-64	996	1,450	454	2,112	2,956	844
65-74	972	975	3	1,933	1,915	-18
75-84	928	821	-107	1,674	1,484	-190
85+	398	567	169	729	918	189
Total	10,889	10,666	-223	21,802	20,840	-962

Source: U.S. Census

Population Change by Age Between 2000 and 2010

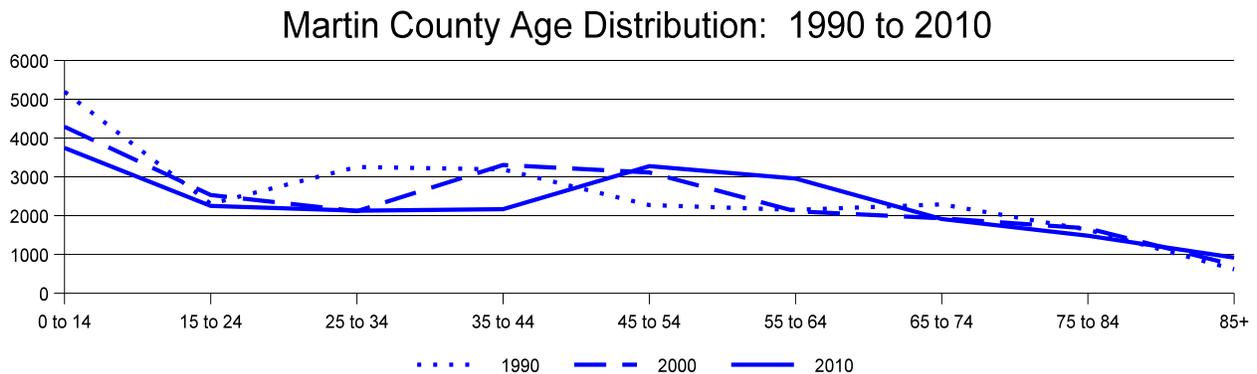


For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in Fairmont and Martin County.

Between 2000 and 2010, Fairmont had a gain of 514 people and Martin County had a gain of 1,007 people in the age ranges between 45 and 64 years old. In 2010, nearly all of the baby boomers were within these age ranges.

The City of Fairmont and Martin County also had increases in the 20 to 24, 25 to 34 and 85 and older age ranges. Fairmont and Martin County had significant losses from 2000 to 2010 in the 0 to 14, 15 to 19, 35 to 44 and 75 to 84 age ranges. Fairmont had a slight gain in households in the 65 to 74 age range and Martin County had household losses in this age range.

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



Population Projections

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

The State Demographer’s projections for cities and counties were created in 2013 and do incorporate the information from the 2010 Census.

Table 4 Population Projections Through 2020					
	2012 Estimates	Community Partners Research Projection		State Demographer Projection	
		2015	2020	2015	2020
Fairmont	10,521	10,439	10,284	10,487	10,310
Martin County	20,477	20,166	19,647	20,488	20,145

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

The Community Partners Research, Inc., projections are based on past trends and expect a loss of approximately 82 people in Fairmont from 2012 to 2015, and a loss of another 155 people from 2015 to 2020.

The State Demographer projections are slightly more optimistic, but also forecast a declining population level. The State Demographer projects a loss of 34 people from 2012 to 2015, followed by a loss of 177 people from 2015 to 2020.

The Community Partners Research, Inc., projections for Martin County expect a loss of 311 people from 2012 to 2015, followed by a loss of 481 people from 2015 to 2020. The State Demographer’s population projections for Martin County are once again more optimistic and forecast a gain of 11 people from 2012 to 2015, followed by a loss of 343 people from 2015 to 2020.

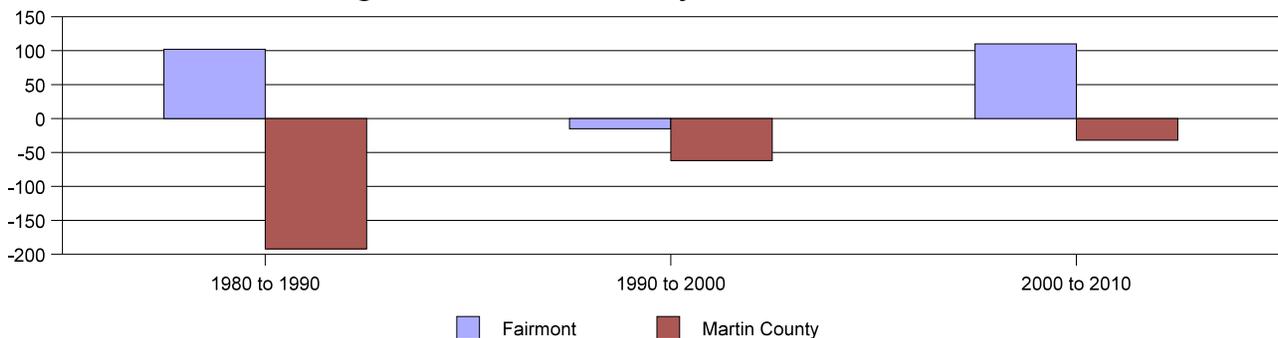
Household Data and Trends

Table 5 Household Trends - 1980 to 2012						
	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010	2012 Estimate
Fairmont	4,717	4,702	-0.32%	4,812	2.3%	4,805
Martin Co.	9,129	9,067	-0.68%	9,035	-0.35%	8,977

Source: U.S. Census; MN State Demographer

- ▶ According to the 2010 U.S. Census, Fairmont gained households but Martin County lost households from 2000 to 2010. Fairmont had 4,812 households in 2010. This was an increase of 110 households from 2000, which was a household gain of 2.3%.
- ▶ Martin County had 9,035 households in 2010. This was a loss of 32 households from 2000, which was a household decrease of 0.35%.
- ▶ Fairmont and Martin County both experienced household losses during the 1990s, Fairmont lost 15 households and Martin County lost 62 households from 1990 to 2000.

Net Change in Households by Decade: 1980 to 2010



Household by Age Trends: 2000 to 2010

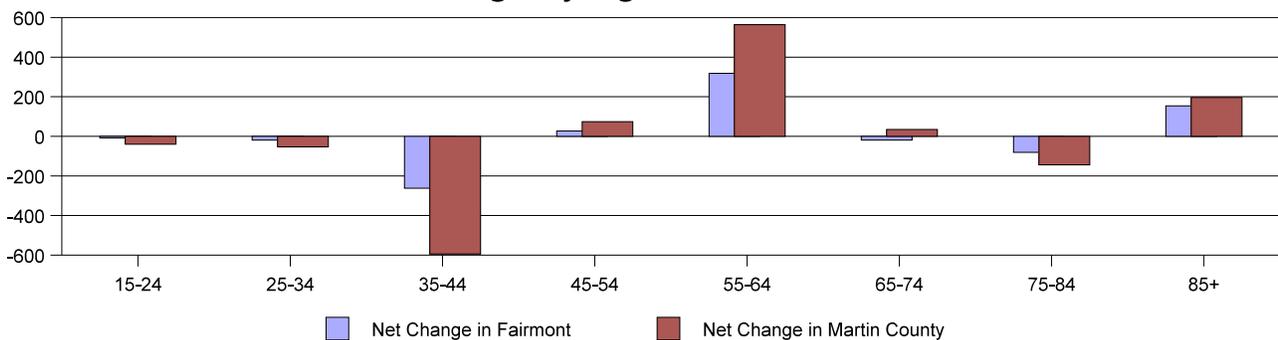
The 2010 Census allows for some analysis of Fairmont and Martin County’s changing age patterns. The following table compares households by age of householder in 2000 and 2010, along with the numeric changes.

Table 6 Households by Age - 2000 - 2010						
Age	Fairmont			Martin County		
	2000	2010	Change	2000	2010	Change
15-24	224	216	-8	363	323	-40
25-34	614	595	-19	1,116	1,063	-53
35-44	890	628	-262	1,791	1,197	-594
45-54	895	922	27	1,784	1,858	74
55-64	578	896	318	1,205	1,769	564
65-74	611	592	-19	1,200	1,165	35
75-84	642	561	-81	1,159	1,015	-144
85+	248	402	154	449	645	196
Total	4,702	4,812	110	9,067	9,035	-32

Source: U.S. Census

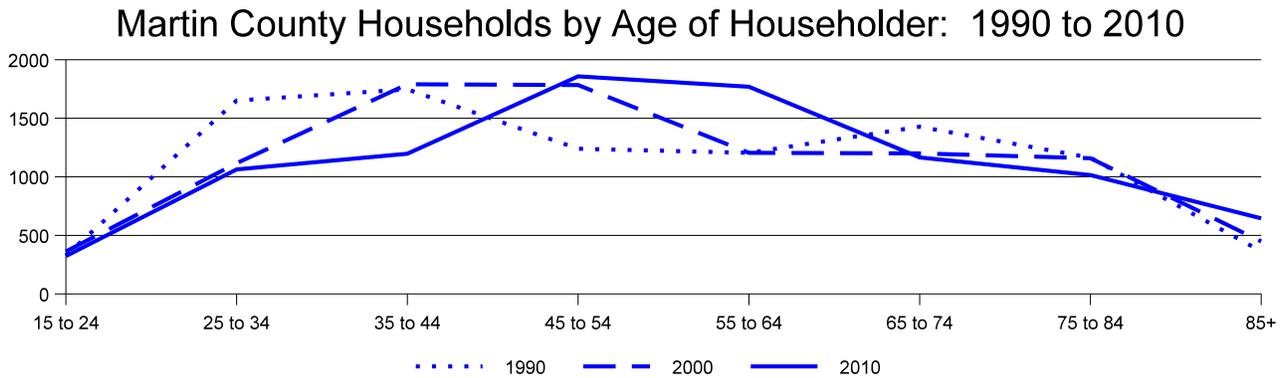
Consistent with the population by age data presented earlier, the household patterns show much of the net change occurring in the baby boomer age groups. For all of Martin County there was an increase of 638 households in the 45 to 64 year age range, and in Fairmont there was a gain of 345 households in the 45 to 64 year old age ranges.

Household Change by Age Between 2000 and 2010



Fairmont had decreases in all the other age ranges with the exception of the 85 and older age range which had a gain of 154 households. Martin County also had losses in the other age ranges, except the 65 to 74 age range which had a gain of 35 households, and the 85 and older age range which had a gain of 196 households.

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



Average Household Size

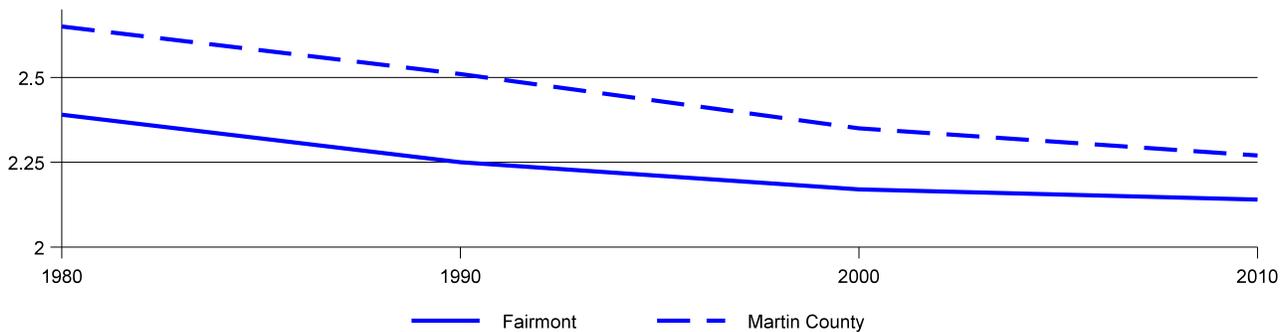
The following table provides decennial Census information on average household size.

Table 7 Average Number of Persons Per Household: 1990 to 2010				
	1990 Census	2000 Census	2010 Census	2012 Demographer
Fairmont	2.39	2.25	2.17	2.14
Martin County	2.51	2.35	2.27	2.24

Source: U.S. Census

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

Average Household Size: 1980 to 2010



There has been a long-term pattern of smaller household sizes in the Fairmont area. The average household size in Fairmont decreased from 2.39 in 1990 to 2.14 in 2012. Martin County's average household size decreased from 2.51 in 1990 to 2.24 in 2012.

Household Projections

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

Table 8 Household Projections Through 2015					
	2012 Estimate	Community Partners Research		State Demographer	
		2015 Projection	2020 Projection	2015 Projection	2020 Projection
Fairmont	4,805	4,831	4,875	N/A	N/A
Martin County	8,977	8,956	8,920	9,037	9,027

Source: State Demographer; Community Partners Research, Inc.

After examining growth trends for the past 22 years, along with the aging patterns for area residents, the projections created by Community Partners Research, Inc., expect Fairmont to add approximately 26 households over the three-year projection period between 2012 and 2015, and 70 households by the year 2020. On an average basis, this would be approximately nine additional households per year.

For all of Martin County, Community Partners Research, Inc., projects minor household losses, consistent with the trends in recent decades. Between 2012 and 2015, the projected loss of households would be approximately 21 households, with an additional 36 households lost between 2015 and 2020. At an annual rate, this would be a loss of approximately seven households per year.

The State Demographer’s household projections are more optimistic and forecast 60 additional households Countywide over the three-year period to the year 2015. After 2015, the household level would remain relatively stable, with the possible loss of approximately two households in an average year.

Household by Age Projections: 2010 to 2015

With the release of the 2010 Census, a new benchmark has been established for Martin County age-related statistics. In the following table, Community Partners Research, Inc., has generated age-based household projections for Martin County to the year 2015.

The first set of age-based projections has been extrapolated from population by age forecasts that have just been issued by the Minnesota State Demographer. They have been converted into households using past calculations on the average household size that has existed within specific age ranges.

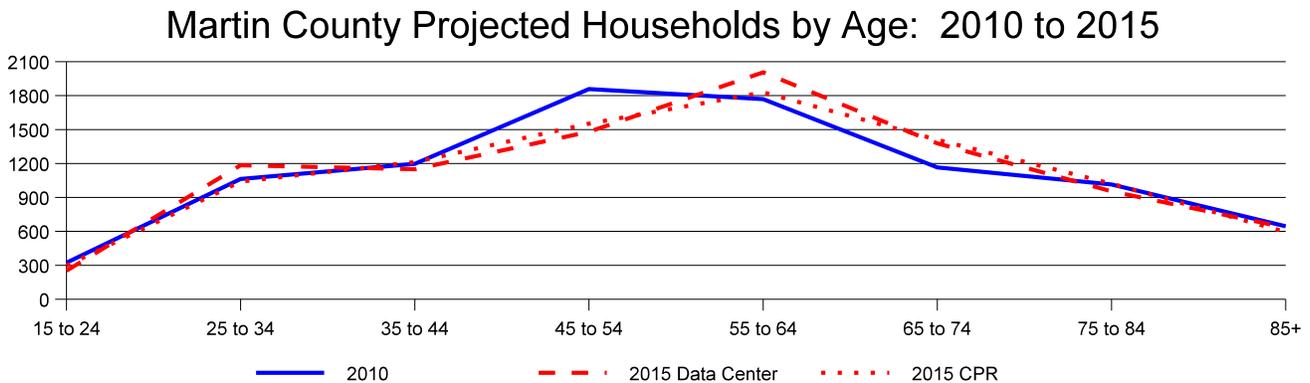
The second set of projections was created by Community Partners Research, Inc., by trending forward past retention rates within defined age cohorts, and assuming that these past patterns are reasonable predictors of future age-based population changes.

