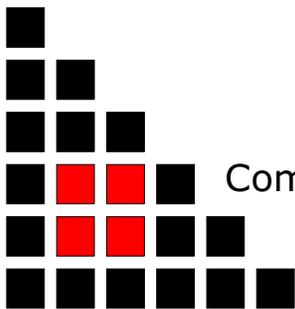


Clara City HOUSING STUDY

June 2018

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



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Introduction

Overview

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Clara City, the Clara City Market Area and Chippewa County 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 Clara City to conduct a study of the housing needs and conditions of Clara City.

Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that Clara City expects 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 January to April, 2018. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Esri, Inc., a private data reporting service
- Records and data from Clara City
- Records and data maintained by Chippewa County
- Minnesota State Demographer
- Interviews with City officials and staff
- Area and State housing agencies
- Interviews with housing stakeholders
- Rental property surveys
- Housing condition survey

Limitations

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

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Demographic Data Overview

Sources of Data

The following pages contain demographic data for Clara City, the Clara City Market Area and Chippewa County. The demographic data was obtained from a variety of local, state and national sources. At the time 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 2016. However, these annual estimates are generally limited to basic counts, such as population and household levels.

In addition to Clara City and Chippewa County demographic data, we have provided demographic data for the Market Area that surrounds Clara City. The jurisdictions in the Market Area include the Cities of Clara City and Maynard and the Chippewa County townships of Crate, Lone Tree, Stoneham and Rheiderland.

For some detailed demographic variables, the 2010 Census is still viewed as the most reliable data source. 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 Community Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate. The following tables incorporate 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 Clara City and Chippewa County, the 2016 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 2012 and 2016.

Additionally, Community Partners Research, Inc., has obtained information from Esri, a private company based in California that generates demographic and projection data. Esri estimates for Clara City, the Market Area and Chippewa County are included in this demographic data section.

Population Data and Trends

Esri, a private data reporting service, has issued demographic estimates for 2017, which are included in the table below. Other estimates for 2016 are discussed in the text that follows.

Table 1 Population Trends - 1990 to 2017						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2017 Esri Estimate
Clara City	1,307	1,393	6.6%	1,360	-2.4%	1,540
Market Area	2,864	2,872	0.3%	2,646	-7.9%	2,872
Chippewa Co.	13,228	13,088	-10.6%	12,441	-4.9%	12,324

Source: U.S. Census; Esri

- ▶ The State Demographer, the Census Bureau and Esri have each released recent population estimates. These sources show some differences on population change in the City, the Market Area and the County.
- ▶ Esri’s 2017 estimate for the City of Clara City is 1,540, which is an increase of 180 people from 2010. The State Demographer’s estimate, effective on July 1, 2016, contradicts the Esri estimate and shows the population for Clara City at 1,319 people, a decrease of 41 people from the 2010 Census. The U.S. Census population estimate for Clara City in 2016 was 1,322, down 38 people from the 2010 Census.
- ▶ The State Demographer’s 2016 estimate for the Market Area is 2,524, a decrease of 122 people since the 2010 U.S. Census. The U.S. Census 2016 population estimate is 2,574, a loss of 72 people since 2010. Esri’s 2017 estimate of 2,872 contradicts the State Demographer and U.S. Census estimates and shows a gain of 226 people in the Market Area from 2010 to 2017.
- ▶ For all of Chippewa County, the State Demographer’s 2016 estimate shows the population at 12,122, a decrease of 319 people from the 2010 Census. The U.S. Census 2016 estimate for Chippewa County is 12,133 people, down 308 people since the 2010 Census. Esri’s 2017 estimate for Chippewa County is 12,324, a decrease of 117 people since 2010.

- ▶ Clara City's population is primarily White and non-Hispanic/Latino. According to the 2010 U.S. Census, 96.1% of the City's residents were White, 0.4% were Black or African American, 0.5% were American Indian and 0.3% were Pacific Islander. Additionally, 2.8% identified themselves as some other race or two or more races. Also, 4.1% of the population was Hispanic or Latino in 2010.
- ▶ From 2000 to 2010, Clara City, the Market Area and Chippewa County all had population losses. Clara City had a loss of 33 people, which is a decrease of 2.4%. The Market Area had a loss of 226 people, a decrease of 7.9%. Chippewa County had a loss of 647 people, a decrease of 4.9%.
- ▶ From 1990 to 2000 Clara City had a gain of 86 people and the Market Area had a gain of eight people. However, Chippewa County had a loss of 140 people.

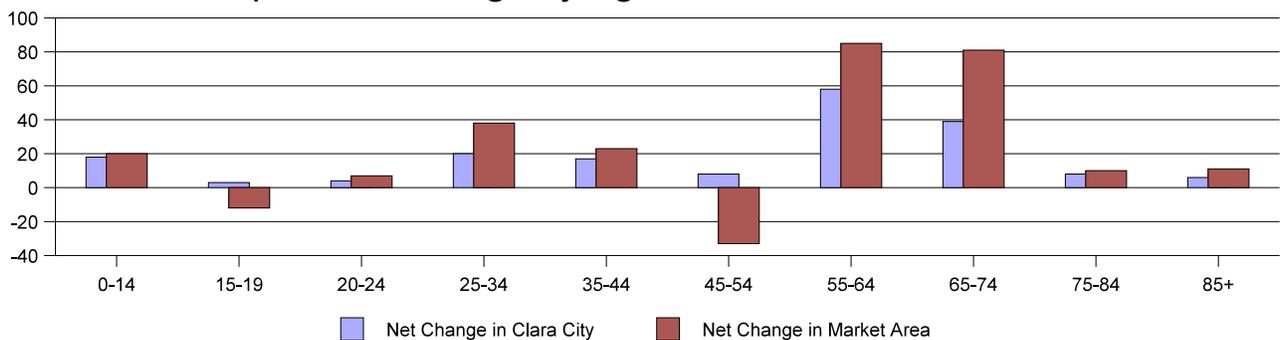
Population by Age Trends: 2010 to 2017

The release of 2017 demographic information from Esri allows for some analysis of the changing age patterns for Clara City and the Clara City Market Area. The following table compares population by age in 2010 and 2017, along with the numeric changes.

Table 2 Population by Age - 2010 to 2017						
Age	Clara City			Market Area		
	2010	2017	Change	2010	2017	Change
0-14	266	284	18	511	531	20
15-19	68	71	3	172	160	-12
20-24	64	68	4	112	119	7
25-34	149	169	20	279	317	38
35-44	135	152	17	287	310	23
45-54	160	168	8	389	356	-33
55-64	154	212	58	341	426	85
65-74	125	164	39	234	315	81
75-84	131	139	8	195	205	10
85+	108	114	6	126	137	11
Total	1,360	1,541	181	2,646	2,876	230

Source: U.S. Census; Esri

Population Change by Age Between 2010 and 2017

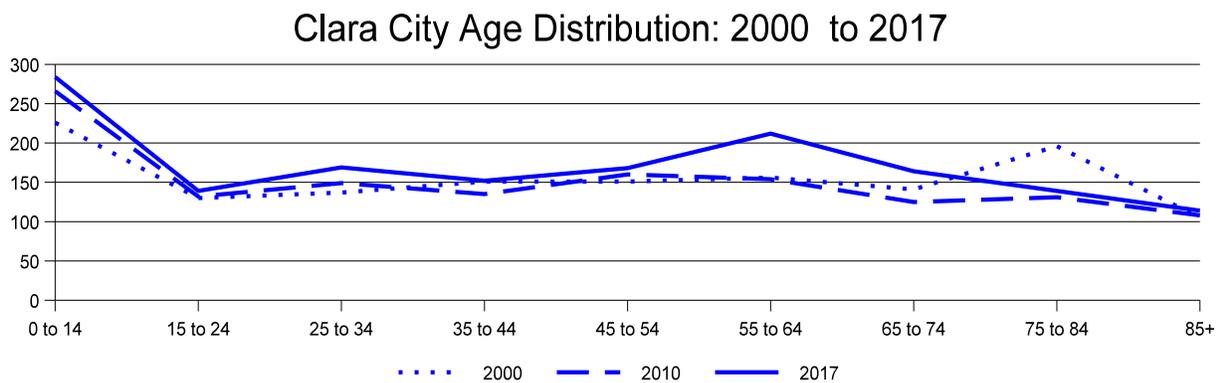


For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in Clara City and the Market Area.

Between 2010 and 2017, Clara City had a gain of 97 people and the Market Area County had a gain of 166 people in the age ranges between 55 and 74 years old. In 2017, nearly all of the baby boomers were within these age ranges.

Based on Esri’s estimate, all of the age ranges in Clara City had population gains from 2010 to 2017. The 54 and younger age ranges had a gain of 70 people. The 55 and older age ranges in Clara City had a gain of 111 people from 2010 to 2017.

In addition to the population growth in the 55 to 74 age ranges from 2010 to 2017, the Market Area had a gain of 20 people in the 0 to 14 age range, a gain of 68 people in the 20 to 44 age ranges and a gain of 21 people in the 75 and older age ranges. The Market Area had a loss of 12 people in the 15 to 19 age range and a loss of 33 people in the 45 to 54 age range.



The aging trends for Clara City can be traced back over the previous decades to see the “wave” created by the movement of the baby boom generation through the aging cycle, evident in the 55 to 64 year old group in 2017. One other noticeable trend is the decreased population of older senior citizens. In the year 2000 there was a larger population of seniors in the 75 to 84 year old age group than in the year 2017.

Population Projections

The following table presents population projections generated by Esri for Clara City, the Market Area and Chippewa County.

Table 3 Population Projections Through 2022				
	2010 Census	2017 Esri Estimate	2022 Esri Projection	Change 2017-2022
Clara City	1,360	1,540	1,593	53
Market Area	2,646	2,872	2,936	64
Chippewa Co.	12,441	12,324	12,226	-98

Source: U.S. Census; Esri

Esri estimates that Clara City had a gain of 180 people from 2010 to 2017, and projects a gain of another 53 people from 2017 to 2022.

Esri estimates that the Market Area had a gain of 226 people from 2010 to 2017 and projects a gain of 64 people from 2017 to 2022.

Esri estimates that Chippewa County had a loss of 117 people from 2010 to 2017, and projects a loss of 98 people from 2017 to 2022.

Household Data and Trends

Table 4 Household Trends - 1990 to 2017						
	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010	2017 Esri Estimate
Clara City	566	591	4.4%	584	-1.2%	664
Market Area	1,105	1,114	0.8%	1,084	-2.7%	1,180
Chippewa Co.	5,245	5,631	7.4%	5,241	-6.9%	5,178

Source: U.S. Census; Esri

- ▶ Esri and the State Demographer have released recent household estimates for Clara City, the Market Area and Chippewa County. The Census Bureau does not issue annual estimates for households.
- ▶ Esri’s 2017 household estimate for Clara City is 664, a gain of 80 households since 2010. However, the State Demographer’s 2016 household estimate contradict’s Esri, and shows only 572 households in the City, a loss of 12 households from 2010 to 2016.
- ▶ Esri’s 2017 household estimate for the Market Area is 1,180, a gain of 96 households since 2010. The State Demographer’s 2016 household estimate is 1,051, a loss of 33 households from 2010 to 2016.
- ▶ Esri’s 2017 household estimate for Chippewa County is 5,178, a loss of 63 households since 2010. The State Demographer’s 2016 household estimate for Chippewa County is 5,167, which is a decrease of 74 households from 2010 to 2016.
- ▶ According to the 2010 U.S. Census, Clara City, the Market Area and Chippewa County had household losses from 2000 to 2010. Clara City had 584 households in 2010. This was a decrease of seven households from 2000, which was a household loss of 1.2%.
- ▶ The Market Area had 1,084 households in 2010. This is a loss of 30 households from 2000, which is a household decrease of 2.7%.
- ▶ Chippewa County had a gain of 5,241 households in 2010. This was a loss of 390 households from 2000, for a household loss of 6.9%.
- ▶ Clara City had a gain of 25 households, the Market Area had a gain of nine households and Chippewa County had a gain of 386 households in the 1990s.

Household by Age Trends: 2010 to 2017

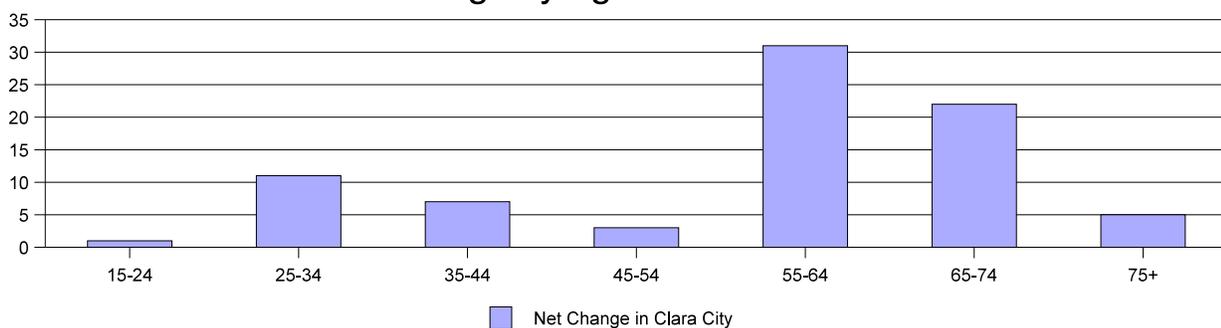
The 2017 Esri age data allows for some analysis of Clara City’s changing age patterns. The following table compares households by age of householder in 2010 and 2017, along with the numeric changes.

