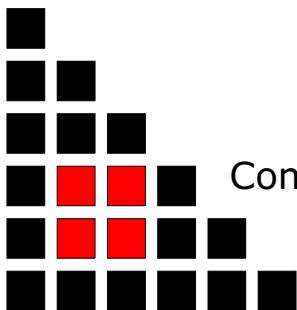


# City of Fairmont HOUSING STUDY

January 2020

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

In 2013, Community Partners Research, Inc., was hired by the City of Fairmont to conduct a study of the housing needs and conditions in the City. In 2019, an update to that document was initiated.

## Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the area can expect to address in the coming years
- ▶ Provide a market analysis for 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 October 2019 to January 2020. Data sources included:

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

**Limitations**

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

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## **Demographic Data Overview**

### **Sources of Data**

The following pages contain demographic data obtained from a variety of local, state and national sources. At the time that research was completed for this Study, both the U.S. Census Bureau and the Minnesota State Demographer's Office had released demographic estimates for the year 2018. However, these annual estimates are generally limited to basic counts, such as population and household levels.

For more current demographic information, the analysts have also accessed estimates from Esri, Inc., a private data services provider that is widely used by housing finance agencies. The most current estimates from Esri are for 2019, with projections extending to the year 2024.

This Update has also utilized information contained in the Census Bureau's annual American Community Survey, based on a yearly sampling of households. However, because the American Survey is an estimate, there is a margin of error that exists for each data set. Some of 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 the City of Fairmont, the 2018 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 2014 and 2018.

### **Market Area Designation**

Consistent with past studies, the analysts have used all of Martin County as a primary market area for future housing activity in Fairmont. As the largest city and the county seat of government, Fairmont has the potential to draw from other parts of the County for housing options. At the time of the 2010 Census more than half of all residents of Martin County lived within the City of Fairmont.

## Population Data and Trends

<b>Table 1 Population Trends - 1990 to 2019</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 Estimate
Fairmont	11,265	10,889	-3.3%	10,666	-2.1%	10,513
Martin Co.	22,914	21,802	-4.9%	20,840	-4.6%	20,392

Source: U.S. Census; Esri

Esri’s 2019 population estimate for Fairmont shows 10,513 people living in the City. When compared to the 2010 Census count, Fairmont has lost 153 residents so far in the current decade, or an average of 17 people per year.

Another recent estimate for the City, generated by the Minnesota State Demographer’s Office, shows the City with 10,307 people in 2018. Based on this source, the City had lost 359 people, or an average of nearly 45 people per year.

One final population estimate exists from the U.S. Census Bureau, which showed 10,091 people in 2018. This was the lowest of the available recent estimates and showed the City losing 575 people, or an average of approximately 72 people per year.

Although there is some variation between these sources, all of them show a decrease in the number of City residents after 2010. This continues a long-term pattern of population loss dating back to at least 1990. As will be discussed later, the City’s household count has been more stable, but an ongoing reduction in the average number of people per household has resulted in a smaller population level over time.

A similar pattern has existed for all of Martin County, even when the impact of Fairmont is removed.

Esri’s 2019 estimate showed the County with 20,392 total residents, down by 448 people from 2010. If Fairmont is removed, the remainder of the County lost 295 people between 2010 and 2018.

Other recent estimates shown even greater population loss, with the State Demographer showing a reduction of 1,118 people and the Census Bureau showing a loss of 1,055 people between 2010 and 2018. Both of these loss estimates include the impact of reduced population in Fairmont.

## Group Quarters Population/Student Data

Fairmont has a number of people residing in group quarters. The following table displays changes in this population subset since 1980.

<b>Table 2 Group Quarters Populations in Fairmont: 1980 to 2018</b>					
	1980 Census	1990 Census	2000 Census	2010 Census	2018 Estimate
Fairmont	212	252	297	234	223

Source: U.S. Census; MN State Demographer

At the time of the 2010 Census, Fairmont had 234 people living in group quarters housing. This population was identified within three primary groups. People living in skilled nursing facilities represented approximately 56% of the group quarters total. People living in other forms of noninstitutional facilities represented approximately 35% of the total. People in correctional facilities for adults represented approximately 9% of the total.

Although estimates released after 2010 do not provide the same level of detail as the decennial Census, the most recent estimate from the State Demographer’s Office shows the City’s group quarters population remaining relatively stable between 2010 and 2018, with a possible decrease of approximately 11 people living in some type of group quarters housing.

Since 2010, one of the City’s skilled nursing home facilities, known as the Lutz Wing, has been closed. This presumably had some impact on the City’s group quarters population total.

## Student Population

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

The 2018 American Community Survey showed 223 City residents that were enrolled in an undergraduate program, and 12 people enrolled in a graduate program. However, this source did not indicate whether these people were enrolled in a school in Fairmont.

Presentation College has announced its plan to close the Fairmont campus and the number of post-secondary students in Fairmont is expected to decrease over the next few years.



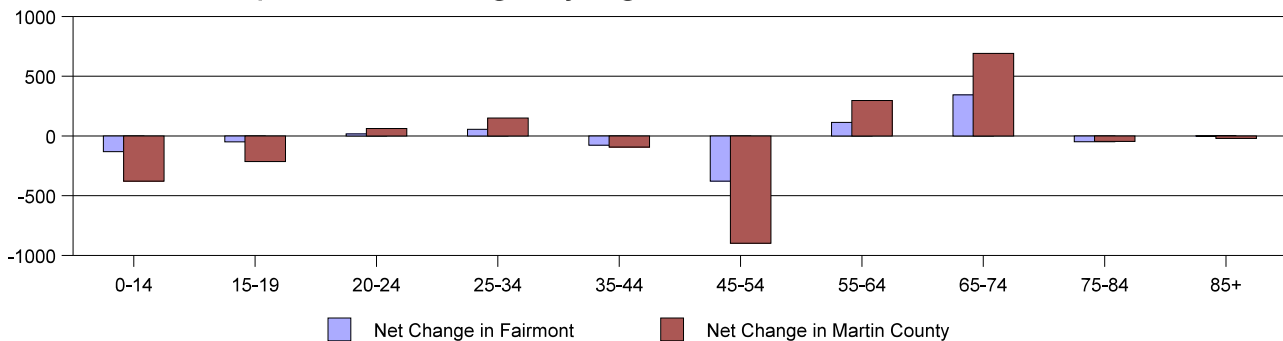
## Population by Age Trends: 2010 to 2019

Esri’s population by age estimates for the year 2019 can be compared to the 2010 Census allows for analysis of the changing age patterns for Fairmont and Martin County.

Table 3 Population by Age - 2010 to 2019						
Age	Fairmont			Martin County		
	2010	2019	Change	2010	2019	Change
0-14	1,883	1,752	-131	3,747	3,369	-378
15-19	577	528	-49	1,297	1,083	-214
20-24	565	582	+17	953	1,016	+63
25-34	1,151	1,207	+56	2,128	2,278	+150
35-44	1,103	1,026	-77	2,167	2,074	-93
45-54	1,574	1,196	-378	3,275	2,377	-898
55-64	1,450	1,564	+114	2,956	3,253	+297
65-74	975	1,319	+344	1,915	2,606	+691
75-84	821	773	-48	1,484	1,439	-45
85+	567	566	-1	918	898	-20
Total	10,666	10,513	-153	20,840	20,393	-447

Source: U.S. Census; Esri

Population Change by Age Between 2010 and 2019

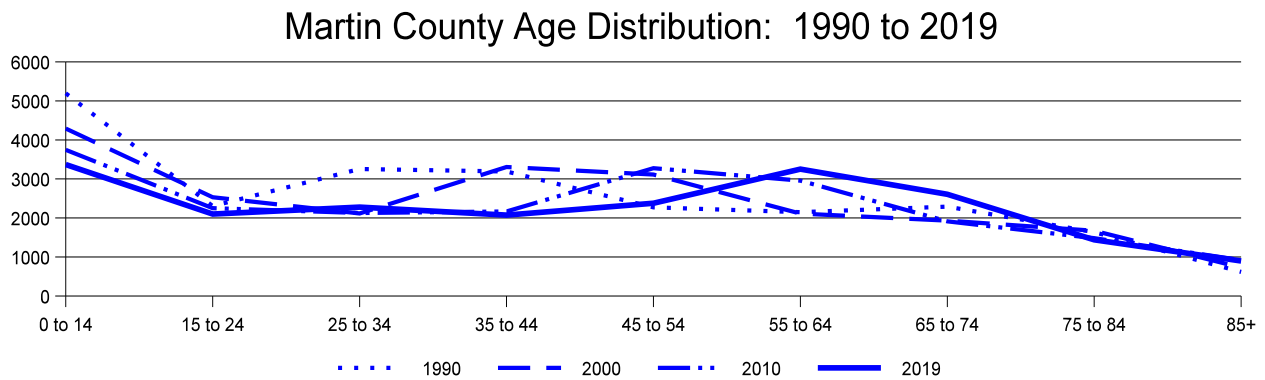


For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in Fairmont and Martin County.

Between 2010 and 2019, most of the positive net change occurred within the 20-year age range between 55 and 74 years old. This largely reflected the advancing baby boom generation. The largest net reduction came within the 10-year range between 45 and 54 years old, as this demographic cohort was not as large as the advancing baby boomers, resulting in a large reduction within this age group.

For both Fairmont and Martin County there was a reduction of children age 19 and younger. The number of young adults, between 20 and 44 years old largely remained stable.

The aging trends present in 2019 can be traced back over the previous decades to see the movement of the baby boom generation over time in Martin County.



## Population Projections

The following table presents population projections from Esri to the year 2024.

<b>Table 4 Population Projections to 2024</b>			
	Esri Projection		
	2019	2024	Change
Fairmont	10,513	10,337	-176 / 1.7%
Martin County	20,392	19,995	-397 / 1.9%

Source: Esri

Esri’s projection for Fairmont, for the five-year period from 2019 to 2024, expects the City to lose 176 residents, or an average of 35 people per year. This would be consistent with their recent estimates which show the City’s population gradually decreasing since 2010.

Esri’s projection expects a reduction of nearly 400 people Countywide, or an average of 79 people per year. If Fairmont is removed, the rural portions of the County and the smaller cities are projected to lose approximately 44 people per year. Once again, these forecasts are consistent with Esri’s population estimates between 2010 and 2019, which show a gradual reduction of County residents.

## Household Data and Trends

<b>Table 5 Household Trends - 1990 to 2019</b>						
	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010	2019 Estimate
Fairmont	4,717	4,702	-0.32%	4,812	2.3%	4,746
Martin Co.	9,129	9,067	-0.68%	9,035	-0.35%	8,860

Source: U.S. Census; Esri

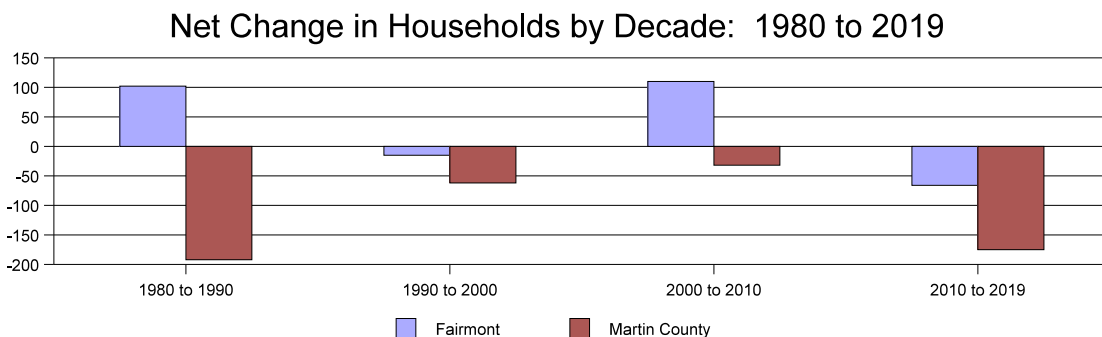
Esri’s 2019 estimate for Fairmont showed 4,746 resident households, down by 66 households from 2010. On an annual basis, the City has been losing more than seven households per year so far this decade, according to this source.

The other recent household estimate, from the State Demographer, showed 4,802 households in the City in 2018. According to this source, the City’s household level was down by approximately one household per year between 2010 and 2018.

Although Esri showed a larger population in Fairmont than the most recent estimate from the State Demographer, Esri is showing fewer households. These differences are linked to the average household size estimates from each of these data sources. As will be discussed later in this section, Esri is showing more people per household than the State Demographer.

Esri’s household estimate for Martin County showed 8,860 total households, down by 175 households from 2010. Excluding Fairmont, the remainder of the County has lost 109 households since 2010.

The Minnesota State Demographer’s estimate for 2018 showed 8,871 households in Martin County, a slightly higher estimate than Esri. Excluding Fairmont, the Demographer’s estimate showed the remainder of the County losing 154 total households between 2010 and 2018.



## Household by Age Trends: 2010 to 2019

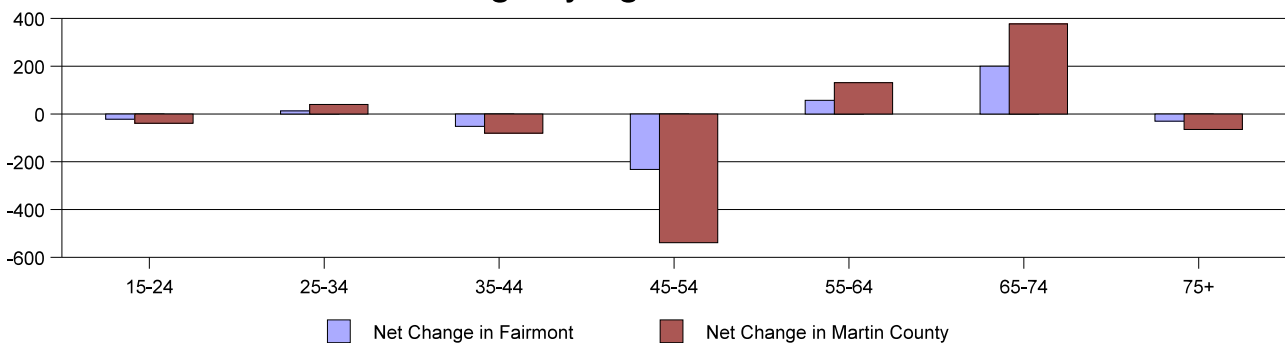
Esri has generated household by age estimates for 2019 which can be compared to the age distribution patterns in 2010 to track changes over the current decade.

<b>Table 6 Households by Age - 2010 to 2019</b>						
Age	Fairmont			Martin County		
	2010	2019	Change	2010	2019	Change
15-24	216	194	-22	323	284	-39
25-34	595	608	+13	1,063	1,103	+40
35-44	628	576	-52	1,197	1,117	-80
45-54	922	690	-232	1,858	1,319	-539
55-64	896	953	+57	1,769	1,900	+131
65-74	592	792	+200	1,165	1,542	+377
75-84	963	933	-30	1,660	1,595	-65
Total	4,812	4,746	-66	9,035	8,860	-175

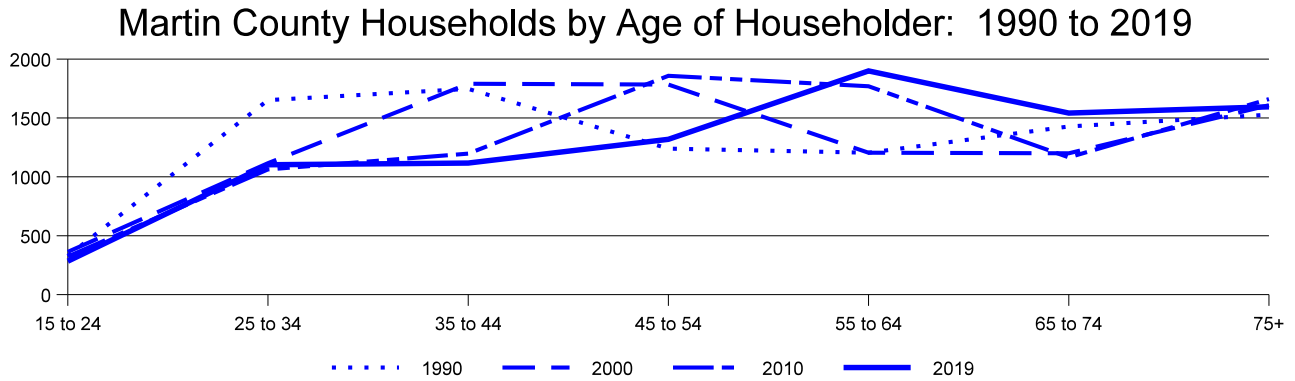
Source: U.S. Census; Esri

Consistent with the population by age data presented earlier, the household patterns show much of the net change occurring in the baby boomer age groups. For Fairmont there was a gain of 227 households in age ranges 55 and older, due to an increase of 200 households in the 10-year range between 65 and 74 years old. Conversely, most of the younger age ranges showed reductions, with an overall decrease of more than 290 households age 54 and younger. Similar patterns existed for all of Martin County.

**Household Change by Age Between 2010 and 2019**



As with the longer-term patterns for population, it is possible to track the progression of the baby boomer households in Martin County since 1990, using Census information for households by the age of householder.



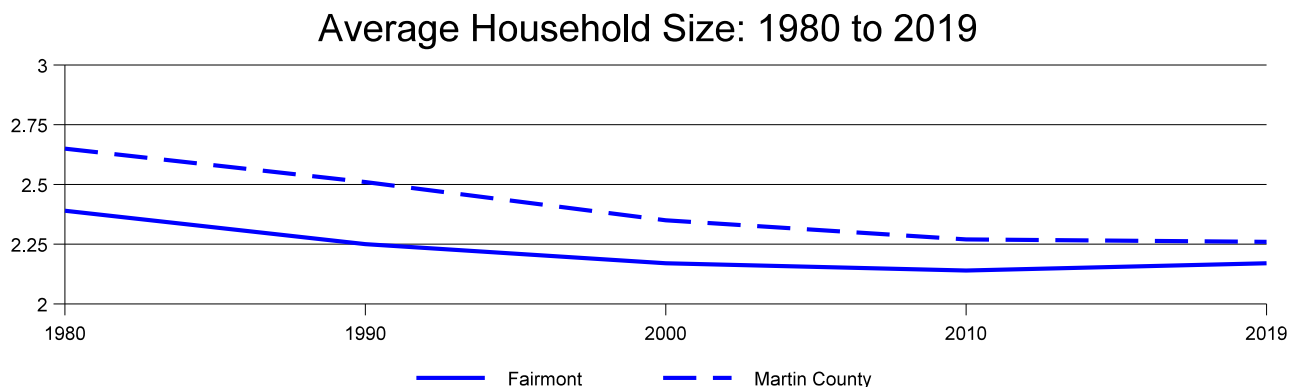
## Average Household Size

The following table provides decennial Census information on average household size. The 2019 estimate is from Esri.