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

Age Range	2010 Census	Extrapolated from State Demographer Data		Community Partner Research	
		2015 Projection	Change from 2010	2015 Projection	Change from 2010
15-24	323	252	-71	297	-26
25-34	1,063	1,185	122	1,040	-23
35-44	1,197	1,149	-48	1,212	15
45-54	1,858	1,480	-378	1,552	-306
55-64	1,769	2,006	237	1,829	60
65-74	1,165	1,378	213	1,409	244
75-84	1,015	954	-61	1,022	7
85+	645	634	-11	595	-50
Total	9,035	9,037	2	8,956	-79

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

While the two projection methods do yield some differences for the age-based forecasts, in general terms they offer a somewhat similar expectation through the year 2015. The relative similarity becomes more evident when viewed as a line chart showing the progression from 2010 to 2015.



The projections from the Minnesota State Demographer tend to be more optimistic for the number of households in certain age groups, including households in the age 25 to 34 year old range. The extrapolation from the State Demographer indicates a probable gain of 122 households within this younger adult group while Community Partners Research, Inc., projects a loss of 23 households. The State Demographer also projects a gain of 237 households in the 55 to 64 age range while Community Partners Research, Inc., projects a gain of only 60 households.

However, Community Partners Research, Inc., is more optimistic in the 35 to 44 age range. The State Demographer projects a loss of 48 households and Community Partners Research, Inc., projects a gain of 15 households in this age range. In the 75 to 84 age range, Community Partners Research, Inc., projects a gain of seven households but the State Demographer projects a loss of 61 households. The two projection methods are reasonably similar in the other age ranges.

Households by Type

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

Table 10 Fairmont Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	947	684	-263
Single Parent with own children	397	436	39
Married Couple without own children	1,054	1,489	435
Family Householder without spouse	566	207	-359
Total Families	2,964	2,816	-148
Non-Family Households			
Single Person	1,562	1,731	169
Two or more persons	176	265	89
Total Non-Families	1,738	1,996	258

Source: U.S. Census

Between 2000 and 2010, Fairmont experienced losses in the total number of family households. The net loss was due to a decrease of married couples with children and family households without spouses. There was, however, a significant increase in the number of married couples without children and some increase in single parent households with children.

The City had an increase in “non-family” households. This was due both to an increase in single person households and households with unrelated individuals living together.

Housing Tenure

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

Table 11 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Fairmont	3,342	69.5%	1,470	30.5%
Martin Co.	6,802	75.3%	2,233	24.7%
State	-	73.0%	-	27.0%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in the City of Fairmont was 69.5%. Martin County's ownership rate was 73.0%. Fairmont's rental rate of 30.5% was above the State of Minnesota's rental rate of 27.0%.

Housing Tenure in 2010

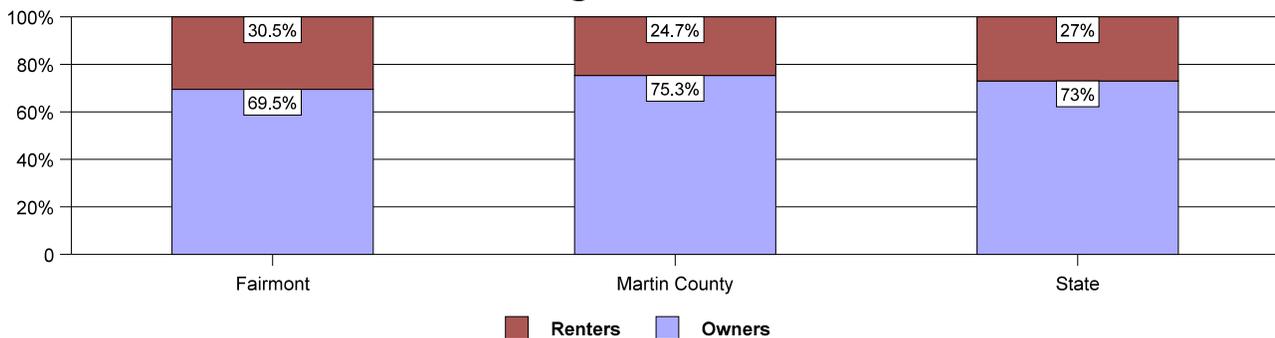


Table 12 Households by Housing Tenure - 2000 to 2010						
Tenure	Fairmont			Martin County		
	2000	2010	Change	2000	2010	Change
Owners	3,472/73.8%	3,342/69.5%	-130	7,014/77.4%	6,802/75.3%	-212
Renters	1,230/26.2%	1,470/30.5%	240	2,053/22.6%	2,233/24.7%	180
Total	4,702	4,812	110	9,067	9,035	-32

Source: U.S. Census

Fairmont's ownership tenure rate decreased from 73.8% in 2000 to 69.5% in 2010. For Martin County, there was also a decrease in the rate of owner-occupancy from 77.4% in 2000 to 75.3% in 2010.

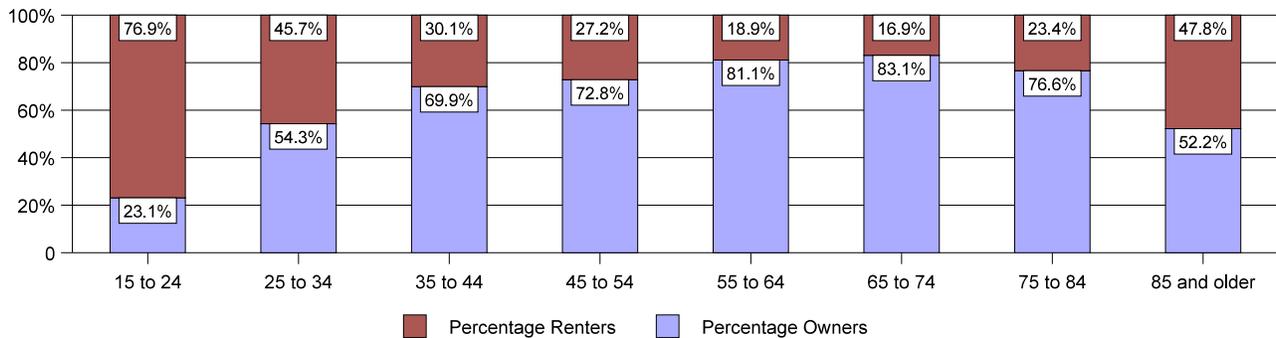
Tenure by Age of Householder

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

Table 13 Fairmont Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	50	23.1%	166	76.9%
25-34	323	54.3%	272	45.7%
35-44	439	69.9%	189	30.1%
45-54	671	72.8%	251	27.2%
55-64	727	81.1%	169	18.9%
65-74	492	83.1%	100	16.9%
75-84	430	76.6%	131	23.4%
85+	210	52.2%	192	47.8%
Total	3,342	69.5%	1,470	30.5%

Source: U.S. Census

Fairmont Housing Tenure Patterns by Age in 2010



Within the defined age ranges, typical tenure patterns were present, with the households in the youngest and oldest age ranges showing a high percentage rental occupancy, while middle-aged and older adult households were primarily home owners. Approximately 77% of households age 24 and younger and 48% of the households age 85 and older rented their unit. Home ownership rates for each of the 10-year age cohorts age 35 to 84 were approximately 70% or higher.

Tenure by Household Size

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

Table 14 Fairmont Tenure by Household Size - 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	881	926	45	681	805	124
2-Person	1,444	1,439	-5	261	316	55
3-Person	460	409	-51	137	159	22
4-Person	418	355	-63	93	111	18
5-Person	186	135	-51	36	58	22
6-Person	65	51	-14	12	12	0
7-Persons+	18	27	9	10	9	-1
Total	3,472	3,342	-130	1,230	1,470	240

Source: U.S. Census

- ▶ Over the past decade, there was a decrease in the number of owner households and a gain in renter households in Fairmont. There was a loss of 184 owner households with two to six people. However, there was an increase of 45 one-person owner households and a gain of nine seven-plus person owner households.
- ▶ There was a gain of 124 one-person renter households, 55 two-person households and 22 three-person households. There was also a net gain of 39 renter households with four or more people from 2000 to 2010.
- ▶ Approximately 76% of the renter households in Fairmont were one or two person households.

2011 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the City, Township and County level through the 2011 American Community Survey.

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

Table 15 Median Income - 2000 to 2011			
	2000 Median	2011 Median	% Change
Households			
Fairmont	\$33,709	\$40,711	20.8%
Martin County	\$34,810	\$44,791	28.7%
Minnesota	\$47,111	\$58,476	24.1%
Families			
Fairmont	\$46,637	\$57,692	23.7%
Martin County	\$44,541	\$58,825	32.1%
Minnesota	\$56,874	\$73,046	28.4%

Source: U.S. Census; 2011 ACS 5-year survey

Income information contained in the 2011 American Community Survey shows income growth within the City of Fairmont and in Martin County over the past decade. The City’s median household income level increased by approximately 21%. However, the City’s actual median household income was still nearly \$18,000 lower than the Minnesota median. Fairmont has a large number of renter households and a large number of senior citizen households, both of which tend to have lower income levels. Martin County’s median household income of \$44,791 was approximately \$14,000 lower than the Minnesota median.

Family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners. While the median family income in Fairmont and Martin County was higher than the median household income, it was still well below the Statewide median for families.

Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Fairmont could afford approximately \$1,018 per month for ownership or rental housing in 2011. A family at the median income level for the City could afford approximately \$1,442 for housing costs.

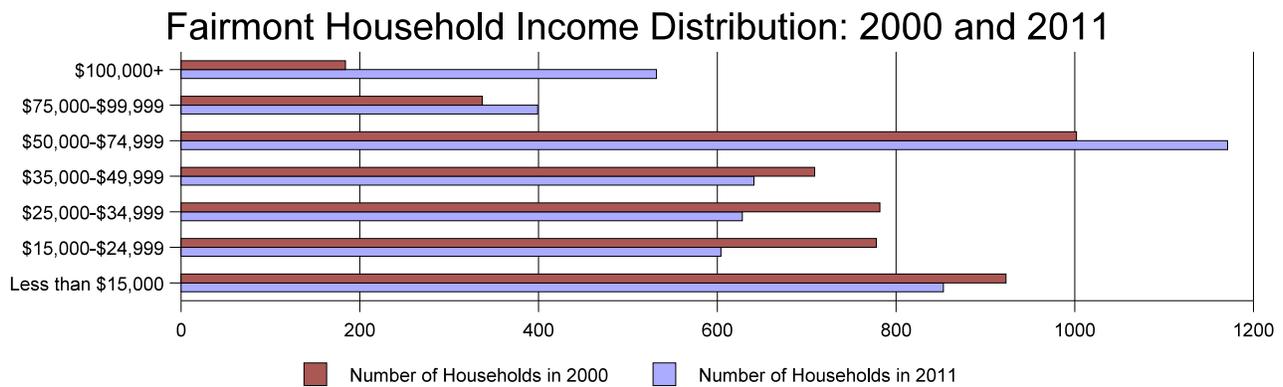
Although households at or near the median levels do have some buying power for housing, the overall medians can be somewhat deceptive. In general, renter households tend to have incomes that are well below the overall median levels, while home owners tend to be above the medians for households or families. In 2011, the median income level for owner households in Fairmont was \$59,508. The estimated median household income for renters in 2011 was only \$20,050. At 30% of income, a median income renter in the City could apply \$500 to gross rent without experiencing a housing cost burden.

Fairmont Household Income Distribution

The 2011 American Community Survey household income estimates for the City of Fairmont can be compared to the same distribution information from 2000 to examine changes that have occurred from 2000 to 2011.

Table 16 Fairmont Household Income Distribution - 2000 to 2011			
Household Income	Number of Households 2000	Number of Households in 2011	Change 2000 to 2011
\$0 - \$14,999	923	853	-70
\$15,000 - \$24,999	778	604	-174
\$25,000 - \$34,999	782	628	-154
\$35,000 - \$49,999	709	641	-68
\$50,000 - \$74,999	1,002	1,171	169
\$75,000 - \$99,999	337	399	62
\$100,000+	184	532	348
Total	4,715	4,828	113

Source: 2000 Census; 2011 ACS



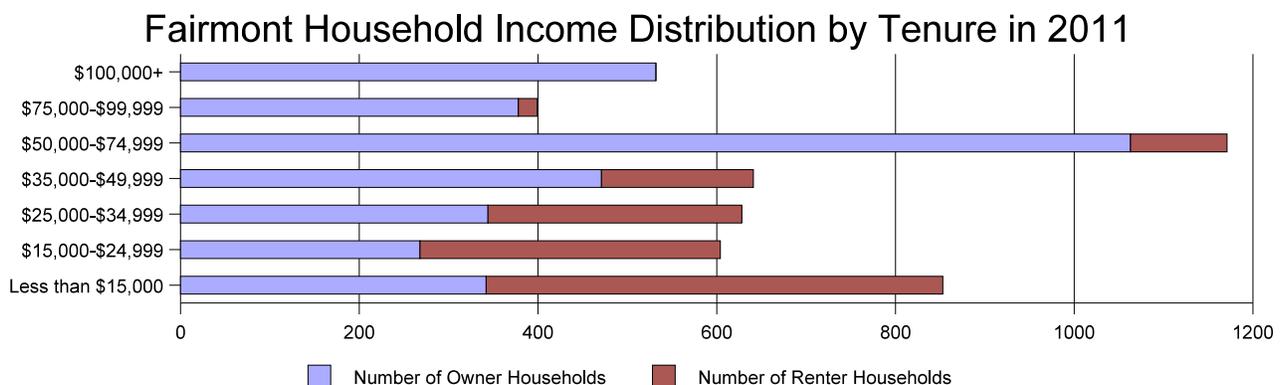
According to income estimates contained in the 2011 American Community Survey, household incomes have improved in Fairmont, especially in the highest income ranges. When compared to the 2000 Census (1999 income), the number of households with an income of \$50,000, or more, increased by 579 households. There was also a decrease of 466 households with incomes under \$50,000. However, there were still 1,457 households in Fairmont that have an annual income below \$25,000. This is 30.2% of all households.

Fairmont Income Distribution by Housing Tenure

The 2011 American Community Survey provides an income estimate by owner and renter status. The following table examines income distribution within the City of Fairmont. The American Community Survey is an estimate, based on limited sampling data, and there are some differences when compared to the 2010 Census. For total households, the American Community Survey reported 16 fewer households than the Census, a difference of less than 1%. The American Community Survey estimated 56 more owner households than the Census, and 40 fewer renter households. Since owner households tend to have higher incomes than renters, the over-weighting of owners in the estimate probably results in some higher totals in the higher income ranges.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	342 (40.1%)	511 (59.9%)	853
\$15,000 - \$24,999	268 (44.4%)	336 (55.6%)	604
\$25,000 - \$34,999	344 (54.8%)	284 (45.2%)	628
\$35,000 - \$49,999	471 (73.5%)	170 (26.5%)	641
\$50,000 - \$74,999	1,063 (90.8%)	108 (9.2%)	1,171
\$75,000 - \$99,999	378 (94.7%)	21 (5.3%)	399
\$100,000+	532 (100%)	0 (0%)	532
Total	3,398 (70.4%)	1,430 (29.6%)	4,828

Source: 2011 American Community Survey



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

In 2010, approximately 79% of all renter households in Fairmont had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs.

