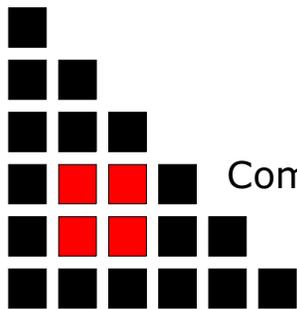


# City of Granite Falls HOUSING STUDY

April 2021

An analysis of the overall housing needs  
of the City of Granite Falls, MN



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# Introduction

## Overview

Community Partners Research, Inc., was hired by the Granite Falls Economic Development Authority to complete an analysis of housing market conditions in the City of Granite Falls.

## Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from December 2020 to March 2021. Data sources included:

- U.S. Census Bureau
- Minnesota State Demographer
- Esri, Inc., a private data reporting service
- Records and data from the City
- Data maintained by Chippewa and Yellow Medicine Counties
- Data from the MN Dept. of Employment and Economic Development
- Data provided by the West Central Association of Realtors
- A rental report prepared by Tammy Edman
- Interviews with elected officials and staff from the City
- Interviews with community leaders and people familiar with the area's housing conditions
- Area housing agencies
- Rental property owner surveys

## Limitations

This document represents an analysis performed with the data available at the time of the research. Any findings are based upon current programs 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 contained in this Study.

During the course of the research for this project, a global pandemic was occurring, which has had immediate and widespread impacts, including on economic, housing and educational conditions. The longer-term effects of the pandemic cannot be predicted, and the analysts have proceeded with the best information available at the time of the research.

This study was prepared by:  
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## **Demographic and Projection Data**

### **Sources of Data**

A variety of data sources have been reviewed for this Study. One of the primary sources is the U.S. Census Bureau which produces annual detailed demographic reports through the American Community Survey. However, there is a data lag on the release and the most recent estimates from the American Community Survey are for 2019, based on surveys collected over a five-year period from 2015 to 2019.

The Census Bureau also produces annual population estimates for individual jurisdictions. These are separate from the American Community Survey. The estimates are only available for population and do not provide any additional demographic details. The most recent estimates are for 2019.

The annual population and household estimates from the Minnesota State Demographer, effective for 2019, have also been reviewed. These are available for cities, townships and counties.

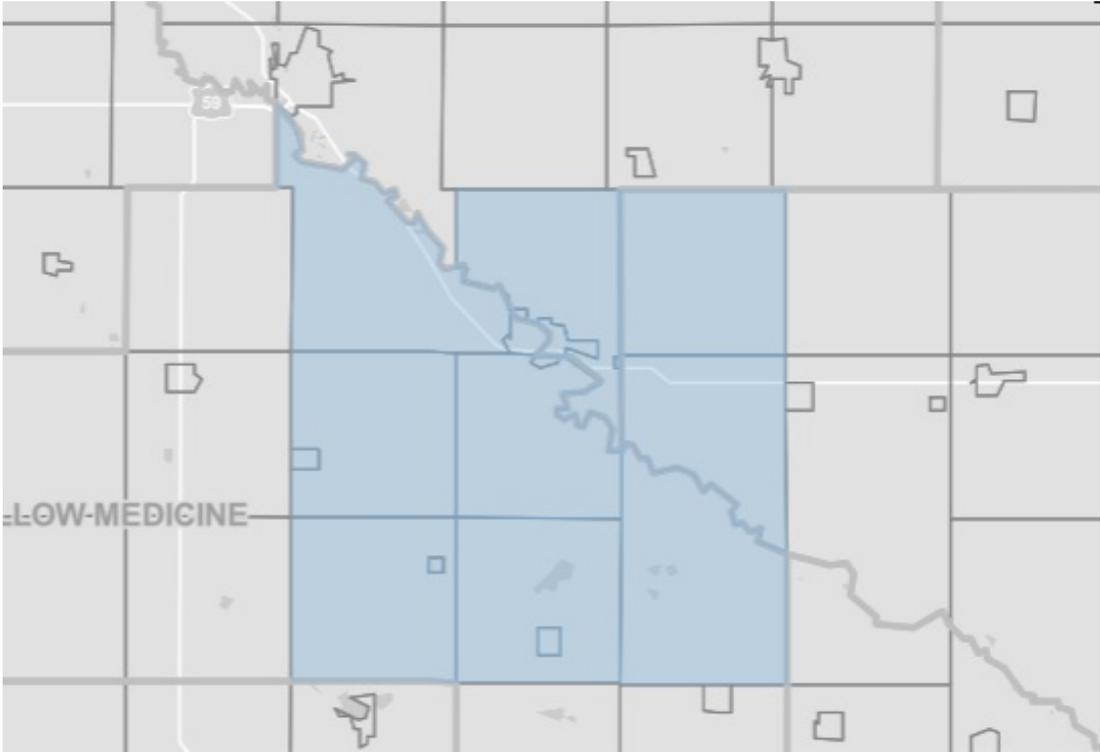
An additional data provider, Esri, Inc., has been used for the current-year, 2020 estimates. Esri is a private company that produces demographic data reports that are often used by financial institutions and the Minnesota Housing Finance Agency. Esri's 5-year projections extend to 2025.