<b>Table 7 Average Number of Persons Per Household: 1990 to 2019</b>				
	1990 Census	2000 Census	2010 Census	2019 Esri
Fairmont	2.39	2.25	2.17	2.17
Martin County	2.51	2.35	2.27	2.26

Source: U.S. Census; Esri

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



Although there has been a long-term pattern of smaller household sizes in Fairmont, the 2019 estimate from Esri shows recent stability, with the average household size of 2.17 persons unchanged between 2010 and 2019. However, the most recent estimate from the State Demographer does show the City’s average household size decreasing to 2.10 persons in 2018.

Esri also shows stability in the average household size for Martin County, with 2.26 persons per household in 2019. The State Demographer is once again smaller, with 2.20 persons per household in 2018, down from 2.27 persons in 2010.

## Household Projections

The following table presents household projections from Esri to the year 2024.

<b>Table 8 Household Projections Through 2024</b>			
	Esri		
	2019 Estimate	2024 Projection	Change
Fairmont	4,746	4,666	-80 / -1.7%
Martin County	8,860	8,692	-168 / -1.9%

Source: Esri

Esri’s projection for Fairmont shows a gradual loss of 80 households over the next five years. If reduced to an annual average, this source expects the City to lose approximately 16 households in a typical year.

It is important to note that the other recent household estimate, from the Minnesota State Demographer’s Office, shows a more stable household trend in Fairmont. Although no household projections are available from this source, it is doubtful that household losses at this level would be expected.

Esri’s projection for all of Martin County expects a reduction of 168 total households over the 5-year period, or approximately 34 households in an average year.



## Household by Age Projections: 2019 to 2024

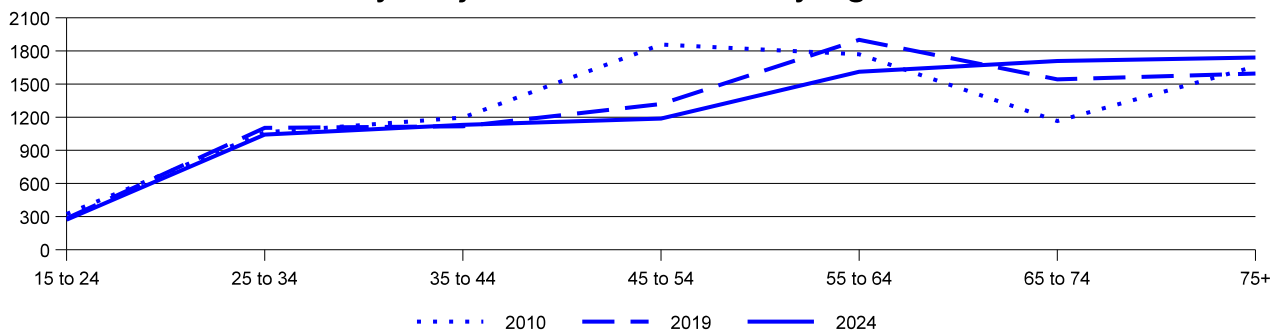
Esri has also released household projections to the year 2024 by age of householder. These are compared to the 2019 estimates to examine anticipated changes in the area’s aging patterns over the next five years.

<b>Table 9 Projected Households by Age - 2019 to 2024</b>						
Age Range	Fairmont			Martin County		
	2019 Estimate	2024 Projection	Change	2019 Estimate	2024 Projection	Change
15-24	194	191	-3	284	272	-12
25-34	608	590	-18	1,103	1,042	-61
35-44	576	588	+12	1,117	1,131	+14
45-54	690	623	-67	1,319	1,187	-132
55-64	953	827	-126	1,900	1,611	-289
65-74	792	858	+66	1,542	1,709	+167
75+	933	989	+56	1,595	1,740	+145
Total	4,746	4,666	-80	8,860	8,692	-168

Source: Esri

Esri’s age-based projections generally show a pattern of older households in both Fairmont and Martin County. Overall, relatively large household increases are projected in the age ranges 65 and older, while most of the age groups under age 64 are expected to remain stable or decrease in size. The largest decrease is expected in the 55 to 64 year old range, as the cohort trailing behind the baby boomers is much smaller in size, and does not replace the previous age group.

Martin County Projected Households by Age: 2010 to 2024



## Housing Tenure

The 2010 Census still represents the most accurate look at housing tenure patterns.

<b>Table 10 Household Tenure - 2010</b>				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Fairmont	3,342	69.5%	1,470	30.5%
Martin Co.	6,802	75.3%	2,233	24.7%
State	-	73.0%	-	27.0%

Source: U.S. Census

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

The 2018 American Community Survey does provide an estimate of more recent tenure patterns, but appears to slightly undercount the total number of households in Fairmont. However, in percentage terms, this source shows the City’s home ownership rate dropping, from 69.5% in 2010 to 65.8% in 2018.

## 2018 Income Data

Median income estimates are available through the Census Bureau’s American Community Survey. The most recent estimates are for 2018. This can be compared to estimates from 2013 to track changes over a 5-year period.

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.

<b>Table 11 Median Income - 2013 to 2018</b>			
	2013 Median	2018 Median	% Change
Households			
Fairmont	\$44,296	\$48,826	10.2%
Martin County	\$48,530	\$53,915	11.1%
Minnesota	\$59,836	\$68,411	14.3%
Families			
Fairmont	\$60,962	\$67,297	10.4%
Martin County	\$61,233	\$68,650	12.1%
Minnesota	\$74,683	\$86,204	15.4%

Source: ACS 5-year survey

Income information contained in the American Community Survey shows income growth within the City of Fairmont and in Martin County over the previous five years. Between 2014 and 2018 the City’s median household income level increased by 10.2%. However, the City’s actual median household income was still more than \$5,500 lower than the Martin County median. Fairmont has a large number of renter households and a large number of senior citizen households, both of which tend to have lower income levels.

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

Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Fairmont could afford approximately \$1,220 per month for ownership or rental housing in 2018. A family at the median income level for the City could afford approximately \$1,680 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.

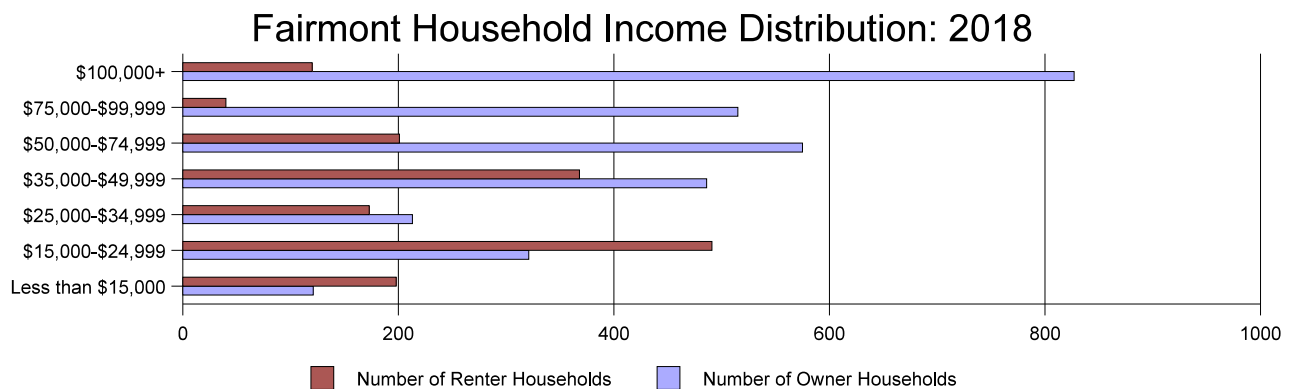
In 2018, the median income level for owner households in Fairmont was \$65,915. The estimated median household income for renters in 2018 was only \$31,272. At 30% of income, a median income renter in the City could apply \$782 to gross rent without experiencing a housing cost burden.

## Fairmont Household Income by Housing Tenure

The American Community Survey household income estimates for the City of Fairmont can be examined by housing tenure. Percentages are calculated by column.

Household Income	Number of Owner Households	Number of Renter Households	Total
\$0 - \$9,999	121 / 4.0%	198 / 12.4%	319 / 6.9%
\$10,000 - \$24,999	321 / 10.5%	491 / 30.9%	812 / 17.5%
\$25,000 - \$34,999	213 / 7.0%	173 / 10.9%	386 / 8.3%
\$35,000 - \$49,999	486 / 15.9%	368 / 23.1%	854 / 18.4%
\$50,000 - \$74,999	575 / 18.8%	201 / 12.6%	776 / 16.7%
\$75,000 - \$99,999	515 / 16.8%	40 / 2.5%	555 / 11.9%
\$100,000+	827 / 27.0%	120 / 7.5%	947 / 20.4%
<b>Total</b>	<b>3,058</b>	<b>1,591</b>	<b>4,649</b>

Source: ACS



Income and housing tenure are linked for most households, with home owners generally having higher annual income levels, and renters having lower incomes. Nearly 63% of all owner households had an annual income of \$50,000 or more. The estimated median income for home owner households was \$65,915.

Conversely, more than 54% of all renter households had an annual income below \$35,000 in 2018. The median income for renters was only \$31,272.

## Estimated Income and Housing Costs - Renters

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

<b>Table 13 Gross Rent as a Percentage of Household Income - 2018</b>			
Percent of Income for Housing	Households age 64 and younger	Households age 65 and older	Total/Percent
Less than 20%	464	137	601 / 37.8%
20% to 29.9%	222	22	244 / 15.3%
30% to 34.9%	124	89	213 / 13.4%
35% or more	201	260	461 / 29.0%
Not Computed	72	0	72 / 4.5%
<b>Total</b>	<b>1,083</b>	<b>508</b>	<b>1,591</b>

Source: American Community Survey

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”.

According to the 2018 American Community Survey, more than 42% of all renters in the City were paying 30% or more of their income for rent. Most of these households were actually paying 35% or more of their income for housing.

The chance of having a housing cost burden was much greater for senior citizen households, as nearly 69% of renters age 65 and older were applying 30% or more of their income for housing. For non-senior renters, the percentage with a cost burden dropped to approximately 30%.

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

## Estimated Income and Housing Costs - Owners

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

<b>Table 14 Ownership Costs as a Percentage of Income - Fairmont</b>			
Percentage of Household Income for Housing Costs	Households with a Mortgage	Households without a Mortgage	Total/Percent of All Home Owners
0% to 19.9%	1,056	985	2,041 / 66.7%
20% to 29.9%	330	157	487 / 15.9%
30% or more	351	179	530 / 17.3%
Not Computed	0	0	0
Total	1,737	1,321	3,058

Source: ACS

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. Mortgage lending practices generally attempt to keep monthly payments below this level of household income.

However, more than 17% of all home owners reported that they paid 30% or more of their income for housing. As would be expected, most of the cost-burdened home owners had a mortgage on their home. All of the cost-burdened households without a mortgage also had an annual income below \$35,000 in 2018.

## Building Permit Trends

The following table identifies the units that have been issued a building permit from 2000 to 2019.

<b>Table 15 Fairmont Housing Unit Construction Activity: 2000 to 2019</b>				
Year	Single Family Detached	Single Family Attached	Multifamily	Total Units
2019	3	0	0	3
2018	7	0	0	7
2017	5	2	9	16
2016	2	0	0	2
2015	0	0	0*	0
2014	3	0	0	3
2013	3	0	0	3
2012	2	2	0	4
2011	4	0	0	4
2010	1	2	0	3
2010-2019	30	6	9	45
2009	3	4	0	7
2008	4	0	0	4
2007	6	0	0	6
2006	4	0	10	14
2005	12	5	36	53
2004	7	4	0	11
2003	9	2	16	27
2002	8	6	0	14
2001	8	2	8	18
2000	12	8	54	74
2000-2009	73	31	124	228

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

\* 20 memory care suites were constructed at Ingleside



Between 2010 and 2019, there have been 45 new housing units constructed in Fairmont. There were also 20 suites constructed in a memory care facility but these are not independent living housing units.

Thirty of these units are in traditional single family houses, and six more units are in attached single family twin home structures. All of the single family construction is presumed to be intended for owner-occupants. Over the 10-year period, the City has been averaging between three and four single family housing starts per year. However, much of this activity has occurred within the past three years, and since 2017 the annual average has been between five and six single family starts per year.

Very limited multifamily/rental production has occurred during the current decade. Only two rental projects, with a combined total of nine units can be identified. The largest was a 7-unit town house-style rental project known as City Center Townhomes. City Center Townhomes was developed near the Presentation College campus and was intended for student occupancy. Each unit has three bedrooms and the original plan was to lease the bedrooms individually in roommate configurations. However, Presentation College is in the process of leaving its Fairmont campus, and in 2019 all of the City Center units are leased to non-student households.

The other rental project was a rental duplex constructed by the City HRA which was the final phase of construction to replace some Public Housing that had been lost due to a fire.

The level of new housing unit construction in the 2010s was well below the prior decade. From 2000 through 2009, there were 228 total units constructed. The City was averaging more than 10 single family housing starts per year during that decade, including approximately three attached single family units per year. Since 2010, this annual average has been less than four single family units per year, with less than one if the form of attached single family.

Much stronger multifamily rental production also occurred in the 2000s, although 36 of the multifamily units were cooperatively-owned housing in Gold Finch Estates in 2005. Excluding Gold Finch, the City still averaged nearly nine rental housing units per year through new construction, compared to less than one new unit per year since 2010.

It is important to note that much of the new construction in the prior decade occurred before 2007, when national housing markets were extremely active. During this time, the City averaged approximately 30 new units per year. After 2006 housing construction activity slowed, and this pattern has continued through 2019.

## **Existing Home Sales**

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

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

The County 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, and foreclosures/short sales. Additional reasons for rejection would include transfers between related parties, or sales that were not conducted in the open market.

The sales reports available from the County did differentiate between different styles of housing. Attached housing units, such as twin homes, town houses or condominiums are identified and have been analyzed separately. Other sales were identified as "duplex" or "seasonal" properties and these sales were excluded from the analyses that follow.

Information was available for each calendar year. However, the sales sample for 2019 may not include all sales, as transactions late in the year may not have been recorded and entered into the database.

## Single Family Detached Home Sales

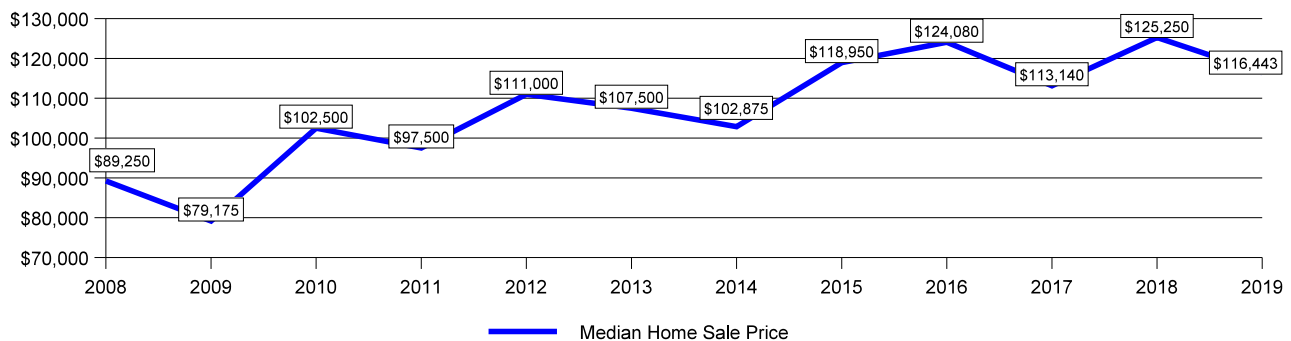
**Table 16 Fairmont Single Family Sales Activity - 2008 to 2019**

Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2019	124	\$116,443	\$625,000	\$22,000
2018	142	\$125,250	\$685,000	\$18,750
2017	134	\$113,140	\$459,000	\$13,000
2016	151	\$124,080	\$516,100	\$14,000
2015	132	\$118,950	\$438,500	\$10,000
2014	122	\$102,875	\$365,000	\$17,500
2013	125	\$107,500	\$363,500	\$26,000
2012	102	\$111,000	\$364,000	\$12,000
2011	92	\$97,500	\$470,000	\$12,000
2010	85	\$102,900	\$332,500	\$23,000
2009	96	\$79,175	\$665,000	\$18,000
2008	114	\$89,250	\$370,000	\$14,500

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

In 2019, 124 good sales were recorded, with a median price of \$116,443. While the 2019 median is lower than in 2018, it is reasonably similar to the medians achieved since 2015, which have ranged from \$113,140 to \$125,150. When viewed over a longer time period, back to 2008, a general upward trend in the median price is evident.

**Median Home Sale Prices in Fairmont: 2008 to 2019**



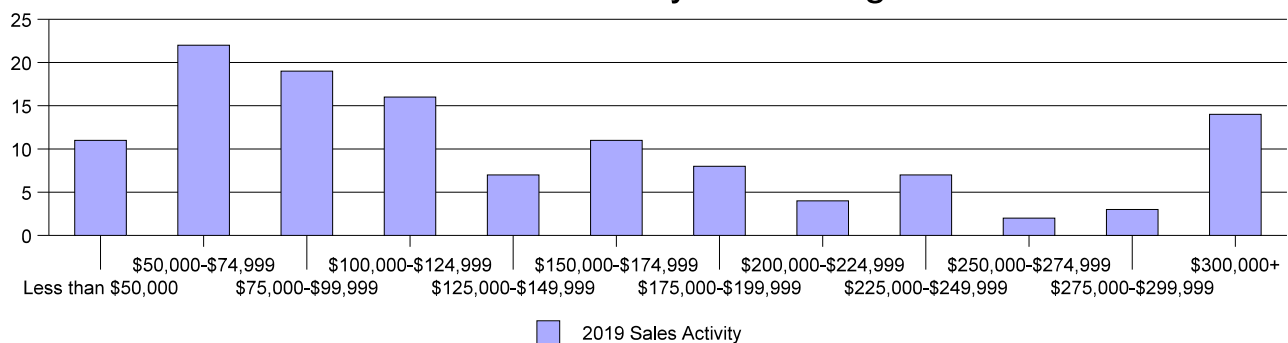
## Single Family Detached Home Sales by Price Range

There were 124 good sales recorded in 2019. The following table looks at single family houses that sold in Fairmont by defined price ranges.