Conversely, a majority of the owner households had a substantially higher income level. Approximately 55% of all owner households had an annual income of \$50,000 or more. At 30% of income, these owners could afford \$1,364 or more per month for housing costs.

2011 Estimated Income and Housing Costs - Renters

The American Community Survey also collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing in the City of Fairmont.

Table 18 Gross Rent as a Percentage of Household Income - 2011			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	267 (27.1%)	80 (18.0%)	347 (24.3%)
20% to 29.9%	250 (25.4%)	79 (17.8%)	329 (23.0%)
30% to 34.9%	87 (8.8%)	27 (6.1%)	114 (8.0%)
35% or more	340 (34.5%)	258 (58.1%)	598 (41.8%)
Not Computed	42 (4.2%)	0 (0%)	42 (2.9%)
Total	986	444	1,430

Source: 2011 American Community Survey

According to the American Community Survey, approximately 50% of all renters in the City were paying 30% or more of their income for rent. The large majority of these households were actually paying 35% or more of their income for housing. Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

Although a housing cost burden could be caused by either high housing costs or low household income, in Fairmont it was primarily due to low income levels for renters. Approximately 69% of the renter households with a housing cost burden had an annual household income below \$20,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$500 or less.

Senior citizen renters (age 65 and older) represented approximately 40% of all households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 60% of all households with a rental cost burden.

2011 Estimated Income and Housing Costs - Owners

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

Table 19 Ownership Costs as a Percentage of Income - Fairmont		
Percentage of Household Income for Housing Costs	Number of Owner Households 2011	Percent of All Owner Households 2011
0% to 19.9%	2,002	58.9%
20% to 29.9%	727	21.4%
30% to 34.9%	179	5.3%
35% or more	490	14.4%
Not Computed	0	0%
Total	3,398	100%

Source: 2011 ACS

Based on the 2010 Census, the 2011 American Community Survey slightly overestimated the number of owner households in the City by 56 households. However, there is also a one-year time difference in the effective date of the two estimates which also may account for some of the difference.

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 20% of all home owners reported that they paid more than 30% of their income for housing. The majority of these households were paying more than 35% of income for housing costs.

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

Building Permit Trends

Fairmont has had some new housing construction activity in recent years. The following table identifies the units that have been issued a building permit from 2000 to 2012.

Table 20 Fairmont Housing Unit Construction Activity: 2000 to 2012				
Year	Single Family Detached	Single Family Attached	Multifamily	Total Units
2012	2	2	0	4
2011	4	0	0	4
2010	1	2	0	3
2009	3	4	0	7
2008	4	0	0	4
2007	6	0	0	6
2006	4	0	10	14
2005	12	5	36	53
2004	7	4	0	11
2003	9	2	16	27
2002	8	6	0	14
2001	8	2	8	18
2000	12	8	54	74
Total	80	35	124	239

Source: City of Fairmont; Community Partners Research, Inc.

Over the past 13 years, 239 new housing units have been constructed in Fairmont, based on building permit issuance. Of these units, 115 are identified as single family homes, including single family detached and attached twin homes and town houses. A total of 124 multifamily units were constructed from 2000 to 2012, with most intended for renter-occupancy.

Much of the new housing construction occurred from 2000 to 2006. During this seven-year period, the City averaged approximately 30 new units per year. From 2007 to 2012, housing construction activity slowed, and the City has averaged approximately five new units per year.

The multifamily units built from 2000 to 2012 include Gold Finch Estates with 54 units constructed in 2000, 24 essential function bond units constructed in 2001 and 2003, Village Co-op with 36 units constructed in 2005 and a 10-unit expansion of Gold Finch Estates memory care housing constructed in 2006.

Occupancy Status of Housing Units - 2010

Table 21 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
Fairmont	3,342	1,470	179	68	58	134
Martin Co.	6,802	2,223	274	135	170	395

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 170 seasonal housing units in Martin County, including 58 units in Fairmont.
- ▶ Excluding the seasonal use units, there were 839 other types of vacant housing units in Martin County in 2010, including 381 vacant units in Fairmont. Many of the vacant units were listed as "other vacant" and the status of these units is not known.

Existing Home Sales

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

Martin County collects and utilizes information from residential sales for the County's sales ratio study. The County compares the fair market sale price to the estimated taxable value for each home. As a result, the County information for sales primarily reflects existing homes that have an established tax value. New construction sales activity would generally not be recorded in the data that was used for this analysis, unless the house had been constructed some time ago and did have an established tax value.

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

In an effort to better evaluate the impact of foreclosures, short sales, bank-owned sales, and similar causes, Community Partners Research, Inc., also obtained information from Martin County on "distressed" sales. These have been included in a separate analysis that follows later in this section.

The sales reports available from the County did not always differentiate between different styles of houses. Single family units may be either attached housing units, such as twin homes or town houses, or detached single family homes. Some sales were identified as "duplex" or "condominium" and these sales were excluded from this analysis.

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

Information was available for each calendar year, from 2008 through 2012. Information for 2013 is partial-year, for the period between January 1st and July 31st.

Table 22 Fairmont Residential Sales Activity - 2008 to 2013*				
Year	Number of Good Sales	Median Sale Price	Highest Sale	Lowest Sale
2013 (partial year)	63	\$100,000	\$337,000	\$25,000
2012	102	\$111,000	\$364,000	\$12,000
2011	92	\$97,500	\$470,000	\$12,000
2010	85	\$102,900	\$332,500	\$23,000
2009	96	\$79,175	\$665,000	\$18,000
2008	114	\$89,250	\$370,000	\$14,500

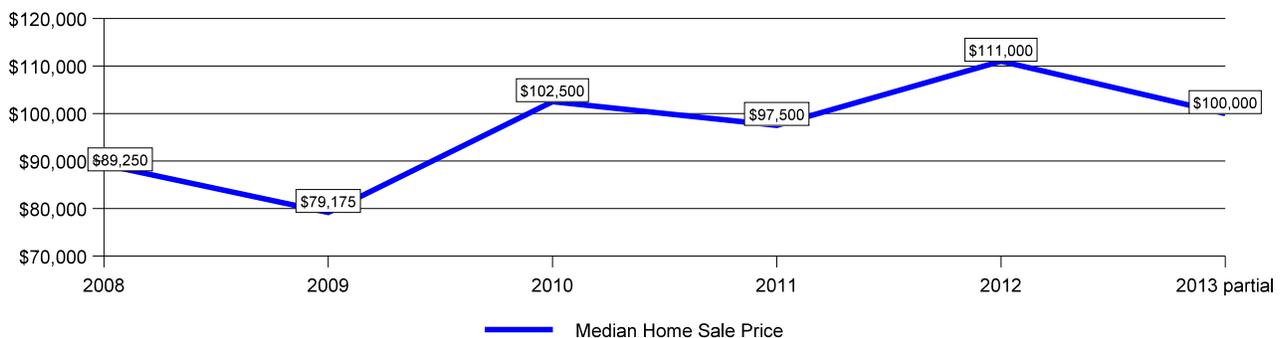
Source: Martin County Assessor; Community Partners Research, Inc.

Information for 2013 only represents the first seven months of the year and may not be an accurate indicator of the entire year. However, through July, 63 good sales had been recorded, with a partial-year median price of \$100,000.

The 2013 partial-year median was lower than the midpoint price recorded in 2012, at \$111,000. In that 12-month period there were 102 good sales. The median sale price for 2012 was the highest median sale price of all the years reviewed. Sales volume was also up in 2012 versus the previous three years. However, the 2012 sales volume was still below the level reached in 2008, when 114 good sales were recorded.

The collapse of a national housing “bubble” in the late 2000s may have had some impact on both the volume of sales in Fairmont and on the median price. Between 2008 and 2009, the median sales price decreased by more than \$10,000, and the number of sales declined by nearly 16%. Although the volume of good sales dropped even more in 2010, the median price rebounded to \$102,900. Over the six-year period reviewed, there has been a general upward trend in the City’s median sale price for previously owned homes.

Median Home Sale Prices in Fairmont: 2008 to 2013*



Prices for existing home sales have varied widely, with most years having some very low-valued homes. In each of the six years reviewed, at least one house in the City sold for \$25,000 or less. However, in each year, at least one house also sold for more than \$300,000.

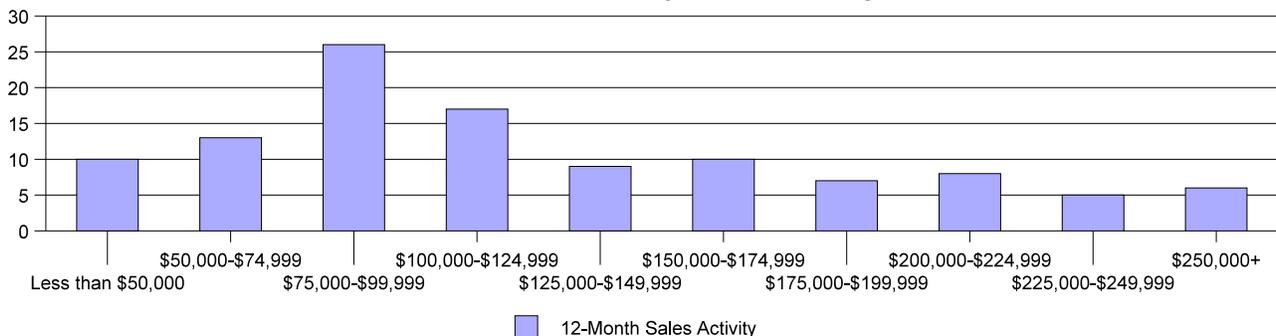
Home Sales by Price Range

Although information for 2013 only extends to the end of July, a 12-month period can be assembled, from August 1, 2012 to July 31, 2013. The following table looks at single family houses that sold in this 12-month period in Fairmont by defined price ranges. This information is from Martin County’s sales records.

Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	10	9.0%
\$50,000 - \$74,999	13	11.7%
\$75,000 - \$99,999	26	23.4%
\$100,000 - \$124,999	17	15.3%
\$125,000 - \$149,999	9	8.1%
\$150,000 - \$174,999	10	9.0%
\$175,000 - \$199,999	7	6.3%
\$200,000 - \$224,999	8	7.2%
\$225,000 - \$249,999	5	4.5%
\$250,000+	6	5.4%
Total	111	100%

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

Fairmont Home Sales by Price Range: 2012



A majority of recent residential sales were priced less than \$125,000. Overall, more than 59% of all recent sales were in the price ranges below \$125,000. However, more than 17% of the recent sales were at or above \$200,000. Fairmont has a number of lakeshore residential options and some of the higher-valued sales may represent lake property.

Active Residential Listings

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Fairmont. On August 21, 2013, there were 85 single family homes, and four attached ownership units, including condominiums, that were listed for sale. Some of the listings may have been located outside of the city limits, but were in the immediate area and were listed as Fairmont properties. It is possible that some of the houses had duplicate listings, although the analysts attempted to identify and remove these duplicated listings. The following table examines the MLS listings by listing price. It includes all types of homes, including town homes and condominiums, as posted on Realtor.com.

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

Table 24 Fairmont Active MLS Listings by Price Range - August 2013		
Asking Price	Number of Listings	Percent of Listings
Less than \$50,000	6	6.7%
\$50,000 - \$74,999	12	13.5%
\$75,000 - \$99,999	24	27.0%
\$100,000 - \$124,999	9	10.1%
\$125,000 - \$149,999	11	12.4%
\$150,000 - \$174,999	5	5.6%
\$175,000 - \$199,999	5	5.6%
\$200,000 - \$224,999	4	4.5%
\$225,000 - \$249,999	4	4.5%
\$250,000+	9	10.1%
Total	89	100%

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

Based on the listings on Realtor.com, most of the houses being offered for sale were priced below \$125,000. Overall, more than 57% of active listings in August were priced at \$124,999 or less. As stated above, more than 59% of recent home sales were within this same price range.

Approximately 19% of the listings were priced at \$200,000 or more. Over the past 12 months, approximately 17% of Fairmont’s existing home sales were in these higher price ranges.

Foreclosure/Bank-Owned Sales Activity

There were additional property transfers and sales in recent years that were not viewed as fair market transactions. Among the reasons that a sale can be rejected as a qualified sale is because of foreclosure activity or disposition by the mortgage holder.

The Martin County Assessor’s Office had records on transfers that were identified as foreclosures or bank-owned home sales. In some cases, a single property is listed twice, first as a foreclosure and then as a bank-owned sale when it is sold by the mortgage holder. The following table separates foreclosures from bank-owned sales but does not remove multiple transactions for a single property.

Year	Number of Foreclosures	Number of Bank-Owned Sales	Total Distressed Transfers
2013 (partial year)	12	1	13
2012	26	0	26
2011	24	1	25
2010	28	3	31
2009	6	25	31
2008	5	30	35

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

The records obtained from Martin County show ongoing transfers of distressed residential properties in Fairmont. In 2008 and 2009, only a limited number of foreclosures were identified. However, there were a number of bank-owned sales recorded in those two years. This would imply that the foreclosure of the home occurred prior to 2008, or it is possible that the owner deeded the home back to the lender in lieu of foreclosure.

Starting in 2010, the County records point to a significant increase in the number of foreclosures, but a significant decrease in the number of annual bank-owned sales. This may indicate that there are a number of bank-owned homes in the City in 2013. If this is correct, it is possible that a number of bank-owned sales will occur in the future.

Martin County Home Foreclosure Activity

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

In response to the growth in foreclosures late in the last decade, HousingLink and the Greater Minnesota Housing Fund began tracking mortgage foreclosure activity across the State. They have produced annual foreclosure reports since 2007. Their reports provide details on foreclosure activity at the County level, as well as a comparison with other Counties in the State.

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

Table 26 Martin County Home Foreclosures - 2005 to 2013*									
Foreclosures	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Number	26	44	54	52	46	53	43	42	13
Rate	0.29%	0.49%	0.60%	0.58%	0.52%	0.60%	0.48%	0.48%	N/A

Source: HousingLink; Community Partners Research

* 2013 is through June

Based on the HousingLink data, Martin County has not been significantly impacted by home foreclosures. However, the number of annual foreclosures did generally increase between 2006 and 2010, before beginning to diminish.

HousingLink also attempts to put the rate of foreclosure in perspective, by comparing the number of foreclosures to the total number of residential parcels in the County. For comparative purposes, Martin County had the 70th lowest rate of foreclosure among Minnesota's 87 Counties through the first two quarters of 2013, the most recently reported time period.

Fairmont Housing Condition

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

Windshield Survey Condition Estimate

Seven defined areas north of Blue Earth Avenue were surveyed. These are the same neighborhoods that were surveyed in Fairmont's 1996 Housing Study. The boundaries for these areas were developed by the Martin County Assessor's Office. The areas were defined by certain similarities between structures, such as age, type of construction, value, condition or other criteria. Lake shore properties are excluded from the areas and were not included in the windshield survey. Some of the areas are very small, encompassing no more than six blocks. Other areas are much larger. Three areas north of Blue Earth Avenue and west of State Street were not included in the survey. These areas either were industrial or had a larger percentage of newer, good condition houses. The map below identifies the boundaries of each area surveyed.