### **Accuracy of Data**

The decennial census provides the benchmark data for demographic variables. At the time of the research for this Study, the 2020 Census was being tallied, but the first data release is not expected until sometime in the fall of 2021. As a result, intercensal estimates have been used, but these may prove to be inaccurate once the 2020 Census totals are released.

### **Market Area Designation**

The City of Granite Falls is located in both Yellow Medicine and Chippewa Counties. To better examine the demographic patterns in the surrounding area, a designated market area has been defined using 12 adjoining subdivisions in the two Counties. Referred to as the Granite Falls Market Area in this Study, the specific jurisdictions in addition to the City of Granite Falls include: Granite Falls Township, Hawk Creek Township and Wang Township in Chippewa County; and Hanley Falls City, Hazel Run City, Hazel Run Township, Minnesota Falls Township, Sandnes Township Sioux Agency Township, Stony Run Township, Wood Lake City and Wood Lake Township.



Granite Falls Market Area

## Population Trends Analysis

The following table tracks population change over time, using the decennial censuses data back to the year 1990. The 2020 estimate is from Esri. Other recent estimates are provided in the text that follows.

<b>Table 1 Population Trends - 1990 to 2020</b>							
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Estimate	% Change 2010-2020
Granite Falls	3,083	3,070	-0.4%	2,897	-5.6%	2,870	-0.9%
Market Area	6,449	6,394	-0.9%	6,116	-4.3%	6,131	0.2%

Source: U.S. Census Bureau; Esri

A current-year estimate was obtained from Esri which shows 2,870 people living in the City of Granite Falls in 2020, down by only 27 people from the level recorded in the 2010 Census.

The most recent estimate from the Minnesota State Demographer’s Office has an effective date of April 1, 2019, so a data lag of more than one year exists. It showed 2,747 people living in Granite Falls. When compared to the 2010 Census benchmark, the City had lost 150 residents between 2010 and 2019.

A third estimate source, the Census Bureau’s annual population estimates program, placed the City’s population at 2,698 people in 2019, down by 199 people from 2010.

Although differences do exist between the recent population estimates, all three sources show some continued reduction in the number of people living in Granite Falls, a pattern that has existed since at least 1990. If used to form an annual range, these three sources show the City losing an average of 3 to 22 people per year over the past decade.

For the entire Market Area, which includes the City of Granite Falls, Esri’s 2020 estimate showed 6,131 people. If accurate, the combined jurisdictions have largely remained stable between 2010 and 2020.

The 2019 estimate from the State Demographer showed 5,728 residents living in the Market Area, down by 388 people, or -6.3%, from 2010.

### **Population by Race/Ethnicity**

At the time of the 2010 Census, approximately 90% of the residents of Granite Falls were White for race, and nearly 95% were not of Hispanic/Latino ethnicity. Due to the limited diversity, no further demographic details have been provided by race/ethnicity.

### **Group Quarters Population**

In 2010, there were 118 people living in group quarters housing in Granite Falls. These residents were divided into three different types of group quarters housing.

- ▶ Nursing home residents - 50 people
- ▶ Non-institutional group home residents - 49 people
- ▶ Correctional facility residents - 19 people

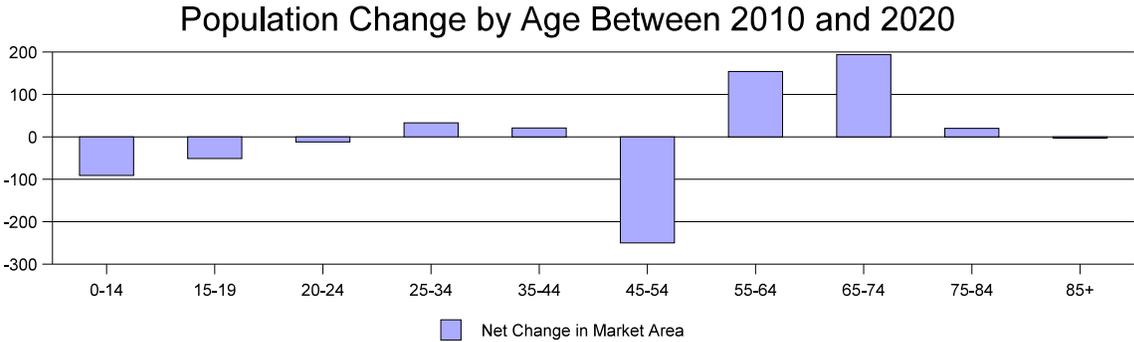
The 2019 estimate from the State Demographer showed 121 group quarters residents in Granite Falls, very similar to the 2010 Census count. No specific details were provided on type of housing in 2019, but it is assumed that the housing types identified in 2010 are still present in the City.