Table 17 Home Sales by Price Range: 2019		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	11	8.9%
\$50,000 - \$74,999	22	17.7%
\$75,000 - \$99,999	19	15.3%
\$100,000 - \$124,999	16	12.9%
\$125,000 - \$149,999	7	5.6%
\$150,000 - \$174,999	11	8.9%
\$175,000 - \$199,999	8	6.5%
\$200,000 - \$224,999	4	3.2%
\$225,000 - \$249,999	7	5.6%
\$250,000 - \$274,999	2	1.6%
\$275,000 - \$299,999	3	2.4%
\$300,000+	14	11.3%
Total	124	100%

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

### Fairmont Home Sales by Price Range: 2019



Although recent sales have been distributed in a range of prices, a majority of recent residential sales were priced less than \$125,000. Overall, nearly 55% of all recent sales were in the price ranges below \$125,000. However, more than 11% of the recent sales were at or above \$300,000. Fairmont has a number of lakeshore residential options and some of the higher-valued sales may represent lake property.

## Town House/Twin Home Sales

The sales records available from Martin County also include residential units other than single family houses, including good sales of attached single family units, identified as town houses or twin homes. The following table provides information on sales between 2015 and 2019. It is possible that some sales late in 2019 may not have been recorded and entered into the report.

<b>Table 18 Fairmont Attached Sales Activity - 2015 to 2019</b>				
Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2019	2	-	\$321,000	\$265,000
2018	6	\$181,250	\$202,500	\$115,000
2017	5	\$157,000	\$359,000	\$113,000
2016	7	\$165,900	\$190,000	\$89,000
2015	9	\$184,000	\$385,000	\$126,500

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

Over the past five years there have been 29 good sales of attached single family units. These units have been in a number of different development areas. The year of construction dates range from 1976 to 2005.

Since all of these units represent housing that is less than 45 years old, the annual median sale prices are consistently higher than for detached house sales, which include a number of older homes. Excluding 2019 when only two sales were recorded, the recent medians have ranged from \$157,000 to \$184,000.

There have been three units that sold for more than \$300,000 in the past five years, but all of these were on Hall Lake or Budd Lake. The highest price for an off-lake sale has been \$265,700, for a unit built in the year 2000.

In their sales records, the County Assessor calculates a sale price per square foot of living space. For attached single family sales this has ranged from a low of \$58.24 for a 1977-built unit to a high of \$129.32 for a 1996-built unit.

## Condominium Sales

The sales records available from Martin County also include condominium units. The following table provides information on sales between 2015 and 2019. It is possible that some sales late in 2019 may not have been recorded and entered into the report.

<b>Table 19 Fairmont Condominium Sales Activity - 2015 to 2019</b>				
Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2019	6	\$91,250	\$215,000	\$69,500
2018	8	\$83,900	\$100,000	\$43,500
2017	8	\$71,617	\$94,000	\$55,000
2016	5	\$82,740	\$205,000	\$69,000
2015	6	\$74,500	\$132,500	\$47,000

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

Between 1981 and 1993 there were at least four condominium projects constructed in Fairmont; Belle Vue Estates in 1981, Dewey Place in 1983, Shorewood Terrace in 1983 and Albion Place in 1993. Over the past five years, some of these condominium units have been sold, although no more than eight good sales have occurred in any 12-month time period.

The large majority of the condominium sales have been recorded for less than \$100,000. There have been four sales above \$100,000 and all of these were in Shorewood Terrace. Shorewood Terrace is on Budd Lake.

Based on local interviews, there is demand for these older condominiums. However, the unit supply is limited, and no known expansions have occurred since 1993.

In their sales records, the County Assessor calculates a sale price per square foot of living space. For condominium sales this has ranged from a low of \$52.88 for a 1981-built unit to a high of \$108.70 for an off-lake unit built in 1993. There have been sale prices as high as \$149.10 per square foot for lake shore units.

## Active Residential Listings

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Fairmont. On November 11, 2019, there were 73 single family homes, and three attached ownership units, including condominiums and town houses, that were listed for sale. Some of the listings were identified as “pending” sales but were still listed on the website.

The following table examines the MLS listings by listing price. It includes all types of homes, including town homes and condominiums, as posted on Realtor.com. It is important to note that the properties are those included in the Multiple Listing Service (MLS) and would generally be offered through a real estate agent. There are other properties that are posted for sale that would not be part of the MLS, including most homes being offered “for sale by owner”.

<b>Table 20 Fairmont MLS Listings by Price Range - November 2019</b>		
Asking Price	Number of Listings	Percent of Listings
Less than \$50,000	5	6.6%
\$50,000 - \$74,999	1	1.3%
\$75,000 - \$99,999	13	17.1%
\$100,000 - \$124,999	11	14.5%
\$125,000 - \$149,999	6	7.9%
\$150,000 - \$174,999	4	5.3%
\$175,000 - \$199,999	12	15.8%
\$200,000 - \$224,999	3	3.9%
\$225,000 - \$249,999	9	11.8%
\$250,000+	12	15.8%
Total	76	100%

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

Based on the listings on Realtor.com, there were houses being offered for sale in a wide range of prices in November 2019. Approximately 32% of all listings were in the range between \$75,000 and \$125,00. There were also nearly 32% of all listings that were priced at \$200,000 or more.



## **Lots and Land**

Only limited information could be obtained on vacant land that exists for future housing development.

The 2013 Housing Study had estimated that approximately 40 vacant lots were available in subdivisions around the City. Since that time, between 10 and 15 of these lots have probably been used for new home building. No detailed record exists of the remaining lot inventory in the City's established subdivisions.

**Whitetail Ridge** - In 2016, a new subdivision was created, as a joint effort between the City and the School District. The land for Whitetail Ridge was made available by the School District while the City paid for the infrastructure improvements. Lot pricing ranges from about \$42,000 to \$60,000. Twenty lots were created in the first development phase. Approximately 10 lots have been sold in this subdivision, however, a visual inspection shows that only five houses have been constructed through the end of 2019.

**Village East Estates** - This subdivision was developed a number of years ago but still has some vacant lots remaining, including lots that are listed as "for sale by owner". A visual inspection shows that seven houses have been constructed in this area.

There are also miscellaneous infill lots scattered around the community. Some of these were created when existing structures were removed, and may represent sites for affordable new home construction.

## **Rental Housing Data**

### **Census Bureau Rental Inventory**

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

Since 2010, very little rental unit growth has occurred due to new construction activity. The only multifamily projects that can be tracked from building permit reports are a 7-unit project located near Presentation College and the construction of a Public Housing duplex. However, it does appear that some level of housing tenure conversion continues to occur, as houses once used for owner-occupancy have switched to rental use.

The 2018 American Community Survey did contain a housing tenure estimate, which was based on sampling and included a margin of error. This source showed an increase in the City's rental rate, with 34.2% of all households living in a rental unit.

The American Community Survey was based on an estimate of 1,591 occupied rental units and approximately 194 vacant units, for a total estimated inventory of 1,785 total units in the City's rental inventory. If accurate, the City had added 130 rental housing units and 121 renter-occupancy households between 2010 and 2018.

### **Rental Registration**

The City has a rental registration system, but the historical records track annual information by property address, rather than a specific unit count within each property. Once issued, the registration is also good for a three-year period. As a result, it is difficult to track any year-to-year change in the size of the active rental unit inventory. However, staff indicated that they believe the rental stock to be generally stable, with limited annual change.

## **Rental Housing Survey**

As part of this housing study, a telephone survey was conducted of multifamily projects in the City of Fairmont. The survey was primarily conducted during the months of November and December in 2019. Emphasis was placed on contacting multifamily properties with eight or more units. For the purposes of planning additional projects in the future, these larger properties represent the best comparison of market potential.

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

The units that were successfully contacted include:

- ▶ 219 market rate units
- ▶ 35 moderate rent tax credit units
- ▶ 119 federally subsidized units for general occupancy
- ▶ 159 federally subsidized units oriented to senior/disabled/veterans

In a later section of this Study additional information is provided on rental housing that is specifically oriented to seniors needing services along with their housing.

The findings of the survey are provided below.

## **Market Rate Summary**

Usable occupancy and rental rate information was obtained from 12 multifamily rental projects with a combined total of 219 market rate rental units. All of these projects have four or more units.

Some summary information was also obtained from property owners/managers of rental units in smaller properties, including single family houses, and this information is presented later in this section.

### **Unit Mix**

The bedroom mix of the 219 units that were successfully contacted is as follows:

- ▶ One-bedroom - 71 (32.4% of surveyed units)
- ▶ Two-bedroom - 125 (57.1%)
- ▶ Three-bedroom - 23 (10.5%)

### **Occupancy / Vacancy**

In general, a high rate of occupancy was reported within the multifamily segment of the market. Approximately five vacant units were reported, for an estimated vacancy rate between 2% and 2.5% within the market rate properties.

Some of the reported vacancies were due to recent tenant turnover, and may have been in the process of being filled with new applicants.

Typically, market rate projects do not maintain waiting lists. However, the rental projects developed by the Fairmont HRA do maintain waiting lists.

### **Rental Rates**

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

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

<u>Unit Type</u>	<u>Gross Rent Range</u>
One-bedroom	\$480-\$600
Two-bedroom	\$615-\$915
Three-bedroom	\$795-\$1150

### **Single Family Rentals**

There is a large stock of rental housing offered in smaller rental properties including single family houses, mobile homes, duplexes and other buildings with four or fewer units. While an exact unit count does not exist from official sources, the 2018 American Community Survey estimated that more than 900 rental units in Fairmont are in structures with four or fewer units. More than 650 of these were in one-unit structures.

As part of the research the analysts contacted some of the property owners/managers with larger portfolios of rental properties including single family houses. Within this inventory there can be a wide variety of unit types, sizes, ages and amenities. Many of the single family rentals are older homes that have been sold to investors for rental use.

In general, the occupancy rates in these segments are relatively high, estimated at 95% or better, based on the people contacted. However, there can also be ongoing turnover, resulting in some open units at any point in time. Some of the owners/managers also stated that problem tenants can exist, resulting in damage to units and intentional vacancies to allow for repairs.

A wide range of rents may be charged, depending on the specific house or unit. In general, two-bedroom rental houses will often be in a range from \$400 to \$600, and three-bedrooms from \$500 to \$725. In single family houses, the renter is most often responsible for all utilities, which can increase the gross rents by \$150 or more.

## **Tax Credit Summary**

Starting in the mid-1980s, the primary federal incentive for the creation/preservation of affordable housing has been the low income housing tax credit program. Since 1987, three tax credit awards have been made in Fairmont.

The first award was made to Countryside Townhomes in 1987. However, the 15-year compliance period for that project has been met, and Countryside Townhomes is no longer under any of the tax credit program regulations. Countryside Townhomes was developed using HUD subsidy programs and continues to operate as federally subsidized housing.

A second award was made in 1990 to Fairmont Place. That award also had a 15-year compliance requirement which has been met. Fairmont Place was developed with USDA Rural Development subsidy programs and continues to operate as federally subsidized housing.

The third and most recent tax credit award was made in 2007 to Fairmont Square Apartments for preservation and renovation. There are 64 apartments in Fairmont Square and 35 of these units were assisted through the tax credit award. At the time of the 2007 award, Fairmont Square was in HUD's Section 236 subsidy program, but in 2017 the HUD contract expired. After expiration, 29 of the units were converted to market rate housing and the remaining 35 units have continued to operate under the tax credit regulations.

The 35 units in Fairmont Square are the only units in Fairmont in 2019 that are subject to the income, occupancy and rent limits of the federal tax credit program. Tenants in these units must be at or below 60% of the median income level.

### **Unit Mix**

Although the actual unit mix could change, Fairmont Square has currently designated the following unit mix for the tax credit portion of the project:

- ▶ 8 one-bedroom units
- ▶ 25 two-bedroom units
- ▶ 2 three-bedroom units

## **Occupancy/Vacancy**

At the time of the rental survey the project manager reported 10 vacant apartments in Fairmont Square. Detailed information was not provided, but most of these vacancies were in the tax credit portion of the project.

According to the manager, the expiration of the HUD contract and the subsequent plans to increase the unit rents, had resulted in uncertainty among the existing tenants. This has resulted in an above-average level of turnover and the end of the existing 12-month leases. This turnover, in some cases on long-term residents, had resulted in the current number of vacant units.

Secondary reports had also indicated that at one point the proposed rent increase was higher than the Payment Standards for the tenant-based Voucher Program, and that some Voucher holders living in Fairmont Square may have moved thinking that their Voucher could no longer be used.

## **Rental Rates**

Tax credit regulations set a maximum rent based on serving households at 60% of median income. The rents in Fairmont Square are lower than the maximum allowable rents:

<u>Bedroom Size</u>	<u>Gross Rent</u>	<u>Maximum Allowable Rent</u>
One-Bedroom	\$529	\$815
Two-Bedroom	\$695	\$978
Three-Bedroom	\$795	\$1,129

The rent structure in 2019 was well below the 60% limits, and actually below the limits set at 45% of median income.

## **Subsidized Summary**

The research completed for this Study identified six federally subsidized projects providing rental opportunities for lower income households.

- ▶ Countryside Townhomes - 71 general occupancy units
- ▶ Heritage Estates - 24 general occupancy units
- ▶ Pheasant Run Apartments - 24 general occupancy units
- ▶ Fairmont Place - 34 units for senior/disabled occupancy
- ▶ Friendship Village - 115 units with preference for senior/disabled/vets
- ▶ Public Housing Duplexes - 10 units with preference for senior/disabled/vets

These projects have a combined 278 units. Three of the projects are general occupancy housing with 119 units and three projects are oriented to senior/disabled occupancy with 159 units.

The subsidized projects were developed in Fairmont with USDA Rural Development funds or HUD/MHFA funds.

## **Rental Rates**

Most of the City's subsidized units (247 total) have access to project-based rent subsidies, allowing tenants to pay rent based on 30% of household income, up to a maximum rent level. For the 31 units without project-based assistance, a basic minimum rent applies. However, some tenants may also have tenant-based rent assistance Vouchers which could be used in a unit without project-based assistance.

## **Unit Mix - General Occupancy**

The bedroom mix for subsidized units for general occupancy is as follows:

- ▶ 1-bedroom - 27 (22.7%)
- ▶ 2-bedroom - 73 (61.3%)
- ▶ 3-bedroom - 19 (16.0%)

General occupancy units are often oriented to families, and more than 77% of this inventory in Fairmont has two or three bedrooms. There are no units with four or more bedrooms in the subsidized inventory.



### **Unit Mix - Senior/Disabled Occupancy or Preference**

There are 125 Public Housing units in Fairmont. Although these are designated as general occupancy housing, a local preference has been applied for applicants that are elderly (62 or older), disabled, or are military veterans. Since approximately 95% of the tenants are preference holders in 2019, they have been included within the senior/disabled market segment. The bedroom mix for subsidized units for senior/disabled/vets occupancy is as follows:

- ▶ Efficiency - 67 (42.1%)
- ▶ 1-bedroom - 81 (50.9%)
- ▶ 2-bedroom - 11 (6.9%)

Approximately 93% of the units within this segment have one or fewer bedrooms, including 67 efficiency apartments in Friendship Village.

### **Occupancy/Vacancy - General Occupancy**

There were 12 vacant general occupancy units that were identified, for a vacancy rate of 10.1%. Most of these were attributed to recent turnover. Eleven of the 12 vacancies were in two-bedroom units, primarily in Countryside Townhomes.

Despite the current vacancies, most projects also reported that waiting lists typically exist for subsidized housing, although most are waiting for either a one-bedroom or three-bedroom unit. However, one of the managers indicated that tenant screening practices can result in the rejection of some applicants.

It is important to note that one previously subsidized project, Fairmont Square, had recently converted 29 of its 64 total units to market rate housing after the termination of a HUD contract. That conversion, along with planned rent increases had resulted in above-average turnover at that project. The remaining subsidized developments in Fairmont then experienced increased demand from tenant movement, including added names to waiting lists.

### **Occupancy/Vacancy - Senior/Disabled/Vets Occupancy**

A high rate of occupancy was reported within this housing segment. Other than intentionally vacant units for renovation, all of the other units were occupied on the date of the rental survey.

The Public Housing units, primarily in Friendship Village, reported a waiting list with more than 50 names, and the list included households looking for all available bedroom sizes. Fairmont Place reported only a short waiting list.

## **Subsidized Housing Gains/Losses**

Federal subsidy sources for low income rental housing have been very limited for the past few decades. Most subsidized projects were constructed in the 1960, 1970s and 1980s. Some of these older projects may have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing.

Over time, Fairmont has seen a number of different projects end their subsidy arrangement and convert to market rate housing. Research has identified the following projects that no longer are subsidized:

- ▶ Southview I and II - 48 units (formerly USDA Rural Development)
- ▶ Eastside Estates - 12 units (formerly HUD)
- ▶ Fairmont Square - 29 units converted to market rate (formerly HUD) with 35 units still under federal tax credit compliance

## **Housing Choice Vouchers**

In addition to rental properties with project-based subsidies, Fairmont renter households have access to the tenant-based Housing Choice Voucher Program. The South Central Minnesota Multi-County Housing and Redevelopment Authority administers the Voucher Program in Martin County.

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

In December 2019, there were 116 Martin County households with Vouchers, with 85 of these living in Fairmont. Since Voucher assistance is portable, and moves with the tenant household, this number could change over time.

The HRA operates the Voucher Program in a five-county service area, and the Program waiting list is not specific to Martin County. According to HRA staff, the waiting time can be up to six months.