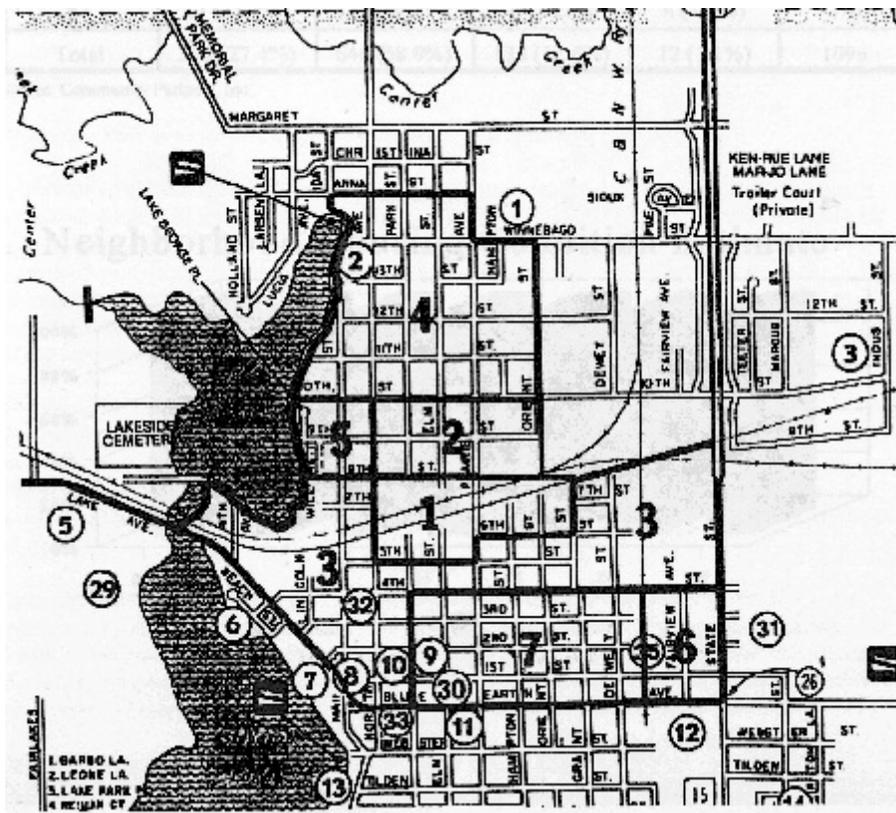


Table 27 Windshield Survey Condition Estimate - 2013

Neighborhood	Sound	Minor Repair	Major Repair	Dilapidated	Total
#1	15 (22.1%)	21 (30.9%)	24 (35.3%)	8 (11.7%)	68
#2	17 (17.2%)	41 (41.4%)	38 (38.4%)	3 (3.0%)	99
#3	51 (25.6%)	83 (41.7%)	55 (27.7%)	10 (5.0%)	199
#4	123 (35.6%)	142 (41.2%)	66 (19.1%)	14 (4.1%)	345
#5	20 (40.0%)	23 (46.0%)	7 (14.0%)	0 (0%)	50
#6	24 (40.7%)	26 (44.1%)	9 (15.2%)	0 (0%)	59
#7	91 (34.7%)	119 (45.5%)	48 (18.3%)	4 (1.5%)	262
Total	341 (31.5%)	455 (42.1%)	247 (22.8%)	39 (3.6%)	1,082

Source: Community Partners Research, Inc.

- ▶ The existing housing stock in these seven Fairmont neighborhoods is in fair condition. Approximately 42% of the houses need minor repair and 23% need major repair. Approximately 32% are sound, with no required improvements.
- ▶ Approximately 39 houses (3.9%) are dilapidated and possibly beyond repair.
- ▶ The quality of the housing stock has deteriorated in these seven neighborhoods since the 1996 Housing Study. In 1996, the housing condition percentages were as follows:
 - ▶ Sound - 27.4%
 - ▶ Minor Repair - 58.9%
 - ▶ Major Repair - 13.6%
 - ▶ Dilapidated - 1.1%
- ▶ There are probably multiple reasons that housing conditions in these neighborhoods have declined over the past 17 years. One primary factor is the continued aging of the structures over this time period. There was also a national economic recession and a collapse of a national housing bubble that may have resulted in declining home values. One final factor is a probable conversion of some units from owner to renter occupancy, especially within the past few years.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 1,470 occupied rental units and 185 unoccupied rental units in Fairmont, for a total estimated rental inventory of 1,655 units. The City's rental tenure rate was 30.5%, above the Statewide rental rate of 27.0% in 2010.

At the time of the 2000 Census, Fairmont had 1,230 occupied rental units, and at least 110 vacant rental units, for a total estimated rental inventory of 1,340 units. The rental tenure rate in 2000 was 26.2%.

Based on a Census comparison, the City gained 240 renter-occupancy households, and approximately 315 rental units from 2000 to 2010.

The number of new rental units constructed in Fairmont is significantly less than the 315 rental units Fairmont gained from 2000 to 2010, according to the Census, thus, it is assumed that a significant number of owner-occupied single family homes converted to rentals over the 10-year period.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in the City of Fairmont. The survey was primarily conducted during the months of July and August in 2013. Emphasis was placed on contacting properties that have eight or more units. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential.

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

There were 820 housing units of all types that were contacted in the survey. Based on our research, all of the subsidized and senior with services rental projects were surveyed. A high percentage of market rate multifamily projects were also contacted. We also surveyed the two nursing homes with a total of 125 beds.

The units that were successfully contacted include:

- ▶ 241 market rate units
- ▶ 340 federally subsidized units
- ▶ 239 senior with services units/beds
- ▶ 125 nursing home beds

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 241 market rate rental units. The rental units surveyed are in 11 multifamily buildings. We also obtained information on some rental single family homes in Fairmont.

Unit Mix

We obtained bedroom mix information on 196 market rate units. The bedroom mix of these 196 units is:

- ▶ Efficiency - 1 (0.5%)
- ▶ One-bedroom - 87 (44.4%)
- ▶ Two-bedroom - 95 (48.5%)
- ▶ Three-bedroom - 13 (6.6%)
- ▶ Four-bedroom - 0 (0%)
- ▶ Total - 196

The multifamily market rate projects have no four-bedroom units, however, there are rental single family homes with four or more bedrooms, although, the number of four-bedroom rental units in Fairmont minimal.

Occupancy / Vacancy

Within the market rate multifamily segment, the managers and owners reported there were 13 vacant units of the 241 units surveyed. This represents a vacancy rate of 5.4%. Eight of the vacancies were in two rental projects, City Side Apartments (previously Kensington Apartments) had five vacancies and the apartments at 60 Downtown Plaza had three vacancies. Eight of the 11 market rate rental projects surveyed reported no vacancies or only one vacancy.

Rental Rates

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

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

<u>Unit Type</u>	<u>Median Gross Rent Range</u>
Efficiency	\$425
One-bedroom	\$400-\$600
Two-bedroom	\$550-\$700
Three-bedroom	\$790-\$900

No multifamily projects that we surveyed had four-bedroom units and only one efficiency unit was surveyed.

Market Rate Rental Construction from 2000 to 2012

From 2000 to 2012, the only rental projects that were constructed were 24 market rate rental units and eight Public Housing units constructed by the Fairmont Housing and Redevelopment Authority. An additional 20 twin home/town home units were constructed from 2000 to 2012. Although most of these units were constructed for owner-occupancy, it is assumed that some of these units are rentals.

A 36-unit project, Village Co-op was also developed in 2006. Although Village Co-op is a cooperatively owned housing project, not a rental building, some households that live in the Village Co-op may otherwise have looked to rent a high quality rental unit.

Tax Credit Summary

Fairmont has a limited amount of housing assisted through the federal low income tax credit program. Two projects, Fairmont Place Apartments and Fairmont Square Apartments were awarded tax credits in the past.

Fairmont Place was awarded credits in the late 1980s, but this assistance was in conjunction with USDA Rural Development subsidies. The 15-year tax credit compliance period has been met but the project still provides Rural Development subsidized housing with most tenants receiving rent assistance.

Fairmont Square, a HUD-subsidized project constructed in the 1970s, was later awarded tax credits for preservation and renovation. This project continues to offer HUD project-based rent subsidies to qualified tenants.

Since both of these projects effectively operate as subsidized housing they have been detailed in the next section.

Subsidized Summary

The research completed for this Study identified seven subsidized projects providing rental opportunities for lower income households. These projects have a combined 340 units. Five of the projects are general occupancy housing with 191 units and two projects are senior/disabled occupancy with 149 units. The subsidized projects were developed in Fairmont with USDA Rural Development funds or HUD/MHFA funds.

Rental Rates

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

Unit Mix

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

- ▶ Efficiency - 67 (19.7%)
- ▶ One-bedroom - 127 (37.4%)
- ▶ Two-bedroom - 121 (35.6%)
- ▶ Three-bedroom - 25 (7.3%)
- ▶ Total - 340

There are no four-bedroom units in the seven subsidized projects.

Occupancy / Vacancy

There were four vacant units that were identified in the subsidized projects, which is a 1.2% vacancy rate. Three of the vacancies were in two-bedroom units and one was in a one-bedroom unit.

Countryside Townhomes had two vacancies. Fairmont Place Apartments and Pheasant Run Apartments each reported one vacancy.

Subsidized Housing Gains/Losses

Federal subsidy sources for low income rental housing have been very limited for the past few decades. Most subsidized projects were constructed in the 1960, 1970s and 1980s. Some of these older projects may have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing. Since the Housing Study that was conducted in 2003, Southview I and Southview II, with a total of 48 units, have opted out of the Rural Development Subsidy Program and have converted to market rate units.

Housing Choice Vouchers

In addition to subsidized rental projects, Fairmont and Martin County households have access to the Housing Choice Voucher Program. The South Central Minnesota Multi-County Housing and Redevelopment Authority administers the Housing Voucher Program in Fairmont and Martin County.

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

Currently, 100 Martin County households, most of which live in Fairmont, are receiving assistance through the Housing Voucher Program.

Senior Housing with Services

Fairmont has seven senior with services projects with a total of 364 units/beds. The senior with services projects include:

- ▶ **Goldfinch Estates Assisted Living** - Goldfinch Estates Assisted Living has 38 one-bedroom and 16 two-bedroom units. The facility offers the full array of senior services.
- ▶ **Goldfinch Memory Care** - Goldfinch Memory Care is part of the Goldfinch Senior Campus and includes 37 memory care units.
- ▶ **Maplewood Residence** - Maplewood Residence is a congregate/light services facility with 33 one-bedroom and 10 two-bedroom units. The rent includes a noon meal and emergency call service. Additional senior services can be purchased. Maplewood Manor is part of the Lakeview Health Service campus.
- ▶ **Woodland Manor** - Woodland Manor is an assisted living project with 24 units including efficiency, one-bedroom and two-bedroom units. The facility is part of the Lakeview Health Services campus and offers the full array of senior services.
- ▶ **Ingleside Assisted Living** - Ingleside Assisted Living has 38 single rooms and two double rooms with a total of 42 beds. The facility provides health services, a noon and evening meal and housekeeping.
- ▶ **Lakeview Methodist Care Center** - The Lakeview Methodist Care Center is an 85-bed nursing home. The nursing home is part of the Lakeview Health Services Campus. The nursing home includes a 14-bed dementia wing.
- ▶ **Lutz Wing Nursing Home** - The Lutz Wing is a 40-bed nursing home owned by Mayo Clinic Health Systems.

Occupancy / Vacancy

There are 158 assisted living units/beds in Goldfinch Estates. At the time of the survey, there were 10 vacancies in the three facilities for a vacancy rate of 6.3%.

Goldfinch Memory Care with 37 units and the 14-bed dementia wing of the Lakeview Methodist Care Center had no vacancies at the time of the survey.

Maplewood Residence, a congregate/light services project with 44 units, had no vacancies.

Lakeview Methodist Care Center, with 85 beds, had five vacant beds. Lutz Wing did not provide vacancy/occupancy information.

Senior with Services Expansions

Since the 2003 Fairmont Housing Study, 80 senior with services units/beds have been added to the Fairmont senior with services inventory. Goldfinch Estates added 38 assisted living units, Goldfinch Memory Care added 19 beds and Ingleside Assisted Living added 23 beds. The Lakeview Methodist Care Center reduced its number of nursing home beds from 123 beds to 85 beds.

Table 28 Fairmont Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
City Side Apartments	1 - 1 Bedroom <u>35 - 2 Bedroom</u> 36 total units	\$500 to \$600 +electric	5 vacant units	Mix of tenants	Units constructed in 1979. Owner reports five vacancies. Owner reported that he has made \$300,000 in improvements. Rent includes all utilities except electricity. Was previously Kensington Apartments.
60 Downtown Plaza Apartments	<u>7 - 1 Bedroom</u> 7 total units	\$350 +utilities	3 vacant units, 3 - 1 Bdrm	Mix of tenants	Units in 100+ year old downtown building. Owner reports three vacancies. Rent does not include utilities. Building also has four two-bedroom units, but they aren't being rented because they need repairs.
Royal Apartments	3 - 1 Bedroom <u>4 - 2 Bedroom</u> 7 total units	\$275 \$375 +electric	1 vacant unit, 1 - 2 Bdrm	Singles and couples	Units on upper floor of a downtown mixed-use building constructed in 1940s. Owner says many improvements have been made. One unit currently vacant. Rent includes all utilities except electricity.
Summit View Apartments	6 - 1 Bedroom <u>30 - 2 Bedroom</u> 36 total units	\$475 \$520 +electric	No vacancies	Mix of tenants	Built in 1974. Three buildings with 12 units per building and 18 total detached garages. Usually full and waiting list for openings. Rent includes heat, water, sewer and garbage. Garage is an additional \$40. Manager reports no vacancies.
Doug Willner Rentals	Approximately 30 rental units	\$275- \$525 +utilities	No vacancies	Mix of tenants	Approximately 30 rental units almost all of which are in single family homes. Rental rates vary, but typically are in the \$275 to \$525 range. Owner reports no vacancies.
Lake Shore Apartments	1 - Efficiency 4 - 1 Bedroom <u>5 - 2 Bedroom</u> 10 total units	Rents range from \$375 to \$575	No vacancies with a waiting list	Mix of tenants	Approximately 45-year-old market rate 10-unit project. Rents range from \$375 to \$575 depending on unit size and rent includes water and electricity. Owner reports no vacancies and a waiting list.
Lamperd Apartments	8 - 1 Bedroom 3 - 2 Bedroom <u>1 - 3 Bedroom</u> 12 total units	\$300 to \$500 range +some utilities	No vacancies	Mix of tenants	Units include an eight-unit building and a duplex. Rents are in the \$300 to \$500 range. Tenants pay some utilities. Owner reports no vacant units.