**Population by Age Trends: 2010 to 2020**

Esri’s population estimate for the Granite Falls Market Area includes information within specific age ranges. The following table compares population by age changes between 2010 and 2020. It is important to note that Esri has a higher population estimate than the State Demographer for the Market Area. The difference between these sources is approximately 7%, but the Esri estimates are viewed as reasonably accurate for the age-based change over the last decade.

<b>Table 2 Market Area Population by Age - 2010 to 2020</b>			
Age	2010	2020	Change
0-14	1,192	1,101	-91
15-19	398	347	-51
20-24	318	306	-12
25-34	663	696	+33
35-44	684	705	+21
45-54	1,005	755	-250
55-64	782	936	+154
65-74	541	735	+194
75-84	345	365	+20
85+	188	185	-3
<b>Total</b>	<b>6,116</b>	<b>6,131</b>	<b>+15</b>

Source: U.S. Census; Esri



Based on the Esri estimate, the Market Area has maintained a relatively stable population level from 2010 to 2020. However, in some of the defined age ranges there have been greater variations.

The area has been experiencing decreased numbers of children and young adults, age 24 and younger. However, in the younger adult ranges between 25 and 44 years old there was probably some limited growth over the decade.

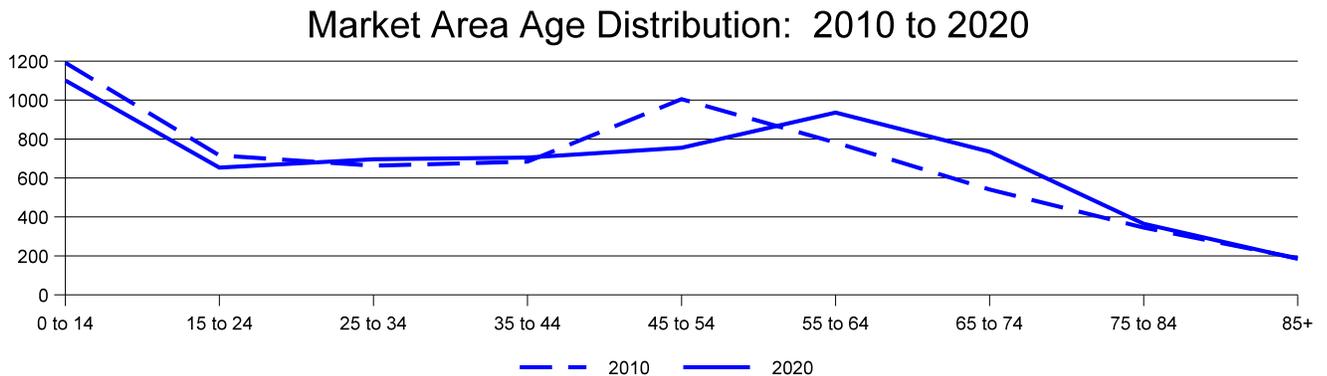
There was a fairly large decrease in the 45 to 54 year old age range, as the age cohort trailing behind the “baby boom” generation was not as large and did not replace that advancing age cohort. This largely appeared to be people moving through the aging cycle, as the next oldest age ranges increased in size.

The age groups with the largest growth were in the 20-year range between 55 and 74 years old. This largely reflected the impact of the age progression of the baby boom generation.

According to Esri, there was very little change in the older senior groups, age 75 and older.

If aggregated into larger groupings, the Market Area saw a net increase of 365 people age 55 and older, but a net decrease of 350 people age 54 and younger, according to Esri.

The aging trends can be tracked to see the advancing “wave” created by the movement of the baby boom generation.



## Population Projections

The following table presents population projections generated by Esri, and span the five-year period from 2020 to 2025.

<b>Table 3 Population Projections Through 2025</b>			
	2020 Estimate Esri	2025 Projection Esri	Change
Granite Falls	2,870	2,828	-42 / -1.5%
Market Area	6,131	6,048	-83 / -1.4%

Source: Esri

Esri’s projection for Granite Falls expects the City to lose 42 permanent residents between 2020 and 2025. On an average annual basis, this would equal approximately 8 to 9 people per year.