**Table 21 Fairmont Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
<p>City Center Townhomes 100-112 S Prairie</p>	<p><u>7 - 3 Bedroom</u> 7 total units</p>	<p>\$975 +utilities</p>	<p>No vacant units</p>	<p>Mostly younger renters</p>	<p>Two-level town house-style units constructed in 2017. Located near Presentation College campus and the downtown area and originally oriented to student renters, but occupancy in 2019 is younger work force. Amenities include stove, refrigerator, dishwasher, microwave and in-unit laundry. Units have 1300 sq ft and 1.5 bathrooms. Tenants pay all utilities in addition to rent. Manager reported full occupancy with a mix of families with children, couples and roommates.</p>
<p>City Side Estates Apartments 600 Burton Ln</p>	<p><u>2 - 1 Bedroom</u> <u>34 - 2 Bedroom</u> 36 total units</p>	<p>\$525 \$650 +electric</p>	<p>3 vacant units 3 - 2 Bdrm</p>	<p>Mostly working age tenants</p>	<p>Three-level walkup apartment building constructed in 1979, with major renovation in 2008. Rent includes heat, water, sewer and garbage, with tenant paying electricity. Amenities include stove, refrigerator, wall AC and balcony. One-bedrooms have 700 sq ft, 2-bedrooms have 850 sq ft; all units have 1 bathroom. Manager reported three vacant units due to recent turnover and lease expirations. Most tenants are working age couples.</p>
<p>40 Downtown Plaza</p>	<p><u>10 - 1 Bedroom</u> 10 total units</p>	<p>\$450-\$525 +heat, electric</p>	<p>No vacant units</p>	<p>Mostly singles</p>	<p>Units in a mixed use downtown building. Tenant pays heat and electric in addition to rent. Full occupancy reported. Most tenants are working age singles.</p>
<p>East Side Estates 601-623 Burton Lane</p>	<p><u>12 - 3 Bedroom</u> 12 total units</p>	<p>\$825-\$850 +utilities</p>	<p>No vacant units</p>	<p>Mix of tenants</p>	<p>Formerly a HUD subsidized town house project that converted to market rate in 2002. Units are 2-level with garage. Tenants pay all utilities. Amenities include stove, refrigerator, dishwasher, microwave, in-unit laundry hookup, patio and back yard. Units have 1200 sq ft and 1.5 bathrooms. Rents are \$825 for a one-year lease and \$850 for a six-month lease. Owner reported full occupancy and good demand. A mix of tenants reported including working singles and couples.</p>

**Table 21 Fairmont Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Fairmont Square Apartments 1205 Victoria St	11 - 1 Bedroom 14 - 2 Bedroom <u>4 - 3 Bedroom</u> 29 market rate +35 tax credit total units	\$529 \$695 \$795	10 vacant units but primarily in tax credit	Primarily younger tenants	Originally constructed as a HUD 236 subsidized project in 1976 but HUD contract expired in 2017 and 29 units are now market rate housing. Tax credit renovation award in 2007 resulted in 35 additional units that are regulated by tax credit income and rent limits. Three-level apartment building without elevator. Rent includes all utilities. Unit amenities include stove, refrigerator and disposal. Project amenities include community room, controlled access and playground. HUD contract termination resulted in rent increase that has caused above-average turnover, and 10 units were vacant at time of survey - most of these are tax credit. Current rent structure is below the Payment Standards for Voucher use. Market rate and tax credit rents are the same. Most tenants are younger households.
418 S Grant	<u>10 - 1 Bedroom</u> 10 total units	\$450 +electric	No vacant units	Mostly single renters	Apartments constructed in 1954. Fire damage resulted in conversion of some 2-bedrooms into 1-bedroom units and a studio unit will also be added. Rent includes heat but tenant pays electric. Owner reported full occupancy and good demand - most tenants are singles.
HRA Rentals Burton Lane	<u>8 - 2 Bedroom</u> 8 total units	\$760 +utilities	No vacant units, waiting list	Primarily seniors	Town house-style rental units developed by the Fairmont HRA in 2000. Tenants pay all utilities in addition to rent. Amenities include stove, refrigerator, dishwasher, in-unit laundry hookup, 1-level living and 1-car garage. Units have 1 bathroom. Manager reported full occupancy and a waiting list - most current tenants are seniors. Rent will increase to \$791 in 2020.

**Table 21 Fairmont Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
HRA Rentals Potter Circle	<u>16 - 2 Bedroom</u> 16 total units	\$791 +utilities	No vacant units, waiting list	Primarily seniors	Town house-style rental units developed by the Fairmont HRA in 2003. Tenants pay all utilities in addition to rent. Amenities include stove, refrigerator, dishwasher, in-unit laundry hookup, 1-level living and 1-car garage. Units have 1.5 bathrooms. Manager reported full occupancy and a waiting list - most current tenants are seniors. Rent will increase to \$822 in 2020.
Lake Shore Apartments 223 Lake Ave	1 - Efficiency 4 - 1 Bedroom <u>5 - 2 Bedroom</u> 10 total units	N/A	N/A	N/A	Unable to contact for 2019 survey - information presented is from prior surveys. Approximately 50-year old rental project. Rent includes water and electricity.
Lamperd Apartments	8 - 1 Bedroom 3 - 2 Bedroom <u>1 - 3 Bedroom</u> 12 total units	N/A	N/A	N/A	Unable to contact for 2019 survey - information presented is from prior surveys. Units include an eight-unit building and duplexes. Tenants pay some utilities.
Laynka Properties 212 Downtown Plaza	<u>4 - 1 bedroom</u> 4 total units	N/A	Intentionally vacant	N/A	Four units in a mixed-use building - these were damaged by former tenants and are now intentionally vacant with no plan to return them to active rental use. Tenants pay heat and electric.
Southview I 1511 Falcon Dr	14 - 1 Bedroom <u>10 - 2 Bedroom</u> 24 total units	\$515 \$575 +electric	No vacant units	Mix of tenants	Market rate project originally constructed as a Rural Development subsidized project in 1980. Project was converted to market rate housing in 2011. Rent includes heat, water, sewer and garbage with tenant paying electric. Unit amenities include stove, refrigerator and wall AC. One-bedrooms have 624 sq ft and 2-bedrooms have 748 sq ft; all units have 1 bathroom. Manager reported full occupancy with many long-term tenants. One-bedroom rents will increase by \$10 and 2-bedrooms by \$20 in 2020.

**Table 21 Fairmont Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Southview II 1551 Falcon Dr	16 - 1 Bedroom <u>8 - 2 Bedroom</u> 24 total units	\$515 \$575 +electric	No vacant units	Mix of tenants	Market rate project originally constructed as a Rural Development subsidized project in 1980. Project was converted to market rate housing in 2011. Rent includes heat, water, sewer and garbage with tenant paying electric. Unit amenities include stove, refrigerator and wall AC. One-bedrooms have 624 sq ft and 2-bedrooms have 748 sq ft; all units have 1 bathroom. Manager reported full occupancy with many long-term tenants. One-bedroom rents will increase by \$10 and 2-bedrooms by \$20 in 2020.
State Street Apartments 418 N State St	2 - 1 Bedroom <u>5 - 2 Bedroom</u> 7 total units	\$450 \$550-\$650 +utilities	1 vacant unit	Mostly working-age tenants	Rentals in mixed-use building with commercial on ground floor and apartments above. Building constructed in the 1950s. Tenants pay all utilities, estimated at \$100-\$125/month. Owner reported 1 vacant unit due to turnover but good demand exists.
Summit Vue Apartments 646-656 Summit Vue	6 - 1 Bedroom <u>30 - 2 Bedroom</u> 36 total units	\$515 \$575 +electric	No vacant units	Primarily younger working-age	Three buildings with 12 units per building constructed in 1974. Three-level building without elevator. Rent includes heat, water, sewer and garbage with tenant paying electric. Unit amenities include stove, refrigerator, wall AC and 18 detached garages available for additional \$40. One-bedrooms have 510 sq ft and 2-bedrooms have 675 sq ft; all units have 1 bathroom. Manager reported no vacancies, with most tenants younger working-age. One-bedroom rents will increase by \$10 and 2-bedrooms by \$20 in 2020.

<b>Table 21 Fairmont Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Tax Credit/Moderate Rent</b>					
Fairmont Square Apartments 1205 Victoria St	8 - 1 Bedroom 25 - 2 Bedroom <u>2 - 3 Bedroom</u> 35 tax credit +29 market rate	\$529 \$695 \$795	10 vacant units primarily in tax credit	Households at 60% or less of median income	Originally constructed as a HUD 236 subsidized project in 1976 but HUD contract expired in 2017 and 29 units are now market rate housing. Tax credit renovation award in 2007 resulted in 35 additional units that are regulated by tax credit income and rent limits. Three-level apartment building without elevator. Rent includes all utilities. Unit amenities include stove, refrigerator and disposal. Project amenities include community room, controlled access and playground. HUD contract termination resulted in rent increase that has caused above-average turnover, and 10 units were vacant at time of survey - most of these are tax credit. Current rent structure is below the Payment Standards for Voucher use. Market rate and tax credit rents are the same. Most tenants are younger households.

<b>Table 21 Fairmont Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Subsidized - General Occupancy</b>					
Countryside Townhomes 1317 Johnson	16 - 1 Bedroom 40 - 2 Bedroom <u>15 - 3 Bedroom</u> 71 total units	\$514 \$629 \$678 30% of income	10 vacant units, 10 - 2 Bdrm waiting list	General occupancy	MHFA/Section 8 New Construction built in 1979. Two and 3-bedrooms are town house-style units with private entrance, basement and back patio. One-bedroom units are in one-level 4-plexes. Garages available for extra \$35. Tenants pay 30% of income, but not more than maximum rents listed. One-bedrooms have 627 sq ft and 1 bathroom, 2-bedrooms have 938 sq ft and 1 bathroom, and 3-bedrooms have 1150 sq ft and 1.5 bathrooms. Manager reported 10 vacant units due to high level of recent turnover. Waiting list exists but is primarily for one and 3-bedrooms. Tenant screening results in many rejections.
Heritage Estates Apartments 101-103 Scotts Court	3 - 1 Bedroom <u>21 - 2 Bedroom</u> 24 total units	\$405-\$428 \$485-\$525 30% of income	No vacant units, short waiting list	General occupancy	Rural Development subsidized project built in 1977. Thirteen tenants receive rent assistance and pay 30% of income; remainder pay 30% of income but not less than basic or more than market rents listed. Some additional tenants have Section 8 Vouchers. Manager reported full occupancy at time of survey and a short waiting list exists - often waiting for 1-bedroom units.
Pheasant Run Apartments 900 Hengen St	8 - 1 Bedroom 12 - 2 Bedroom <u>4 - 3 Bedroom</u> 24 total units	\$460-\$647 \$495-\$672 \$525-\$725 30% of income	2 vacant units 1 - 2 Bdrm 1 - 3 Bdrm waiting list	General occupancy	Rural Development subsidized project built in 1985. Two 2-level walkup buildings. Thirteen tenants receive rent assistance and pay 30% of income; remainder pay 30% of income but not less than basic or more than market rents listed. Amenities in include stove, refrigerator and AC. Manager reported two vacant units due to recent turnover, but project is normally at or near full occupancy. Waiting list exists but primarily for one-bedroom units.



**Table 21 Fairmont Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Subsidized - Senior/Disabled/Veterans</b>					
Fairmont Place Apartments 1001 Pheasant Ave	32 - 1 Bedroom <u>2 - 2 Bedroom</u> 34 total units	\$472-\$585 \$523-625 30% of income	No vacant units, short waiting list	Senior/ disabled occupancy	Rural Development/tax credit project designated for senior/disabled occupancy and built in 1989. Tax credit compliance has been met. Three-level building with elevator. Twenty-five tenants receive rent assistance and pay 30% of income; remainder pay 30% of income but not less than basic or more than market rents listed. Some additional tenants have Section 8 Vouchers. Amenities include stove, refrigerator and wall AC sleeve. One-bedrooms have 624 sq ft and 2-bedrooms have 767 sq ft; all units have 1 bathroom. Manager reported full occupancy at time of survey and a short waiting list exists.
Friendship Village	67 - Efficiency 43 - 1 Bedroom <u>5 - 2 Bedroom</u> 115 total units	\$367 \$423 \$560 30% of income	4 units intentionally vacant, waiting list	General occupancy with preference for senior, disabled, veterans	HUD Public Housing constructed in the early 1970s Tenants pay rent based on 30% of income up to maximum rents listed. Designated for general occupancy but preference given to seniors, disabled and/or veterans. At time of survey there were 4 units held intentionally vacant for project modernization but waiting list exists with 16 names for efficiency, 24 names for 1-bedroom and 14 names for 2-bedroom units. Approx. 95% of tenants meet one of the preferences.
Public Housing Duplexes	6 - 1 Bedroom <u>4 - 2 Bedroom</u> 10 total units	\$423 \$560 30% of income	No vacant units, waiting list	General occupancy with preference for senior, disabled, veterans	HUD Public Housing duplexes constructed in phases between 2009 and 2017 to replace 10 units that were lost due to a fire. Tenants pay rent based on 30% of income up to maximum rents listed. Designated for general occupancy but preference given to seniors, disabled and/or veterans. Amenities include stove, refrigerator, central AC and in-unit laundry. Manager reported full occupancy and shared Public Housing waiting list with more than 50 names. Approx. 95% of tenants meet one of the preferences.

<b>Table 21 Fairmont Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Tenant-Based Rent Assistance</b>					
HUD Housing Choice Vouchers	85 households in Fairmont	30% of income	N/A	N/A	<p>Also known as the Section 8 Existing Program, HUD Housing Choice Vouchers provide tenant-based rent assistance that can be used in any suitable rental unit. Tenant rent contribution is based on 30% of income, with the assistance program paying additional subsidy.</p> <p>In Dec. 2019, 85 households in Fairmont were participating in the 5-County program. An additional 35 Vouchers in use in the remainder of Martin County. Waiting list exists with approx. 6-month wait time but list covers entire 5-County service area.</p>

Source: Community Partners Research, Inc.

## **Senior Housing with Services Summary**

Senior housing with services is a broad classification that encompasses a wide range of options, from largely independent housing to advanced assisted living and memory care. The following definitions of units by type have been made by Community Partners Research based on our understanding of the services being offered at each facility. These definitions may not always match with the technicalities of licensing through the State of Minnesota.

### **Units by Type**

The Minnesota Department of Health identifies a number of licensed providers of senior housing with services in Martin County. This list was used to contact housing providers. The projects have been summarized below by specific segments.

## **Light Services/Congregate Senior Housing**

There is one senior housing project in Fairmont that addresses the lighter services segment of the senior market. Maplewood Residence is part of the Lakeview Methodist Care Center complex and serves more independent seniors.

Maplewood Residence is classified as a “housing with services” provider on the MN Department of Health website. All of the other facilities in Martin County with this classification are also listed as “assisted living services” providers.

Maplewood has 39 total apartments in use in 2019. Three additional apartments have other uses, including some offered as guest suites. Monthly rent includes an emergency call service, but meals and services are optional, including laundry and light housekeeping. With meals and services purchased separately, most of the entry-level rents in this project range from approximately \$1,000 to \$1,425, depending on unit size.

Despite being the only provider within this housing segment, Maplewood Residence reported seven vacant units in early December 2019. While some of these openings may have been recent, it did not appear that sufficient demand was present. A short waiting list existed, but this was generally for households looking for a specific apartment type, such as a two-bedroom unit.

In 2019 there are also only 39 apartments in use, compared to 42 in previous studies, as more units have been converted to other uses, again indicating limited demand for this type of housing.

## **Assisted Living**

There are three providers of assisted living in Fairmont. There are also two options elsewhere in Martin County.

- ▶ Ingleside
- ▶ Vista Prairie at Goldfinch Estates
- ▶ Woodland Manor
- ▶ Temperance Lake Ridge - Sherburn
- ▶ Truman Manor Apartments - Truman

The three projects in Fairmont have a combined total of 157 apartment-style units that can provide assisted living services. In Ingleside, the basic monthly fee only includes limited services, but additional services are then purchased “a la carte”, and this project is more similar to the assisted living segment.

There are 28 assisted living units in Temperance Lake Ridge in Sherburn, and at least 16 units in Truman Manor in Truman. When combined with Fairmont, there are 201 units available within this market segment.

## **Occupancy/Vacancy**

In general, occupancy rates tend to be high in assisted living. There was an undisclosed number of open rooms in Goldfinch Estates, but this is the largest single project with ongoing turnover in the population served. Only limited information could be obtained from Truman Manor, but this project does have unused capacity, with 10 unoccupied rooms. What is unclear, however, is whether or not these rooms are intentionally vacant, as the contact person indicated that some improvements were needed.

## **Rental Rates**

Rental rates can vary widely within this housing segment, depending on the services that are included in the basic monthly fee. The lowest identified entry point for assisted living was more than \$2,600, with services then purchased as needed.

All of the assisted living providers will accept County assistance programs, such as Elderly Waiver. However, the number of recipients is often capped, due to the reimbursement rate that is provided.

## **Memory Care Housing**

There are two facilities in Fairmont and one in Sherburn that specifically serve residents with memory care housing needs. As with other types of specialized housing, there can be some degree of overlap in the target markets. For example, people with memory loss may also be able to living in skilled nursing homes or traditional assisted living. But for some people, a specialized secure facility may be required.

The projects identified on the State website as “Dementia unit/Dementia program” are:

- ▶ Ingleside
- ▶ Vista Prairie and Goldfinch Estates
- ▶ Temperance Lake Ridge - Sherburn

The two projects in Fairmont have a combined capacity of 61 beds/rooms. Twenty of these were added in 2016 when the Ingleside facility constructed a new memory care wing. However, at the time of the 2013 Study there had also been a specialized memory care wing in the Lakeview Methodist Care Center, which has since closed. As a result, the addition at Ingleside represents a net gain of only six beds in Fairmont, when compared to the inventory in 2013.

The Temperance Lake Ridge project in Sherburn currently has 14 memory care rooms, with an additional 14 rooms under construction that will become available in 2020.

By 2020, there will be 89 beds/rooms available to serve memory care needs in Fairmont or within close proximity.

### **Occupancy/Vacancy**

High rates of occupancy were reported, and waiting lists are common, although people in need of this very specialized form of housing are often unable to wait for a unit to become available.

### **Rates**

No attempt was made to collect specific monthly rate information from memory care providers. This is a very service-intensive form of housing with rates that are at the upper end of the care range.

Providers were asked about the use of County assistance programs for lower income seniors. Both Ingleside and Temperance Lake Ridge will admit residents with County assistance, but in both facilities this use is capped at approximately 25% of the residents. Goldfinch did not identify a cap on use, but did indicate that County assistance is evaluated.

## **Skilled Nursing Homes**

In 2019, there is only one skilled nursing home that is operating in Fairmont. Lakeview Methodist Care Center is licensed for 82 beds. However, in 2020, Lakeview Methodist will begin construction of a replacement facility. The capacity of the new project will be lowered to 74 beds, all in private occupancy rooms.

At the time of the 2013 Housing Study for Fairmont, there were 85 licensed beds in Lakeview Methodist. In 2003, there were 123 licensed beds. The reduction in capacity over time is generally consistent with trends in the industry. As de-licensing has occurred, more rooms are available for private occupancy compared to shared occupancy in the past. It has also become more common to see beds dedicated to specific uses, such as transitional care intended for shorter-term rehab/recovery stays.