Table 5 Households by Age - 2010 - 2017			
Age	Clara City		
	2010	2017	Change
15-24	33	34	1
25-34	81	92	11
35-44	71	78	7
45-54	80	83	3
55-64	89	120	31
65-74	86	108	22
75+	144	149	5
Total	584	664	80

Source: U.S. Census; Esri

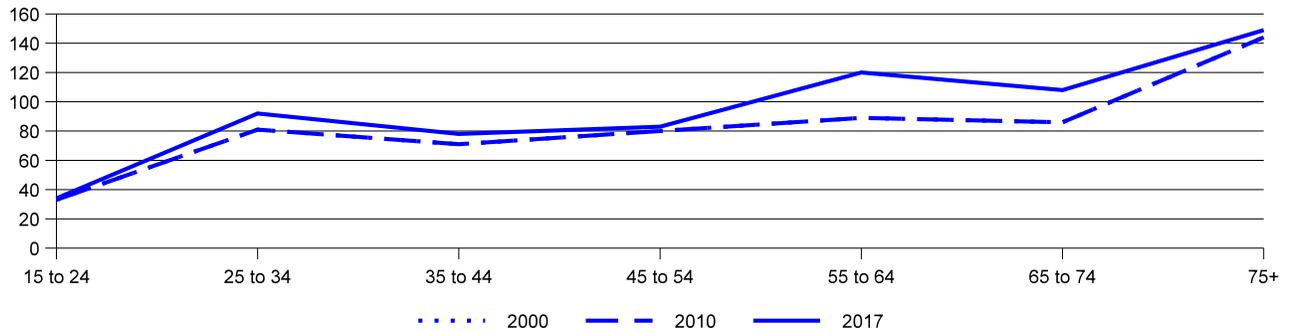
It appears that Esri overestimated the number of households in Clara City in 2017. However, the data is still a good indicator of household by age trends over the past seven years. Consistent with the population by age data presented earlier, the household patterns show much of the change occurring in the baby boomer age groups. Based on Esri estimates, Clara City had a gain of 53 households in the 55 to 74 age ranges from 2010 to 2017. The City also had a gain of 22 households in the 15 to 54 age ranges and gained five households in the 75 and older age range.

Household Change by Age Between 2010 and 2017



As with the longer-term patterns for population, it is possible to track the “wave” progression of the baby boomer households over the past 17 years in Market Area using information by the age of householder.

Clara City Households by Age of Householder: 2000 to 2017



Average Household Size

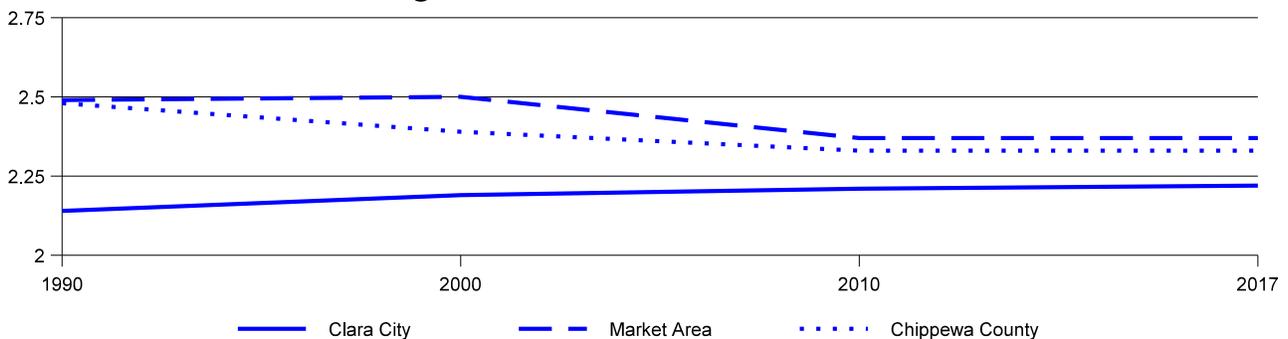
The following table provides decennial Census information on average household size.

Table 6 Average Number of Persons Per Household: 1990 to 2017				
	1990 Census	2000 Census	2010 Census	2017 Esri
Clara City	2.14	2.19	2.21	2.22
Market Area	2.49	2.50	2.37	2.37
Chippewa Co.	2.48	2.39	2.33	2.33

Source: U.S. Census; Esri

Household formation in most jurisdictions 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. However, Clara City’s average household size has increased from 1990 to 2017.

Average Household Size: 1990 to 2017



The average household size in Clara City increased from 2.14 in 1990 to 2.22 in 2017. The Market Area’s average household size decreased from 2.49 in 1990 to 2.37 in 2017. Chippewa County’s average household size decreased from 2.49 in 1990 to 2.33 in 2017.

Household Projections

The following table presents household projections generated by Esri for Clara City, the Market Area and Chippewa County.

Table 7 Household Projections Through 2022				
	2010 Census	2017 Esri Estimate	2022 Esri Projection	Change 2017 to 2022
Clara City	584	664	687	23
Market Area	1,084	1,180	1,207	27
Chippewa Co.	5,241	5,178	5,148	-30

Source: US Census; Esri

Esri estimates that Clara City had a gain of 80 households from 2010 to 2017, and projects a gain of an additional 23 households from 2017 to 2022.

Esri estimates that from 2010 to 2017, the Market Area gained 96 households and projects that the Market Area will gain an additional 27 households from 2017 to 2022.

For all of Chippewa County, Esri estimates that from 2010 to 2017, the County had a loss of 63 households and projects that the County will lose an additional 30 households from 2017 to 2022.

Clara City Household by Age Projections: 2017 to 2022

The Clara City household by age projections were created by Esri.

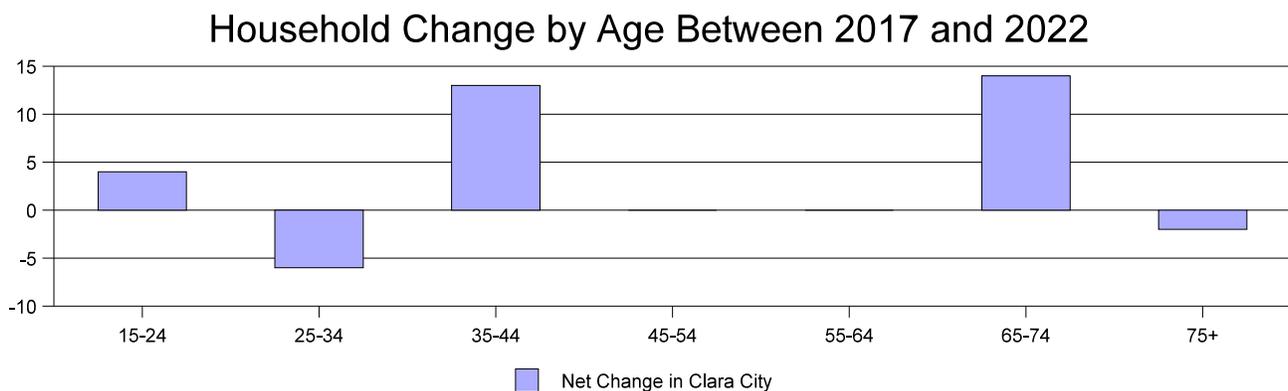
Table 8 Clara City Projected Households by Age - 2017 to 2022			
Age Range	2017 Estimate	2022 Projection	Change 2017 to 2022
15-24	34	38	4
25-34	92	86	-6
35-44	78	91	13
45-54	83	83	0
55-64	120	120	0
65-74	108	122	14
75+	149	147	-2
Total	664	687	23

Source: Esri

Esri is projecting a gain of 23 households in Clara City from 2017 to 2022. Esri projects a gain of four households in the 15 to 24 age range, a gain of 13 households in the 35 to 44 age range, and an increase of 14 households in the 65 to 74 age range.

Conversely, from 2017 to 2022, Esri estimates a loss of six households in the 25 to 34 age range and a loss of two households in the 75 and older age range.

Esri projects that the number of households in the 45 to 64 age ranges will not change.



Market Area Household by Age Projections: 2017 to 2022

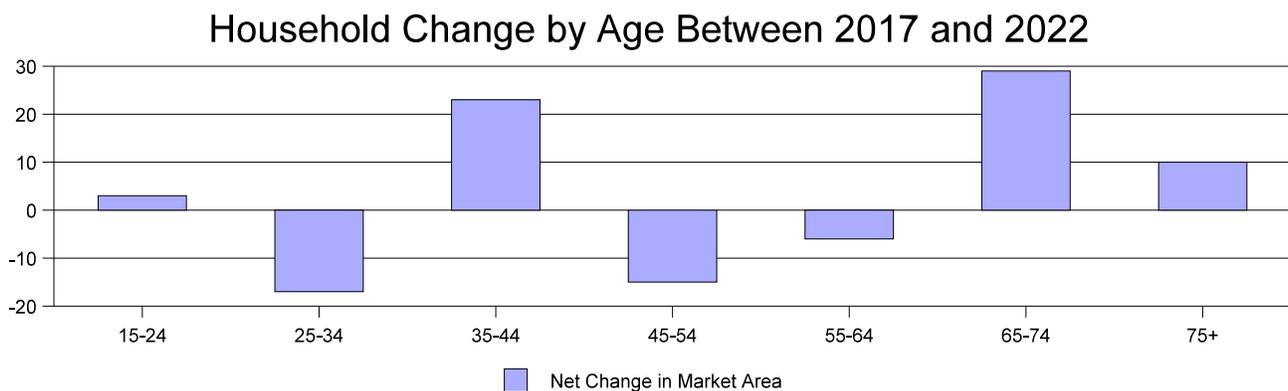
The Clara City Market Area household by age projections were created by Esri.

Table 9 Clara City Projected Households by Age - 2017 to 2022			
Age Range	2017 Estimate	2022 Projection	Change 2017 to 2022
15-24	48	51	3
25-34	161	144	-17
35-44	149	172	23
45-54	178	163	-15
55-64	234	228	-6
65-74	196	225	29
75+	214	224	10
Total	1,180	1,207	27

Source: Esri

Esri is projecting a gain of 27 households in the Market Area from 2017 to 2022. Esri projects a gain of three households in the 15 to 24 age range, a gain of 23 households in the 35 to 44 age range, and an increase of 39 households in the 65 and older age ranges.

Conversely, from 2017 to 2022, Esri projects a loss of 17 households in the 25 to 34 age range and a loss of 21 households in the 45 to 64 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 Clara City.

Table 10 Clara City Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	126	97	-29
Single Parent with own children	26	55	29
Married Couple without own children	201	188	13
Family Householder without spouse	20	20	0
Total Families	373	360	13
Non-Family Households			
Single Person	201	206	5
Two or more persons	17	18	1
Total Non-Families	218	224	6

Source: U.S. Census

Between 2000 and 2010, Clara City experienced a net gain of 13 family households. There was a decrease of 29 married couples with children. There was a gain of 29 single parent households with children and a gain of 13 married couples without children.

The City had an increase of six “non-family” households. There was an increase of five single person households and an increase of one household with unrelated individuals living together.

Housing Tenure

The 2010 Census provided data on housing tenure patterns. The following tables examine overall tenure rates, along with the changes that have occurred since 2000 for Clara City and Chippewa County.

Table 11 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Clara City	423	72.4%	161	27.6%
Chippewa Co.	3,800	72.5%	1,441	27.5%
State	-	73.0%	-	27.0%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in Clara City was 72.4%. Chippewa County's ownership rate was 72.5%. Clara City's rental rate of 27.6% was slightly above the State of Minnesota's rental rate of 27.0%.

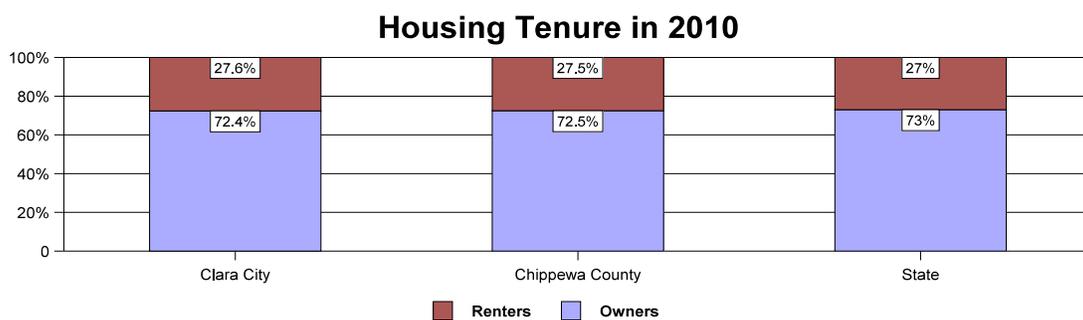


Table 12 Households by Housing Tenure - 2000 to 2010						
Tenure	Clara City			Chippewa County		
	2000	2010	Change	2000	2010	Change
Owners	475/80.4%	423/72.4%	-52	4,106/76.6%	3,800/72.5%	-306
Renters	116/19.6%	161/27.6%	45	1,255/23.4%	1,441/27.5%	186
Total	591	584	-7	5,361	5,241	-120

Source: U.S. Census

Clara City's ownership tenure rate decreased from 80.4% in 2000 to 72.4% in 2010. For Chippewa County, there was a decrease in the rate of owner-occupancy from 76.6% in 2000 to 72.5% in 2010.

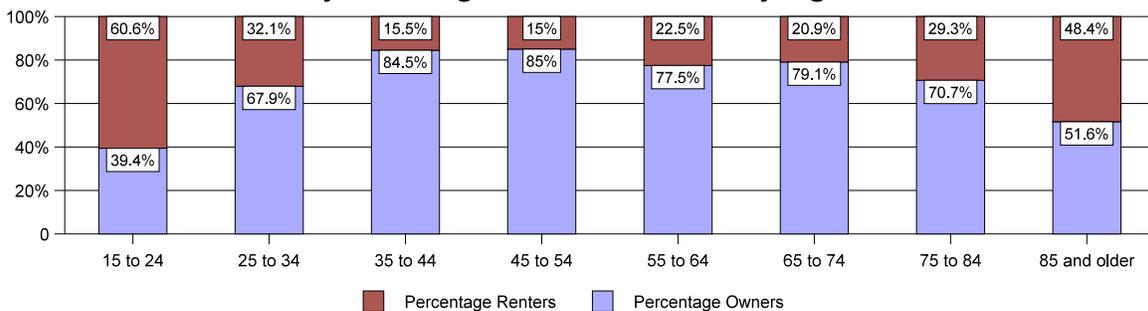
Tenure by Age of Householder

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 Clara City.

Table 13 Clara City Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	13	39.4%	20	60.6%
25-34	55	67.9%	26	32.1%
35-44	60	84.5%	11	15.5%
45-54	68	85.0%	12	15.0%
55-64	69	77.5%	20	22.5%
65-74	68	79.1%	18	20.9%
75-84	58	70.7%	24	29.3%
85+	32	51.6%	30	48.4%
Total	423	72.4%	161	27.6%

Source: U.S. Census

Clara City 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 households were primarily home owners. Approximately 61% 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 cohorts age 25 to 84 were approximately 68% or higher.