The projected loss of population in the future is slightly greater than Esri’s past estimates, which showed a loss of approximately 3 people per year between 2010 and 2020.

Esri is also projecting a minor loss of population for the entire Market Area, with the expected loss of 83 people over the five-year period. On an annual basis, this would average 16 to 17 people per year.

This projection for the Market Area would be somewhat different from past estimates, as Esri believes that the entire Market Area had a slight population gain between 2010 and 2020.

## Household Trends Analysis

The following table tracks household change over time, using the decennial census data back to the year 1990. The 2020 estimate is from Esri. Other recent estimates are provided in the text that follows.

<b>Table 4 Household Trends - 1990 to 2020</b>							
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Estimate	% Change 2010-2020
Granite Falls	1,308	1,344	2.8%	1,282	-4.6%	1,271	-0.9%
Market Area	2,571	2,564	-0.3%	2,540	-0.9%	2,459	-3.2%

Source: U.S. Census; Esri

Esri’s 2020 estimate for Granite Falls shows the City with 1,271 households, down by 11 households from 2010, or an average of just one household per year.

According to the State Demographer, there were 1,261 households in the City in 2019. When compared to the 2010 Census, 21 households had been lost. If viewed as an annual average, this would be a reduction of approximately 2 to 3 fewer households in a typical year.

Although Esri had a higher population estimate than the State Demographer, the household estimates from these two sources are very similar. The population difference is due to estimates on the average household size.

As will be discussed in greater detail later in this document, housing construction and demolition reports for the City point to a limited change in the overall housing inventory since 2010. It is probable that the net gain in housing availability was less than five total units between 2010 and 2020. The limited expansion of the housing stock would generally be consistent with recent estimates showing very little change in the number of households.

According to Esri, there are 2,545 Market Area households in 2020. When compared to the 2010 Census, this shows an increase of 5 households between 2010 and 2020. While Esri does show some recent growth, this represents an annual average of less than one household per year.

According to the State Demographer, there were 2,459 households in the Market Area in 2019. When compared to the 2010 Census, this shows average annual loss of approximately 9 households per year.

### Average Household Size

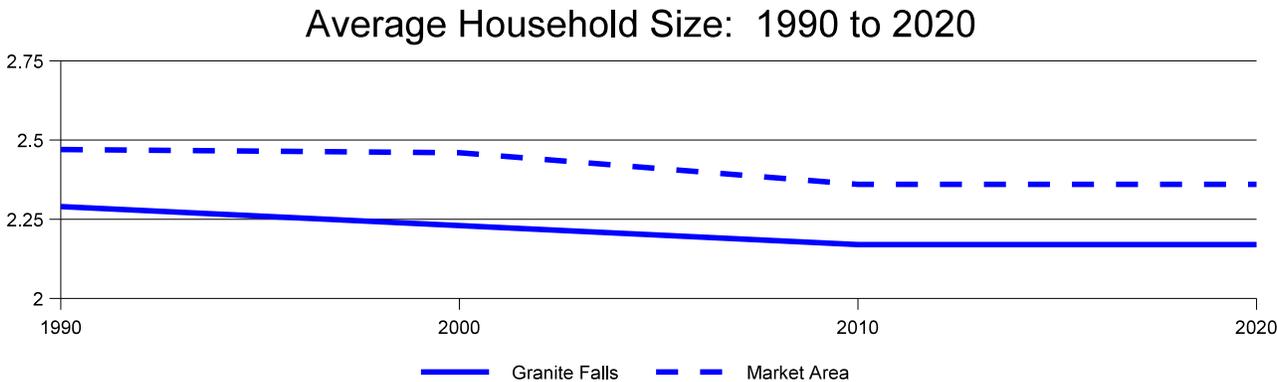
The following table provides decennial Census information on average household size dating back to 1990. The 2020 estimates from Esri are also provided.

<b>Table 5 Average Number of Persons Per Household 1990 to 2020</b>				
	1990 Census	2000 Census	2010 Census	2020 Estimate
Granite Falls	2.29	2.23	2.17	2.17
Market Area	2.47	2.46	2.36	2.28

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.

The average household size in Granite Falls has gradually decreased over time. However, the estimate from Esri shows stability since 2010 with the City’s average household size remaining at 2.17 persons in 2020. The State Demographer’s most recent estimate showed the City’s average household size was down to 2.08 persons in 2019.



The average household size for the entire Market Area had also been growing consistently smaller in recent decades, but the average has consistently remained larger than in the City of Granite Falls. Esri once again shows stability between 2010 and 2020. The State Demographer showed a smaller average household size for the Market Area with 2.28 persons per household in 2019.