Another skilled nursing home that was licensed in 2013, the Lutz Wing with 40 licensed beds, is no longer licensed in 2019. No further information was obtained on the status of this building or when it ceased operations.

There are two skilled nursing homes elsewhere in Martin County. Seasons Healthcare in Trimont is licensed for 33 beds in 2019. Truman Senior Living is licensed for 40 beds. In both of these facilities there is no designated set-aside for beds, with all 73 available for longer-term occupancy.

When the new Lakeview Methodist building is completed, there will be 147 skilled nursing home beds available in Martin County. Presumably, some of these beds will at times be occupied by people needing only short-term transitional care stays, although the beds are also available for long-term care.



## **Senior Demographics and Market Share**

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

### **Senior Population**

At the time of the 2010 Census there were 4,317 senior citizens (age 65+) living in the County, including 2,402 people age 75 or older.

The population of senior citizens has continued to grow, but this has been due to seniors age 74 and younger. The 2019 estimates from Esri show 5,034 total seniors living in the County, including 2,428 age 75 and older. When compared to the 2010 Census, Martin County has added more than 700 people age 65 and older so far in the current decade, but fewer than 30 people have been added in the age ranges 75 and older.

Esri's age-based population projections to the year 2024 expect further growth, including seniors in the older age ranges. Between 2019 and 2024, the County is expected to add nearly 320 people in the 65 to 74 year old age range, and approximately 235 people age 75 and older.

### **Senior Households**

For senior-headed households, there were 2,825 households in Martin County age 65 or older at the time of the 2010 Census. Of these, 1,660 had a householder age 75 or older.

By 2019, Esri believes that there were nearly 3,140 total households age 65 and older, a net increase of nearly 315 senior households. However, all of this growth occurred within the younger senior ranges, with an estimated decrease of 65 households age 75 and older so far in the current decade. Esri's estimate for 2019 showed 1,595 households age 75 and older living in the County.

Projecting forward to 2024, Esri is forecasting net growth of approximately 170 households in the younger senior ranges, and approximately 145 households age 75 and older.

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

### **Skilled Nursing Homes**

Utilization of nursing home beds can vary by short-term versus longer-term stays. As a result, some assumptions need to be applied to this segment of the market. After the new Lakeview Methodist facility opens in 2020, the County will have 147 total beds available. With some open beds and some used for transitional care stays, this Study has proceeded with an estimate that approximately 120 skilled nursing beds are generally occupied by longer-term residents.

When compared to the older senior population in Martin County in 2019, the available supply of longer-term nursing home beds would need a capture rate of approximately 4.9% of the total population of older seniors (age 75+) to fill 120 beds. To fill all 147 beds would require a capture rate above 6%. It also needs to be acknowledged that some seniors may come from outside the County.

While calculations have been performed on the market share for nursing homes, there has been a long-standing moratorium on adding beds, and any new nursing home facilities are typically limited to replacing existing beds, rather than adding to the total inventory. As a result, no additional capture by nursing homes would be expected in the future.

It is also important to note that the supply of licensed nursing home beds has continued to decrease in recent years even though the population of seniors has continued to grow. The required capture rate in 2019 is lower than it would have been in the past. However, some unused capacity typically exists, as many older seniors look for options other than a traditional nursing home for long-term care.

## **Memory Care Housing**

Fairmont and Sherburn will have the potential capacity for approximately 89 people in specialized memory care. This segment of the market has been expanding with 14 beds under construction in Sherburn and 20 beds added in Ingleside in 2016.

After adjusting for long-term residents of nursing homes, the supply of memory care beds represents approximately 3.7% of the County's older senior population.

As reported to the rental survey, utilization rates in the existing supply of memory care beds/units tend to be high. There may be some unused capacity due to turnover, but strong demand does exist. The recent expansions of beds by providers has probably been due to unmet demand for this type of housing. It should be noted that the 14 beds scheduled to come online in 2020 will help to address current unmet need.

Looking forward to the year 2024, Esri's projected growth within the older senior age groups would lower the required capture rate to approximately 3.5%.

## **Assisted Living**

When examining market demand for assisted living, the supply of units has been compared to the number of older senior households. People living in some other intensive form of senior housing, such as nursing homes or memory care, would probably be classified as "group quarters" residents and not counted as an independent household, so no adjustments are needed.

In Martin County there are approximately 1,595 older senior households, age 75 and above, that are estimated to be present in 2019. This group has not been growing since 2010, based on aging patterns for the area, but should grow by the year 2024.

This Study has used an estimate that approximately 201 assisted living units are available Countywide, including 16 in Truman Manor and 28 in Sherburn. There was some unused capacity within this segment, but this housing often serves frail seniors and turnover rates can be high. The reported occupancy varied by provider.

The County's assisted living inventory would require a capture rate of approximately 12.6% of all older senior citizen households living in Martin County. By comparative standards, this percentage is relatively high.

Looking forward to the year 2024, there will be continued growth within the primary target group of seniors age 75 and older. Using Esri's age-based growth projections, and assuming the unit supply remains stable, the capture rate would decrease to approximately 11.6%. While lower than in 2019, this projected capture rate would still be relatively high when compared to other communities.

### **Housing with Light Services**

Housing with light services addresses the needs of more independent senior households. These units may be occupied by people needing limited services, such as a daily meal, an emergency call system, or weekly laundry and cleaning services. Only one provider was identified within this housing segment, Maplewood Residence with 39 apartment-style units in Fairmont.

Light services units are typically compared to the distribution of all older senior households, rather than population. Housing with light services can serve a more active and independent senior, and it is more common to see couples reside in this housing, in addition to single person households. After adjusting for senior households that already live in more service-intensive assisted living, we would estimate the target market at approximately 1,400 total households in Martin County in 2019.

The estimated supply of light services units in 2019 would require a market capture rate of approximately 2.8% of the County's target market of older senior households. When compared to other communities, this capture rate is relatively low.

Despite the small supply within this housing segment, there was evidence of limited demand at the only project addressing light services housing. This may be a reflection of the large supply of assisted living that exists, as some households may be electing to live in an assisted living facility while accessing the basic service package instead of opting for a more independent living project.

Based on the projected growth among older senior households over the next five years, the capture rate would be even lower, at only 2.4%, if the unit supply remains unchanged.

<b>Table 22 Martin County Senior Housing with Services</b>					
<b>Name</b>	<b>Bedroom Mix</b>	<b>Rent</b>	<b>Occupancy/ Vacancy Status</b>	<b>Housing Type</b>	<b>Comments</b>
<b>Housing with Services</b>					
Maplewood Residence 620 Summit Dr	29 - 1 Bedroom <u>10 - 2 Bedroom</u> 39 total units	\$997-\$1138 \$1471-\$1926 +optional light services	7 vacant units 7 - 1 Bdrm	Housing with Services	Senior congregate/light services housing built in 1986 and part of a senior complex that also includes a nursing home and assisted living. Rent includes emergency call service but meals and additional services including laundry and light housekeeping can be purchased as needed. Rent includes all utilities except electric. One-bedrooms have 588 to 672 sq ft and 2-bedrooms have 900 to 1005 sq ft; all units have 1 bathroom. One very large 2-bedroom exists at highest end of rent range. Manager reported 7 vacant units on date of the survey although some were recent turnovers. Waiting list exists especially for 2-bedroom apartments.
<b>Assisted Living</b>					
Ingleside Assisted Living 2811 Roland Ave	39 - 1 Bedroom <u>2 - 2 Bedroom</u> 41 total units	\$2789 \$3216 +a la carte services	5 vacant units	Housing with Services/ Assisted Living	Senior housing with services facility that opened in 1995. Memory care wing added in 2016. Assisted living includes noon and evening meals, utilities, 30 minutes of personal care, emergency call system, light housekeeping and access to 24-hour staffing, with additional services purchased a la carte. One-bedrooms have approx. 535 sq ft and 2-bedrooms have approx. 840 sq ft with a full kitchen. Manager reported 5 vacant units on date of survey. County assistance accepted and use is not capped.

**Table 22 Martin County Senior Housing with Services**

Name	Bedroom Mix	Rent	Occupancy/ Vacancy Status	Housing Type	Comments
<b>Assisted Living</b>					
Vista Prairie at Goldfinch Estates Assisted Living 850 Goldfinch St	1 Bedroom <u>2 Bedroom</u> 92 total units	Varies based on services	Some open units, waiting list	Assisted Living	Assisted living in apartment-style project constructed in 2001 and 2006 that is part of a senior complex that also includes memory care housing. Assisted living services provided through packages offering levels of care. One-bedrooms have 510 to 780 sq ft, and 2-bedrooms have 836 to 980 sq ft; all units have 1 bathroom and kitchens. Project reported that some units are typically open due in part to turnover. County assistance is accepted
Woodland Manor 610 Summit Dr	Efficiency 1 Bedroom <u>2 Bedroom</u> 24 total units	\$2635 \$3078-\$3219 \$3506 +additional services a la carte	1 vacant unit, waiting list	Assisted Living	Assisted living constructed in 2001 that is part of a senior complex that also includes a nursing home and independent living. Facility provides assisted living through basic service package with additional optional care purchased a la carte. Manager reported 1 vacant unit due to recent turnover but waiting list exists. County assistance is accepted but generally limited to 10 lower-priced units.
Temperance Lake Ridge Assisted Living <b>Sherburn</b>	1 Bedroom <u>2 Bedroom</u> 28 total units	N/A	No vacant units, waiting list	Assisted Living	City-owned senior housing with services project that was originally providing a range of care but demand for assisted living and memory care has resulted in no independent living options. Project has expanded twice (1 in process) to add memory care. 28 apartments offering assisted living in 2019 with full occupancy and a waiting list. County assistance is accepted but capped at 11 units in facility.
Truman Manor Apartments <b>Truman</b>	26 total units	N/A	10 unoccupied rooms	Assisted living	Only limited information could be obtained on this facility. Project website identifies both independent and assisted living options, but most residents are believed to access a higher level of services. Ten units on upper level are unoccupied, but they may need improvements to be marketable.

<b>Table 22 Martin County Senior Housing with Services</b>					
<b>Name</b>	<b>Bedroom Mix</b>	<b>Rent</b>	<b>Occupancy/ Vacancy Status</b>	<b>Housing Type</b>	<b>Comments</b>
<b>Memory Care</b>					
Ingleside Memory Care 2811 Roland Ave	<u>20 suites</u> 20 total units	N/A	1 vacant unit, short waiting list	Memory Care	Memory care facility that was added to Ingleside Assisted living in 2016. Locked facility that can provide an enhanced level of care. Suite are sleeping rooms with private bathroom and approx. 389 sq ft. Manager reported 1 vacant unit due to turnover, waiting list can exist at times. County assistance is accepted but capped at 5 units.
Vista Prairie at Goldfinch Estates Memory Care Suites 850 Goldfinch St	29 Private <u>6 Shared</u> 41 total beds	Varies based on services	Full occupancy, waiting list	Memory Care	Memory care facility constructed in 2001 and 2006 that is part of a senior complex that also includes assisted living. Provides full range of services and staff supervision. Units are private of shared sleeping rooms with private bathroom. Full occupancy reported and waiting list. County assistance is accepted.
Temperance Lake Ridge Enhanced Living <b>Sherburn</b>	14 suites with 14 more under construction	N/A	No vacant units in 14 available for occupancy, waiting list	Memory Care	City-owned senior housing with services project that was originally providing a range of care but demand for assisted living and memory care has resulted in no independent living options. Project has expanded twice (1 in process) to add memory care. Sleeping rooms with private bathroom. Full occupancy and a waiting list. County assistance is accepted but capped at 11 units in facility.

<b>Table 22 Martin County Senior Housing with Services</b>					
<b>Name</b>	<b>Bedroom Mix</b>	<b>Rent</b>	<b>Occupancy/ Vacancy Status</b>	<b>Housing Type</b>	<b>Comments</b>
<b>Nursing Home</b>					
Lakeview Methodist Care Center	Licensed for 82 nursing home beds	N/A	Some bed availability	Skilled nursing home	Nursing home that is attached to Woodland Manor and Maplewood Residence. In 2020 a new facility will be constructed with 74 private rooms. In 2013 there was a 14-bed dementia wing, but that has been closed and all beds are available for short-term or long-term use. A high rate of annual turnover results in some beds being open at any point in time.
Seasons Healthcare <b>Trimont</b>	33 licenced beds	N/A	N/A	Skilled nursing home	Skilled nursing home licensed for 33 beds. No specific set-asides for occupancy and all beds are available to long-term residents.
Truman Senior Living <b>Truman</b>	40 licensed beds	N/A	35 occupied beds	Skilled nursing home	Skilled nursing home licensed for 40 beds in 2019. No specific set-asides for bed use and most residents are long-term care. 35 beds occupied on date of survey.

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.

The 10 largest employers in Fairmont are:

- ▶ Fairmont Mayo Health Systems
- ▶ Weigh-Tronix Scale Manufacturing
- ▶ Fairmont Foods of Minnesota
- ▶ Fairmont Schools ISD#2752
- ▶ Hy-Vee
- ▶ Torgerson Properties
- ▶ Wal-Mart
- ▶ REM Heartland
- ▶ Lakeview Health Care Facility
- ▶ Martin County

Source: Fairmont Comprehensive Annual Financial Report 2017

In addition to the employment opportunities in Fairmont, there are also some opportunities in nearby communities. In the City of Jackson, a strong employer based has developed in recent decades, including AGCO a large manufacturing facility with more than 1,000 workers.

## Work Force and Unemployment Rates

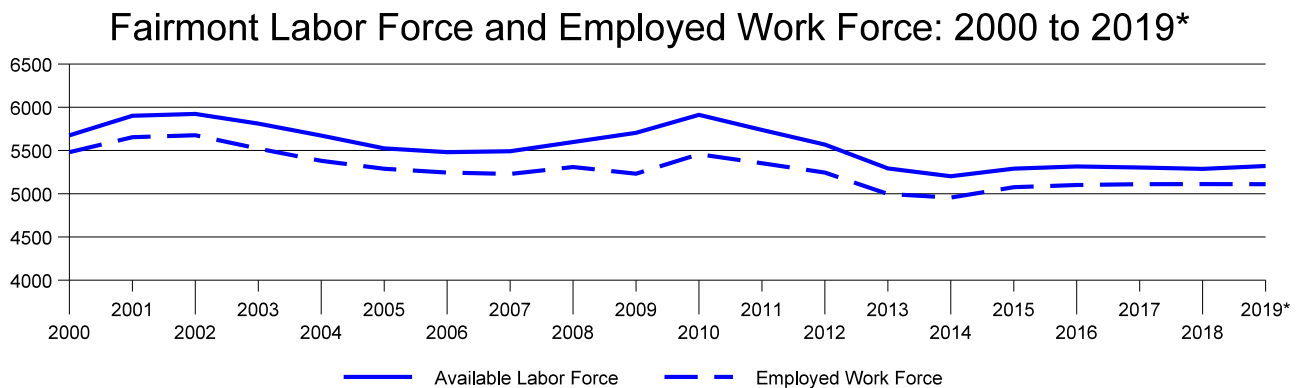
Employment information is available for the City of Fairmont. Data in the following tables have been obtained from the Minnesota Department of Employment and Economic Development.

<b>Table 23 Fairmont Labor Statistics 2010 to 2019*</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - City	Unemployment Rate - MN	Unemployment Rate - US
2010	5,912	5,457	455	7.7%	7.4%	9.6%
2011	5,738	5,352	386	6.7%	6.5%	8.9%
2012	5,569	5,245	324	5.8%	5.6%	8.1%
2013	5,293	4,997	296	5.6%	5.0%	7.4%
2014	5,202	4,955	247	4.7%	4.2%	6.2%
2015	5,290	5,076	214	4.0%	3.7%	5.3%
2016	5,315	5,101	214	4.0%	3.9%	4.9%
2017	5,303	5,110	194	3.7%	3.4%	4.4%
2018	5,287	5,112	175	3.3%	2.9%	3.9%
2019*	5,321	5,110	211	4.0%	3.4%	3.8%

Source: MN Department of Employment and Economic Development

Not Seasonally Adjusted

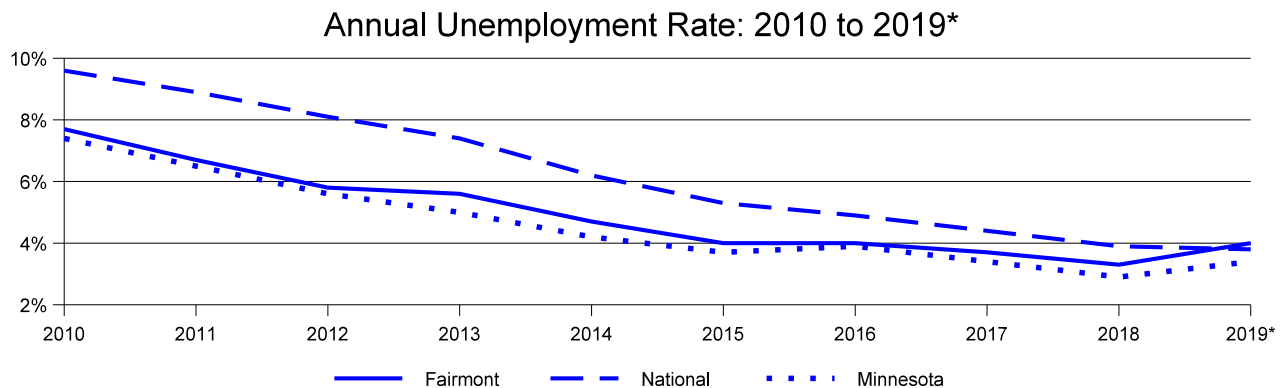
\* 2019 is through September



There have been some year-to-year changes in the City’s resident labor force. Between 2010 and 2018 (the last full year of data), the labor force decreased by 625 people, or -10.6%. However, this reduction had already occurred by 2014, and since that time there has been some upward movement in the number of City residents within the labor force.

The employed work force has generally followed a somewhat similar pattern, although there were actually fewer residents employed in 2018 than in 2010. The employed work force also reached a low point in 2014, and has generally been increasing since that time.

Since the resident labor force has shown larger reductions than the employed work force, the City’s unemployment rate has generally been dropping through the decade. The City’s unemployment rate in 2018, at 3.3% was less than half the rate of 7.7% in 2010. Since 2010, the City’s unemployment rate has remained below the national unemployment rate. Partial-year information for 2019 indicates that the City’s unemployment rate may be rising, but this may change once a full year of activity is recorded.