2016 Income Data

Household and family income estimates are available at the City, County and State level through the 2016 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 14 Median Income - 2010 to 2016			
	2010 Median	2016 Median	% Change
Households			
Clara City	\$37,240	\$53,750	44.3%
Chippewa County	\$43,956	\$54,041	22.9%
Minnesota	\$57,243	\$63,488	10.9%
Families			
Clara City	\$42,258	\$66,154	56.5%
Chippewa County	\$58,769	\$69,160	17.7%
Minnesota	\$71,307	\$79,893	12.0%

Source: American Community Survey

Income information contained in the 2016 American Community Survey shows income growth within Clara City and Chippewa County over the past six years. The City’s median household income level increased substantially by approximately 44.3% and Chippewa County’s median household income increased by 22.9% between 2010 and 2016. However, the City and County’s median household incomes were lower than the Minnesota median household income.

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. Clara City and Chippewa County’s median family incomes also had significant increases from 2010 to 2016.

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 Clara City could afford approximately \$1,344 per month for ownership or rental housing in 2016. A family at the median income level for the City could afford approximately \$1,654 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 2016, the median income level for owner households in Clara City was \$65,429. At 30% of income, a median income owner household could apply approximately \$1,636 to a mortgage without experiencing a housing cost burden.

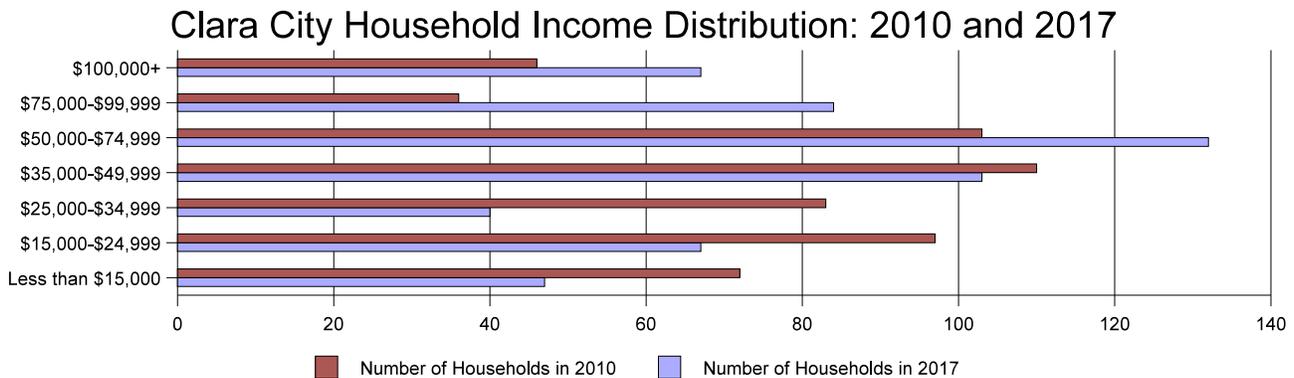
The estimated median household income for renters in 2016 was approximately \$33,864. At 30% of income, a median income renter in the City could apply approximately \$847 to gross rent without experiencing a housing cost burden.

Clara City Household Income Distribution

The 2016 American Community Survey household income estimates for Clara City can be compared to the same distribution information from 2010 to examine changes that have occurred from 2010 to 2016.

Table 15 Clara City Household Income Distribution - 2010 to 2016			
Household Income	Number of Households 2010	Number of Households in 2016	Change 2010 to 2016
\$0 - \$14,999	72/13.2%	47/8.7%	-25
\$15,000 - \$24,999	97/17.7%	67/12.4%	-30
\$25,000 - \$34,999	83/15.2%	40/7.4%	-43
\$35,000 - \$49,999	110/20.1%	103/19.1%	-7
\$50,000 - \$74,999	103/18.8%	132/24.4%	29
\$75,000 - \$99,999	36/6.6%	84/15.6%	48
\$100,000+	46/8.4%	67/12.4%	21
Total	547	540	-7

Source: American Community Survey



The 2010 and 2016 American Community Survey data appear to have undercounted the number of households in Clara City. However, the data is still a good indicator of household income distribution.

According to income estimates contained in the 2016 American Community Survey, household incomes have improved in Clara City. When compared to the 2010 American Community Survey, there was an increase of 98 households with an income of \$50,000, or more. Conversely, there was a net decrease of 105 households with incomes below \$50,000. However, there were still 114 households in Clara City that had an annual income below \$25,000 in 2016. This is approximately 21% of all households in the City of Clara City.

Clara City Income Distribution by Housing Tenure

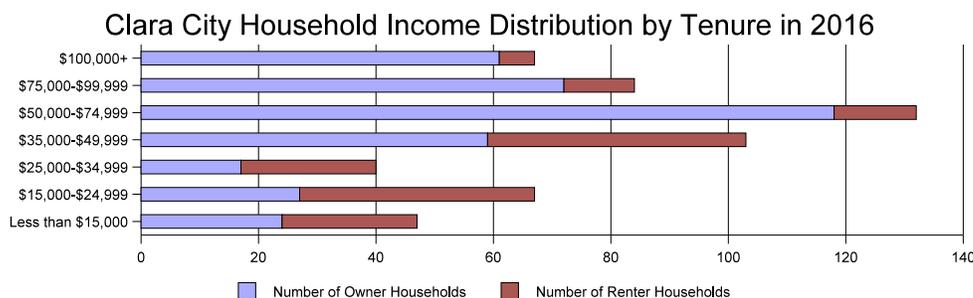
The 2016 American Community Survey provides an income estimate by owner and renter status. The following table examines income distribution within Clara City. The 2016 American Community Survey has undercounted the number of owner households in Clara City. However, the data is still a good indicator of household income distribution by tenure.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	24/51.1%	23/48.9%	47
\$15,000 - \$24,999	27/40.3%	40/59.7%	67
\$25,000 - \$34,999	17/42.5%	23/57.5%	40
\$35,000 - \$49,999	59/57.3%	44/42.7%	103
\$50,000 - \$74,999	118/89.4%	14/10.6%	132
\$75,000 - \$99,999	72/85.7%	12/14.3%	84
\$100,000+	61/91.0%	6/9.0%	67
Total	378	162	540

Source: 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 2016, approximately 53% of all renter households in Clara City 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 66% of all owner households had an annual income of \$50,000 or more. At 30% of income, these owners could afford approximately \$1,365 or more per month for housing costs.



2016 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 Clara City.

Table 17 Gross Rent as a Percentage of Household Income - 2016			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	52/46.9%	11/21.6%	63/38.9%
20% to 29.9%	17/15.3%	5/9.8%	22/13.6%
30% to 34.9%	11/9.9%	3/5.9%	14/8.6%
35% or more	19/17.1%	32/62.7%	51/31.5%
Not Computed	12/10.8%	0/0%	12/7.4%
Total	111/100%	51/100%	162/100%

Source: American Community Survey

According to the American Community Survey, approximately 40% of all renters in the City were paying 30% or more of their income for rent. A significant 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 Clara City it was primarily due to low income levels for renters. The majority of the renter households with a housing cost burden had an annual household income below \$25,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$625 or less.

Senior citizen renters (age 65 and older) represented approximately 54% of all households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 46% of all households with a rental cost burden.

2016 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 Clara City that are paying different percentages of their gross household income for housing costs.

Table 18 Ownership Costs as a Percentage of Income - Clara City		
Percentage of Household Income for Housing Costs	Number of Owner Households 2016	Percent of All Owner Households 2016
0% to 19.9%	270	71.4%
20% to 29.9%	63	16.7%
30% to 34.9%	12	3.2%
35% or more	33	8.7%
Not Computed	0	0%
Total	378	100%

Source: American Community Survey

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 12% 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

Clara City has had some limited new housing construction activity over the past 10 years. The following table identifies the units that have been issued a building permit from 2008 to 2017.

Table 19 Clara City Housing Unit Construction Activity: 2008 to 2017				
Year	Single Family Detached	Single Family Attached	Multifamily	Total Units
2017	1	0	0	1
2016	1	0	0	1
2015	3	0	0	3
2014	3	0	24	27
2013	0	0	0	0
2012	3	0	0	3
2011	1	0	0	1
2010	0	0	0	0
2009	0	0	0	0
2008	1	0	0	1
Total	13	0	24	37

Source: City of Clara City

Over the past 10 years, 13 new single family detached housing units have been constructed in Clara City, based on building permit issuance. Also, in 2014 the 24-unit Clara City Assisted Living project was constructed. In 2018, as of April 1, one single family home building permit has been issued.

From 2000 to 2007, 18 new housing units were constructed.

Existing Home Sales

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

The County Assessor collects and utilizes information from residential sales for the County's annual 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 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 in a prior year and already had 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, including sales of "bank-owned" properties, foreclosures/short sales, transfers between related parties, or sales that were not conducted in the open market.

Information was available for each calendar year, from 2015 through 2017.

The following sales data includes detached single family homes that could be renter-occupied or owner-occupied.

Table 20 Clara City Residential Sales Activity - 2015 to 2017				
Year	Number of Good Sales	Median Sale Price	Highest Sale	Lowest Sale
2017	17	\$77,000	\$184,000	\$41,000
2016	8	\$86,000	\$158,000	\$35,000
2015	17	\$102,000	\$211,140	\$10,000

Source: Chippewa County; Community Partners Research, Inc.

The median sale price in 2017 was \$77,000, based on 17 good sales recorded that year. The median in 2016 was higher, at \$86,000, but only eight good transactions were recorded that year. In 2015, the median was \$102,000, and based on 17 sales.

The variation in the annual median price may be a reflection of the limited number of sales that occur within any 12-month period in Clara City. If the sales in 2016 and 2017 are combined, the median was \$77,000 over a 24-month period, based on 25 total sales.

Prices for existing home sales have varied widely, with most years having some low-valued homes. Over the three years reviewed, at least one house in the City sold for less than \$41,000 each year. At least one house also sold for \$158,000 or more each year.

Another estimate of home values is contained in the American Community Survey, although this estimate is for 2016. According to that source, the median owner-occupied home value in Clara City was \$82,000, generally similar to the recent median sales values of \$77,000 to \$86,000.

Home Sales by Price Range

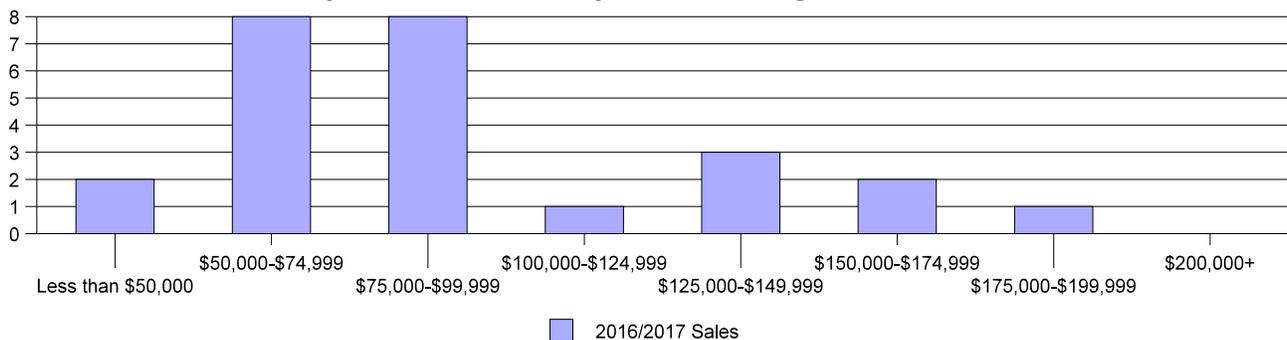
The following table categorizes the single family houses by defined price ranges that sold from January 2016 through December 2017.

Table 21 Home Sales by Price Range: 24-month Sales Period		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	2	8.0%
\$50,000 - \$74,999	8	32.0%
\$75,000 - \$99,999	8	32.0%
\$100,000 - \$124,999	1	4.0%
\$125,000 - \$149,999	3	12.0%
\$150,000 - \$174,999	2	8.0%
\$175,000 - \$199,999	1	4.0%
\$200,000 or more	0	0%
Total	25	100%

Source: Chippewa County; Community Partners Research, Inc.

Overall, approximately 72% of recent sales were in the price ranges below \$100,000. There were four sales (16%) in the range between \$100,000 and \$149,999, and three sales for \$150,000 or more. There were no sales for \$200,000 or more in the past two years.

Clara City Home Sales by Price Range: 2016 and 2017



Clara City Housing Condition

Community Partners Research, Inc., representatives conducted a visual 'windshield' survey of 300 single family/duplex houses in four of the City's oldest neighborhoods.

The boundaries of the neighborhoods are as follows:

- ▶ Neighborhood #1: East - 1st St. SE
West - Main St.
North - Hwy 23
South - 4th Ave. SE

- ▶ Neighborhood #2: East - Main St.
West - 2nd St. SW
North - Hwy 23
South - 5th Ave. SW

- ▶ Neighborhood #3: East - 4th St. NE
West - Division St./Main St.
North - 6th Ave. NE
South - Center Ave. E

- ▶ Neighborhood #4: East - 1st St. NW
West - 4th St. NW
North - 2nd Ave. NW/3rd Ave. NW
South - Center Ave. W

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

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

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

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

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

Table 22 Windshield Survey Condition Estimate - 2016					
Neighborhood	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	22/51.2%	19/44.2%	2/4.6%	0/0%	43
Neighborhood #2	20/30.3%	41/62.1%	5/7.6%	0/0%	66
Neighborhood #3	71/44.4%	80/50.0%	9/5.6%	0/0%	160
Neighborhood #4	10/32.3%	16/51.6%	5/16.1%	0/0%	31
Total	123/41.0%	156/52.0%	21/7.0%	0/0%	300

Source: Community Partners Research, Inc.

- ▶ Approximately 52% of the houses in four of the City's oldest neighborhoods need minor repair and 7% need major repair.
- ▶ Approximately 41% are sound, with no required improvements.
- ▶ No houses are dilapidated and possibly beyond repair.