Table 28 Fairmont Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
East Side Estates	<u>12 - 3 Bedroom</u> 12 total units	\$725-\$775 +utilities	No vacancies	Mix of tenants	Formerly a HUD subsidized town house project that converted to market rate in 2002. Rents are \$725 for a one-year lease and \$775 for a six-month lease. Tenants pay utilities. Manager reports no vacancies and a high occupancy rate.
HRA Rentals	<u>24 - 2 Bedroom</u> 24 total units	\$670-\$700 + utilities	No vacancies and a long waiting list	Mix of tenants	Town house rental units developed by the Fairmont HRA. Eight units constructed in 2000 with 16 additional units constructed in 2003. Manager reports no vacancies with a 55-person waiting list. Rents are \$670 and \$700. Tenants pay utilities.
Laynka Properties	<u>4 - 1 bedroom</u> 4 total units	\$275-\$300 +electric	No vacancies	General occupancy	Four units in a mixed-use building. Owner reports no vacancies, but has a vacancy about 25% of the time. Rent includes all utilities except electricity. Owners have two additional units that they are in the process of renovating for future rentals.
Hall Lake Cabins & Rentals	Single family homes and apartments - <u>1 to 5 bedrooms</u> 15 total units	Rents range from \$350 to \$700	1 vacant unit, 1 - 2 Bdrm	Mix of tenants	Rental inventory includes single family homes and apartments. Owner reports 1 two-bedroom apartment unit vacancy. Rents range from \$350 to \$700. Tenant or owner-paid utilities based on the type of unit. Owner also has cabin rentals available nightly, weekly or monthly that were not included in the survey.
Southview I	14 - 1 Bedroom <u>10 - 2 Bedroom</u> 24 total units	\$490 \$530 +electric	1 vacant unit, 1 - 1 Bdrm	General occupancy	Market rate project originally constructed as a Rural Development subsidized project in 1980. Project has been converted to market rate. Rent includes heat, water, sewer and garbage. Tenant pays electric. Manager reports 1 one-bedroom vacancy.
Southview II	16 - 1 Bedroom <u>8 - 2 Bedroom</u> 24 total units	\$490 \$530	2 vacant units, 2 - 1 Bdrm	General occupancy	Market rate project originally constructed as a Rural Development subsidized project in 1980. Project has been converted to market rate. Rent includes heat, water, sewer and garbage. Tenant pays electric. Manager reports 2 one-bedroom vacancies.

Source: Community Partners Research, Inc.

Table 29 Fairmont Subsidized Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Pheasant Run Apartments	8 - 1 Bedroom 12 - 2 Bedroom <u>4 - 3 Bedroom</u> 24 total units	\$410-\$597 \$445-\$622 \$475-\$675 30% of income	1 vacant unit 1 - 2 Bdrm	General occupancy	Rural Development subsidized built in 1985. Thirteen tenants receive rent assistance and pay 30% of income; remainder pay 30% of income but not less than basic or more than market rents listed. Additional tenants have Section 8 assistance. Manager reports one two-bedroom vacancy.
Fairmont Square Apartments	19 - 1 Bedroom 39 - 2 Bedroom <u>6 - 3 Bedroom</u> 64 total units	\$351-\$403 \$408-\$468 \$444-\$509 30% of income	No vacancies	General occupancy	HUD 236 and Section 42 subsidized built in 1976. Manager reports no vacancies and the units are usually fully occupied.
Heritage Estates Apartments	3 - 1 Bedroom <u>21 - 2 Bedroom</u> 24 total units	\$380-\$403 \$460-\$500 30% of income	No vacancies	General occupancy	Rural Development subsidized project built in 1977. Fifteen tenants receive rent assistance and pay 30% of income; remainder pay 30% of income but not less than basic or more than market rents listed. Manager reports no vacancies.
Countryside Townhomes	16 - 1 Bedroom 40 - 2 Bedroom <u>15 - 3 Bedroom</u> 71 total units	\$484 max. \$585 max. \$633 max. 30% of income	2 vacant units, 2 - 2 Bdrm	General occupancy	MHFA/Section 8 New Construction built in 1979. Tenants pay 30% of income, but not more than maximum rents listed. Manager reports two vacancies. Project has high occupancy rates, however, there are ongoing turnovers.
Friendship Village	67 - Efficiency 43 - 1 Bedroom <u>5 - 2 Bedroom</u> 115 total units	30% of income	No vacancies with a waiting list	Senior, Disabled	HUD Low Rent Public Housing approximately 42 years old. Tenants pay rent based on 30% of income. Manager reports no vacancies and a waiting list. Approximately 50% of the tenants are seniors.
Fairmont Place Apartments	32 - 1 Bedroom <u>2 - 2 Bedroom</u> 34 total units	\$427-\$540 \$478-580 30% of income	1 vacant unit, 1 - 1 Bdrm	Senior occupancy	Rural Development/tax credit senior occupancy built in 1989. Twenty-seven tenants receive rent assistance. Manager reports one one-bedroom vacancy.

Table 29 Fairmont Subsidized Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Four Public Housing Duplexes	6 - 1 Bedroom <u>2 -2 Bedroom</u> 8 total units	\$324-max. \$411-max. 30% of income	No vacancies	General occupancy	Over the last several years, the Fairmont HRA has constructed four Public Housing duplexes to replace 10 Public Housing units that were lost due to a fire. The HRA plans to construct one additional duplex. The duplexes are fully occupied.

Source: Community Partners Research, Inc.

Table 30 Fairmont Senior Housing with Services

Name	Bedroom Mix	Rent	Occupancy/ Vacancy Status	Comments
Goldfinch Estates - Assisted Living	92 and two-bedroom units 92 total units	Varies based on services	Four vacancies	Assisted living project constructed in 2001 and expanded in 2006. Director reports four vacancies.
Goldfinch Memory Care	<u>37 memory care</u> 37 total units	Varies based on services	No vacancies	Memory care wing of Goldfinch Estates. Opened for occupancy in October 2001 and expanded in 2006. Provides full range of services and staff supervision. Director reports no vacancies.
Maplewood Residence	33 - 1 Bedroom <u>10 - 2 Bedroom</u> 44 total units	\$894 to \$1,213 one large unit is \$1,700	No vacancies	Senior congregate/light services housing built in 1986. Rent includes noon meal and emergency call service. Additional services can be purchased. Attached to nursing home and Woodland Manor. Rent includes all utilities except electric. Manager reports no vacancies and the facility is usually full.
Woodland Manor	Efficiency 1 Bedroom <u>2 Bedroom</u> 24 total units	Approximately in the range of \$2,100 to \$3,000	Two vacancies	Assisted living attached to Lakeview Methodist Care Center and Maplewood Residence. Opened in 2001. Facility provides the full array of senior services. Manager reports two vacancies and recently there has been an average of one to two vacancies.
Ingleside Assisted Living	38 single rooms <u>2 double rooms</u> 42 total beds	\$2,175 and up	Four vacancies	Senior with services facility opened in 1995. Rent includes health services, noon and evening meal and housekeeping. Manager reports four vacancies, usually one to two vacancies, but occupancy rate fluctuates.
Lakeview Methodist Care Center	Licensed for 85 nursing home beds	Varies based on services	80 beds filled	Nursing home attached to Woodland Manor and Maplewood Residence. Facility includes a 14-bed dementia wing which is usually fully occupied. Available nursing home beds are partly demand, partly to provide single occupancy rooms.
Mayo Clinic Health Systems - Lutz Wing	40 bed nursing home	Varies	N/A	Nursing Home facility attached to Fairmont Medical Center. Location adjoining hospital makes it an attractive location for seniors

Source: Community Partners Research, Inc.

Employment and Local Economic Trends Analysis

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

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

Major employers in Fairmont include:

- ▶ Fairmont Mayo Health Systems
- ▶ Weigh-Tronix Scale Manufacturing
- ▶ Fairmont Foods of Minnesota
- ▶ Torgerson Properties
- ▶ Fairmont Schools ISD#2752
- ▶ Lakeview Health Care Facility
- ▶ Hy-Vee
- ▶ REM Heartland
- ▶ Wal-Mart
- ▶ 3M
- ▶ Aerospace Systems
- ▶ SMC-Highway Construction
- ▶ Fairmont Surgical Center
- ▶ Martin County
- ▶ City of Fairmont
- ▶ Hancor
- ▶ MRCI
- ▶ US Foods
- ▶ Rosen's
- ▶ Clover Leaf Cold Storage

Source: Fairmont Comprehensive Annual Financial Report 2012

In addition to the employment opportunities in Fairmont, there are also some additional opportunities in nearby communities. In the City of Jackson, a strong employer based has developed in recent decades, including AGCO a large manufacturing facility with more than 1,000 workers. A recent employee survey of eight large employers in Jackson found that nearly 7% of workers reside in Fairmont and commute to Jackson.

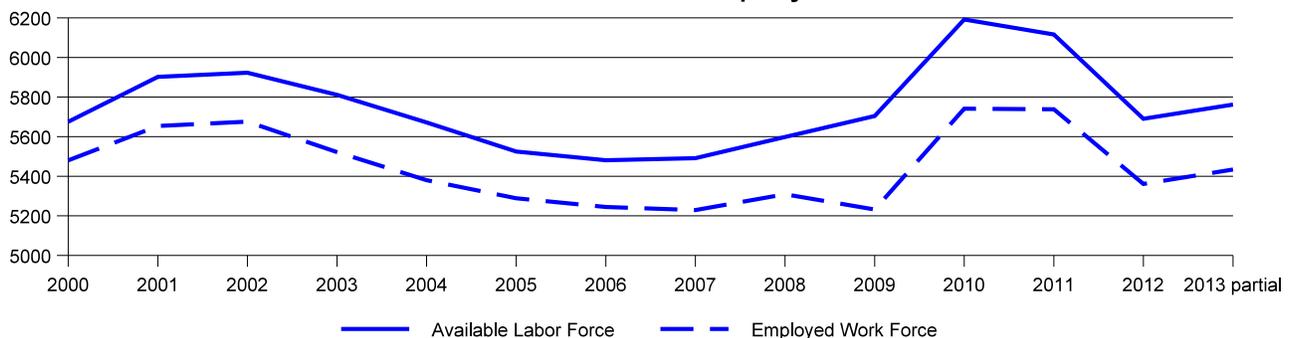
Work Force and Unemployment Rates

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

Table 31 Fairmont Labor Statistics 2000 to 2013*						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2000	5,675	5,480	195	3.4%	3.1%	4.0%
2001	5,902	5,654	248	4.2%	3.8%	4.7%
2002	5,923	5,676	247	4.2%	4.5%	5.8%
2003	5,811	5,522	289	5.0%	4.9%	6.0%
2004	5,672	5,380	292	5.1%	4.6%	5.5%
2005	5,525	5,289	236	4.3%	4.2%	5.1%
2006	5,481	5,245	236	4.3%	4.1%	4.6%
2007	5,491	5,229	262	4.8%	4.6%	4.6%
2008	5,598	5,309	289	5.2%	5.4%	5.8%
2009	5,704	5,232	472	8.3%	8.1%	9.3%
2010	6,192	5,741	451	7.3%	7.3%	9.6%
2011	6,116	5,738	378	6.2%	6.4%	8.9%
2012	5,690	5,361	329	5.8%	5.7%	8.1%
2013*	5,762	5,434	328	5.7%	5.6%	7.7%

Source: MN Department of Employment and Economic Development Not Seasonally Adjusted
 * 2013 is through July

Fairmont Labor Force and Employed Work Force



There have been some cyclical changes from year to year in the City's resident labor force. Between 2000 and 2012 (the last full year of data), the labor force remained largely unchanged, with only 15 more people in 2012. However, the available labor force reached a peak in 2010, at nearly 6,200 people, but then decreased through 2012. Partial-year information for 2013 points to some recent growth in the resident labor force.

The employed work force has generally followed a somewhat similar pattern, although there were actually fewer residents employed in 2012 than in 2000. The employed work force also reached a peak in 2010, before decreasing in size through 2012.

Despite some reduction in the number of employed residents, the City's unemployment rate has been dropping, as the labor force decreased at an even faster rate. The City's unemployment rate in 2012, at 5.8% was well below the national unemployment rate and very similar to the Statewide rate.

Employment and Wages by Industry

The following table shows the average weekly wages by major employment sector in 2012, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in the City.

Table 32 County Average Annual Wages by Industry Detail: 2012		
Industry	2012 Employment	2012 Average Annual Wage
Total All Industry	6,690	\$36,400
Natural Resources and Mining	45	\$28,392
Construction	189	\$44,616
Manufacturing	1,045	\$42,848
Trade, Transportation, Utilities	1,550	\$39,104
Information	121	\$47,424
Financial Activities	295	\$47,788
Professional and Business Services	372	\$30,056
Education and Health Services	1,752	\$39,884
Leisure and Hospitality	726	\$10,088
Other Services	154	\$16,848
Public Administration	439	\$40,300

Source: Minnesota Department of Employment and Economic Development

The average annual wage for all industry in 2012 was \$36,400, assuming that workers were employed for 52 weeks. The highest paying wage sectors were Financial Activities, Information, Manufacturing and Construction. Each of these sectors had an annual average wage above \$42,000.

The lowest paying wage sector was Leisure and Hospitality, with an average annual wage of only \$10,088. Other Services also had a relatively low average annual wage, below \$17,000.

Projected Employment

There are two available sources of information on employment-related projections for Martin County. The State Demographer’s Office has issued projections for the size of the available labor force at the County level. Overall, the Demographer projects a modest decline in the size of the County’s labor force between 2010 and 2015, with an expected decrease of 260 people, or 2.4%. The labor force statistics for Fairmont that were provided earlier in this section did show a decrease in the City’s labor force between 2010 and 2012.

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

Commuting Patterns of Area Workers

Only limited information is available on area workers that commute for employment. The best information is from the 2011 American Community Survey, and has been examined for the City of Fairmont. This table only examines people that commuted, and excludes people that work at home.

Table 33 Commuting Times for Fairmont Residents - 2011		
Travel Time	Number	Percent
Less than 10 minutes	2,517	51.5%
10 to 19 minutes	1,578	32.3%
20 to 29 minutes	304	6.2%
30 minutes +	491	10.0%
Total	4890	100%

Source: 2011 American Community Survey 5-year estimates

The large majority of Fairmont residents were commuting less than 20 minutes to work in 2011. Presumably, most residents were working within the City limits, or in the immediately surrounding small communities. Overall, nearly 84% of residents commuted less than 20 minutes to work.

Only 10% of the City’s residents did commute a half hour or more for employment. Most of the longer-distance commuters reported a drive time between 60 and 89 minutes.

Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for the City of Fairmont and Martin County over the past few decades. These historic growth trends have then been used as a basis for projecting future demographic changes in the area.

Fairmont and Martin County's population decreased from 2000 to 2010. From 2000 to 2010, Fairmont's population decreased by 223 people and Martin County's population decreased by 962 people. The 2012 State Demographer's estimate shows continued population losses with Fairmont losing 145 people and Martin County losing 363 people from 2010 to 2012.

Although Fairmont had a population decrease from 2000 to 2010, the City gained 110 households. However, the 2012 estimate shows a loss of seven households in Fairmont from 2010 to 2012. Martin County lost 32 households from 2000 to 2010. The 2012 estimate shows Martin County losing 58 people from 2010 to 2012.

Findings on Projected Growth

The projections for Fairmont and Martin County calculated by Community Partners Research, Inc., from past growth trends reflect the patterns of recent decades. Using the past trends to form a range, Community Partners Research, Inc., projects that Fairmont's population will decrease by approximately 82 people between 2012 and 2015 and decrease by another 155 people from 2015 to 2020.

However, Community Partners Research, Inc., projects that the number of households will increase by 26 households from 2012 to 2015, and by another 44 households from 2015 to 2020.

Community Partners Research, Inc.'s projections for all of Martin County expect a loss of 311 people from 2012 to 2015 and a loss of another 481 people from 2015 to 2020. The Community Partners research, Inc., household projections show a decrease of 21 households from 2012 to 2015 and a loss of 36 households from 2015 to 2020. However, the State Demographer expects that the County will add 60 households between 2012 and 2015, but then will lose 10 households between 2015 and 2020. While possible, Countywide household growth has not occurred for more than three decades.