## Employment and Wages by Industry

The following table shows the average weekly wages by major employment sector in Fairmont for 2018, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in the City.

<b>Table 24 Fairmont Average Annual Wages by Industry Detail: 2018</b>		
Industry	Employment	Average Annual Wage
Total All Industry	6,366	\$43,160
Natural Resources and Mining	33	\$42,900
Construction	173	\$51,480
Manufacturing	683	\$50,128
Trade, Transportation, Utilities	1,579	\$52,416
Information	71	\$32,188
Financial Activities	342	\$53,716
Professional and Business Services	280	\$40,924
Education and Health Services	1,773	\$44,304
Leisure and Hospitality	796	\$13,156
Other Services	147	\$27,716
Public Administration	487	\$46,228

Source: Minnesota Department of Employment and Economic Development

The average annual wage for all industry in 2018 was \$43,160, assuming that workers were employed for 52 weeks. The highest paying wage sectors were Financial Activities, Trade/Transportation/Utilities, Construction and Manufacturing. Each of these sectors had an annual average wage above \$50,000 in 2018. Trade/Transportation/Utilities was also the second largest sector for number of jobs.

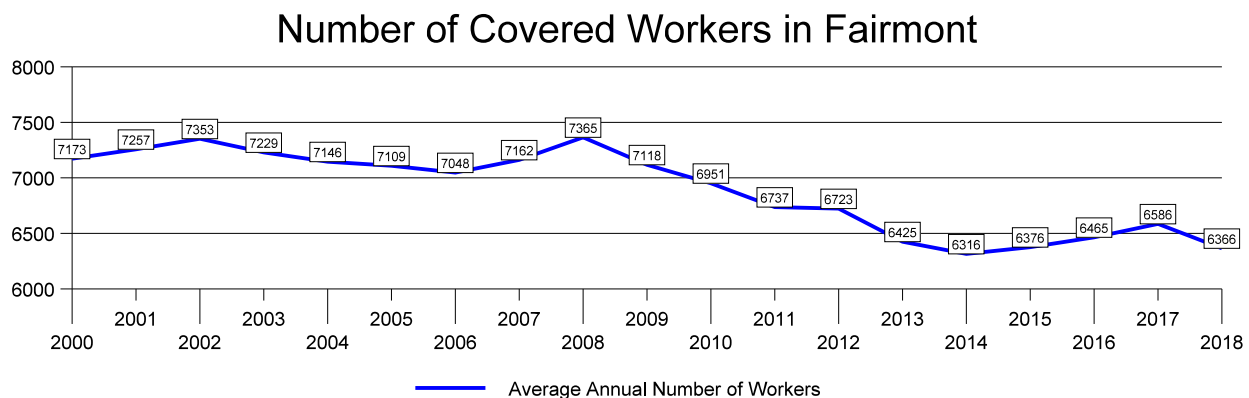
The lowest paying wage sector was Leisure and Hospitality, with an average annual wage below \$13,200. Other Services was the only other industry sector with an annual wage below \$30,000.

## Fairmont Annual Covered Employment

Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker, it is possible to examine longer-term patterns in the employment level. The following table displays the total number of workers reported in Fairmont to the year 2000.

<b>Table 25 Fairmont Average Annual Employment</b>			
Year	Total Covered Employment	Year	Total Covered Employment
-	-	2009	7,118
2000	7,173	2010	6,951
2001	7,257	2011	6,737
2002	7,353	2012	6,723
2003	7,229	2013	6,425
2004	7,146	2014	6,316
2005	7,109	2015	6,376
2006	7,048	2016	6,465
2007	7,162	2017	6,586
2008	7,365	2018	6,366

Source: QCEW - MN Department of Employment and Economic Development



When viewed over a longer time period, back to the year 2000, there has been a decrease in the number of jobs in Fairmont. However, employment had reached its lowest recent level in 2014, and has generally been increasing since that time.

## Commuting Patterns of Area Workers

Information is available on area workers that commute for employment. The best information is from the 2018 American Community Survey, and has been examined for the City of Fairmont. The table examines City residents that commuted, and excludes people that work at home.

<b>Table 26 Commuting Times for Fairmont Residents - 2018</b>		
Travel Time	Number	Percent
Less than 15 minutes	3,179	69.5%
15 to 24 minutes	767	16.8%
25 to 34 minutes	325	7.1%
35 minutes +	303	6.6%
Total	4,574	100%

Source: American Community Survey

The large majority of Fairmont residents were commuting less than 15 minutes to work in 2018. Presumably, most residents were working within the City limits, or in the immediately surrounding small communities. Overall, more than 86% of residents commuted less than 25 minutes to work. Fewer than 7% commuted 35 minutes or more for employment.

Information also exists on city-based employment.

<b>Table 27 Commuting Times for Fairmont-based Employees - 2018</b>		
Travel Time	Number	Percent
Less than 15 minutes	3,535	58.1%
15 to 24 minutes	1,465	24.1%
25 to 34 minutes	658	10.8%
35 minutes+	425	7.0%
Total	6,083	100%

Source: American Community Survey

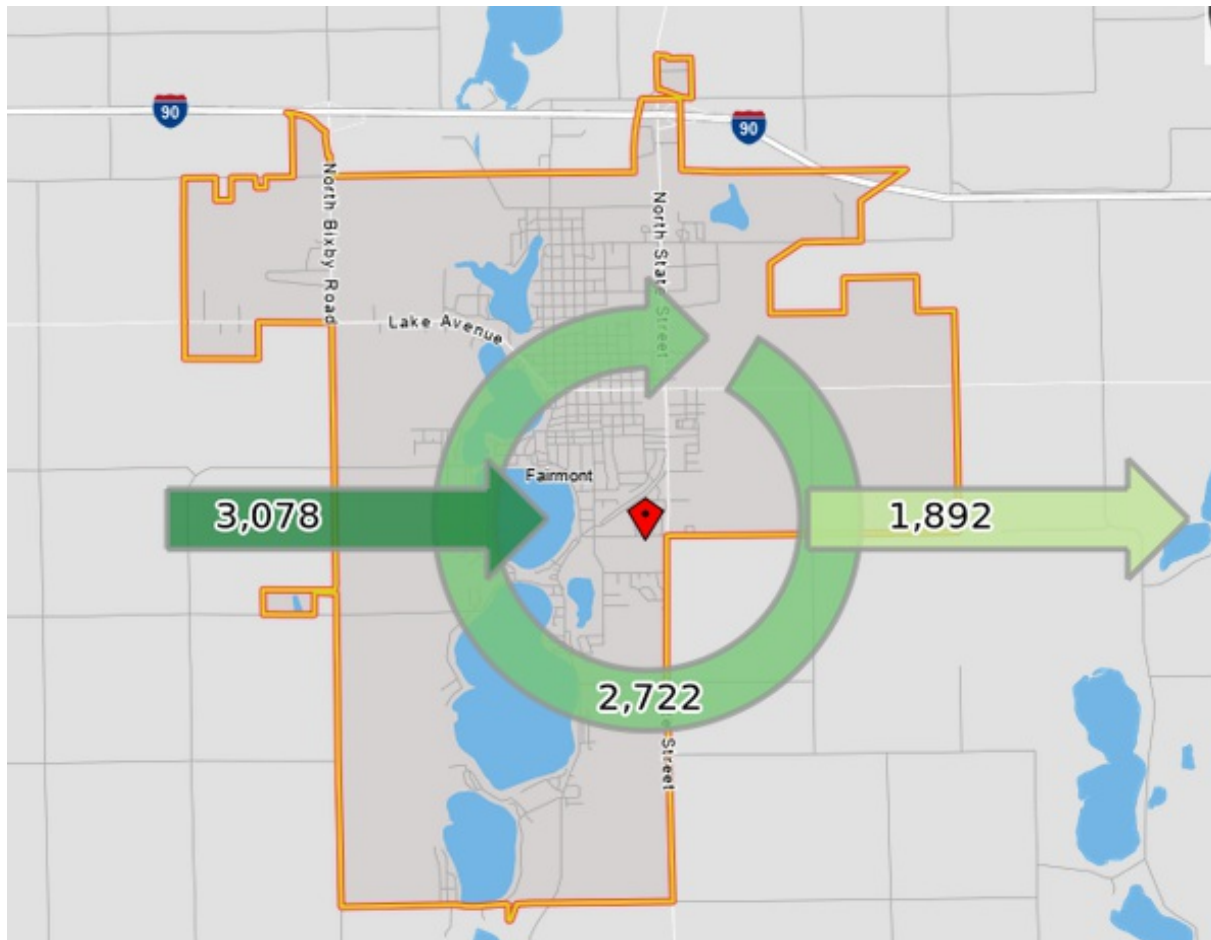
Most people that work in Fairmont were traveling less than 25 minutes. Overall, more than 82% of the jobs were filled by people traveling 24 minutes or less, including the people that both lived and worked within Fairmont. Only 7% of the jobs in the City were filled by people traveling 35 minutes or more.

## 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 2017, but provides a further breakdown of worker movement patterns.

According to the report for Fairmont, there were 5,800 people that were employed within the city limits in 2017 for their primary job. Approximately 47% of these Fairmont-based employees also lived within the City, with the remaining 3,078 employees commuting into the City. The primary identified jurisdictions supplying workers to the City were Sherburn, Welcome, Truman, Blue Earth and Trimont.

Although most Fairmont residents also worked in the City, some left their home community to work elsewhere. In 2017, 41% of the City's employed residents actually worked outside the city limits. The primary locations listed for outbound commuters were Mankato, Jackson, Blue Earth and Rolling Green and Fairmont Townships.



## Findings on Growth Trends

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

The most recent reliable estimates for the City of Fairmont show very limited change in the last decade. All of the estimating sources reviewed for this Study show a declining population level in Fairmont since 2010. This would be consistent with an aging population, as fewer children and more one and two-person households has resulted in fewer people living in each occupied housing unit.

While the City's population is important, this Study has placed greater emphasis on households, as this drives demand for housing units. The most recent estimates show only a minor decrease in the number of households in Fairmont during the decade. The State Demographer shows the City losing approximately one household per year after 2010. Another source, Esri, shows the City losing approximately seven households per year, although this higher rate of loss seems inconsistent with other information collected for this Study.

The trends indicated by recent estimates are generally consistent with long-term patterns, as the City's population level has consistently grown smaller over the past three decades. Household levels have been much more stable long-term, although even the most optimistic household estimate shows the City adding an average of fewer than three households per year since 1990.

For all of Martin County, there have been more consistent patterns of population and household loss in the combined jurisdictions outside of Fairmont. Since 1990, the estimates show the County, excluding Fairmont, losing an average of nearly 12 households per year. Population loss has also been occurring at a greater rate, due to both an aging population and some out-migration from rural areas.



## **Findings on Projected Growth**

Since most projection methodologies are based in part on past patterns, the limited annual change in Fairmont yields a similar forecast going forward. The primary projection source used in this Study, from Esri Inc., expects both Fairmont and the remainder of Martin County to lose population and households over the next five years.

However, in the opinion of the analysts, Esri's expected losses are too severe. From a household perspective, only a minimal reduction has probably occurred in Fairmont after 2010. Longer-term, there has been a small amount of household growth, although this is largely attributed to the patterns that existed in a single decade, from 2000 to 2010.

It is likely that the total population level in Fairmont will continue to move lower over the next five years, even if the household count remains stable. An aging population should continue to reduce the average household size over time, resulting in fewer residents per occupied housing unit.

It is probable that the number of people and households in the remainder of Martin County will grow smaller over the next five years. Some of this may be due to seniors that will elect to relocate into Fairmont for senior housing options, services and medical care that are available in the County's largest City.

Part of the issue impacting limited growth in Fairmont will be housing unit availability. The research completed for this Study tends to show a high occupancy rate in the existing housing options in the City, but minimal growth in the overall housing stock in recent years. For the City to add households in the near-future, it is probable that a commensurate level of new housing unit production will be needed.

For the purposes of this document, the analysts have proceeded with the projection that Fairmont has the potential to add approximately five or six households per year, resulting in growth-generated demand for 25 to 30 additional housing units over the five-year projection period.

Even more housing unit development can be justified for other demand-generators, including unit replacement and pent-up demand within certain housing segments. Overall demand will be summarized in the pages that follow.

## **Summary of Age-based Household Projections**

The Demographic section of this Study presented age-based household projections for both Fairmont and Martin County over the next five years. This information can be informative in determining the housing changes that may be needed due to age patterns of the area population.

It is important to note that Esri has a more pessimistic view of recent demographic changes in Fairmont than other available sources. However, even these differences are relatively small. For example, the most recent household estimates for the City of Fairmont differ by less than 1.2%. While Esri's projections to 2024 are also viewed as low, the impact on the age-based changes is limited, and this source is viewed as a reasonable forecast of the anticipated aging patterns going forward.

Since all of Martin County represents a potential market area for housing in Fairmont, the Countywide age changes are presented. This reflects the expected net change within the defined 10-year age cohorts from 2019 to 2024.

<u>Age Range</u>	<u>Projected Change 2019 to 2024</u>
15 to 24	-12
25 to 34	-61
35 to 44	+14
45 to 54	-132
55 to 64	-289
65 to 74	+167
75 and older	<u>+145</u>
Total	-168

In general, the aging patterns will continue to shift as the percentage of senior citizen households increases. Overall, these forecasts show an increase of 312 households age 65 and older in Martin County, but a decrease of 480 households age 64 and younger.

At the time of the 2010 Census, 31.3% of all County households had a householder age 65 or older. By 2019, this had increased to 35.4% of all households. Esri's projections to 2024 indicate that nearly 40% of all County households will be age 65 or older.

While it is projected that there will be fewer households in the age ranges 64 and younger, some of the younger 10-year age cohorts will remain relatively stable.

# Summary of Findings/Recommendations

## Overview

The Housing Study completed in 2013 had included a number of specific recommendations for future housing development along with program ideas and initiatives to address housing needs. This 2020 Study has largely focused on development and preservation issues. Many of the program ideas identified in the 2013 document still apply, but have not been repeated.

Following the completion of the 2013 Study the City had prepared the ***Fairmont Housing Plan***, which included many of the programs and initiatives identified in 2013. This also included prioritization of these various initiatives, along with a timeline for possible implementation. Readers are encouraged to consult this document for additional insights on these topics.

The specific findings and recommendations for the City of Fairmont in the 2020 project have been formulated through the analysis of the information provided in the previous sections of this document and have been grouped into the following categories:

- ▶ **Rental Housing Issues**
- ▶ **Home Ownership Issues**
- ▶ **Housing Rehabilitation and Preservation Issues**

The findings/recommendations for each category are as follows:

<b>Findings and Recommendations for the City of Fairmont</b>	
<b>Rental Housing Development</b>	
1.	Develop 36 to 42 traditional market rate rental units
2.	Promote the development/conversion of 18 to 22 affordable market rate rental housing units
3.	Develop 20 to 24 income-restricted moderate rent housing units
4.	Monitor senior assisted living supply and demand
5.	Potential demand for 10 additional memory care beds by 2024
6.	Potential demand for 30 to 42 additional light services senior rental units

<b>Findings and Recommendations for the City of Fairmont</b>	
<b>Home Ownership</b>	
7.	Demand for 4 to 6 moderate to higher-priced homes constructed annually
8.	Promote the construction of 2 to 3 affordable homes per year
9.	Attached single family housing should continue to gain market share
10.	Monitor demand for additional condominium development
11.	Develop additional lot phases as needed
12.	Coordinate with agencies/nonprofits that develop affordable housing
13.	Consider the creation of housing construction incentives
<b>Housing Rehabilitation and Preservation</b>	
14.	Promote rental housing rehabilitation programs
15.	Promote owner-occupied housing rehabilitation programs
16.	Continue to demolish dilapidated structures

## **Rental Housing Development**

**Overview:** Rental housing development activity in Fairmont has been very limited in recent decades. Since 2010, only three rental housing projects have advanced through new construction.

The largest of the recent projects did not actually create true rental units, but did develop sleeping rooms for specialized senior care. Ingleside Residence did a 20-suite expansion in 2015/16 that provides housing for people with memory loss. This added to their existing project which offers senior assisted living. The memory care rooms do have private bathrooms but do not have any kitchen facilities.

In 2017, a seven-unit town house-style project was constructed, utilizing a redevelopment site. Designed for student-occupancy and located near Presentation College, these units were intended to be rented by individual bedrooms to students in roommate households. After construction, it was announced that Presentation College will be closing its Fairmont Campus and the marketing focus for the rental units was changed. When contacted in 2019 all seven units were rented, primarily by younger, working-age households, with no students in occupancy. These units have the highest rent structure for multifamily housing in the City.

The only other rental project that has been identified through building permit records is a Public Housing duplex constructed by the Fairmont HRA. This was the final construction phase to replace 10 Public Housing units that had been lost to a fire at the Friendship Village campus. The replacement units have been constructed since 2009 in duplex configurations. It is possible that more of these Public Housing duplexes were built since 2010, but they are not specifically listed in the residential portion of the annual building permit reports.

Rental housing may have been added to the community by methods other than new construction. This could include some building conversion, such as space in the downtown area that is used as rentals. It is also possible that some level of tenure conversion has occurred in Fairmont, as single family units that had previously been owner-occupied have switched to rental use.

The City has a rental registration system, but the historical records track annual information by property address, rather than a specific unit count within each property. Once issued, the registration is also good for a three-year period. As a result, it is difficult to track any year-to-year change in the size of the active rental unit inventory. However, staff indicated that they believe the rental stock to be generally stable, with limited annual change.

A larger volume of rental housing was constructed between 2000 to 2009. City records would indicate that 24 general occupancy rental units were built, in market rate housing developed by the Fairmont EDA. As many as eight Public Housing units were built in four duplexes, but once again these were replacement units for other Public Housing lost to fire. Most of the remaining rental construction during that decade was in specialized housing for seniors, including assisted living and memory care units in Goldfinch Estates.

Looking back at the past two decades, the analysts have only been able to identify 31 new market rate rental units constructed in Fairmont. Any other rental housing production since 2000 has been oriented to seniors needing some level of supportive services, primarily in the assisted living or memory care segments. The 10 Public Housing units were replacement housing.

It should be noted that in 2006 there was a 36-unit senior cooperative that was built. While cooperative ownership is different than rental housing, the design and living features of this project make it more similar to rental housing than traditional home ownership options in Fairmont. The Meadows Cooperative has been a very successful project, with units in high demand.