Rental Housing

U.S. Census Inventory

According to the 2010 U.S. Census, there were 161 occupied rental housing units and six vacant rental units in Clara City for a total of 167 units.

At the time of the 2000 U.S. Census, the City had 116 occupied rental units and 14 vacant units, for a total estimated inventory of 130 units. Between the 2000 Census and the 2010 Census, the City added 45 renter households and 37 rental units to the total inventory.

Since the 2010 Housing Study, we are not aware of any market rate or subsidized rental housing units that were constructed. However, 24 assisted living units were constructed in 2014.

From 2000 to 2010, only limited rental housing construction has occurred in Clara City. Only a few duplexes were constructed during the decade. Some of these units are renter-occupied. With the significant increase of rental units in Clara City from 2000 to 2010 and lack of new rental construction, it is assumed that a large number of owner-occupied single family homes converted to rental occupancy during the decade.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily rental buildings in the City. Typically the survey focuses on larger rental projects with six or more units. However, Clara City has a limited number of multi-family market rate rental projects so we also collected some information from smaller rental properties, such as single family homes, duplexes and small rental buildings. Information was collected from January to April, 2018.

Several attempts were made to contact each building. Information was tallied separately for different types of rental housing, including market rate units, subsidized housing, and senior housing with services. A total of 216 rental units/beds of all types were contacted in the survey. The breakdown of units surveyed is as follows:

- ▶ 67 market rate units
- ▶ 36 subsidized units for senior or general occupancy
- ▶ 113 senior housing with services units/beds

We also surveyed an eight-unit market rate project in Maynard.

Market Rate Summary

Usable information was obtained on 67 market rate rental units. A total of 35 rental units surveyed were in four multi-family rental projects with four or more units. Thirty-two rental units surveyed were in duplexes and single family homes.

Unit Mix

We obtained bedroom mix information on 51 rental units. The approximate bedroom mix is as follows:

- ▶ 1 one-bedroom (2.0%)
- ▶ 35 two-bedroom (68.6%)
- ▶ 11 three-bedroom (21.5%)
- ▶ 3 four-bedroom (5.9%)
- ▶ 1 five-bedroom (2.0%)

Tholen Apartments has 16 units including efficiencies, one-bedroom and two-bedroom, however, we were unable to obtain the number of units by size. Also, all of the units with three, four or five bedrooms were in single family homes.

Occupancy / Vacancy

We found five vacant units in the 67 market rate units that we surveyed. The five vacant units represented a vacancy rate of 7.5%. At the time of the survey, four of the five vacancies were in Tholen Apartments. There was also one vacancy in the Goeman four-plex, however, there were households interested in the unit. All of the other rental projects, single family homes and the duplex were fully occupied.

Rental Rates

Rental rates in the market rate segment are generally moderate. Most of the market rate rental properties in the City are 20 or more year's old.

Some of the units include the primary utility payments with the rent, while in other cases, the tenant pays the major utilities in addition to rent. We have attempted to estimate tenant paid utilities into a gross rent estimate for the following rent ranges:

	<u>Unit Type</u>	<u>Rent Range</u>
▶	One-bedroom	\$500
▶	Two-bedroom	\$550-\$850
▶	Three-bedroom	\$750-\$875
▶	Four-bedroom	\$800-\$1,050

The one-bedroom rent is based on only one rental property.

Maynard Property

Heritage Acres in Maynard was also surveyed. Heritage Acres is an eight-unit market rate project. The eight units include one one-bedroom unit and seven two-bedroom units. Rent is \$450 plus heat and electricity. There were two vacancies at the time of the survey.

Tax Credit Summary

Since the late 1980s, the major federal production program for the development of affordable rental housing has been the Low Income Housing Tax Credit Program. However, no rental projects in Clara City have utilized tax credits to develop affordable rental units. Typically, tax credits are utilized to construct affordable rental units in larger cities.

Subsidized Summary

Clara City has one subsidized rental project, Community Haus Apartments. Community Haus Apartments is a 36-unit family USDA Rural Development Project.

Rental Rates

The 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.

Unit Mix

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

▶ One-bedroom -	18 (50.0%)
▶ Two-bedroom -	<u>18 (50.0%)</u>
▶ Total -	36

Occupancy / Vacancy

There were two vacant units identified in Community Haus Apartments at the time of the survey, which is a 5.6% vacancy rate.

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 1970s and 1980s. Some of the older projects around the State of Minnesota have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing.

Since 2000, we are not aware of any subsidized projects in Clara City that have converted from subsidized to market rate.

Housing Choice Vouchers

In addition to the subsidized rental project, Community Haus Apartments, Clara City and Chippewa County households have access to the Housing Choice Voucher Program. The Chippewa/Yellow Medicine County Housing and Redevelopment Authority administers the Housing Voucher Program in Clara City and Chippewa 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, 10 Clara City households are receiving assistance through the Housing Voucher Program.

Senior Housing with Services

Clara City has three senior housing with services projects. All three projects are owned by the City of Clara City. The three senior with services projects include:

- ▶ **Prairie Park Place** - Prairie Park Place is a 29-unit independent senior (55 & older) project that provides a light level of services. The project is owned by the City. The light services include a noon meal, weekly housecleaning, a call system and activities. The project is approximately 25 years old. The 29 units include 10 one-bedroom, nine one-bedroom deluxe and 10 two-bedroom units. The rent ranges from \$958 to \$1,229 and includes services and utilities. The manager reported 13 vacancies at the time of the survey. In the past, the project has been fully occupied with a waiting list, but recently there have been a high number of vacancies.
- ▶ **Clara City Assisted Living** - Clara City Assisted Living is owned by the City and was constructed three years ago and includes 24 units. There are 10 one-bedroom, nine one-bedroom deluxe, and 10 two-bedroom units. Eight of the units are in a secured portion of the facility for memory care. Rent for assisted living ranges from \$2,025 to \$2,575 plus service packages that range from \$900 to \$1,375. Rent and fees for memory care residents range from \$4,200 to \$4,350. At the time of the survey, there were six vacant units. The average occupancy rate is 71%, which is seven vacancies. The memory care units are usually fully occupied. The majority of the residents come from a 10 to 13-mile radius.
- ▶ **Clara City Care Center** - The Clara City Care Center is a 60-bed nursing home. The facility is owned by the City and was originally constructed in 1966. However, there have been numerous additions and renovations since the original construction. At the time of the survey, there were 11 vacant beds. The occupancy rate averages 83%.

Table 23 Clara City Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Ammermann Rentals	<u>3 - 2 Bedroom</u> 3 Total Units	\$650 +utilities	No vacancies	Seniors	Ammermann Rentals includes a twinhome and one single family home. The units are 12 years old. All three units have two bedrooms and are approximately 1,000 sq. ft. The units have attached double garages. The rent is \$650 plus utilities. The tenants are seniors. The owner reports no vacancies and a waiting list. The units are always fully occupied.
Palke Rentals	<u>12 - 2 Bedroom</u> 12 Total Units	\$600 +utilities	No vacancies	General occupancy	Palke Rentals include eight twinhomes and a 4-plex. All of the units are two bedroom. Rent is \$600 plus utilities. The units are fully occupied.
Goeman Rentals - 12 single family homes	<u>2 & 3 Bedroom</u> 12 Total Units	\$400 to \$700	No vacancies	General occupancy	Goeman Rentals included 12 two and three-bedroom single family homes. Rents range from \$400 to \$700, however, the majority are in the \$550 to \$700 range. Tenants also pay utilities. The owners reported no vacancies at the time of the survey.
Goeman 4-plex	<u>4 - 2 Bedroom</u> 4 Total Units	\$550	1 vacancy	Primarily seniors	The 4-plex was constructed in the 1970s. All of the units have two bedrooms. Rent is \$550. Tenants also pay electricity. The owner reported one vacancy, however, there were tenants interested in the unit.
Schwitters Rental- 8 single homes	<u>2, 3,& 4 Bedroom units</u> 8Total Units	\$550-\$850	No vacancies	General occupancy	Schwitters Rentals include eight two, three and four-bedroom single family homes. Rents range from \$550 to \$850 and tenants also pay utilities. The owner reported no vacancies at the time of the survey.
Pieper Rentals	<u>1 - 1 Bedroom</u> <u>4 - 2 Bedroom</u> 5 Total Units	\$350 \$570-\$600 +utilities	No vacancies	General occupancy	Pieper Rentals includes a duplex and three single family homes. Rents range from \$350 for a one-bedroom house to \$600 for a two-bedroom unit in the duplex. Tenants also pay utilities. The owner reports no vacancies, but he has had long-term vacancies in the past.

Table 23 Clara City Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Kientiz Rentals	2 - 2 Bedroom 2 - 3 Bedroom 2 - 4 Bedroom <u>1 - 5 Bedroom</u> 7 Total Units	\$500 to \$600 +utilities	No vacancies	General occupancy	Kientiz includes 7 single family rental houses ranging from 2-bedroom to 5-bedroom homes. Rents range from \$500 to \$600, plus tenant-paid utilities. The owner reported full occupancy at the time of the survey.
Tholen Apartments	16 efficiency, <u>1 & 2 Bedroom</u> 16 Total Units	Varies based on type & size of unit	4 vacancies	General occupancy	Tholen Apartments is a Downtown building constructed in 1922. There are 16 total units including efficiency, one and two-bedroom units. The owner did not provide a breakdown of the units by size. The owner reported that the rent varies by unit and did not provide specific rental rates. The reported four vacancies at the time of the survey, two efficiencies and two two-bedroom units were vacant.
Heritage Acres-Maynard	1 - 1 Bedroom <u>7 - 2 Bedroom</u> 8 Total Units	\$450	2 vacancies	General occupancy	Heritage Acres is an 8-plex located in Maynard. The 8-plex has one one-bedroom unit and seven two-bedroom units. Rent is \$450 plus heat and electricity. The manager reported two vacancies at the time of the survey. He also reported that it is difficult to keep the units fully occupied.

Source: Community Partners Research, Inc.

Table 24 Clara City Income-Based Multifamily Rental Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancies/ Waiting List	Tenant Mix	Comments
Subsidized					
Clara City Community Haus Apartments	18 - 1 Bedroom 18 - 2 Bedroom 36 Total Units	\$372-\$378 \$397-\$403	2 vacancies	General occupancy	Community Haus Apartments is a 36-unit family USDA Rural Development Project. The project has 18 one-bedroom units and 18 two-bedroom units. Tenants with rent assistance pay 30% of their income up to a minimum rent. The manger reported two vacancies at the time of the survey.

Source: Community Partners Research, Inc.

Table 25 Clara City Senior Housing with Services

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Housing Type	Comments
Senior Housing with Services					
Prairie Park Place	10 - 1 Bedroom 9 - 1 Bdrm deluxe <u>10 - 2 Bedroom</u> 29 Total Units	\$958 \$1,118 \$1,229	13 vacancies	Senior-designated age 55 & older	Prairie Park Place is a 29-unit independent senior (55 & older) project that provides a light level of services. The project is owned by the City. The light services include a noon meal, weekly housecleaning, a call system and activities. The project is approximately 25 years old. The 29 units include 10 one-bedroom, nine one-bedroom deluxe and 10 two-bedroom units. The rent ranges from \$958 to \$1,229 and includes the services and utilities. The manager reported 13 vacancies at the time of the survey. The project has been fully occupied with a waiting list in the past, but recently there have been a high number of vacancies.
Clara City Assisted Living	8 - Studio 13 - 1 Bedroom <u>3 - 1 Bedrm+Den</u> 24 Total Units	Varies based on room type and the level of services	6 vacant units - average 71% occupancy rate	Assisted Living	Clara City Assisted Living is owned by the City and was constructed three years ago and includes 24 units. Eight of the units are in a secured portion of the facility for memory care. Rent for assisted living ranges from \$2,025 to \$2,575 plus service packages that range from \$900 to \$1,375. Rent and fees for memory care residents range from \$4,200 to \$4,350. At the time of the survey, there were six vacant units. The average occupancy rate is 71%, which is seven vacancies. The memory care units are usually fully occupied. The majority of the residents come from a 10 to 13-mile radius.
Clara City Care Center	60 Beds 60 Total Beds	Based on level of services	11 vacant beds average 83% occupancy rate	Skilled Nursing Home	The Clara City Care Center is a 60-bed nursing home. The facility is owned by the City and was originally constructed in 1966. However, there have been numerous additions and renovations since the original construction. At the time of the survey, there were 11 vacant beds. The occupancy rate averages 83%.

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.

Work Force and Unemployment Rates

Employment information is available at the County level. Data in the table that follows are for all of Chippewa County. Data in the following tables have been obtained from the Minnesota Department of Employment and Economic Development.

Table 26 County Average Annual Labor Force: 2010 to 2017						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2010	7,153	6,628	525	7.3%	7.4%	9.6%
2011	7,183	6,730	453	6.3%	6.5%	8.9%
2012	7,058	6,685	373	5.3%	5.6%	8.1%
2013	6,937	6,581	356	5.1%	5.0%	7.4%
2014	6,870	6,558	312	4.5%	4.2%	6.2%
2015	6,893	6,589	304	4.4%	3.7%	5.3%
2016	6,962	6,646	316	4.5%	3.9%	4.9%
2017	6,998	6,711	287	4.1%	3.5%	4.4%

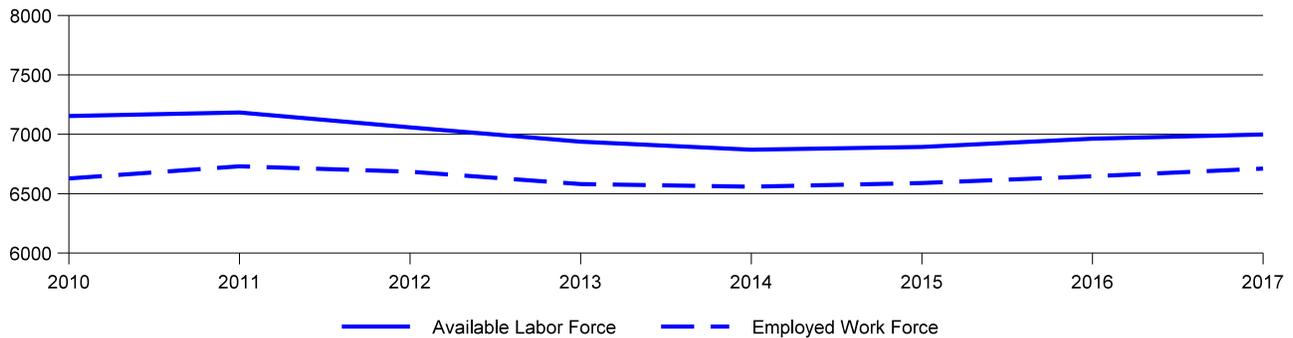
Source: Minnesota Department of Employment and Economic Development

Note: Not Seasonally Adjusted

Despite some annual fluctuations, Chippewa County has generally had a pattern of a gradual reduction in the size of the available labor force. Between 2010 and 2017, the available resident labor force decreased by 155 people, or 2.2%. But the size of the labor force actually reached its lowest recent level in 2014, and has then increased by nearly 130 people since that time.