Summary of Martin County Growth Projections by Age

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

The following approximate ranges show the expected net change in the number of Martin County households in each 10-year age cohort between 2010 and 2015. The first column shows the projections based on Minnesota State Demographer data and the second column shows projections based on Community Partners Research, Inc., calculations.

In general terms, most of the projected net growth to the year 2015 will occur among people in the 55 to 74 age ranges. This would largely reflect the aging “baby boomers”, nearly all of whom will be age 55 or older by the year 2015. From 2010 to 2015, Martin County is projected to gain 304 to 450 households in the 55 to 74 year old age ranges.

The projections from the Minnesota State Demographer tend to be more optimistic for the number of households in certain age groups, including households in the age 25 to 34 year old range. The extrapolation from the State Demographer indicates a probable gain of 122 households within this younger adult group while Community Partners Research, Inc., projects a loss of 23 households. The State Demographer also projects a gain of 237 households in the 55 to 64 age range while Community Partners Research, Inc., projects a gain of only 60 households.

However, Community Partners Research, Inc., is more optimistic in the 35 to 44 age range. The State Demographer projects a loss of 48 households and Community Partners Research, Inc., projects a gain of 15 households in this age range. In the 75 to 84 age range Community Partners Research, Inc., projects a gain of seven households but the State Demographer expects a loss of 61 households. The two projection methods are reasonably similar in the other age ranges.

<u>Age Range</u>	<u>Projected Change in Households 2010 to 2015</u>
15 to 24	-71 to -26
25 to 34	122 to -23
35 to 44	-48 to 15
45 to 54	-378 to -306
55 to 64	237 to 60
65 to 74	213 to 244
75 to 84	-61 to 7
85 and Older	-11 to -50

Findings on Unit Demand by Type of Housing

Based on the household by age projections presented earlier, the changing age composition of Martin County's population through the five-year projection period will have an impact on demand for housing.

Age 24 and Younger - The projections used for this Study expect a loss of 26 to 71 households in the 15 to 24 age range through the year 2015. Past tenure patterns indicate that as many as 77% of these households in Fairmont will rent their housing. A decrease in the number of households in this age range should mean that rental demand from younger households will decrease slightly during the projection period.

25 to 34 Years Old - The projections show a range of a loss of 23 households to a potential gain of 122 households in this age cohort Countywide by 2015. Within this age range, households often move from rental to ownership housing. The ownership rate among these households in Fairmont was more than 54% in 2010. An increase in the number of households within this age range will mean an increase in the demand for both first-time home buyer and rental opportunities.

35 to 44 Years Old - This 10-year age cohort has a projected range of a gain of 15 households to a loss of 48 households between 2010 and 2015 in Martin County. In the past, this age group has had a high rate of home ownership in Fairmont, at approximately 70%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house. Demand from this age cohort would have some impact on overall demand for owner-occupied housing.

45 to 54 Years Old - By 2015, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Martin County, the projections show a loss of 306 to 378 households in this range. This age group historically has had a high rate of home ownership, approximately 73% in Fairmont in 2010, and will often look for trade-up housing opportunities. With a household decrease in this age group, there will be a decrease in the demand for trade-up housing.

55 to 64 Years Old - This age range is part of the baby boom generation. The projections show an expected increase of 60 to 237 additional households in this 10-year age range by the year 2015 in the County. This age range has traditionally had a high rate of home ownership in Fairmont, at approximately 81% in 2010. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - Strong household growth is expected Countywide within this age range, with the projections showing an increase of 213 to 244 households by the year 2015. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 83% of households in this age range owned their housing in Fairmont. Once again, preferences for age-appropriate units should increase from household growth within this age cohort.

75 to 84 Years Old - There is a projected range of a gain of seven households to a loss of 61 households in Martin County in this age range between 2010 and 2015. In the past, households within this 10-year age range have had a relatively high rate of home ownership, at approximately 77% in Fairmont. While this is likely to continue, an expansion of other housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

85 Years and Older - A loss of 11 to 50 households is projected among older senior citizens. Historic home ownership rates in this age group in Fairmont have been relatively low, at approximately 52% in 2010. Seniors in this age range often seek senior housing with services options.

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

Fairmont - Strengths and Barriers for Housing Development

Strengths for Housing Development

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

- ▶ **Increasingly diverse housing stock** - The City has a good mix of housing options, including rental housing units for both lower income and market rate households. The City also has town houses, twin homes, and senior with services facilities.
- ▶ **Median home price** - Fairmont's median priced home, based on year-to-date sales in 2013, is approximately \$100,000. This represents a reasonably affordable price for potential home buyers.
- ▶ **Adequate land for development** - The City has adequate land available for residential, commercial and industrial development.
- ▶ **Active developers in the City** - Developers have been active in subdivision development, attached ownership housing and single family development.
- ▶ **Educational Facilities** - The City has an excellent public K-12 school system, a K-8 parochial school, Minnesota West Community and Technical College and Presentation College.
- ▶ **Infrastructure** - The City's public utilities and infrastructure can facilitate future expansion. The City has recently constructed a new water plant.
- ▶ **Lakes/Park/trail system, recreational opportunities** - The City has a chain of lakes and has developed attractive parks and other recreational opportunities including an aquatic park, which make the community a desirable place to live.
- ▶ **Commercial development** - Fairmont's commercial districts are adequate to meet daily needs and new commercial development is ongoing.
- ▶ **Available lots** - The City currently has available lots for housing of all types.

- ▶ **Fairmont Economic Development Authority** - The Fairmont Economic Development Authority is very active in promoting industrial, commercial and housing development.
- ▶ **Fairmont Housing and Redevelopment Authority** - The Fairmont Housing and Redevelopment Authority has been very active in providing housing opportunities for low and moderate income households, including the development of some publicly-owned market rate rental units and new Public Housing units.
- ▶ **Large Employers** - The City of Fairmont has many excellent large employers.
- ▶ **Health Care System** - The City of Fairmont has an excellent health care system including a hospital, clinics, senior assisted living and nursing homes, etc.
- ▶ **Desirable location for seniors and retirees** - Fairmont has a strong attraction for seniors as a retirement location. As the providers for the region's health, retail and government services, the City has amenities that are attractive for seniors as they age.
- ▶ **State, federal, nonprofit funds** - The City has successfully leveraged local funds for housing activities over the years with other resources including state, federal and nonprofit funds. This experience in obtaining funds, and the City's track record in appropriately utilizing the funds, will continue to serve the City well when seeking funds in the future.

Barriers or Limitations to Housing Activities

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

- ▶ **Age and condition of the housing stock** - While the existing stock is affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Staff capacity limitations** - The City of Fairmont has an excellent reputation for providing housing opportunities and programs, and has access to several housing agencies, however, it is very difficult to develop and implement innovative housing initiatives with limited staff resources.
- ▶ **Distance from a major regional center** - The nearest large regional center is Mankato, which is 52 miles from Fairmont. Some households desire or need to be near a regional center for employment, health care, entertainment, retail, etc.
- ▶ **Population and household growth** - Historical data indicates that the City is not expected to add a significant number of people or households over the next several years.

Fairmont - Recommendations and Opportunities

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 Fairmont. They are based on the following strategies:

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

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

Summary of Findings/Recommendations

The findings/recommendations for the City of Fairmont have been formulated through the analysis of the information provided in the previous sections and include a total of 21 recommendations divided into the following five categories:

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

The findings/recommendations for each category are as follows:

Findings and Recommendations for the City of Fairmont	
Rental Housing Development	
1.	Develop 78 to 97 general occupancy market rate rental units
2.	Promote the development/conversion of 16 to 20 affordable market rate rental housing units
3.	Develop 30 to 35 subsidized/tax credit rental housing units
4.	Monitor senior with services housing needs
5.	Develop 6 to 8 student housing units
6.	Develop a downtown mixed-use commercial/housing project
7.	Continue to utilize the Housing Choice Voucher Program
Home Ownership	
8.	Utilize and promote all programs that assist with home ownership
9.	Develop a purchase/rehabilitation program
10.	Develop a local down payment assistance program
New Construction	
11.	Lot availability and development
12.	Promote townhouse and twin home development
13.	Coordinate with agencies/nonprofits that develop affordable housing

Findings and Recommendations for the City of Fairmont	
Housing Rehabilitation	
14.	Promote rental housing rehabilitation programs
15.	Promote owner-occupied housing rehabilitation programs
16.	Develop a neighborhood revitalization program
17.	Develop and implement a Rental Inspection and Registration Program
Other Housing Initiatives	
18.	Encourage employer involvement in housing programs
19.	Acquire and demolish dilapidated structures
20.	Create a plan and continue coordination among housing agencies
21.	Develop home ownership and new construction marketing programs and strategies

Fairmont - Recommendations Rental Housing Development

Rental Housing Development

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

From 2000 to 2012, based on City of Fairmont data, it is estimated that approximately 42 general occupancy rental units were constructed in Fairmont. In addition to the new rental units, a significant number of single family homes were converted from owner-occupied to rental use between 2000 and 2012. There were also a substantial number of senior units constructed from 2000 to 2012 including 139 assisted living units/beds and 37 memory care units.

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

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

Our household projections for Fairmont expect household growth, although some of this growth will result in demand for owner-occupied housing. From 2013 to 2018, it is projected that there will be approximately a 40 to 50-household gain in Fairmont. Approximately 30% of these households will be rental households, thus, there will be a demand from household growth of approximately 12 to 15 additional rental units over the next five years.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City will lose as many as 12 to 15 rental units per year. As a result, approximately 60 to 75 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition or conversion. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock.

Some pent-up demand also exists. As part of this study, a rental survey was conducted. In total, 820 rental units were contacted and surveyed. Limited information was also obtained on single family homes. The survey found a 5.4% vacancy rate in general occupancy market rate units, a 1.2% vacancy rate in subsidized units, and a 6.3% vacancy rate in the senior with services projects.

We have identified pent-up demand for new high quality rental units and affordable rental units.

These three demand generators, after factoring current vacancy rates, show a need for 130 to 160 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2013 to 2018.

▶ General Occupancy Market Rate	78-97 units
▶ Affordable/Conversions	16-20 units
▶ Tax Credit/Subsidized	30-35 units
▶ Student Housing	<u>6-8 units</u>
Total	130-160 units

1. Develop 78 to 97 general occupancy market rate rental units

Findings: Approximately 67% of the rental housing in the City of Fairmont can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

The entire rental inventory in the City included approximately 1,655 total units in 2010. We believe that approximately 1,113 of these units are best described as market rate rental housing.

Of the market rate rental units we surveyed, we found a vacancy rate of 5.4%, which is slightly above a healthy market range of 3% to 5%. However, of the 11 rental projects we surveyed, eight had only one or no vacancies. Also, some of the highest quality units in the City have a waiting list of more than 50 households. Additionally, the owners and managers of single family home rentals, reported very high occupancy rates and strong demand.

There is a fairly wide variation in rental rates in the market rate segment in the City of Fairmont. The prevailing gross rent range is \$400 to \$600 for a one-bedroom unit, \$550 to \$700 for a two-bedroom unit and \$790 to \$900 for a three-bedroom unit.

From 2000 to 2012, only duplex and town home market rate rental projects were constructed. No large rental projects were constructed. Also, some single family homes have converted from owner-occupied to rental units partially due to the downturn in the economy.

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

Based on this combination of demand generators, we believe that it is reasonable to plan for production of between 78 to 97 market rate rental units over the next five years or approximately 16 to 20 units annually.

Based on our research, there is a need for larger rental units, thus, the majority of the new units constructed over the next five years should be two, three and four-bedroom units.

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

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

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

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

Recommended unit mix, sizes and rents for the Fairmont Market Rate Housing Units:

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	10-12	700 - 850	\$625 - \$755
Two Bedroom	45-55	900 - 1,000	\$675 - \$900
Three Bedroom	16-22	1,100 - 1,200	\$725 - \$1,000
Four Bedroom	7-8	1,300 - 1,400	\$825 - \$1,150
Total	78-97		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2013 dollars.

2. Promote the development/conversion of 16 to 20 affordable market rate rental housing units

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

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

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

Recommendation: We would encourage the City to promote the development/conversion of more affordable rental units. A goal of 16 to 20 units over the next five years would help to replace affordable housing that has been lost.

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

Currently, several single family homes are being rehabilitated for rental housing by local individuals.

The estimated prevailing rent range for older rental units in Fairmont is typically between \$400 and \$630 per month. Creating some additional units with contract rents below \$650 per month would help to expand the choices available to a majority of the City's renter households.

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

3. Develop 30 to 35 Subsidized/Tax Credit Rental Housing Units

Findings: Although Fairmont has a good supply of subsidized multifamily rental units, we see unmet need for subsidized/tax credit rental units. The City of Fairmont has seven project-based subsidized developments with a combined 340 units. Subsidies have been provided by USDA Rural Development, the Department of Housing and Urban Development (HUD) and through the Minnesota Housing Finance Agency. Two subsidized projects, Fairmont Place and Fairmont Square, also received tax credit assistance.

Five projects, with 191 units, are general occupancy subsidized housing. Two projects, with 149 units, are subsidized senior and/or disabled occupancy.

Most of the City's subsidized units serve very low income people and charge rent based on 30% of the tenant's household income. In some cases, tenant households pay 30% of income, but not less than a basic rent level established for the unit. In these cases, it is possible that a very low income household pays more than 30% of income, if the basic rent was higher.

In addition to these subsidized projects, Martin County has approximately 100 households utilizing the HUD Housing Choice Vouchers (formerly Section 8 Existing Program). Housing Choice Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts. Most of the 100 households are utilizing the Vouchers in the City of Fairmont.

Between the tenant-based assistance and project based subsidized housing, there are approximately 430 renter households in Fairmont that had access to some form of subsidized housing in 2012. This represents approximately 30% of all renters in the City.

Despite the existing supply of subsidized units in Fairmont, the 2010 Census still identified that approximately 712 renter households in Fairmont reported a housing cost burden, with 30% or more of their income going to housing costs. A majority of these households were actually paying 35% or more of their income for housing, which is defined as a severe cost burden.

This large number of renters with a housing cost burden is reflected into strong demand for subsidized units. Our rental survey found only four vacancies in the senior/disabled subsidized developments, which represented a vacancy rate of 1.2%. Several subsidized projects maintain waiting lists.

Additionally, the City of Fairmont has lost 58 units since the 2003 Housing Study from its subsidized housing stock. Ten public housing units were lost from the Friendship Village project due to a fire, and Southview I and II with a total of 48 units opted out of their subsidy program and converted to market rate.

Eight of the 10 public housing units have been replaced with the construction of four public housing duplexes.

Recommendation: We would recommend the development of 30 to 35 subsidized/tax credit rental housing units for low/moderate income people whenever resources can be secured. At this time, it is difficult to produce new subsidized units to serve low/moderate income people.

One option is to utilize the federal tax credit program. Tax credits alone do not produce 'deep subsidy' rental units that can serve very low income households, but tax credits do provide a 'shallow subsidy' that allows for the construction of units that can serve households at or below 60% of the median income established for the County. When other resources are combined with tax credits, even lower income households can be served.

If tax credit units are constructed, we strongly recommend that the rents are at or below the fair market rents for Housing Vouchers, thus, a low income household in a tax credit unit can also receive a Housing Voucher, which will enable the household to pay 30% of their income for their unit.