**Household Characteristics: Granite Falls Age Trends**

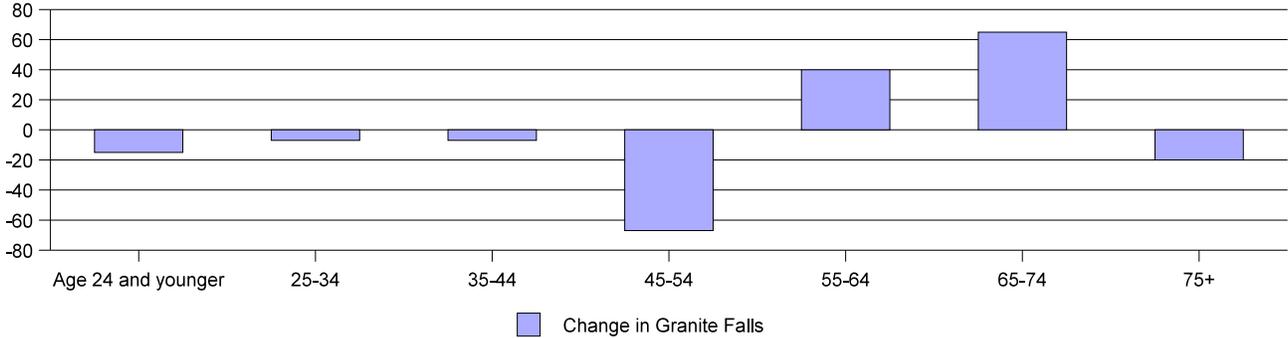
The following table examines the City’s changing age patterns. The 2020 age-based estimates from Esri are compared to the 2010 Census to track recent changes.

<b>Table 6 Households by Age - 2010 to 2020</b>			
Age	Granite Falls		
	2010	2020	Change
15-24	71	56	-15
25-34	168	161	-7
35-44	175	168	-7
45-54	250	183	-67
55-64	219	259	+40
65-74	173	238	+65
75+	226	206	-20
Total	1,282	1,271	-11

Source: U.S. Census; Esri

According to Esri, the City lost 11 total households between 2010 and 2020. However, within some of the defined age ranges, much larger changes have occurred. Overall, there was an increase in the number of households age 55 and older, but this was offset by reductions within the younger age groups.

**Household Change by Age Between 2010 and 2020**



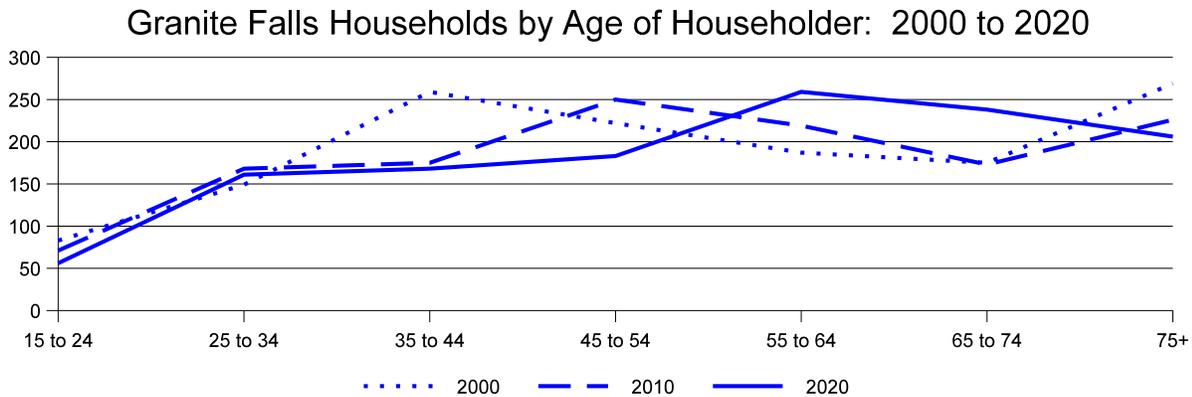
All of the positive change occurred in the prime “baby boomer” age groups, between 55 and 74 years old, with especially strong growth among households age 65 to 74 years old.

However, there was some reduction in the older senior age groups, with an estimated reduction of 20 households age 75 and older.

All of the defined 10-year age groups less than 55 years old decreased in size. The large decrease in the 45 to 54 year old group reflected the void that developed as the baby boomers advanced in age. The “baby bust” generation that followed is smaller in size and could not replace the previous age cohort.

If grouped into larger aggregations, Esri estimates that there was a net loss of 96 households age 54 and younger, but an increase of 85 households age 55 and older over the last decade.

It is possible to track the “wave” progression of the baby boomer households in Granite Falls dating back to the year 2000, using information for households by the age of householder.