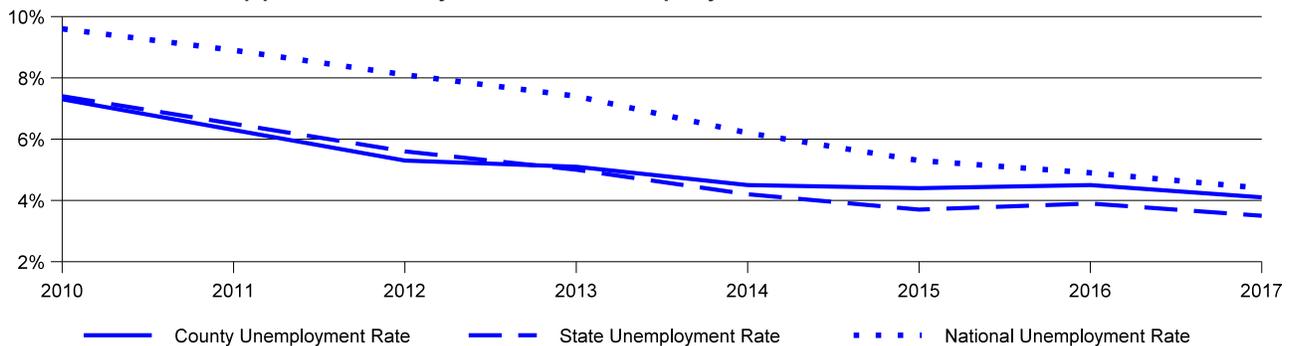
The employed resident work force has also experienced both upward and downward changes, but over the longer time period has grown. The number of employed workers in Chippewa County in 2017 was 83 people greater than in 2010, for an increase of 1.3%. With a reduction over time in the size of the labor force but an increase in employment, the unemployment rate has decreased from 7.3% in 2010 to 4.1% in 2017.

Chippewa County Labor Force and Employed Work Force



The County’s unemployment rate has been above the statewide unemployment rate since 2013. For all of the years reviewed, the County’s unemployment rate was below the national rate, but over the past two years, the unemployment rate in Chippewa County has been similar to the rate nationwide.

Chippewa County Annual Unemployment Rate: 2010 to 2017



Employment and Wages by Industry - Clara City

The following table shows the average weekly wages by major employment sector in 2016, the last full year of data. This employment information is available at the City level. It is important to note that the major employment sectors listed do not represent all employment in the City.

Table 27 Clara City Average Weekly Wages by Industry Detail		
Industry	2016 Employment	2016 Average Weekly Wage
Total All Industry	454	\$733
Trade, Transportation, Utilities	154	\$830
Financial Activities	62	\$988
Professional and Business Services	35	\$887
Education and Health Services	90	\$509
Public Administration	27	\$670

Source: Minnesota Department of Employment and Economic Development

The average weekly wage for all industry in Clara City in 2016 was \$733. At full-time employment, this equates to an annual wage of \$38,116. The highest paying wage sectors were Financial Activities and Professional and Business Services, each with an average weekly wage of \$887 or more. At full-time employment, the average weekly wage for Financial activities employees would be \$51,376.

The lowest paying wage sector was Education and Health Services, with an average weekly wage of \$509. At full-time employment in this sector, the average worker would earn \$26,468 annually.

The City’s largest employment sector was Trade, Transportation and Utilities, with more than 150 total employees. The average weekly wage for this sector was \$830, above the average for all employment in the City.

Annual Covered Employment

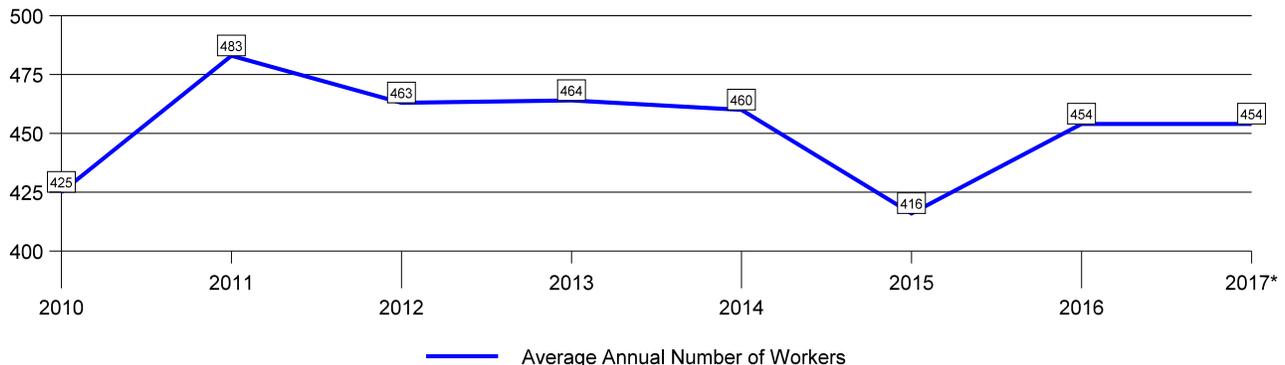
Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location, it is possible to examine longer-term patterns in the employment level. The following table displays the total number of workers reported in Clara City back to the year 2010.

Table 28 Clara City Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2010	425	2014	460
2011	483	2015	416
2012	463	2016	454
2012	464	2017*	454

Source: QCEW - MN Dept. of Employment and Economic Development
 * 2017 is through 9 months

When viewed over a longer-term there has been limited employment growth in Clara City, as tracked by reporting for unemployment compensation. If total employment in 2016 (the last full year of data) is compared to the year 2010, there had been an increase of 29 jobs, or growth of 6.8% over this longer period. However, the recent peak for covered employment was reached in 2011, and has decreased by 29 jobs since that time.

Number of Covered Workers in Clara City



Commuting Patterns of Area Workers

Only limited information is available on area workers that commute for employment. The most recent information is from the 2016 American Community Survey. Information is for the City of Clara City. This table only examines City residents age 16 and older that commuted, and excludes people that worked at home.

Table 29 Commuting Times for Clara City Residents - 2016		
Travel Time	Number	Percent
Less than 10 minutes	265	42.5%
10 to 19 minutes	78	12.5%
20 to 29 minutes	170	27.3%
30 minutes or more	110	17.7%
Total	623	100%

Source: American Community Survey

A majority of Clara City residents were commuting less than 20 minutes to work, and presumably were working within the City or in one of the neighboring jurisdictions. Approximately 55% of residents commuted less than 20 minutes. However, nearly 18% commuted 30 minutes or more for employment.

Travel time by location of employment is also available. For people that worked in Clara City, the following travel times were identified.

Table 30 Commuting Times for Clara City Employees - 2016		
Travel Time	Number	Percent
Less than 10 minutes	303	48.9%
10 to 19 minutes	151	24.4%
20 to 29 minutes	71	11.5%
30 minutes +	94	15.2%
Total	619	100%

Source: American Community Survey

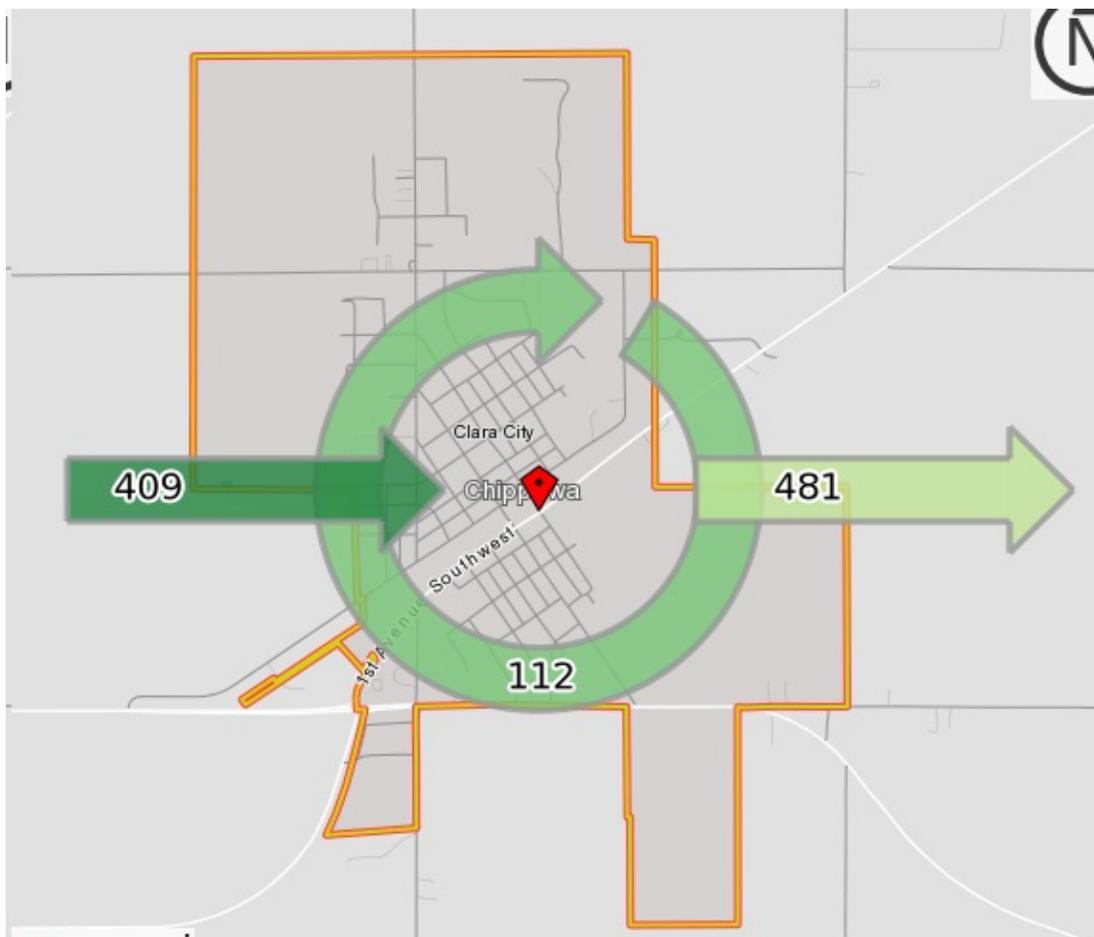
Most Clara City workers lived locally, but nearly 27% traveled 20 minutes or more to their job in the City.

Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2015, and provides a further breakdown of worker movement patterns.

According to the report for Clara City, there were 521 people that were employed within the city limits in 2015. Approximately 22% of these Clara City-based employees also lived within the City, but more than 400 employees lived outside the City limits and commuted in daily. Willmar, Rheiderland Township, Crate Township, Montevideo and Stoneham Township were all locations that were supplying workers to Clara City.

According to this source, most Clara City residents were commuters and left Clara City for their primary job. Among the primary destinations for commuting residents were Willmar, Montevideo and Stoneham Township.



Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for Clara City, the Clara City Market Area and Chippewa 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.

Clara City's population increased by 6.6% from 1990 to 2000. The population increased from 1,307 in 1990 to 1,393 in 2000. From 2000 to 2010, Clara City's population decreased by 33 people, which was a population loss of 2.4%.

The Clara City Market Area's population increased from 2,864 in 1990 to 2,872 in 2000, which was an increase of 0.3%. The population decreased in the 2000s from 2,872 in 2000 to 2,646 in 2010, which was a loss of 7.9%.

Chippewa County's population decreased from 13,228 people in 1990 to 13,088 in 2000, which was a decrease of 10.6%. The population continued to decrease in the 2000s, from 13,088 in 2000 to 12,441 in 2010, which was a population loss of 4.9%.

Household levels in Clara City, the Market Area and Chippewa County increased from 1990 to 2000, but decreased from 2000 to 2010. Clara City experienced a gain of 25 households from 1990 to 2000 and a loss of seven households from 2000 to 2010. Chippewa County had an increase of 386 households from 1990 to 2000 and a loss of 390 households from 2000 to 2010. The Market Area had a gain of nine households from 1990 to 2000, but experienced a loss of 30 households from 2000 to 2010.

Esri estimates that Clara City had a gain of 180 people and a gain of 80 households from 2010 to 2017. However, the State Demographer and the U.S. Census estimates contradict Esri's estimates and show population losses from 2010 to 2016. Esri estimates that Chippewa County had a loss of 117 people and a loss of 63 households from 2010 to 2017. Esri estimates that the Market Area had a gain of 226 people and a gain of 96 households from 2010 to 2017. However, as with Clara City, the State Demographer and U.S. Census estimates contradict Esri and show population losses from 2010 to 2016.

Findings on Projected Growth

This Study has utilized Esri's projections for Clara City, the Market Area and Chippewa County. Esri projects that Clara City's population will increase by 53 people from 2017 to 2022. The household projections expect a gain of 23 households from 2017 to 2022.

Chippewa County is expected to lose approximately 58 people from 2017 to 2022. Chippewa County's household projections expect a loss of 30 households from 2017 to 2022.

The Market Area is projected to gain 64 people and 27 households from 2017 to 2022.

Findings on Growth Projections by Age Group

Esri has generated household by age projections for the Clara City Market Area. These projections reflect growth from both new households that will be formed, and from households that will move into the Market Area. The projections also reflect the aging-in-place of the Market Area’s existing households. Projections by age can be very informative for calculating future housing demand, as strong preferences in tenure, style, price and features are evident within defined age ranges.