We recommend that at least 50% of the subsidized/tax credit units constructed over the next five years should be three or four-bedroom units and constructed as town home style units.

The City of Fairmont should work with a private developer or area housing agency to apply for tax credits and to develop a tax credit project. The City could assist with lowering rents by providing Tax Increment Financing and land at a reduced cost.

4. Monitor senior housing with services housing needs

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

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

As the largest city in Martin County, Fairmont has a number of specialized projects that provide housing with supportive services for an elderly population. In some cases, these housing options target one specific segment of the market. These senior with services projects include:

- ▶ **Goldfinch Estates Assisted Living** - Goldfinch Estates Assisted Living has 38 one-bedroom and 16 two-bedroom units. The facility offers the full array of senior services.
- ▶ **Goldfinch Memory Care** - Goldfinch Memory Care is part of the Goldfinch Senior Campus and includes 37 memory care units.
- ▶ **Maplewood Residence** - Maplewood Residence is a congregate/light services facility with 33 one-bedroom and 10 two-bedroom units. The rent includes a noon meal and emergency call service. Additional senior services can be purchased. Maplewood Manor is part of the Lakeview Health Service campus.
- ▶ **Woodland Manor** - Woodland Manor is an assisted living project with 24 units including efficiency, one-bedroom and two-bedroom units. The facility is part of the Lakeview Health Services campus and offers the full array of senior services.

- ▶ **Ingleside Assisted Living** - Ingleside Assisted Living has 38 single rooms and two double rooms with a total of 42 beds. The facility provides health services, a noon and evening meal and housekeeping.
- ▶ **Lakeview Methodist Care Center** - The Lakeview Methodist Care Center is an 85-bed nursing home. The nursing home is part of the Lakeview Health Services Campus. The nursing home includes a 14-bed dementia wing.
- ▶ **Lutz Wing Nursing Home** - The Lutz Wing is a 40-bed nursing home owned by Mayo Clinic Health Systems.

Most of the senior-oriented projects have been operating for years, but some changes and additions have occurred. Since the 2003 Fairmont Housing Study, 80 senior with services units/beds have been added to the Fairmont senior with services inventory. Goldfinch Estates added 38 assisted living units, Goldfinch Memory Care added 19 beds and Ingleside Assisted Living added 23 beds. The Lakeview Methodist Care Center reduced its number of nursing home beds from 123 beds to 85 beds.

Occupancy rates tended to be high for most forms of specialized senior housing and the research for this Study indicated that a stable market existed. Of the 158 assisted living units in Fairmont, 10 were vacant at the time of the survey for a vacancy rate of 6.3%. There were no vacancies in the 51 memory care units and no vacancies in the 44 congregate/light services units. Lakeview Methodist Care Center had five vacant nursing home beds and Lutz Wing did not provide occupancy data.

Recommendation: This Study has concluded that the City has a relatively balanced market, with supply and demand being well-matched in most of the specialized senior housing segments. Future additions, therefore, would primarily be based on the expected growth within the targeted populations over time.

- ▶ **Skilled Nursing Homes** - The research for this Study points to a decreasing reliance on nursing homes as a long-term residency option for older senior citizens. Over time, the nursing homes have tended to use more beds for rehab/recovery stays, or other specialized uses. There has also been a long-standing State moratorium that limits expansion in most cases. No recommendations are offered for this type of specialized housing. The City has two well-established providers that serve this segment of the market.

- ▶ ***Memory Care Housing*** - Goldfinch Estates Memory Care added 19 memory care beds in 2006, and now has a total of 37 beds. The Lakeview Methodist Care Center has 14 memory care beds. With the expansion of memory care beds and the projected decrease in the number of older seniors in Martin County, it is our opinion that the number of memory care beds is adequate, but the need for additional beds should continue to be monitored.

- ▶ ***Assisted Living*** - Currently, there are 158 assisted living units/beds in three facilities in Fairmont. At the time of the survey, there were 10 vacant assisted living units. It appears that the number of assisted living units is adequate at this time and the target senior market is not projected to increase over the next several years. However, this segment of the market should be monitored to see if evidence of unmet demand develops, but in 2013 there was some unused capacity.

- ▶ ***Light Service/Congregate Housing*** - Currently, there is one congregate/light service project in Fairmont, Maplewood Residence, with 44 units. Currently, Maplewood Residence has no vacancies. Additionally, there are also senior rental projects in Fairmont that can provide light services utilizing home health care providers and other local resources. Some minor unit expansion may be required as the younger senior population grows later in the decade. Younger seniors are less likely to use specialized senior housing, but light services units should have more appeal to seniors between 65 and 79 years old. To maintain a consistent market share, fewer than 20 additional units may be required by 2020, making the construction of a stand-alone project difficult to justify. Instead, it is probable that units can potentially be added through a minor expansion at an existing facility, as dictated by demand.

The recommendations presented above have looked at overall demand, not competitive positioning for individual projects. We view Fairmont as the best possible location for specialized senior housing in Martin County. It is very likely that more units could be successfully constructed in Fairmont than we have recommended. However, this would probably reduce occupancy rates in older, existing projects.

5. Develop six to eight student housing units

Findings: Two post secondary educational institutions are located in the City of Fairmont.

Presentation College has approximately 150 students. The college's enrollment is increasing. In the fall of 2012, 123 students were enrolled and in the spring of 2013, 135 students were enrolled. Presentation College staff projects a continued increase in enrollment.

Presentation College has no on-campus or off-campus student housing and does not intend to develop student housing. However, college staff has identified a need for student housing and has stated that student housing would enhance recruitment and enrollment.

A private developer has expressed interest in constructing student housing near the Presentation College campus. College staff would work with the developer to maintain a high occupancy rate in the student units.

Minnesota West Community and Technical College is also located in Fairmont and has an enrollment of approximately 100 students. The enrollment has been stable and a high percentage of the students are from Fairmont and surrounding communities. Minnesota West Community and Technical College has not identified a demand for student housing.

Recommendation: We recommend the development of six to eight student housing units with a capacity of up to four students per unit for a capacity of 24 to 32 students. If possible, the units should have one bedroom per student. The units should be in the immediate vicinity of the Presentation College campus.

6. Develop a Downtown Mixed-Use Commercial/Housing Project

Findings: The City of Fairmont has an active downtown area. A mixed-use rental housing/commercial project could complement these efforts. There should be sensitivity to the timing of the project and type of commercial tenants the project will have, to assure the project is an asset to the Downtown.

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

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

We recommend commercial space on the first floor and 10 to 12 rental units on the second and third floors. Prior to construction, a portion of the commercial space should be leased to an anchor tenant who would complement existing Downtown businesses and attract people to Downtown.

The 10 to 12 rental units should be primarily market rate units, but could be mixed-use income with some moderate income units. The units should be primarily one and two-bedroom units. Please note that these units are not in addition to the units recommended in the first and second recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

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

7. Continue to utilize the Housing Choice Voucher Program

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

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

The Housing Choice Voucher Program in Martin County is administered by the South Central Minnesota Multi-County Housing and Redevelopment Authority (SCMMCHRA). Currently, SCMMCHRA has funding for approximately 691 Vouchers for a five-county area including Martin County. Of the total 691 Vouchers, approximately 100 Vouchers are being utilized by Martin County households. Most of these households are renting a unit in Fairmont.

Recommendation: From a practical standpoint, the Housing Choice Voucher Program is the single best way that Fairmont can provide affordable housing. HUD does not make new incremental assistance available every year, but when new allocations are authorized, we would encourage the City to work with the SCMMCHRA to apply for additional Vouchers. Currently, there is a waiting list of 300 to 400 households for a Housing Voucher. With approximately 712 Fairmont renter households paying more than 30% of their income for housing, there is a strong demand for Vouchers.

Also, the SCMMCHRA should continue to publicize the Housing Choice Voucher Program in Fairmont and Martin County to assure that Fairmont and Martin County households have access and are aware of the Program.

Fairmont - Home Ownership Recommendations

Home Ownership Recommendations

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

The median owner-occupied home value in Fairmont, based on 2013 sales, is estimated to be approximately \$100,000. With approximately 50% of the homes in Fairmont valued less than \$100,000, Fairmont has a good market for first time home buyers and households seeking moderately priced homes.

Our analysis of Fairmont demographic trends shows strong population growth over the next five years the 55 to 74 age ranges. 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. The strong growth in the 55 to 74 age range, however, is offset somewhat by expected household losses in the 45 to 54 age range.

The number of households in the 25 to 44 age ranges is expected to remain relatively stable or moderately increase in Fairmont and Martin County. 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 Fairmont.

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

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

Findings: Home ownership is generally the preferred housing option for most households and most communities. As discussed previously, the demographic make-up of Fairmont 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 Fairmont. The area's housing agencies and financial institutions can assist with this effort.

First time home buyer assistance, down payment assistance, low interest loans, gap financing and home ownership training programs help to address affordable housing issues. With the City's median home value at approximately \$100,000, many of the homes in the existing housing stock in Fairmont are valued under purchase price limits for first-time home buyer assistance programs. Also, there are a growing number of single family homes in the Fairmont rental market. Many of these homes could be converted to owner-occupied homes. Conversely, home ownership programs may prevent owner-occupied homes from being converted to rentals.

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

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

Recommendation: The City of Fairmont and area housing agencies, such as the Minnesota Valley Action Council, USDA Rural Development and the Fairmont Housing and Redevelopment Authority, should utilize all available home ownership assistance programs to promote home ownership. The City, in coordination with other Martin County Cities, should also explore the possibility of obtaining specific program set-asides for home ownership programs from the Minnesota Housing Finance Agency. Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher participation limits for income and purchase price, and the flexibility for more local design and control. Mortgage programs should also be developed that

include all households and not just first time home buyers to encourage trade-up housing activity.

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

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

9. Consider the development of a Purchase/ Rehabilitation Program

Findings: Fairmont has a stock of older, lower valued homes, some of which need repairs. Our housing condition survey of 1,082 homes in seven older neighborhoods identified 455 homes that need minor repairs and 247 homes that need major repairs. Also, a substantial number of homes have been converted from owner-occupied to rental from 2000 to 2010. Additionally, the 2010 Census reported some vacant homes in Fairmont. The median estimated market value for homes in Fairmont is \$100,000. As some of the lower valued rental and vacant homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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

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

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

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

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

10. Develop a local down payment assistance program

Findings: One of the largest identifiable barriers preventing low and moderate income households from owning a home is the inability to save money for down payment and closing costs. This is especially true now that lending institutions have tightened their lending criteria. There are several examples of cities providing down payment assistance up to \$5,000 to assist home owners with a down payment. For example, the City of Faribault provides a maximum of \$4,000 in local funds to households for down payment assistance. Twenty-four local households utilized this program over a nine-month period, to purchase a home.

Recommendations: The City of Fairmont should consider the development of a local Down payment Assistance Program. A local Down payment Assistance Program is needed more now than in the past because of more stringent lending criteria.

Major local employers, the Federal Home Loan Bank and the Minnesota Housing Finance Agency may be sources to contribute to the fund.

Fairmont - New Housing Construction

New Housing Construction

Findings: Fairmont has experienced some single family owner-occupied housing construction over the past 13 years. According to City records, from 2000 to 2012, 80 single family owner-occupied units were constructed in Fairmont. Also, 35 attached single family units were constructed. It is estimated that approximately 20 of these units are owner-occupied units. Therefore, it is estimated that 100 owner-occupied single family units were constructed from 2000 to 2012, which is an average of eight units per year. The peak years for new construction were 2000 to 2005, when approximately 14 owner-occupancy units were constructed each year. However, during the past six years, from 2006 to 2012, an average of only five single family owner-occupied units were constructed annually.

The attractiveness of the area, the City's amenities and available jobs, should result in the continued construction of new homes annually. Also, there are attractive residential lot options available for new home construction.

Overall household projections for Fairmont and Martin County indicate good demand for owner-occupied housing construction. Substantial household growth is anticipated through 2015 among households in the age ranges between 55 and 74 years old. Martin County is projected to gain 304 to 450 households in the 55 to 74 age ranges from 2010 to 2015. 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 some potential growth in the number of households in the 25 to 44 year old ranges through the year 2015. Many of the households in these age ranges are first time home buyers. However, there is projected to be a loss of 306 to 378 households in the 45 to 54 age range.

It is our opinion that if the city, local housing agencies and developers are proactive, 12 to 16 owner-occupied housing units should be constructed in Fairmont annually over the next five years from 2014 to 2019 to address demand. Our projection for single family housing starts includes homes built in new subdivisions and on infill lots, and includes single family attached housing units, such as twin homes and town houses. The breakdown of our projection of 12 to 16 new owner-occupied housing units annually over the next five years is as follows:

▶ Higher & median price homes	4-5 homes
▶ Affordable homes	2-3 homes
▶ Homes on infill lots	2 homes
▶ Twin homes/town homes	<u>4-6 units</u>
Total	12-16 units

11. Monitor 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 Fairmont. Currently, there are approximately 40 lots available in Fairmont subdivisions. In addition to these lots, there are approximately 30 lots that could be available for the next construction season.

There are also several miscellaneous infill lots scattered around the city that we did not attempt to count. We do not know the availability of some of these infill lots. Also, we are promoting the acquisition and demolition of dilapidated houses. Some of the cleared lots may be sites for new construction.

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that 12 to 16 new owner-occupied housing units will be constructed per year, the City should have approximately 30 to 40 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With approximately 40 available lots, plus infill lots, the City currently has an adequate number of lots. Also, lots are available in a variety of price ranges, and in various locations around the City. However, the City should continue to monitor the number of lots that are available to assure there are an adequate number of lots on an ongoing basis and that lots are available for homes in all price ranges.

Also, it may be advantageous to have a lot inventory as there appears to be a small number of lots available in numerous locations throughout the City versus a few large subdivisions. Currently, it may be difficult for potential buyers to know all the lot options available to them.

12. Promote townhouse and twin home development

Findings: Fairmont has experienced limited owner-occupied attached housing development from 2000 to 2012. Many communities over the past decade have seen attached housing take an increasingly large share of new construction. In cities the size of Fairmont, 20% to 30% of the housing starts are typically twin homes/town homes. Over the past 12 years, approximately 20% of the owner-occupied housing units constructed in Fairmont have been attached units such as twin homes/town homes.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family homes available for families. It is estimated that the 55 to 74 age ranges will increase by 304 to 450 households in Martin County from 2010 to 2015. It is important for the City to offer a range of life-cycle housing options as many of these households will be seeking to downsize into low maintenance housing options.

Recommendation: It is our projection that approximately four to six of Fairmont's new owner single family units per year should be twin homes or town houses over the next five years, which is an approximate total of 20 to 30 units during the five-year period. It should be noted that twin home/town home development has been impacted by the downturn in the housing economy, and full recovery of this segment of the market may not occur until later in the five-year time period.

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

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

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

13. Coordinate with agencies/nonprofits that develop affordable housing

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

Recommendation: We recommend that the City coordinate with housing agencies, nonprofit groups and private sector builders that help to produce housing units for lower income ownership. The City may be able to contribute to the project through land donations, TIF, grant writing, or project coordination activities.

The City of Fairmont has cleared some dilapidated homes in the City. If the cleared lots are suitable for redevelopment, these in-fill lots may be good sites for this type of new construction activity.