## Household Projections

The following table presents household projections from Esri, for the period between 2020 and 2025.

<b>Table 7 Household Projections Through 2025</b>			
	2020 Estimate Esri	2025 Projection Esri	Projected Change
Granite Falls	1,271	1,252	-19 / -1.5%
Market Area	2,545	2,512	-33 / -1.3%

Source: Esri

Esri’s projection for Granite Falls expects the loss of 19 households over the next five years, or an annual average of approximately 4 households per year. This future rate of loss is greater than the estimated level over the past decade, which was probably between 1 and 2 households per year.

Esri’s projection for the aggregated Market Area expects a reduction of 33 households over a five-year period, or an annual average loss of approximately 6 to 7 households per year.

## Projected Households by Age: Granite Falls

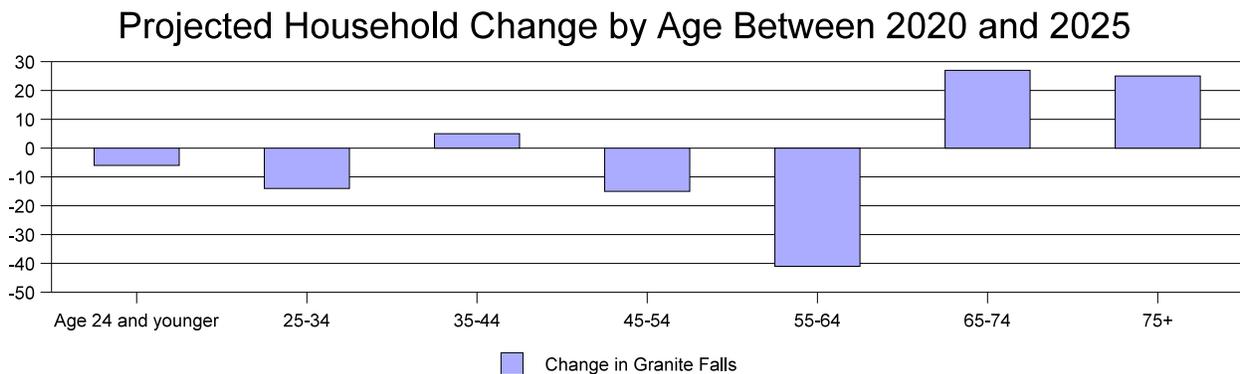
Esri provides projection data within defined 10-year age groups, which can be used to anticipate future changes in the demographic composition. The following table is for the City of Granite Falls.

Table 8 Granite Falls Projected Households by Age: 2020 to 2025			
Age Range	2020 Estimate	2025 Projection	Change
15-24	56	50	-6
25-34	161	147	-14
35-44	168	173	+5
45-54	183	168	-15
55-64	259	218	-41
65-74	238	265	+27
75+	206	231	+25
Total	1,271	1,252	-19

Source: Esri

The age-based projections to 2025 expect some growth in the number of households in Granite Falls among households age 65 and older. Overall, the number of senior households, age 65 and older, is expected to grow by 52 households.

Although some of the younger adult households may remain stable or increase slightly in size, overall there is a projected net decrease of 71 households within the combined ranges below age 65.



**Projected Households by Age: Market Area**

Age-based household projections also exist from Esri for the entire Granite Falls Market Area between 2020 and 2025.

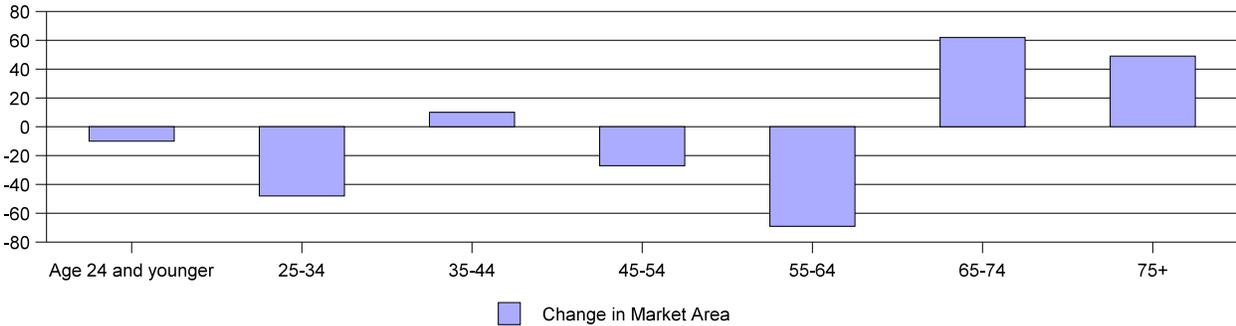
<b>Table 9 Market Area Projected Households by Age: 2020 to 2025</b>			
Age Range	2020 Estimate	2025 Projection	Change
15-24	92	82	-10
25-34	345	297	-48
35-44	360	370	+10
45-54	407	380	-27
55-64	541	472	-69
65-74	426	488	+62
75+	374	423	+49
<b>Total</b>	<b>2,545</b>	<b>2,512</b>	<b>-33</b>

Source: Esri

The age-based projections to 2025 expect some growth in the number of households in Granite Falls among households age 65 and older. Overall, the number of senior households, age 65 and older, is expected to grow by 111 households.