Esri’s projections assume that within defined age groups, household formation and average household size will remain relatively consistent throughout the projection period. We have used these household by age projections to form projections on future demand by tenure.

The projections and changes by age range are for the Market Area between the year 2017 and the year 2022. It is very important to note that these age-based projections represent an informed prediction of future growth. Actual market activity and economic growth could alter these expectations.

From 2017 to 2022, Esri projects a gain of three households in the 24 and younger age group, a gain of 23 households in the 35 to 44 age range, and a gain of 39 households in the 65 and older age ranges.

Conversely, from 2017 to 2022, Esri projects a loss of 17 households in the 25 to 34 age range and a loss of 21 households in the 45 to 64 age ranges.

<u>Age Range</u>	<u>Projected Change in Households 2017 to 2022</u>
24 and Younger	3
25 to 34	-17
35 to 44	23
45 to 54	-15
55 to 64	-6
65 to 74	29
75 and Older	<u>10</u>
Total	<u>27</u>

Findings on Unit Demand by Type of Housing

Findings: Based on the household by age projections presented earlier, the changing age composition of the Clara City Market Area’s population through the remainder of the decade will have an impact on demand for housing. We have examined the projected changes by age group in the Market Area in the descriptions that follow.

Age 24 and Younger - The projections used for this Study expect a slight increase of three younger households in the Market Area through the year 2022. Past tenure patterns indicate that more than 55% of these households will rent their housing. Households in this age range tend to have a median income that is well below the overall median. A slight increase in households in this age range should mean that rental demand from younger households will remain relatively stable through the year 2022.

25 to 34 Years Old - The projections show a loss of 17 households in the Market Area by 2022. Within this age range younger adult households often move from rental to ownership housing. The ownership rate among these households was nearly 70% in 2010. The projected decrease of households within this age range will result in less demand for both first-time home buyer and rental opportunities from this age group.

35 to 44 Years Old - This 10-year age cohort is expected to have significant household increases through the year 2022. The projections show a probable gain of 23 households in the Market Area between 2017 and 2022. In the past, this age group has had a high rate of home ownership at approximately 85%. Households within this range often represent both first-time buyers or households looking to trade-up in housing, selling their starter home for a more expensive house.

45 to 54 Years Old - By 2022, this age cohort will represent the “baby bust” generation that follows the “baby boomers.” This age group represents a smaller segment of the population than immediately older age ranges. Our projections show a loss of households, with a decrease of approximately 15 households in the Market Area between 2017 and 2022. This age group historically has had a high rate of home ownership, at approximately 85% in 2010, and will often look for trade-up housing opportunities.

55 to 64 Years Old - The older households in this age cohort are in the “baby boom” generation and the younger households in this age cohort are in the “baby bust” generation. The projections show an expected decrease of six household in this 10-year age range in the Market Area by the year 2022. This age range has traditionally had a very high rate of home ownership, at approximately 80%. Attached housing construction, such as town houses or twin homes, 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. Trade-up housing will also appeal to this age group, as they will generally have equity from the sale of their previous home, as well as higher incomes and asset accumulation.

65 to 74 Years Old - This age group represents the “baby boom” generation and is projected to add 29 households from 2017 to 2022. Households in this younger senior range will typically begin moving to other life-cycle housing options as they age. However, younger seniors are still predominantly home owners. At the time of the 2010 Census, more than 80% of households in this age range owned their housing, the highest rate of ownership among any age group. Once again, ownership preferences for low maintenance housing, such as town house units, should grow as these types of units gain greater acceptance within the marketplace.

75 Years and Older - Numeric gains are projected among older seniors, with the expected increase of 10 households in the Market Area. Historic home ownership rates in this age group have been relatively low, below 66% in 2010. This group will increasingly look for senior housing with services options as they age.

These demographic trends will be incorporated into the recommendations that follow.

Findings on Housing Unit Demand and Tenure

Calculations for total future housing need are largely based on three demand generators, household growth, replacement of lost housing units, and pent-up, or existing demand for units that already exists but is not being served.

Demand from Growth - The household projections used for this Study expect the Clara City Market Area to gain approximately 27 households from 2017 to 2022. This household growth will create demand for both ownership and rental housing units over the next five years.

Replacement of Lost Rental Units - It is often difficult to quantify the number of units that are lost from the housing stock on an annual basis. Unit losses may be caused by demolition activity, flood mitigation, losses to fire or natural disasters, and to causes such as deterioration or obsolescence. It is also probable that some rental unit losses have also occurred due to conversion, as single family houses once used for renter-occupancy have been sold and are now owner-occupied housing.

Replacement of Lost Owner Occupancy Units - Clara City has lost and will continue to lose a limited number of single family houses to demolition. In the specific recommendations that follow we have made an allowance for single family housing unit replacement.

Pent-Up Demand - The third primary demand-generator for new housing is caused by current, unmet demand from existing households, referred to as pent-up demand. We believe that certain segments of the City's housing stock show evidence of pent-up demand. Pent-up demand will be addressed in the specific recommendations that follow.

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.

- ▶ **Clara City serves as a small regional center** - Clara City provides employment opportunities, retail/commercial options, health and professional services, governmental services and recreational facilities for a geographical area that surrounds Clara City.
- ▶ **Adequate land for development** - There is land available for both residential and commercial/industrial development. However, some of this land needs to be serviced with infrastructure improvements. Additional land outside of the City limits is also available, but would need to be annexed into the City and municipal services would need to be provided.
- ▶ **Population and household growth for the City** - Esri is projecting population and household growth in Clara City and the Market Area over the next five years.
- ▶ **Desirable location for seniors and retirees** - The City is an attraction for seniors as a retirement location. As a provider of health, retail, government services, recreational opportunities, and senior housing options, the City has amenities that are attractive for seniors as they age.
- ▶ **Health facilities** - The City has excellent health care facilities, including a medical clinic, assisted living senior housing and a nursing home.
- ▶ **Infrastructure** - Clara City's water and sewer infrastructure can accommodate future growth, although, ongoing system improvements are needed.
- ▶ **Downtown redevelopment** - Downtown redevelopment efforts are ongoing with the demolition of buildings, the construction of new commercial buildings and the rehabilitation of existing buildings.
- ▶ **Affordable priced housing stock** - The City has a large stock of affordable, existing houses. Our analysis shows that the City's median home value based on recent sales is approximately \$77,000. This existing stock, when available for sale, provides an affordable option for home ownership.

- ▶ **Large Employers** - The City of Clara City has several large employers who provide job opportunities for area residents.
- ▶ **Housing Agencies** - Prairie Five Community Action Council, Inc., the Upper Regional Development Commission, the Southwest Minnesota Housing Partnership and the Chippewa County/Yellow Medicine HRA all assist with the administration or implementation of housing projects and programs in Clara City. These housing agencies have excellent reputations in the housing field.
- ▶ **State, Federal and Non-Profit Funds** - The housing agencies and the City have successfully leveraged local funds for housing activities with other resources, including State, Federal and nonprofit funds. This past experience in securing funds and a successful track record in utilizing the funds will continue to serve the City well when applying for assistance in the future.
- ▶ **Small town atmosphere** - Clara City is a small town with the real and perceived amenities of a small town. This small town living is attractive to some households.
- ▶ **Active developers in the City** - Developers have been active in subdivision development, single family housing development, housing rehabilitation and rental housing development.
- ▶ **Clara City Economic Development Authority** - The Clara City Economic Development Authority has been active in addressing Clara City's housing, community development and economic development needs.
- ▶ **Commuters** - More than 400 employees are commuting into Clara City daily for work. These commuters are a potential market for future housing construction.
- ▶ **Commercial district** - Clara City's commercial district is adequate to meet most daily needs.
- ▶ **Proximity to larger communities** - Although Clara City is not located near a regional center, the City is close to several larger cities that provide health care services, employment opportunities, retail options, recreational facilities, etc. Clara City is located 19 miles from Montevideo, 16 miles from Granite Falls, and 21 miles from Willmar.

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 Clara City.

- ▶ **Age and condition of the housing stock** - Although the majority of Clara City's housing stock is in good condition, some of the housing in the City is in need of improvements to meet expectations of potential buyers.
- ▶ **Lower paying jobs** - Some of the jobs in Clara City and Chippewa County are at the lower end of the scale and employees with these jobs have limited housing choices.
- ▶ **Low rent structure** - The City's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Value gap deters new owner-occupied construction** - Based on market values for recent residential sales, we estimate that the median priced home in Clara City is valued at \$77,000. This is below the comparable cost for new housing construction, which will generally be above \$175,000 for a stick-built home with commonly expected amenities. This creates a significant value gap between new construction and existing homes. This can be a disincentive for speculative building and can also deter customized construction.
- ▶ **Distance from a major regional center** - Clara City is not located near a large regional center. Clara City is 71 miles from St. Cloud and 100 miles from the Twin Cities.
- ▶ **Available residential lots** - Clara City has a lack of residential lots, if the new housing development that is projected over the next five years comes to fruition.

Recommendations, Strategies and Housing 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 Clara City. They are based on the following strategies:

- ▶ **Continue to focus on the preservation, maintenance and improvement of the housing stock that already exists** - While some housing construction will occur in coming years, most of the housing opportunities will continue to be provided by the 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 a significant percentage of the existing stock is not being well maintained and needs repair. Emphasis on continued housing rehabilitation will be important to meet future housing needs.
- ▶ **Continue to develop life cycle housing** - It is vital for a community that serves as a small regional center to provide housing opportunities for all ages and household types. These housing opportunities enable a community to thrive, promote economic development and allow households to stay in the community throughout their lives.
- ▶ **Continue to promote new construction** - New construction provides housing opportunities, stimulates the economy and upgrades the community's housing stock. New construction provides Clara City households with housing options and assures a healthy housing stock.
- ▶ **Continue to promote home ownership** - Home ownership is the preferred option for most households. Home ownership assists in creating stability and commitment to the community. There are many younger families that are renting their housing. These households may be interested in ownership, if an affordable opportunity is available.
- ▶ **Develop and prioritize housing goals** - Many of the recommendations in the Study will require staff-intensive efforts. The City should continue to prioritize its housing goals, establish a plan to achieve its goals and designate the agency that is responsible for achieving each of the City's housing goals.

Summary of Findings/Recommendations

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

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

The findings/recommendations for each category are as follows:

Findings and Recommendations for Clara City	
Rental Housing Development	
1.	Develop 16 to 20 general occupancy market rate rental units
2.	Promote the development/conversion of six to eight affordable market rate rental housing units
3.	Develop eight to 10 subsidized/moderate rent/income restricted general occupancy rental housing units
4.	Preserve the existing supply of subsidized housing
5.	Senior housing with services rental units
6.	Develop a mixed-use commercial/housing project
7.	Continue to utilize the Housing Choice Voucher Program
Home Ownership	
8.	Continue to utilize and promote all programs that assist with home ownership
9.	Consider the development of a purchase/rehabilitation program
New Construction	
10.	Lot availability and lot development
11.	Strategies to encourage residential lot sales and new home construction
12.	Promote town house and twin home development
13.	Coordinate with agencies/nonprofits that develop affordable housing

Findings and Recommendations for Clara City	
Housing Rehabilitation	
14.	Promote rental housing rehabilitation programs
15.	Promote ongoing owner-occupied housing rehabilitation programs
16.	Develop a Neighborhood Revitalization Program
Other Housing Initiatives	
17.	Encourage employer involvement in housing programs
18.	Continue to submit applications for Minnesota Small Cities Development Program funds
19.	Acquire and demolish dilapidated structures
20.	Develop home ownership and new construction marketing programs and strategies
21.	Create a plan and continue coordination among housing agencies
22.	Strategies for downtown redevelopment
23.	The 'Old Junior High' Site

Clara City - 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 2010 to 2017, based on City data, no market rate rental or subsidized rental units were constructed. However, a 24-unit assisted living project, Clara City Assisted Living, was constructed. Additionally, some owner occupied single family homes have converted to rentals.

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

Esri’s household projections expect a gain of 23 households in Clara City and a gain of 27 households in the Clara City Market Area from 2017 to 2022. We are estimating that approximately 35% of these households will be renter households. Therefore, we are projecting the need for 10 rental units over the next five years due to household growth.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that Clara City will lose approximately two to three rental units per year. As a result, approximately 10 to 15 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. In other cases, this replacement is due to the deteriorating condition of older, substandard rental housing that is removed from the occupied stock. Also, it is projected that some of the single family homes that converted to rentals during the recession will convert back to owner-occupied homes.

As part of this study, a rental survey of rental units in Clara City was conducted. In total, 216 rental units/beds were contacted and surveyed. The survey found a 7.5% vacancy rate in the general occupancy market rate units and a 5.6% vacancy rate in subsidized units. In the senior with services projects, there were 13 vacancies in Prairie Park Place, six vacant units in Clara City Assisted Living and approximately 11 vacant beds in the Clara City Care Center.

Based on our research, the vacancy findings and local interviews, we have identified pent-up demand for new high quality and affordable subsidized/moderate rent units.

These demand generators, after factoring current vacancy rates, show a demand potential for 30 to 38 rental units over the projection period. Based on the factors stated above, we recommend the development of the following new rental units over the next five years, from 2018 to 2023.

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

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

Findings: Approximately 54% of the rental housing in Clara City 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 191 total units in 2017. We believe that approximately 102 of these units are best described as market rate rental housing.

Of the market rate rental units we surveyed in Clara City, we found only five vacant units. Four of the five vacancies were in one rental project. Most of the market rate rental projects in Clara City are fully occupied. Many owners and managers of rental housing reported excellent occupancy rates.

From 2017 to 2022, Esri projects that Clara City will add 23 households and the Clara City Market Area will add 27 households.

Approximately 400 employees are commuting into Clara City daily for work. Some of these employees would potentially move to Clara City if additional housing was available. Also, jobs are being created in the Region which gives Clara City an opportunity to provide rental housing for new area employees.

There is a fairly wide variation in rental rates in the market rate segment in Clara City. The gross rents range from approximately \$500 for a one-bedroom unit up to \$875 for some three-bedroom options.