Although it is difficult to accurately document, there is evidence to suggest that some level of tenure conversion has taken place since 2000, as single family houses that were once owner-occupied have switched to rental use. In the late 2000s, as national housing market conditions deteriorated, there was often a switch from owner to renter-occupancy. This continued through the early years of the 2010s, as lender-owned properties acquired during the foreclosure crisis may have been sold to investors rather than individual home owners.

One potential source for tracking tenure conversion is the Census Bureau's American Community Survey. In their 2018 estimates, this source showed nearly 674 rental units in Fairmont that existed in one-unit structures. For comparison, there were approximately 460 one-unit rental structures in the year 2009. While a margin of error does apply to both of these estimates, the raw data would suggest that the City may have added more than 200 rental units through tenure conversion. During this same time, the number of home owners in the City decreased by approximately 300 households, according to the same source.

The rental survey completed as part of this Study found high rates of occupancy in independent rental housing. The City EDA rentals have maintained waiting lists for many years.

They may be some level of vacancy in the portfolio of small rental properties, including single family houses that are offered for rent. But this is often the result of tenant turnover, or the need to make unit repairs, which can cause short-term vacancies. In general, the property owners and managers within this segment also reported good demand, especially for affordable housing.

With a predominantly older rental stock, rental rates in Fairmont tend to be relatively moderate. According to the American Community Survey, the median year of construction for all rental housing in Fairmont is 1958. This same source showed a median gross rent of only \$646 per month in 2018.

The newest rental project in Fairmont, City Center Townhomes, has an estimated gross rent approaching \$1,150 (including tenant-paid utilities) for a three-bedroom unit. This represents the upper end of the local rent range for multifamily housing. This project reported full occupancy.

The highest rents being achieved in two-bedroom multifamily options would probably be in the EDA Townhomes on Potter Circle, with gross monthly rent approaching \$950. Once again, these units are full with a waiting list.

Looking forward, this Study has concluded that additional rental housing development is needed in Fairmont. Demand for new rental housing is typically generated from three factors:

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

Our household projections for Fairmont expect household growth, although some of this growth will result in demand for owner-occupied housing. From 2019 to 2024, we are projecting that Fairmont has the potential to add up to 30 households if adequate housing options exist. Given recent patterns showing preference for rentals, we have placed approximately 70% of this into the rental segment, for growth-generated demand of approximately 20 additional rental units over the next five years.

Demand created by replacement of lost units is more difficult to determine. Although the actual loss of units may not be occurring, the age and condition of older housing indicates that some level of annual replacement should be underway. Based on the American Community Survey estimates, approximately 34% of the rental stock in Fairmont has a date of construction before 1940. While some of this older stock may be in good condition, some severely deteriorated housing is also probable. Annual replacement of 1% of this older inventory would yield approximately five to six replacement units per year, or 25 to 30 total units over a five-year period.

Pent-up demand also exists. The rental survey conducted as part of this Study found high rates of occupancy in good quality independent rental housing. This included both affordable and higher-priced units. When new units have been built over the past 20 years (including the senior coop) they have been well received by area households and high rates of occupancy have been maintained.

To allow for some greater level of unit choice, an overall expansion of at least 30 to 40 units can be justified to address pent-up demand. This would help newly arriving households to access housing options without creating vacancy issues in the overall market.

This combination of primary demand generators show a need for at least 75 to 85 independent rental units over the next five years. Although different configurations could be used to achieve this level of unit production, a reasonable allocation into the following rental subsets would be recommended:

- ▶ General Occupancy Market Rate      36-42 units
- ▶ Affordable/Conversions              18-22 units
- ▶ Tax Credit/Subsidized                20-24 units

In addition to these units intended for fully independent households, some production would also be recommended within the specialized care segments oriented to seniors, including memory care beds and light services/congregate senior housing. The specialized care units are also presented below.



## **1. Develop 36 to 42 general occupancy market rate rental units**

**Findings:** A large majority of the existing rental inventory in Fairmont can be classified as market rate housing. These units are free of any specific occupancy restrictions and do not have any form of rent controls, other than those imposed by the competitive marketplace.

Although only seven market rate units can be identified in new construction projects so far this decade, it is possible that some additional units have been added through tenure conversion, as older single family houses may have been converted to rental use. However, looking longer-term, it is probable that only 31 market rate units have been built in Fairmont since the year 2000, with 24 of these in the publicly-developed EDA units from the early 2000s.

With limited growth in the unit supply, but a continued increase in renter-occupancy households, vacancy rates remain low within this segment. The rental survey of multifamily units completed for this Study found an estimated vacancy rate between 2% and 2.5%. Less detailed information was obtained from single family-rentals, but some of the owners and managers contacted indicated that occupancy rates are also high for these types of units.

There is a fairly wide variation in rental rates in the market rate segment. The newest project, City Center Townhomes, has estimated gross rents of more than \$1,150, including tenant-paid utilities. Although these rents are higher than most of the other options, they are also three-bedroom rents, with a town house design and approximately 1,300 square feet of living space. When reduced to a rent per square foot calculation, these are probably below \$0.90/sq ft for gross rent.

For two-bedroom units, the EDA Townhomes have an estimated gross rent approaching \$950. These units do include a one-car garage and an in-unit laundry hookup, which are features not generally available with other rental housing. Although in good condition, these units are now more than 15 years old.

Most of the City's older market rate rental housing has a more moderate rent structure. However, in single family homes the inclusion of utilities could result in higher gross rents for some units. Single family rental rates will be heavily dependent on the size, age and quality of the home.

**Recommendation:** As stated earlier in this section, the combination of demand generators reviewed for this Study indicates that between 75 and 85 independent rental housing units should be developed in Fairmont over the next five years. While it would be desirable to add units in a wide range of prices, realistically, many of the new units will be market rate housing. We have allocated approximately 50% of this total into the traditional market rate segment, or approximately 38 to 42 units by 2024.

There are various design styles that could be considered, including apartment units. This type of rental housing could appeal to a broad range of potential renters. Other similar-sized communities including Alexandria, Grand Rapids and Fergus Falls have all achieved success in recent years with conventional apartment building construction. Many of these projects have targeted a moderate rent range, with gross rents in the \$900 to \$950 range for a two-bedroom unit.

Given the City's large population of empty-nesters and seniors, a town house style project could also be considered. A number of communities have had success with one-level town house rental projects that include a private entrance and attached garage. This style of housing can serve as a bridge between home ownership and rental housing, and has generally been very successful with seniors. Some of these recent projects have been able to achieve gross rents below \$1,000 for two-bedroom units and \$1,100 for three-bedrooms.

Regardless of the design approach used, any new multifamily project should be cognizant of the community's growing population of senior citizens. Design features should be "senior-friendly" with amenities that would appeal to older renters.

The market rate unit recommendation made in 2020 is lower than the numbers advanced in the 2013 Study for Fairmont. This is largely due to the fact that the community has not been growing at the rate projected in the previous Study, resulting in less growth-generated demand. However, in Fairmont it is sometimes difficult to determine whether this suppressed growth has been due directly to a shortage of desirable housing options. If the recommended units are built and achieve stable occupancy, even more units could potentially be added later in the projection period.

The preferred option to developing market rate rental housing would be to encourage private developers to construct these units. But if private developers do not proceed, the Fairmont HRA or EDA could potentially utilize essential function bonds or similar funding sources to construct market rate rental housing as it has in the past.

While the 24 units constructed in the early 2000s still generate some controversy for public involvement in for-profit housing, the inability of private developers to proceed with any significant volume of new multifamily construction may require local housing agencies to become involved, either directly or indirectly.

## **2. Promote the development/conversion of 18 to 22 affordable market rate rental housing units**

**Findings:** The previous recommendation addressed the market potential to develop high quality rental units in Fairmont. Unfortunately, these units would tend to be beyond the financial capability of many area renters. Even moderately-priced two-bedroom units would typically require the household to have an annual income of \$35,000 or more.

In 2018, a majority of Fairmont’s renter households had an annual income below \$31,300. These households would generally need access to a rental unit at \$785 per month or less. Although it may be possible to produce some one-bedroom units near this price range, two-bedroom units would generally be well above the level that is considered to be affordable for a majority of area renters.

Much of the most affordable market rate housing exists in older structures. Part of the unit recommendation going forward is to annually replace a portion of these older units. Unfortunately, new construction will not replace these older 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 Fairmont has not received a new construction award in the past 20 years.

Other work force housing incentive programs also exist, and could be explored in an effort to generate rental housing that is affordable at the median renter household income level.

**Recommendation:** We would encourage the City to promote the development/conversion of more affordable rental units. A goal of 18 to 22 units over the next five years would help to place some of the new unit creation into price ranges that are better matched to household income levels. It could also help to address unit replacement needs.

Given the economics of new construction, it will be difficult to build new affordable units. It may be possible to generate a portion of the units in market rate projects through the use of public assistance, such as Tax Increment Financing. It may also be possible to create affordable units through building renovation or conversion projects. This opportunity may arise in downtown buildings, or through other existing structures that could be renovated and converted to multifamily rental housing.

The estimated median gross rent in Fairmont was below \$650 in 2018, according to the American Community Survey. Creating some additional units with contract rents below \$700 per month would help to expand the choices available to a majority of the City's renter households. It is probable that this lower rent structure could only be achieved with financial commitments from other sources including the City and other funding agencies such as the Minnesota Housing Finance Agency.

### **3. Develop 20 to 24 income-restricted affordable rental housing units**

**Findings:** Fairmont does have an existing supply of affordable income-restricted multifamily rental units but this inventory has been growing smaller over time. Contract compliance or program opt-out has occurred, as assisted projects that were constructed in the 1970s or 1980s have ended their affordable housing obligations.

Since the 2013 Study was completed for Fairmont, the HUD-assisted portion of Fairmont Square has been converted to market rate housing. This project had previously had 29 units that were in the HUD 236 program, but this contract has been fulfilled. There are still 35 units in the project that are regulated by the federal low income housing tax credit program and income and rent limits still apply to this portion of the project.

In 2011, Southview I and II with a combined total of 48 units opted out of their USDA Rural Development subsidy program and converted to market rate housing.

A review in December 2019 of the subsidized housing “opt-out” log maintained by the Minnesota Housing Finance Agency did not identify any additional projects that are at risk of ending their subsidy contract.

Over time there has also been some contract compliance in the federal low income housing tax credit program, but this has not resulted in any loss of affordable housing options. Both Countryside Townhomes and Fairmont Place used tax credits along with other federal subsidy programs when constructed. While the tax credit compliance has expired, the federal subsidy programs remain in place and both still provide income-based housing.

In 2020, Fairmont still has six federally subsidized developments with a combined 278 units. Subsidies have been provided by USDA Rural Development and the Department of Housing and Urban Development (HUD). Three projects, with 119 combined units, are designated as general occupancy housing. The remaining three projects, with 159 units, are oriented to senior, disabled or military veteran occupancy.

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

In addition to these subsidized projects, Martin County has approximately 116 households utilizing the HUD Housing Choice Vouchers (Section 8 Existing Program). Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts. Eighty-five of these households are utilizing the Vouchers in Fairmont.

While it is possible that some of the tenant-based assistance could be in use in a subsidized project, any overlap of resources would be limited. Between the tenant-based assistance and project based subsidized housing, there are approximately 363 renter households in Fairmont that had access to some form of subsidized housing in 2019. This represents approximately 24% of all renters in the City.

Despite the existing supply of subsidized units in Fairmont, the American Community Survey has consistently estimated that from 550 to 675 renter households in Fairmont annual report a housing cost burden, with 30% or more of their income going to housing costs. A majority of these households were actually paying 35% or more of their income for housing, which is defined as a severe cost burden.

This large number of renters with a housing cost burden is reflected into demand for subsidized units. The 2019 rental survey found very few vacancies projects oriented to senior/disabled/veteran occupancy, with an estimated vacancy rate below 1%. There were a number of open units within the general occupancy segment, but most of these were in a single project, while the other two buildings reported high occupancy rates.

It should be noted that the conversion of 29 units in Fairmont Square has impacted the subsidized sector. The uncertainty created by the pending contract termination had caused some tenants to leave that project and move to other subsidized housing in the City. This has improved occupancy and lengthened waiting lists at the other projects, as the overall supply of subsidized units has contracted.

There is only one moderate rent tax credit project that is still under the regulatory requirements in 2020. The remaining 35 units in Fairmont Square still have income limits and rent caps in place. A number of these units were vacant at the time of the rental survey. It is not clear if the uncertainty created by the HUD contract termination also caused turnover in the tax credit portion of the project. Possible fears of a rent increase may have also impacted tenant movement in that portion of the building.

**Recommendation:** Based on the cost burden statistics that continue to show a large number of renter households that are applying 30% or more of their income for housing, we would recommend the development of 20 to 24 income-restricted affordable rental housing units for low/moderate income people. In recent decades it has been difficult to produce new subsidized units, with project-based rent assistance. However, an expansion of units to serve households at or below 50% to serve low/moderate income people would provide additional affordable options in the community.

It is important to note that this is a goal, given the limited funding that exists for very affordable housing development. At this level, these new units would not even fully replace the units that were lost when Fairmont Square was partially converted to market rate housing.

If funding can be secured for new units, we would recommend that the rents be set at or below the fair market rent levels for rent assistance Vouchers, which would enable the household to pay 30% of their income for their unit. In 2019, the Voucher payment standard for a two-bedroom unit was set at \$749.

Household age information shows that both senior and non-senior households are experiencing a rent burden. Any new affordable units that can be created could target either age range, given the large number of low and moderate income renter households in the community.

Another important affordable housing strategy will be to prevent the loss of any additional subsidized housing in the future. There are a number of examples where cities have worked with local housing agencies or nonprofit groups to preserve affordable projects.

#### **4. Monitor supply and demand for assisted living**

**Findings:** There are assisted living providers in Fairmont, Sherburn and Truman, and Martin County residents have a number of options for this type of housing with supportive services. All of the choices in Fairmont are provided in larger complexes with apartment-style units.

Based on the identified providers in the County, it is probable that approximately 201 total units exist in 2020. This supply has remained stable in recent years, with no identified unit expansions in more than 10 years.

Although most facilities had good occupancy patterns, and some waiting lists were reported, there was unused capacity within this specialized care segment. While specific details were not obtained from all providers, each of the facilities except for Temperance Lake Ridge in Sherburn reported at least one unoccupied unit. It is important to note that this type of housing can have a high rate of turnover, due to the frail population group being served.

An earlier section of this document has provided detailed information on the specialized senior housing segments, along with demographic information. Readers are encouraged to review this section.

**Recommendation:** In the opinion of Community Partners Research, the current distribution of units providing assisted living in the Fairmont area is large by comparative standards. To achieve full occupancy in the existing inventory requires a capture rate of approximately 12.6% among County households age 75 and older. Although this percentage will decrease somewhat over the next five years, the County is only projected to add 235 additional households age 75 and older by the year 2024. If accurate, the future capture rate would still remain above 11.5% in the near-future. Based on the supply of units already present, we would recommend that the near-term need for this type of specialized housing be monitored.

It is important to note that many of the existing assisted living options in the County do accept public assistance programs, such as Elderly Waiver, which help lower income seniors acquire needed services. Due to low reimbursement rates, some facilities cap the percentage of residents on public programs. This ability to serve a wide range of income levels has probably contributed to the high rate of utilization, and the percentage capture rate being achieved.



Available projection data shows that the population of older senior citizens in the Market Area will continue to grow between 2019 and 2024. Longer-term, even greater percentage growth will occur as the large baby boom generation moves through the aging cycle. The leading edge of the baby boomers will begin turning age 75 early in the next decade. If evidence of unmet demand appears in the future, a modest unit expansion could be advanced before the year 2024.

As with other specialized care recommendations, the supply and demand analysis provided in this Study is based in part on anticipated growth, and not on competitive positioning between projects. Senior housing with services can be a very competitive business, and it is possible that even more units may be proposed as providers attempt to capture a large share of the local market. All of the assisted living facilities in Fairmont are more than 10 years old, and a new building may have a competitive advantage in attracting residents. However, if supply significantly exceeds demand, this would reduce the occupancy rates in older, less competitive projects.

## **5. Potential demand for 10 additional memory care rooms/beds by 2024**

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

There are three facilities in Fairmont and Sherburn that specifically focus on specialized memory care. Combined, these providers have the potential capacity for 75 people in specialized memory care in 2019. But a 14-bed expansion is underway in Temperance Lake Ridge in Sherburn and later in 2020 there will be capacity for 89 people in Martin County.

In addition to the expansion underway in Sherburn, other recent changes have occurred within this segment. In 2016, Ingleside added 20 beds in a new memory care building. But Lakeview Methodist closed a 14-bed dedicated wing in the nursing home, and converted this capacity to traditional skilled nursing care. As a result, the net gain in capacity had been limited before the construction at Temperance Lake Ridge.

The utilization rate in this specialized segment continues to be high, which probably accounts for the additions at Ingleside and Temperance Lake Ridge. Waiting lists indicate that pent-up demand already exists.

**Recommendation:** When compared to the primary target population in 2019, the supply of memory care beds in the County (including those under construction in Sherburn) requires a penetration rate of approximately 3.7% of the County's adjusted population of seniors age 75 and older. In the opinion of the analysts, this represents an average concentration of beds by comparative standards. With the probable addition of approximately 235 older seniors Countywide by the year 2024, the same capture rate would indicate demand for approximately 10 additional beds over the five-year period. Longer-term even more beds could be justified based on projected growth.

Many of the memory care providers do accept lower income seniors receiving County assistance. Due to the high levels of care required for memory loss, the reimbursement rates are often better matched to the costs of care. However, some providers cap the number of residents receiving assistance. The recommended unit expansion assumes that all income levels will continue to be served in the future.

As with other specialized care recommendations, the supply and demand analysis provided in this Study is based in part on anticipated growth, and not on competitive positioning between projects. Senior housing with services can be a very competitive business, and it is possible that even more units may be proposed as providers attempt to capture a large share of the local market. However, if supply significantly exceeds demand, this would reduce the occupancy rates in less competitive projects.

## **6. Promote an expansion of 30 to 42 additional light services housing units by 2024**

**Findings:** The light services segment of the housing market is the most under represented of the different forms of specialized senior housing in Fairmont and Martin County. Only one project could be identified in the City that serves more independent seniors needing only limited services, and no similar projects exist elsewhere in the County.

The only provider is Maplewood Residence, which is part of the Lakeview Methodist senior complex. The basic monthly rent includes few services, but meals, housekeeping, laundry and other assistance can be purchased as needed.