Although some of the younger adult households may remain stable or increase slightly in size, overall there is a projected net decrease of 144 households within the combined ranges below age 65.

**Projected Household Change by Age Between 2020 and 2025**



## 2019 Median Income Data

Annual median income estimates are available at the city, township and county level through the American Community Survey. Information from 2010 can be compared to 2019 to track income trends over the decade. No median estimated exist for the Granite Falls Market Area, since this is and aggregated set of geographies. However, an approximate median for the Market Area can be extrapolated from the income distribution data.

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. Family incomes tend to be higher as families have at least two household members, and potentially more income-earners, while many non-family households have only one household member.

<b>Table 10 Median Household Income - 2010 to 2019</b>			
	2010 Median	2019 Median	% Change
Households			
Granite Falls	\$43,056	\$58,690	36.3%
Market Area*	\$50,504	\$63,480	25.7%
Minnesota	\$57,243	\$71,306	24.6%
Families			
Granite Falls	\$52,500	\$73,929	40.8%
Market Area*	\$58,232	\$74,443	27.8%
Minnesota	\$71,307	\$89,842	26.0%

Source: ACS                      \* Market Area medians were extrapolated by Community Partners Research

Information contained in the American Community Survey showed that the City’s median income levels increased rapidly over the past decade. The City’s median household income had increased by more than 36%, while the median family income had increased by nearly 41%. However, the median income levels in the City were lower than the Market Area or Statewide medians.

A general standard is that 30% of income can be applied to housing costs. At this percentage, a median income household in Granite Falls could apply approximately \$1,467 per month, and a median income family could apply approximately \$1,848 per month.

## Household Income Distribution by Tenure: 2019

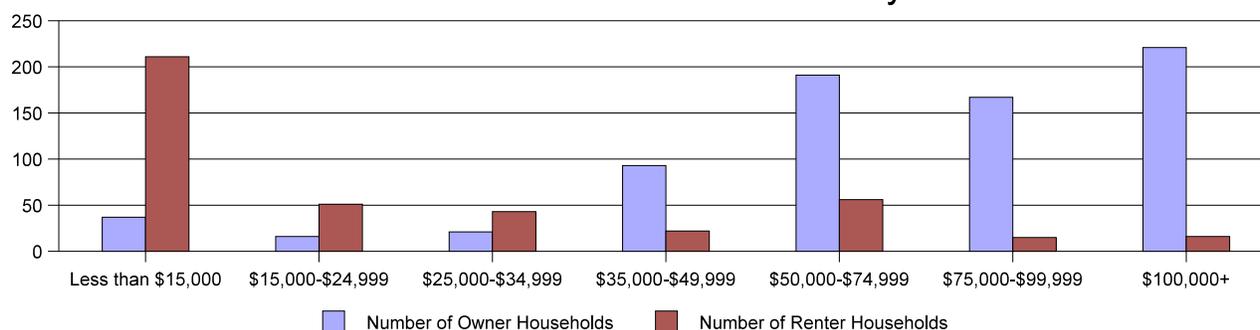
The American Community Survey also contains household income distribution estimates. This information is available by ownership or renter status.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	37	211	248
\$15,000 - \$24,999	16	51	67
\$25,000 - \$34,999	21	43	64
\$35,000 - \$49,999	93	22	115
\$50,000 - \$74,999	191	56	247
\$75,000 - \$99,999	167	15	182
\$100,000+	221	16	237
Total	746	414	1,160

Source: American Community Survey

Within the moderate to higher income ranges, there was a strong preference for home ownership. For households with an annual income of \$50,000 or more, the rate of home ownership was nearly 87%, with approximately 13% of these households renting their unit.

Granite Falls Household Income Distribution by Tenure: 2019



This pattern was reversed in the lower and moderate income ranges. For all households with an annual income below \$50,000, the rental rate was approximately 66%. For low income households below \$25,000 for annual income the rental rate was above 83%.

The American Community Survey also includes an estimate of the median income by housing tenure. However, these estimates for Granite Falls do appear to be somewhat flawed, especially for renters.