From 2000 to 2017, only a few market rate rental units were developed in Clara City. Also, some single family homes converted from owner-occupancy to rental units partially due to the downturn in the economy.

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

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

Based on this combination of demand generators, we believe that it is reasonable to plan for the production of 16 to 20 market rate general occupancy rental units over the next five years, from 2018 to 2022.

Based on our research, there is a need for rental units of all sizes, thus, the new units constructed over the next five years should include one, two and three-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. The new units could 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 Clara City. 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, tax abatement and other resources may be needed.

The first option to develop market rate rental housing would be to encourage private developers to construct market rate rental housing. If private developers do not proceed, the Clara City EDA or a regional housing agency could potentially utilize essential function bonds or similar funding sources to construct market rate rental housing. The Southwest Minnesota Housing Partnership has successfully developed rental housing in the Region in the past.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	4-5	650 - 800	\$650 - \$750
Two Bedroom	9-11	850 - 950	\$775 - \$975
Three Bedroom	3-4	1,050 - 1,150	\$900 - \$1,100
Total	16-20		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2018 dollars.

It would be advantageous to have the rents for some of the units at or below the payment standards for the Housing Choice Voucher Program, thus, the units would be affordable for more households. The current payment standards are:

- ▶ 1 bedroom - \$571
- ▶ 2 bedroom - \$711
- ▶ 3 bedroom - \$922

2. Promote the development/conversion of six to eight affordable market rate rental housing units

Findings: The previous recommendation addressed the market potential to develop high quality rental units in Clara City. Unfortunately, these units would tend to be beyond the financial capability of many Clara City renter households. Many of the City’s renter households have an annual income below \$25,000. These households would need a rental unit at \$650 per month or less.

There is evidence that Clara City has lost some rental housing over the years and will continue to lose units due to deterioration, demolition, or from units converting from renter to owner-occupancy. Therefore, there is a need for additional rental units in Clara City to provide for unit replacement. Unfortunately, most of the lost units are probably 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 have been made recently to small cities for small rental projects.

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

It is difficult to create units through new construction. It is often more practical to work on building renovation or conversion projects that can create housing. This opportunity often arises in commercial/mixed-use buildings or vacant homes.

Our experience in other cities has indicated that there is a demand for downtown rental housing.

It is our recommendation that gross rents for the converted units should be below \$625 per month, which would help to expand the choices available to many of the City's renter households.

It is probable that the proposed rent structure for the units could only be obtained with financial commitments from other sources such as tax increment financing or tax abatement from the City and other financial resources from funding agencies such as the Minnesota Housing Finance Agency (MHFA), the Greater Minnesota Housing Fund and Minnesota Small Cities Development Program (SCDP) funds. Also, financial assistance would expand the number of buildings that would be financially feasible to convert to rental units.

3. Develop eight to 10 subsidized or moderate rent/income restricted general occupancy rental housing units

Findings: There is one federally subsidized rental project in Clara City. Community Haus Apartments is a 36-unit family USDA Rural Development Project. The project has 18 one-bedroom and 18 two-bedroom units.

Some of the subsidized units have access to project-based rent assistance. These units can charge rent based on 30% of the tenant's household income up to a market rent. The units without rent assistance pay 30% of their income up to the market rent, but do not pay less than the base rent.

The rental survey identified two vacancies in the 36 units at the time of the survey.

Based on the 2016 American Survey, approximately 65 renter households reported that 30% or more of their income was required to pay housing costs. This represented approximately 40% of all renters that were surveyed. At that time, most of these households had annual incomes of less than \$25,000, and needed a very affordable unit to avoid a housing cost burden.

Recommendation: We recommend that Clara City and the Clara City EDA look for opportunities to expand the supply of affordable general occupancy rental housing. Although the need is greater, a realistic goal would be the construction of eight to 10 general occupancy two and three-bedroom subsidized or moderate rent/affordable units over the next five years.

The need for additional subsidized/income restricted units is greater than the number of new units recommended, however, the large subsidized housing production programs of the past are no longer available, and it remains very difficult to produce new units for very low income renters. The best available options are to layer various subsidies together in an attempt to produce some very affordable units.

4. Preserve the existing supply of subsidized housing

Findings: Clara City has one “deep subsidy” rental housing project, Community Haus Apartments, that allows tenants to pay rent based on 30% of income. The project was constructed in the 1980s when the federal government was actively involved in producing low income housing.

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

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

Recommendation: The Minnesota Housing Finance Agency tracks subsidized housing in Minnesota that is at risk of being lost. Owners of subsidized housing that are considering the option to drop their subsidy contract must notify MHFA and the tenants prior to taking any action. At the time of this Study, Community Haus Apartments is not on the MHFA list.

Local and regional housing agencies should check with MHFA and the project owner on an ongoing basis to determine if the owner is considering the option to drop their subsidy contract. In some communities, public or nonprofit agencies have been able to purchase projects that are at risk of being lost, to preserve their affordable housing resources.

5. Senior housing with services units

Findings: Clara City has three specialized senior housing with services facilities, serving residents as they move through the aging cycle. Clara City owns all three facilities. The three existing senior housing with services facilities are:

- ▶ **Prairie Park Place** - Prairie Park Place is a 29-unit independent senior (55 & older) project that provides a light level of services. The project is owned by the City. The light services include a noon meal, weekly housecleaning, a call system and activities. The project is approximately 25 years old. The 29 units include 10 one-bedroom, nine one-bedroom deluxe and 10 two-bedroom units. The rent ranges from \$958 to \$1,229 and includes services and utilities. The manager reported 13 vacancies at the time of the survey. The project has been fully occupied with a waiting list in the past, but recently there have been a high number of vacancies.
- ▶ **Clara City Assisted Living** - Clara City Assisted Living is owned by the City and was constructed three years ago and includes 24 units. Eight of the units are in a secured portion of the facility for memory care. The eight units can accommodate up to 12 people. Typically, the facility has eight to nine residents in the memory care section. Rent for assisted living ranges from \$2,025 to \$2,575 plus service packages that range from \$900 to \$1,375. Rent and fees for memory care residents range from \$4,200 to \$4,350. At the time of the survey, there were six vacant units. The average occupancy rate is 71%, which is seven vacancies. The memory care units are usually fully occupied. The majority of the residents come from a 10 to 13-mile radius.

- ▶ **Clara City Care Center** - The Clara City Care Center is a 60-bed nursing home. The facility is owned by the City and was originally constructed in 1966. However, there have been numerous additions and renovations since the original construction. At the time of the survey, there were 11 vacant beds. The occupancy rate averages 83%.

Recommendation: Based on the research completed for this Study, we do not recommend the development of additional senior with services units/beds through the year 2023.

There are typically four types of senior with services housing that serve older seniors, including independent/light services housing, assisted living, memory care and skilled nursing care.

The three senior with services facilities in Clara City have a total 113 units/beds and are currently addressing the senior with services housing needs in the Clara City Market Area.

At the time of the survey, Prairie Park Place had 13 vacancies, Clara City Assisted Living had six vacant units and Clara City Care Center had 11 vacant beds.

Clara City has an excellent resource in its senior with services facilities. It may be advantageous for stakeholders to assist with developing additional marketing strategies to address the vacancy rates in the facilities.

6. Develop a Mixed-Use Commercial/Housing Project

Findings: Clara City and the Clara City EDA have undertaken projects and programs in the Downtown Business District to revitalize the downtown and to develop a more active and vibrant commercial area. The development of a new mixed-use rental housing/commercial project would complement these redevelopment efforts.

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

Recommendation: We recommend the development of a mixed-use building in Clara City. We recommend commercial space on the first floor and rental units on the second floor. Prior to construction, a portion of the commercial space should be leased to an anchor tenant that would complement the existing commercial businesses.

The rental units should be primarily market rate units, but could be mixed-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 tax increment financing (TIF), tax abatement 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 Clara City and Chippewa County is administered by the Chippewa/Yellow Medicine County HRA. According to the American Community Survey, there were approximately 65 Clara City renter households paying more than 30% of their income for rent in 2016, which is considered a housing cost burden. The Chippewa/Yellow Medicine County HRA has funding for approximately 110 Housing Choice Vouchers to be utilized in Chippewa and Yellow Medicine Counties. Currently, 10 Vouchers are being utilized by Clara City households. There is a waiting time of six to eight months for a Voucher.

Recommendation: From a practical standpoint, the Housing Choice Voucher Program is the single best way that Clara City can provide affordable housing. HUD does not make new incremental assistance available every year, but when new allocations are authorized, the Chippewa/Yellow Medicine County HRA should be encouraged to continue to apply for additional Vouchers.

Also, Clara City and the EDA should publicize the Housing Choice Voucher Program to assure that City households have access to and are aware of the Program.

Clara City - 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 Clara City is estimated to be \$77,000 based on recent sales activity. With approximately 50% of the homes in Clara City valued less than \$77,000, Clara City has opportunities for first time home buyers and households seeking moderately priced homes.

Our analysis of Clara City’s demographic trends shows an increasing number of households in the traditionally strong home ownership age range between 35 and 44 years old. This age range typically includes first-time home buyers or households that already own their housing and are a potential market for ‘trade-up’ options.

While some of these households already own their housing, those households in this age range and other age groups 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.

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

8. Continue to utilize and promote all programs that assist with home ownership

Findings: We believe that affordable home ownership is one of the major issues facing Clara City. Home ownership is generally the preferred housing option for most households and most communities. As discussed previously, the demographic make-up of Clara City 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 Clara City. The area’s housing agencies and financial institutions can assist with this effort.

First time home buyer assistance, down payment assistance, and low interest loans help to address affordable housing issues. With the City’s median home value at \$77,000, there are lower valued houses in the community that appeal to first time buyers.

Also, home ownership counseling and training programs are available to households and these programs can play a significant role in helping marginal buyers achieve home ownership.

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 and EDA, local financial institutions and area housing agencies should continue to utilize all available assistance programs to promote home ownership. The community should also explore the possibility of obtaining specific program set-asides from some of the home ownership programs offered through the Minnesota Housing Finance Agency. Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher participation limits for income and purchase price, and the flexibility for more local design and control.

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

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

9. Consider the development of a Purchase/Rehabilitation Program

Findings: Clara City has a stock of older, lower valued homes, some of which need repairs. Approximately 85% of the single family homes in Clara City are more than 30 years old and some of these homes need repairs. As some of the lower valued 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 had provided funding for the Minnesota Urban Homestead Program (MURL) Program. Under the program, the City or an area housing agency 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 was 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 and the EDA consider the creation of a rehab/purchase program for existing houses that is similar to the previous MURL Program. The City, a housing agency or a private contractor could purchase homes that need rehabilitation, rehabilitate the homes and sell the homes. 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, the SCDP Program, and the Federal Home Loan Bank 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 and 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 program 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. A Purchase/Rehabilitation Program can also be an integral part of a Neighborhood Revitalization Program.

Clara City - New Housing Construction

New Housing Construction

Findings: Clara City has experienced limited single family owner-occupied housing construction over the past 10 years. According to City and U.S. Census records, from 2008 to 2017, approximately 13 single family owner-occupied units were constructed in Clara City, which is an average of one to two new housing units annually.

The attractiveness of the area, proximity to larger cities, available jobs, high amenity lots, new construction incentives and efforts by local stakeholders, should result in the construction of new owner-occupied housing units over the next several years.

Clara City is projected to gain 23 households and the Clara City Market Area is projected to gain 27 households from 2017 to 2022. The City is projected to gain 13 households in the 35 to 44 age range, and have a net gain of 12 households in the 65 and older age ranges. The Market Area is projected to gain 23 households in the 35 to 44 age range and 39 households in the 65 and older age ranges. 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.

It is our opinion that if Clara City, the Clara City EDA, developers and builders, and local and regional housing agencies are proactive, a total of 16 to 20 owner-occupied housing units could be constructed in Clara City from 2018 to 2023 to address demand. This is an average of three to four new units annually. Our projection for owner occupied single family housing starts includes homes built in 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 16 to 20 new owner-occupied housing units is as follows:

- | | |
|-------------------------------|--------------------|
| ▶ Higher & medium price homes | 5-6 homes |
| ▶ Affordable homes | 7-8 homes |
| ▶ Twin homes/town homes | <u>4-6 units</u> |
| Total | 16-20 homes/ units |

10. Lot availability and lot development

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in Clara City. Currently, there are approximately four lots available in the Hawk Creek Acres Subdivision and four lots available in the Hanson Addition.

There are also 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, if substandard homes are demolished, 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 three to four new owner-occupied housing units could be constructed per year, the City should have approximately eight to 10 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With approximately eight available buildable lots, plus infill lots, the City currently does not have an adequate supply of lots to meet expected demand. If projected demand comes to fruition, it will be necessary to develop additional lots over the five-year projection period.

To achieve the level of new home construction potential that as been identified, we recommend the development of 16 to 20 additional residential lots over the next five years. In developing the lots, the following should be considered:

- ▶ If possible, the site(s) for lot development should have land available for future lot development phases.
- ▶ The lots could be developed on several sites
- ▶ To keep development costs as low as possible, sites with easy access to existing infrastructure should be considered.
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.
- ▶ The lots should have covenants that assure quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.

- ▶ The lots should accommodate a variety of home designs and home prices.
- ▶ All stakeholders should be involved in promoting and publicizing the lots.
- ▶ To be successful, the homes must be available to households with as wide an income range as possible.
- ▶ Some lots should be available for twin home/ town home development
- ▶ Successful lot development will need the cooperation of financial institutions, funding agencies, employers, home builders, developers, the City and the EDA. Financial assistance such as tax increment financing, deferment of assessments, tax abatement and land donations or write downs, may be necessary to make the development of lots feasible.
- ▶ It may be advantageous to develop the lots in phases.

The City and the EDA have identified several parcels as potential sites for a new lot development. All of the parcels appear to be feasible for lot development, however, a detailed analysis of the parcels should be undertaken. The analysis should include land costs, infrastructure costs, etc.

11. Strategies to encourage residential lot sales and new home construction in Clara City

Findings: Over the past 10 years from 2008 to 2017, 13 single family homes have been constructed in Clara City, which is an average of one to two housing units annually.