In 2019, there were 39 apartment units available in Maplewood residence, but this inventory has decreased somewhat from the past, as some former apartments are now being used as guest rooms. Despite the limited supply, there were vacancies in this project, indicating a lack of actual demand.

Martin County continues to show growth in the population of seniors. Specific details on current and projected demographic patterns have been presented in the Senior Housing with Services section of this report. In general, ongoing growth is projected within all of the senior age ranges, but much of the near-term increase will occur within the age group between 65 and 74 years old.

**Recommendation:** Martin County is expected to see near-term growth in the target populations served by specialized senior housing. Much of this near-term growth will be in the younger senior age ranges, which initially will generate demand for light services housing options. With a relatively small unit inventory in this segment, this is the most under-served senior specialized care option in Fairmont. Using a capture rate of approximately 5% within the primary target market, an expansion of up to 30 lighter services units could be justified in 2019. Based on projected growth, an additional 12 units could then be added to the Market Area by the year 2024.

Although some of the other communities in Martin County also offer senior housing options, in the opinion of the analysts, the City of Fairmont would be the best location for these new units.

While we believe that market potential exists within this housing segment, it is important to state that the existing provider had vacancies in 2019, and has actually decreased the unit supply slightly in recent years. It is not clear to the analysts why demand does not exist for these units, since other types of specialized care housing are successful in Fairmont.

The supply and demand summary provided in this Study is primarily based on unmet demand and anticipated growth, and not on competitive positioning between projects. Senior housing with services can be a very competitive business, and it is possible that even more units may be proposed as providers attempt to capture a large share of the local market. However, if supply significantly exceeds demand, this would probably reduce the occupancy rates in less competitive projects.

## **Home Ownership Recommendations**

**Findings:** Expanding home ownership opportunities is a primary goal for most communities. Home ownership tends to promote stable communities and strengthens the local tax base.

Although most households in Fairmont have typically owned their housing, the rate of home ownership has been decreasing over time. According to the 2000 Census, nearly 74% of all households were home owners. By 2010, this rate had decreased below 70%. While a margin of error exists in the most recent estimates, the American Community Survey showed the home ownership rate down to less than 66% in 2018.

The City has had some ongoing construction of new single family houses, but it appears that tenure conversion has also occurred, as more houses have changed from owner to renter occupancy. While much of this may have taken place in the late 2000s and early 2010s, when the national housing market slumped, the home ownership segment has not shown any significant improvement in recent years.

As tracked by building permit issuance, approximately 36 single family units have been built so far in the current decade. Most of these are detached single family houses, but a few twin homes have also been built.

Most existing houses in Fairmont are in a moderate value range. The median home sale price in Fairmont, based on the past few years, has been between \$115,000 and \$125,000. With a majority of existing houses valued below \$130,000, there are relatively affordable choices for potential home buyers.

The demographic projections reviewed for this Study expect most of the near-term growth to occur within the senior ranges, age 65 and older. While seniors will continue to move into rental housing as they age, the rate of home ownership remains high at the younger end of the senior range. Households age 65 to 74 years old represent a potential market for low maintenance/no maintenance housing choices, including attached units such as twin homes, town houses or condominiums.

An overall decrease is projected in the number of households age 64 and younger, but this is primarily caused by specific 10-year age cohorts. Some of the younger adult age ranges should remain relatively stable and generate some demand for entry-level homes as households transition from rental to home ownership.

This Study has placed much of the demand generated by overall household growth within the rental segment, but 30% or more of this demand should be looking for home ownership housing. When combined with some pent-up demand and needs for older housing replacement, a working projection exists that between six and eight owner-occupancy housing starts will be needed annually over the five-year period, or 30 to 40 single family housing units in total.

To assist in promoting the goal of home ownership, the following recommendations are made:

**7. Demand for 4 to 6 moderate to higher-priced homes constructed annually**

**Findings:** Most of the home building that has been occurring in Fairmont in recent years would generally be defined within the moderate to higher price ranges, with an approximate purchase price of \$275,000 or more. This has been accomplished by private-sector home builders. This production has primarily been in the form of traditional detached single family houses, but a few twin homes intended for owner-occupants have also been built.

While income levels for home owners have continued to improve over time, many potential home buyers are still within a moderate income range. According to the American Community Survey, the median household income for all home owners in the Fairmont was nearly \$66,000 in 2018. Approximately 27% of all home owners had an annual income above \$100,000, and would represent the primary target market for new houses in the moderate to higher price ranges.

Going forward, most of the demand for newly constructed houses will be within the moderate to higher price ranges, reflecting households that are “move-up”, as they sell an existing home and opt for new construction. Anticipated demand should also exist from the large “baby boom” generation as it advanced through the aging cycle. Older adult households have created ongoing demand for age-appropriate housing, which offers low maintenance living opportunities.

**Recommendation:** Approximately 70% to 80% of the future owner-occupancy demand in Fairmont has been allocated to the moderate and higher price ranges. With expected overall demand for approximately six to eight new units annually, an estimated four to six units each year should be in the price ranges of \$275,000 or more.

Demand for housing in the moderate to higher price ranges can generally be met by the private development community, and would not typically require any level of public involvement or assistance. However, in Fairmont there has been a public role in ensuring that an adequate supply of attractive single family lots is available to facilitate new home construction. The Whitetail Ridge subdivision has high quality lots that have been used for some of the recent home building activity.

It should also be noted that some of the higher-price home construction will also occur along one of the City's lakes. In these cases, it is probable that an existing house or cabin will be removed to create the building site. While these projects add to the volume of new home construction, they will often result in no net gain in the housing stock and do not require a vacant lot in a newer subdivision.

Moderate to higher-priced houses should represent a mix of single family detached homes, as well as attached housing which can appeal to mature households as they age. While attached housing units, such as twin homes or town houses, would be well-matched to life-cycle needs, it is likely that this segment of the market will gradually grow in market share over time.

The calculations are based on average annual demand, and in any given year there is potential for actual production to be above or below the five-year average.

## **8. Promote the construction of 2 to 3 affordable homes per year**

**Findings:** The demographic forecasts used for this Study are anticipating the possibility that Martin County will experience a decrease in the number of households age 64 and younger over the next five years. However, in the age groups below 45 years old, there should be relative stability. These younger adult households form a primary target market for entry-level new construction.

While affordable new construction would be beneficial by adding to the housing inventory, most of the demand for entry-level ownership housing will continue to be met by the sale of existing houses. Prices for existing homes in Fairmont may be relatively high when compared to the surrounding region, but existing homes are still affordable by statewide standards and are well below prices for comparable new construction.

The sales analysis completed as part of this Study shows that the midpoint sales price for an existing home in the City has typically been between \$115,000 and \$125,000 in recent years. Although there is evidence of a general increase for existing home values for the past five years, when good quality existing homes are available for sale these will represent an attractive option for more moderate income home buyers. It should be recognized that existing housing may have repair needs or upgrades when compared to newly constructed units.

The significant “value gap” between the prices for existing houses and the cost of new construction can serve as a deterrent to affordable new construction. To the extent that existing homes sell at a discount to their replacement value, potential buyers have an incentive to look for existing options that are for sale.

**Recommendation:** Based on the research completed for this Study, we believe that a goal of constructing two to three new entry-level homes in Fairmont each year through the year 2024 is realistic. This would represent 20% to 30% of the annual projected demand for single family units. In current prices, entry-level homes are generally defined as \$225,000 or less. However, an even lower target price would be better suited to current incomes and home buying power of low to moderate income households.

To reach the higher end of this annual production range, it is assumed that some of these units would be addressed through nonprofit housing agencies or through organizations such as Habitat for Humanity. Private developers would also be expected to produce some more affordable homes, but possibly with some degree of public involvement.

To achieve an ownership purchase price of \$225,000 or less, significant cost saving measures will be needed, along with probable development or financing subsidies. This will somewhat limit the area’s ability to generate this type of housing, as recent subsidies in other communities have been as high as \$30,000 or more.

The Fairmont area will need to continue attracting younger families and working age residents to maintain an adequate work force for area employers. This recommendation could be part of a strategy of proactive efforts to attract and retain younger households.

While some affordable new construction will be needed, we do recognize that the existing housing market will continue to be the primary source of affordable home ownership options. Past research in other communities would indicate that the large majority of first-time buyers will purchase an affordable, existing home, and only a small percentage will purchase a newly constructed home.

With strong projected growth from households age 65 and older, the community has the ability to generate roll-over opportunities within the older, existing stock. Younger senior buyers that move into age-appropriate new construction or rental units will help to make older single family houses available for sale. The more the life-cycle concept is successfully implemented over the next few years, the more opportunities that will be created for younger buyers in the existing single family stock.

## **9. Attached single family housing should continue to gain market share**

**Findings:** Prior to the housing market retreat of the late 2000s, attached single family housing, primarily in the form of twin homes or town houses, had been adding market share in most communities. City records indicate that Fairmont was averaging between five and six attached single family housing units per year between 2000 and 2005, when new construction markets were very active. However, since 2006, Fairmont has had an average of fewer than one attached unit per year, as only a few twin home structures have been built.

As the national housing markets began to retreat in the late 2000s, alternative housing products, such as attached single family and condominiums, often suffered the greatest hit. When people became concerned about owning or investing in new construction, they became even more concerned about less traditional products.

However, the age-based projections show nearly all of the household growth between 2019 and 2024 will be due to households within the 65 and older age ranges. The 2024 projections indicate that nearly 40% of all households living in Martin County in 2024 will be age 65 and older.



The senior and near-senior citizen age groups have historically had very high rates of owner-occupancy and represent a primary target market for attached single family housing that offers no maintenance or low maintenance living.

**Recommendation:** The demand calculations used for this Study expect that approximately 20% to 25% of the future demand for owner-occupancy housing construction can be met through attached single family housing. With overall ownership demand at 30 to 40 units over the next five years in Fairmont, attached single family construction should capture up to 10 units, provided lots are available for this type of housing. Consistent with the recent past, this production is most likely to occur in twin structures.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes. These existing homes then become available for younger families. It is important for the community to offer a range of life-cycle housing options.

Depending on the project location, we would expect most of the attached unit construction to occur in a more moderate price range between \$225,000 and \$350,000. However, high-amenity units could also be developed, especially those that can offer lake access or similar desirable sites.

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.

## **10. Monitor demand for additional condominium development**

**Findings:** There are at least four condominium projects in Fairmont, developed between 1981 and 1993. Based on some of the interviews completed as part of the research for this Update, the existing supply of units is in high demand.

The analysis of residential property sales presented earlier in this document has examined condominium sales activity back to the year 2015. In any single year, there have been only a limited number of sales, which may not provide a good indicator of overall unit values. But the median value has increased in 2018 and 2019, which may substantiate the claim that strong demand exists and is causing sale prices to rise.

However, it is also important to note that the age of the inventory still results in very affordable pricing. With the exception of units in Shorewood Terrace which is on Budd Lake, all of the off-lake condominium sales have been for less than \$100,000. According to the County Assessor's records, only one off-lake condominium has been sold for more than \$1.00/sq ft of living space in the past five years.

In addition to condominiums, a 36-unit cooperatively owned project, The Meadows, was developed in 2006. By all reports, this project has also been successful. When contacted in 2019, the manager stated that sales have been in a price range between \$39,150 to \$71,775 based on size and features. The sale price is based on a 3% annual increase from the original purchase price. In addition, there is a monthly fee ranging from \$683 to \$1,218 based on the specific unit. The manager also reported a 27-name wait list, although some of these names had been on the list for years and may no longer be interested. This project has largely served older senior citizens, with the youngest reported resident in their mid-70s.

In the opinion of the analysts, this attractive pricing is a major factor in demand for both condominium and cooperatively-owned housing options in Fairmont. The age of most units, especially in condominium projects, make them substantially lower in price than any comparable newly-built housing.

**Recommendation:** Affordable condominium-style housing has proven to be successful in Fairmont in the past. However, no new condominium projects have advanced in the more than 25 years. A second cooperatively-owned project had been proposed but did not advance. This may have been due to insufficient pre-sale activity. We recommend that demand for this type of housing development be monitored, and only advanced if unit pre-sale activity is sufficient.

Fairmont does have a potential market of senior citizens and empty-nesters that should increasingly look for age-appropriate housing options. But in recent years, this demand has generally been oriented to twin home units. The economics of multifamily construction have made it difficult for condominium-style projects to proceed outside of larger metropolitan markets. The analysts are not aware of any recent examples being constructed in smaller communities in Greater Minnesota.

Following the national housing market crash of the late 2000s, many lenders became concerned about less traditional housing styles. Some condominium projects that were built before the housing downturn were unable to fund their associations when sales slowed. As a result, lenders may now require pre-funding the condominium associations, which is expensive for developers, or delaying the start of construction until most units are pre-sold.

Another important consideration for any future development would be an attractive location. Some of the most successful condominium projects are on or near one of the lakes in Fairmont.

### **11. Develop additional lot phases as needed**

**Findings:** The 2013 Housing Study had estimated that approximately 40 vacant lots were available in subdivisions around the City. Since that time, between 10 and 15 of these lots have probably been used for new home building. No detailed record exists of the remaining lot inventory in the City's established subdivisions.

In 2016, a new subdivision was created, as a joint effort between the City and the School District. The land for Whitetail Ridge was made available by the School District while the City paid for the infrastructure improvements. Twenty lots were created in the first development phase. Approximately 10 lots have been sold, with five houses constructed in this subdivision to date.

There are also miscellaneous infill lots scattered around the community. Some of these were created when existing structures were removed, and may represent sites for affordable new home construction.

**Recommendation:** We typically use a standard that a 2½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that six to eight new owner-occupied housing units will be constructed per year, the City should have at least 20 residential lots available to meet the expected demand.

At the end of 2019 an adequate inventory was available to meet near-term needs. But the successful sale of approximately half of the lots in the newest subdivision, Whitetail Ridge, would indicate that another lot development phase should be initiated by 2021. Sales activity in 2020 should be monitored to make sure that the projected absorption actually occurs.

Part of the future demand should be for attached unit construction, such as twin homes. There is less information available about the supply of vacant lots for this type of housing construction. If the current inventory does not include attached single family lots, a small development phase should be initiated. However, our projections would expect 10 or fewer attached units over the next five years, so the scale of any lot development should be limited.

The City should continue to monitor the lots that are available to assure there are an adequate number exist and that lots are available for homes in all price ranges. A published lot inventory would help potential home buyers to identify all options, including remnant lots that may be available in numerous locations throughout the City.

## **12. Coordinate with agencies/nonprofits that develop affordable housing**

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

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

An earlier recommendation had promoted the construction of two to three entry-level homes per year going forward. Part of this could be met through area nonprofit groups. Infill sites created when older structures are demolished may provide low-cost locations for affordable home construction.

### **13. Consider the creation of housing construction incentives**

**Findings:** New home construction has been limited to less than five new houses per year over the past five years in Fairmont. Despite the potential for increased demand for housing going forward, there may be proactive efforts needed to attract a larger market share.

One successful approach used by other communities is to offer some types of financial incentives for new construction. There are many ideas that have been used, including a waiver of municipal fees for building permits or water/sewer connections. If allowable, some cities have used a property tax abatement or tax increment financing programs to pay for improvement costs. Others have used a direct cash incentive, such as a down payment assistance program.

**Recommendation:** The City has already made an investment in a publicly-owned subdivision. To help see these lots get sold and used, there may be incentives that could be offered to accelerate home building in the City. Home ownership promotes community stability. While costly, financial incentives could provide the community with a competitive advantage over other housing opportunities available in the region.

## **Housing Rehabilitation and Preservation**

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

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

### **14. Promote rental housing rehabilitation programs**

**Findings:** The best available estimates would indicate that there are more than 1,500 occupied rental housing units in Fairmont. Over time, rental occupancy has been growing, and the rental tenure rate may be greater than 34% in 2020.

Most of the increase in the rental housing inventory appears to be through tenure conversion, as houses that had once been owner-occupied have switched to rental use. This often occurs when older, lower-valued single family houses are purchased by investors. Between 2009 and 2018, the Census Bureau's American Community Survey tracked an increase of more than 200 single family rental units in Fairmont, at the same time that the number of owner-occupancy households in the City decreased.

The American Community Survey also includes estimates on the age of housing. According to this source, the median year of construction for rental units in Fairmont is 1958, with more than 50% of the rental stock constructed prior to 1960. While age is not always an indicator of physical condition, older housing generally requires more maintenance and repair. Many of these rental structures could benefit from rehabilitation.

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

**Recommendation:** The 2015 Fairmont Housing Plan had identified rental housing rehabilitation as a “high” priority for the City. Fairmont and area housing agencies should continue to seek funds to rehabilitate rental units. For a rental rehabilitation program to be workable and successful, the funds should allow for program design flexibility, to the extent possible.

Potential funding sources include Minnesota Small Cities Development Program (SCDP) funds, the Federal Home Loan Bank, the Minnesota Housing Finance Agency, and local funds. The City has been successful in the recent past in securing SCDP grants, but these have often been targeted to owner-occupancy housing rehabilitation.

## **15. Promote owner-occupied housing rehabilitation programs**

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

The 2013 Housing Study had included a visual conditions analysis of single family houses in seven of the City’s oldest neighborhoods. This information was then used to prioritize targeted neighborhood programs for SCDP grants for housing rehabilitation. An active SCDP grant is underway and this 2020 Update did not include a new housing conditions survey.

The Census Bureau’s American Community Survey includes estimates on the age of housing. According to this source, the median year of construction for owner-occupancy units in Fairmont is 1957, with nearly 56% of the houses constructed prior to 1960. While age is not always an indicator of physical condition, older housing generally requires more maintenance and repair. Many of these older homes could benefit from rehabilitation.

**Recommendation:** The 2015 Fairmont Housing Plan had identified owner-occupancy housing rehabilitation as a “high” priority for the City. In 2019 the City had an open SCDP grant for targeted rehab and was planning a future application for another neighborhood. The City of Fairmont and area housing agencies continue to identify and apply for funds for ongoing housing rehabilitation.

## **16. Continue to demolish dilapidated structures**

**Findings:** The City of Fairmont has taken an aggressive approach to eliminating blight by assisting property owners with the demolition of dilapidated properties. According to City staff, as many as 12 structures may be demolished annually. Some of the cleared sites have been used for affordable housing redevelopment.

The 2020 project did not include a new housing conditions survey, but the 2013 study identified 39 homes that were dilapidated and considered to be too deteriorated to rehabilitate. There were also nearly 250 houses rated as needing major repair. Some of these houses may have deteriorated further since that time.

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