Fairmont - Housing Rehabilitation

Housing Rehabilitation

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

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

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

14. Promote rental housing rehabilitation programs

Findings: Based on 2010 U.S. Census data, the City currently has approximately 1,655 rental units. These rental units are in multi-family projects, small rental buildings, duplexes, single family homes and mobile homes. Many of these rental structures could benefit from rehabilitation as many of the rental structures are more than 30 years old and some rental units are in poor condition.

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

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

Potential funding sources include Minnesota Small Cities Development Program funds, the Federal Home Loan Bank, the Minnesota Housing Finance Agency, and local funds.

The Minnesota Housing Finance Agency has recently initiated a new rental rehabilitation program. The Southwest Minnesota Housing Partnership is administering this new program in Martin County. Also, housing agencies such as the Southwest Minnesota Housing Partnership, have purchased older market rate and subsidized rental projects in several cities and utilized funds from a variety of sources to rehabilitate the project.

15. Promote owner-occupied housing rehabilitation programs

Findings: The affordability of the existing housing stock in Fairmont 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.

Our 2013 housing condition survey rated the 1,082 single family homes in seven of the City's oldest neighborhoods. Our survey found that 455 homes need minor repairs and 247 homes need major repairs. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink in the City of Fairmont.

The City of Fairmont administers housing rehabilitation programs. The Fairmont staff has been rehabilitating homes in the City over the past 16 years utilizing the Small Cities Development Program, and has successfully rehabilitated 130 houses utilizing more than \$2.7 million from SCDP and other sources. The Minnesota Valley Action Council is currently administering the Weatherization Program in Fairmont.

Recommendation: We recommend that the City of Fairmont and area housing agencies continue to identify and apply for funds to develop an ongoing housing rehabilitation program. USDA Rural Development, the Minnesota Housing Finance Agency, the Federal Home Loan Bank and the Minnesota Small Cities Development Program are all potential funding sources.

16. Develop a Neighborhood Revitalization Program

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

Recommendation: Over the years, the City of Fairmont has been very active in housing and neighborhood revitalization projects including housing rehabilitation, the demolition of dilapidated housing, the development of new housing and public facility improvements. We recommend that the City of Fairmont, area housing agencies, and the private housing sector continue these efforts and select a neighborhood and develop and implement a Neighborhood Revitalization Program.

Redevelopment strategies and opportunities should be identified for the neighborhood including:

- ▶ A plan for each parcel in the neighborhood
- ▶ Owner-occupied rehabilitation
- ▶ Rental Rehabilitation
- ▶ Demolition of dilapidated structures
- ▶ Infill new construction including single family homes and attached housing
- ▶ Land pooling for larger town home and attached housing projects
- ▶ Purchase/Rehabilitation Programs that rehabilitate homes and provide home ownership for low/moderate income households
- ▶ Public projects (streets, utilities, parks, etc.)
- ▶ Consider rezoning, variances and/or replatting to make areas and parcels more desirable for redevelopment
- ▶ Programs that encourage energy conservation
- ▶ Other projects identified through the planning process

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

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

17. Develop a Rental Inspection and Registration Program

Findings: A Rental Inspection and Registration Program can be a valuable tool in improving the quality of the City's rental housing. In 2010, there were 1,655 rental units in the City of Fairmont, most of which are more than 25 years old. There are also a significant number of single family homes that have converted from owner-occupied to rental from 2000 to 2010. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Housing Inspection and Registration program is successfully implemented. Also, our housing condition survey identified many substandard rental units.

A local group 'Focus on Fairmont' has organized to assist with neighborhood revitalization and to encourage the development and implementation of a Rental Inspection and Registration Program.

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

Health and Safety

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

Age of Housing Stock

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

Conversions

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

Trends of Conversions

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

Maintenance Efforts

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

High Number of Landlords

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

Neighborhood Stabilization

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

Zoning and Codes

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

Coordination

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

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

Fairmont - Other Housing Initiatives

Other Housing Initiatives

18. Encourage employer involvement in housing

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

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

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

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

19. Acquire and demolish dilapidated structures

Findings: Our housing condition survey of seven Fairmont neighborhoods identified 39 homes that are dilapidated and too deteriorated to rehabilitate. We also identified 247 homes as needing major repair and several of these homes may be too dilapidated to rehabilitate. There are also homes in other Fairmont neighborhoods that are dilapidated and beyond repair.

Currently, the City is taking an aggressive approach to eliminating blight. The City has funding to assist property owners with demolishing their dilapidated properties.

Recommendation: We recommend that the City of Fairmont continue to demolish severely dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can possibly be utilized for the construction of new affordable housing units. Additionally, the demolition of dilapidated rental structures will upgrade the City's rental housing stock.

20. Create a plan and continue coordination among housing agencies

Findings: The City of Fairmont may need staff resources in addition to existing staff to plan and implement many of the housing recommendations advanced in this Study. The City has access to the Fairmont Economic Development Authority, the Fairmont Housing and Redevelopment Authority, the Minnesota Valley Action Council, the South Central Minnesota Multi-County HRA and the Southwest Minnesota Housing Partnership. The City also has access to the Minnesota Housing Finance Agency and the USDA Rural Development Office. These agencies all have experience with housing and community development programs.

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

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

21. Develop home ownership and new construction marketing programs and strategies

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

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

Recommendation: The City of Fairmont, the Fairmont EDA, the Fairmont HRA and the Fairmont Chamber of Commerce have been active in promoting and marketing housing and we recommend the following:

- ▶ Determine the City's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Fairmont and the area) to provide employees (especially new employees) with housing opportunities in Fairmont
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Consider an annual Housing Fair that provides information on lots, builders, finance programs, etc. Developers, builders, lenders, realtors, public agencies and local businesses could participate
- ▶ Work with builders to make the construction of a new home a very user friendly process
- ▶ Develop new home construction and home purchase incentive programs. Examples include:
 - ▶ Free water and sewer for a period of time
 - ▶ Construction financing assistance
 - ▶ Permit fee lowered

- ▶ Developer assistance
 - ▶ Cash payment
 - ▶ Discounts at area businesses
 - ▶ Lots at a reduced price
-
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a “full service” community
 - ▶ Continue to provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
 - ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
 - ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, etc.

Fairmont in Comparison to Other Cities

The 2003 Housing Study contained a section that compared Fairmont to similar-sized communities in Minnesota, including Worthington, Bemidji, Marshall and Fergus Falls. Comparisons were also made with Albert Lea and Austin. Although both of these communities were larger than Fairmont, their location in southern Minnesota was useful for comparative analysis. The 2003 comparison was based on 1990 and 2000 Census data.

In 2013, some changes were made, with Austin and Bemidji removed from the comparison cities, due to size and location in the State, respectively. They have been replaced with New Ulm and Hutchinson, both located within a reasonable distance of Fairmont.

In 2013 there are better sources of comparative data from standardized sources. For demographic items such as population and household growth the decennial U.S. Census, along with more recent estimates by the Minnesota State Demographer's Office have been used.

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

American Community Survey data can be estimated from different samples. Estimates for larger communities may be based on three years of surveys. In the demographic section for Fairmont that was presented earlier, the 5-year American Community Survey estimates were used, based on surveys conducted between 2007 and 2011. For consistency, the following comparisons are all based on five-year surveys within each community.

Population Change 2000 to 2010

Table 34 Comparison of Population Change - 2000 to 2010			
City	Numeric Change 2000 to 2010	Percentage Change 2000 to 2010	Rank 1 = Highest % Growth
Fairmont	-223	-2.0%	6
Albert Lea	-340	-1.9%	5
Fergus Falls	-333	-2.5%	7
Hutchinson	1,098	8.4%	2
Marshall	945	7.4%	3
New Ulm	-72	-0.5%	4
Worthington	1,481	13.1%	1

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

The City of Fairmont lagged behind most of the comparison cities for population growth over the last decade. Three of the cities added population, but Fairmont, Albert Lea, Fergus Falls and New Ulm all had population losses between 2000 and 2010.

Fairmont's population loss of 2.0% ranked it sixth of the seven cities, with only Fergus Falls losing a larger share of its population. In percentage terms, Worthington was the fastest growing community among the comparison cities, with a population increase of more than 13%.

Household Change 2000 to 2010

Table 35 Comparison of Household Change - 2000 to 2010			
City	Numeric Change 2000 to 2010	Percentage Change 2000 to 2010	Rank 1 = Highest % Growth
Fairmont	110	2.3%	6
Albert Lea	-11	-0.1%	7
Fergus Falls	181	3.2%	5
Hutchinson	617	11.6%	1
Marshall	480	9.8%	2
New Ulm	238	4.3%	3
Worthington	147	3.4%	4

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

The City of Fairmont also lagged behind most of the comparison cities for household growth over the last decade, although the City did have a net gain in households. Only one community, Albert Lea, lost some households between 2000 and 2010.

Despite household growth of 2.3%, Fairmont still ranked it sixth among the seven cities, with only Albert Lea have a lower percentage increase. In percentage terms, Hutchinson was the fastest growing community among the comparison cities, with a household increase of 11.6%.

Median Age in 2010

Table 36 Comparison of Median Age in 2010		
City	Median Age - 2010 Census	Rank 1 = Lowest Median Age
Fairmont	45.5	7
Albert Lea	44.0	6
Fergus Falls	43.4	5
Hutchinson	36.9	3
Marshall	29.7	1
New Ulm	41.4	4
Worthington	33.5	2

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

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

Fairmont had the highest median age of the comparison cities, at 45.5 years. Marshall had the lowest median age, at only 27.1 years. While many of the comparison cities have some students in their population, Marshall has a State University located in the community. This was the only comparison city that had a median age below 30 years old.

Average Household Size in 2012

Table 37 Comparison of Average Household Size in 2012		
City	Average Household Size 2012 MN State Demographer	Rank 1 = Highest Median Size
Fairmont	2.14	6
Albert Lea	2.22	4
Fergus Falls	2.13	7
Hutchinson	2.32	3
Marshall	2.34	2
New Ulm	2.19	5
Worthington	2.79	1

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

The Minnesota State demographer's Office has issued estimates of average household size. The most recent estimate is for 2012. Similar to median age, a small average household size generally indicates an aging population, with many people living alone, as well as fewer children in the community.

Fairmont ranked sixth of the seven communities, with a relatively small average household size of 2.14 persons. Only Fergus Falls had a smaller average at 2.13 persons per household. Worthington had the largest average household size at 2.79 persons. Worthington has had more international immigration than most of the other cities, and the large average household size may be due to household composition differences among immigrant populations.

Median Household Income in 2011

Table 38 Comparison of Estimated Median Household Income in 2011		
City	Median Income - 2011 ACS	Rank 1 = Highest Median Income
Fairmont	\$40,711	5
Albert Lea	\$35,792	7
Fergus Falls	\$38,673	6
Hutchinson	\$53,288	1
Marshall	\$43,234	3
New Ulm	\$44,214	2
Worthington	\$42,472	4

Source: 2011 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median income for all households in each City. The most recent estimates are for 2011.

Fairmont ranked as the fifth highest median income, at \$40,711.

Hutchinson had the highest median household income of the comparison cities, at \$53,288. Hutchinson was the only city that had a median household income above \$50,000 in 2011.

Albert Lea had the lowest median income at \$35,792.

Median Home Value in 2011

Table 39 Comparison of Estimated Median Home Values in 2011		
City	Median Owner-Occupied Home Value - 2011 ACS	Rank 1 = Highest Median Value
Fairmont	\$107,200	5
Albert Lea	\$94,300	7
Fergus Falls	\$116,000	4
Hutchinson	\$154,000	1
Marshall	\$147,700	2
New Ulm	\$124,100	3
Worthington	\$104,700	6

Source: 2011 American Community Survey; Community Partners Research, Inc.

The 2011 American Community Survey contains an estimated median value for owner-occupied houses in each City. Fairmont was just the middle of the group of comparison cities with a median home value of \$107,200. Although a higher median value can make home ownership more difficult, a higher value generally reflects stronger demand, and may indicate better quality units.

The Cities of Hutchinson and Marshall had the highest median home values, at \$154,000 and \$147,700, respectively. These two cities were well above all of the other comparison communities.

The lowest median value was in Albert Lea, at \$94,300.

Percentage of Household Income Required for Home Ownership in 2011

Table 40 Comparison of Estimated Median Ownership Costs in 2011		
City	Median Percentage of Household Income Applied to Home Ownership Costs - 2011 ACS	Rank 1 = Lowest Median Percentage
Fairmont	17.8%	2
Albert Lea	20.4%	6T
Fergus Falls	18.2%	3
Hutchinson	20.4%	6T
Marshall	18.5%	4
New Ulm	18.8%	5
Worthington	17.4%	1

Source: 2011 American Community Survey; Community Partners Research, Inc.

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

Fairmont had the second lowest percentage of income required for ownership. The City did have a higher median income than most of the other cities, which probably contributes to this lower percentage.

Worthington had the lowest percentage of income required for home ownership, while Hutchinson and Albert Lea tied for the highest.

Median Gross Rent in 2011

Table 41 Comparison of Estimated Median Gross Rent in 2011		
City	Median Gross Rent - 2011 ACS	Rank 1 = Highest Median Rent
Fairmont	\$537	7
Albert Lea	\$556	3
Fergus Falls	\$542	5T
Hutchinson	\$697	1
Marshall	\$554	4
New Ulm	\$542	5T
Worthington	\$586	2

Source: 2011 American Community Survey; Community Partners Research, Inc.

The 2011 American Community Survey contains an estimated median for gross rent (rent plus tenant-paid utilities) in each city. Fairmont had the lowest gross rent of the comparison cities at \$537 per month.

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

The highest gross rent was being charged in Hutchinson, at \$697 per month. Hutchinson was the only comparison city with a median gross rent above \$600 per month.

Percentage of Household Income Needed for Rental Costs in 2011

Table 42 Comparison of Estimated Median Renter Costs in 2011		
City	Median Percentage of Household Income Applied to Gross Rent - 2011 ACS	Rank 1 = Lowest Median Percentage
Fairmont	30.8%	7
Albert Lea	30.0%	6
Fergus Falls	29.3%	5
Hutchinson	26.8%	2
Marshall	27.9%	3
New Ulm	26.7%	1
Worthington	28.1%	4

Source: 2011 American Community Survey; Community Partners Research, Inc.

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

The goal of most affordable housing programs is to achieve a rent that requires less than 30% of household income. Three of the comparison cities, including Fairmont, require the median household to pay 30% or more of income for housing.

Fairmont had the highest percentage of income required for rental, at 30.8%.

New Ulm had the most affordable rental housing, with 26.7% of income required for monthly rent.

Although the City’s median household income, presented earlier, was relatively high, this reflected all households including home owners. The high percentage of income required for gross rent payment points to a relatively low median household income level for the City’s renter households.

Agencies and Resources

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

Minnesota Valley Action Council

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

South Central MN Multi-County Housing and Redevelopment Authority

360 Pierce Ave.
North Mankato, MN 56003
(507) 345-1977
Contact: Peggy Wiese, Executive Director

Southwest Minnesota Housing Partnership

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

Greater Minnesota Housing Fund

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

Minnesota Housing Partnership

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

Minnesota Housing Finance Agency

400 Sibley Street

Suite 300

St. Paul, MN 55101

mn.housing@state.mn.us

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

USDA Rural Development

Worthington Service Center

1567 McMillan St.

Worthington, MN 56187

(507) 372-7784

Contact: Paul Pierson, Area Specialist