Recommendation: We recommend that Clara City, the EDA, developers, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

Our recommendations to promote lots sales and housing development include:

- ▶ ***Continue competitive pricing*** - There are lots available in communities throughout the region. Some of these lots are being offered at very affordable prices. To stay competitive, Clara City should continue to offer lots at a competitive price.

- ▶ ***Plan for long-term absorption*** - The research completed for this Study expects limited annual absorption of lots in Clara City. We are projecting the construction of three to four housing units per year. It is necessary to view lot sales and housing development as a long-term plan.
- ▶ ***User-Friendly*** - The lot purchase and home building process must be 'user friendly.' This includes the construction of spec homes, the availability of builders to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction.
- ▶ ***Consider developing an exclusive builder(s) relationship*** - A block of lots could be sold to a builder(s). Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. Builders are more willing to enter a market when the lots are attractive and very affordable. Selling a block of lots available to an exclusive builder or developer should be explored.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for a twin home/town home development.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivisions. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities could be marketed for affordable homes.
- ▶ ***Consider offering incentives*** - Clara City and the EDA should consider providing an incentive package for households who build or purchase a new home in Clara City. The incentives could include reduced lot prices, reduced sewer/water charges, tax abatement, cash incentives, etc.
- ▶ ***Marketing*** - Clara City, the Clara City EDA, and all stakeholders including developers, realtors, financial institutions, builders, employers, etc., should develop a marketing strategy to sell available lots. In addition to marketing the lots, Clara City and its amenities should be marketed.

- ▶ ***Generate initial activity*** - Recent construction activity has been limited. To stimulate new construction, proactive efforts, such as the sale of some lots at a discount, reduction of hookup and permit fees or other incentives, could be provided if the buyer agrees to build a home of a certain quality and style within a specified time period. This will help create some momentum for more houses to be built.
- ▶ ***Manufactured/Modular homes*** - Manufactured and modular homes can provide affordable housing opportunities for moderate income households. Lots should be available for this type of affordable housing.
- ▶ ***Consider partnerships that share and split financial risk to construct spec homes*** - Spec houses could potentially attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy. In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. For example, subdivision owners have been willing to defer the payment for the lot until the spec home is sold. Another builder incentive is for the City to waive any water/sewer hook up fees, special assessment payments and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the up-front development costs.

12. Promote town house and twin home development

Findings: Clara City has experienced no owner-occupied attached housing development over the past 10 years from 2008 to 2017. Many communities over the past two decades have seen attached housing take an increasingly large share of new construction. In cities the size of Clara City, 20% to 25% of the housing starts are typically 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. In 2017, based on Esri estimates, there were 207 households in Clara City and 430 households in the Clara City Market Area with a head of household in the 55 to 74 year old age ranges. It is estimated that the 55 to 74 age ranges will increase by 14 households in Clara City and by 23 households in the Market Area from 2017 to 2022.

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 four to six new twin homes or town houses could be built over the next five years.

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.

It may be advantageous to meet with a group of empty nesters and seniors who are interested in purchasing a twin home or town home to solicit their ideas.

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 such as the Southwest Minnesota Housing Partnership. These sources can help generate new homes for moderate income families in Clara City.

Recommendation: We recommend that the City coordinate with housing agencies, nonprofit groups and private sector builders to produce housing units for moderate income ownership. At this time, it is very difficult to construct new affordable homes on in-fill lots because of the value gap between existing homes and new homes. The City may be able to contribute to the project through land donations, TIF, tax abatement, or project coordination activities.

Some existing in-fill lots could be utilized for affordable home development. Additionally, if dilapidated homes are demolished, some of the cleared lots may be suitable for redevelopment and these in-fill lots may be good sites for this type of new construction activity.

Clara City - Housing Rehabilitation

Housing Rehabilitation

Findings: Clara City has a strong 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.

New housing construction has been occurring in a price range that is beyond the affordability level for many Clara City households. Housing options for households at or below the median income level will largely be met by the existing, more affordable housing stock. As the existing stock ages, more maintenance and repair will be required. Without rehabilitation assistance, the affordable stock could 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 U.S. Census and building permit data, Clara City has approximately 191 rental units in 2017. These units are distributed in a variety of structures, from single family houses to larger multifamily rental complexes. Approximately 125 of the rental units in Clara City are more than 30 years old, which is over 65% of the City's rental housing stock. Many rental single family homes, small rental projects and rental complexes could benefit from rehabilitation.

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

Clara City received Small Cities Development Program (SCDP) funds in the past to rehabilitate Tholen Apartments, which is a downtown apartment building with 16 units.

Recommendation: Clara City should continue to seek Small Cities Development Program (SCDP) grant funds that allow for program design flexibility and makes a rental rehabilitation program workable. SCDP provides funds for a rental rehabilitation program that is structured by the community.

Also, the Minnesota Housing Finance Agency has initiated a rental rehabilitation program. Other sources of funds for rental rehabilitation may include HUD, the Federal Home Loan Bank, the Greater MN housing Fund and tax credits for housing preservation.

15. Promote ongoing owner-occupied housing rehabilitation programs

Findings: Clara City has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the affordable owner-occupied 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 owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities.

The affordability of the existing housing stock in Clara City will continue to be an attraction for families that are seeking housing in the area. Investment in owner-occupied rehabilitation activities is critical to offering affordable housing opportunities.

The Minnesota Small Cities Development Program (SCDP) continues to be the major source of funding for housing rehabilitation. Clara City has been awarded SCDP funds in the past for owner occupied housing rehabilitation. The Minnesota Housing Finance Agency also provides funding for housing rehabilitation. Prairie Five Community Action Council, Inc., administers the SCDP and MHFA housing rehabilitation programs for Clara City. Prairie Five also administers the Weatherization Program in Clara City. The Upper Minnesota Regional Development Commission has provided planning and grants writing services to obtain housing rehabilitation funds.

Our 2018 housing condition survey rated 300 houses in four of Clara City's oldest neighborhoods. Our survey found 156 houses that need minor repair and 21 houses that need major repair. According to the American Community Survey data, approximately 85% of Clara City's owner-occupied homes are more than 30 years old.

There are also homes that need repairs in other Clara City neighborhoods. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink in the City's older neighborhoods.

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

USDA Rural Development, the Minnesota Housing Finance Agency, the Greater Minnesota Housing Fund, the Federal Home Loan Bank and the Minnesota Small Cities Development Program are all potential funding sources.

16. Develop a Neighborhood Revitalization Program

Findings: Clara City has several neighborhoods that are on the bubble. These neighborhoods have a 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, there has been housing and neighborhood revitalization projects in the neighborhoods including housing rehabilitation, the demolition of dilapidated housing, the development of new housing and public facility improvements. We recommend that Clara City select a neighborhood and develop and implement a Neighborhood Revitalization Program.

Redevelopment strategies and opportunities should be identified including:

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

Clara City - Other Housing Initiatives

Other Housing Initiatives

17. Encourage employer involvement housing programs

Findings: The connection between economic development and housing availability is becoming an increasingly important issue as low area unemployment rates often dictate 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. Several employers around the state are accepting more responsibility and a more significant role in assisting employees with their housing needs.

With Clara City's tight housing market, there is a role for area employers to assist with upgrading the city's housing stock and with developing new housing.

Recommendation: We recommend continuing the effort to involve employers as partners in addressing Clara City's housing needs. Several funding sources have finance programs that include employers. Additionally, the funding agencies often view funding applications favorably from cities that include employers in the problem solving process.

Employers have many opportunities to assist with addressing the housing needs of Clara City, including:

- ▶ Direct assistance to the employee for the purchase or construction of a home, utilizing a variety of mechanisms including down payment assistance, loans, grants, forgivable loans, deferred payment loans, guarantee of a lender-financed loan, etc.
- ▶ A financial contribution to an overall city housing project, such as a redevelopment project, an affordable subdivision, or the construction of rental housing units.

18. Continue to submit applications for Minnesota Small Cities Development Program funds

Findings: The Minnesota Small Cities Development Program (SCDP) is administered by the Minnesota Department of Employment and Economic Development (DEED). There is an annual competition for grant funds to assist communities with housing projects, downtown rehabilitation, public facilities projects, or combined, comprehensive projects. The application process is very competitive and is based on the strength of the project activities, the local financial contribution, the percentage of low and moderate income people in the community and other rating factors.

Community Partners Research, Inc. staff surveyed the housing conditions of 300 homes in four of Clara City's oldest neighborhoods. Approximately 177 homes need minor or major housing rehabilitation, which is 59% of all the homes in the four neighborhoods.

Clara City has received SCDP funds in the past for various projects including owner-occupied and rental rehabilitation.

The Upper Minnesota Regional Development Commission and the Prairie Five Community Action Council, Inc., have been active and successful in assisting Clara City with applying for SCDP funds and administering SCDP programs.

Recommendation: With the housing rehabilitation needs in Clara City we recommend the submission of SCDP applications on an ongoing basis. The City should continue to develop applications that specifically address substandard owner-occupied homes and rental units. New owner-occupied, rental housing development and public facilities improvements could also potentially be funded as part of an SCDP application.

19. Acquire and demolish dilapidated structures

Findings: Our housing condition survey identified 21 houses in four neighborhoods as needing major repair and several of these homes may be too dilapidated to rehabilitate. Also, there may be dilapidated homes, or houses that need major repair in other neighborhoods that were not surveyed. Additionally, some of the individuals we interviewed, stated that the acquisition and demolition of dilapidated structures should continue to be one of Clara City's goals.

Recommendation: We recommend that Clara City continue to take an aggressive approach to demolishing severely dilapidated structures. The City's neighborhoods are enhanced when blighted and dilapidated structures are removed. Some cities have assisted the owners of the dilapidated properties by paying for the removal of the debris, filling the remaining hole, etc.

The City could also develop partnerships with housing agencies and private developers to construct new housing on cleared parcels. Tax increment financing, Greater Minnesota Housing Funds, MHFA funds, SCDP and Federal Home Loan Bank funds are potential funding sources for this initiative.

We also recommend that Clara City maintain an inventory of structures that may be candidates for future demolition. Additionally, an inventory of in-fill lots for future development should be maintained.

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

Findings: Since the downturn in the housing economy in the late 2000s, 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: Clara City and the Clara City EDA have been active in promoting and marketing housing and we recommend the continuation or initiation of the following:

- ▶ Determine the City's strengths and competitive advantages and continue to promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Clara City and the area) to provide employees (especially new employees) with housing opportunities in Clara City
- ▶ Work with housing agencies to provide down payment assistance, low interest mortgage 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 and developers to make the construction of a new home a very user friendly process
- ▶ Develop new home construction incentive programs.
- ▶ 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, the demolition of dilapidated structures that are beyond repair and the construction of new housing on cleared parcels.
- ▶ Continue to develop new housing choices based on demand that serve life-cycle housing needs, such as new rental housing, twin homes, etc.

21. Create a plan and continue coordination among housing agencies

Findings: Clara City needs staff resources in addition to existing City staff to plan and implement many of the housing recommendations advanced in this Study. The City has access to and has an excellent track record in utilizing the services provided by the Upper Minnesota Regional Development Commission, Prairie Five Community Action Council, Inc., the Chippewa/Yellow Medicine County HRA and the Southwest Minnesota Housing Partnership. The City also has access to the Greater Minnesota Housing Funds, the Minnesota Housing Finance Agency and the USDA Rural Development Office. These agencies all have extensive experience with housing and community development programs.

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

22. Strategies for Downtown Redevelopment

Findings: The City and the EDA have been very successful in redeveloping the downtown. Several major projects have been undertaken over the last several years. There are additional projects that are in the planning phase. This recommendation is intended to acknowledge the redevelopment that is being undertaken downtown and provides an outline of actions that can continue to be taken to redevelop the downtown, to maximize the usage of downtown buildings, to promote new downtown businesses and to identify and implement upper floor renovations/conversions for housing.

Recommendation: We are recommending that the City and EDA continue the following actions for downtown Clara City:

- ▶ Interview downtown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for the downtown (potential new businesses, address parking needs, develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a mini-plan for each downtown property and each downtown block. This may include:
 - ▶ Commercial building rehab and renovations
 - ▶ Facade work
 - ▶ Upper floor rental unit conversions or rehab
 - ▶ Building demolition
 - ▶ New construction
 - ▶ Recruiting new businesses

- ▶ Identify funding sources
 - ▶ SCDP funds
 - ▶ Property owner funds
 - ▶ City and EDA funds
 - ▶ Federal Home Loan Bank
 - ▶ Tax increment financing
 - ▶ Tax abatement
 - ▶ State and Federal Agency funds
 - ▶ Housing Agency funds

- ▶ Work with stakeholders to identify roles, secure funding, develop and implement programs and projects
 - ▶ Property owners
 - ▶ City of Clara City
 - ▶ Clara City EDA
 - ▶ Area and Regional housing agencies

23. The 'Old Junior High' Site

Findings: A developer purchased the 'Old Junior High School' site with the intent to convert the school into housing units. The developer has made some minimal improvements. However, no renovation work has been done recently to the building and it has continued to deteriorate. It is probably not cost effective or feasible to renovate the building.

Recommendation: In reviewing the 'Old Junior High' site and the surrounding area, we have determined that the site is a good location for housing development. The site is in an established neighborhood near the downtown and close to many amenities and services. Infrastructure and utilities are available to the site.

It is our opinion that a planned housing development could include owner-occupied or rental twin homes/town homes and/or a rental apartment building. The development could be planned to accommodate all or some of these housing options.

Amenities such as sidewalks, trails, landscaping, lighting, a pond, etc. could enhance the development. The site has the potential to be a 'showplace' and a draw to the community.

Agencies and Resources

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

Upper Minnesota Valley Regional Development Commission

323 West Schlieman Ave.
Appleton, MN 56208
(320) 289-1981

Prairie Five Community Action Council

719 North 7th St., Suite 302
P.O. Box 159
Montevideo, MN 56265
(320) 269-6578

Chippewa/Yellow Medicine County HRA

629 N. 11th St.
Suite 10
Montevideo, MN 56265
(320) 269-6414

Southwest Minnesota Housing Partnership

2401 Broadway Ave.
Slayton, MN 56172
(507)836-1611

USDA Rural Development Office

409 19th Ave. SW
Willmar, MN 56201
(320) 235-5612