For all renter households in the City the estimated median income level in both 2018 and 2019 was below \$20,000. At \$20,000, a renter household could only apply \$500 or less per month to housing costs without incurring a cost burden.

For all home owners, the estimated median income in 2019 was \$76,500. Owner households at this level could apply approximately \$1,915 per month toward housing costs.

## Renter Housing Cost Burden

The American Community Survey includes information on housing costs for renter households. Generally, it is the goal of housing assistance programs to limit housing costs to no more than 30% of household income. This is especially true for lower income households, with limited amounts of income available for discretionary spending.

The following table examines the percentage of income required by renter households for monthly housing costs. Information is provided for renter households within defined age ranges.

Percent of Income for Housing	Age 24 and Younger	Age 25 to 64	Age 65 and Older	Total
Less than 20%	10	67	0	77
20% to 29.9%	14	51	18	83
30% to 34.9%	9	23	6	38
35% or more	39	93	49	181
Not Computed	0	28	7	35
Total	72	262	80	414

Source: American Community Survey

Using a standard that 30% of income for housing defines a cost burden, most renter households in Granite Falls had a cost burden for rental housing in 2019. Overall, approximately 53% of all renters were paying 30% or more of their income for housing. The large majority of these households were actually paying 35% or more of income, and would have a severe cost burden.

Rental cost burden percentages did vary by age. For senior citizen renters, nearly 69% reported a cost burden. Among younger renters below 25 years old, nearly 67% reported a cost burden. This younger range may include post-secondary students living in the City. Among renters in the age ranges between 25 and 64 years old, approximately 44% reported paying 30% or more of their income for rental housing.

Cost burden was generally the result of a lower household income. Nearly all of the households that were paying 30% or more of their income for housing had a household income that was below \$35,000 per year.

## Owner Housing Cost Burden

The American Community Survey also includes information on housing costs for home owners. The following table examines the percentage of income required by Granite Falls owner households for monthly housing costs. Information is provided for owner households with or without a mortgage on their home.

<b>Table 13 Granite Falls Owner Household Cost Burden - 2019</b>			
Percent of Income for Housing	Households with a Mortgage	Households without a Mortgage	Total
Less than 20%	286	224	510
20% to 29.9%	126	10	136
30% or more	71	29	100
Not Computed	0	0	0
Total	483	263	746

Source: American Community Survey

Most owner-occupants, which would include both households with or 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.

Approximately 13% of all home owners reported that they paid more than 30% of their income for housing. As would be expected, the large majority of cost-burden home owners had a mortgage on their home. However, 29% of owners reporting a cost burden had no mortgage. In these cases, it was generally a low annual income that has caused the cost burden, such as a retiree that owned their home but lived on a fixed income.

## Building Permit Trends

The following table identifies new housing units that have been issued a building permit since the year 2010.

<b>Table 14 Granite Falls Housing Construction Activity: 2010 to 2020</b>				
Year	Single Family Detached	Single Family Attached	Multifamily Rental	Total Permitted
2020	1	0	0	1
2019	1	2	0	3
2018	1	2	0	3
2017	1	2	0	3
2016	0	2	0	2
2015	0	2	0	2
2014	0	0	0	0
2013	0	0	0	0
2012	2	0	0	2
2011	0	0	0	0
2010	0	0	0	0
<b>TOTAL</b>	<b>6</b>	<b>10</b>	<b>0</b>	<b>16</b>

Source: City of Granite Falls; Census Bureau

Based on available reporting, there have been 16 housing units constructed in Granite Falls between 2010 and 2020. Six of these were single family detached houses and intended for owner-occupancy. There have also been five duplexes constructed, creating 10 rental units.

No multifamily housing construction for rental use was identified.

The actual net gain in housing units has been smaller, as at least eight to ten houses were demolished during this same time period, most as part of a flood damage mitigation effort. The exact number of housing unit demolitions was not confirmed, but the overall growth in the City's housing stock has been very limited over the past decade.

## **Lots and Land**

The primary residential lot inventory exists in the Chippewa County portion of Granite Falls, in an area known as Barber Circle. A large subdivision had been platted in this area of City many years ago, but municipal infrastructure improvements have been added gradually in phases. In 2019 a new public improvement project added street, curb and gutter improvements to approximately 20 platted lots.

Since these lots were platted in the past, many are individually owned, although vacant. Some lots also remain in previous improvement phases. While the exact number of available vacant lots is not known, the inventory contains more than 20 good quality lots in 2021.

The website Realtor.com lists approximately 10 lots that appear to be in the Barber Circle/Skyline Drive area of the City. Prices range from \$9,999 to \$22,800.

In addition to the newer development area, there are probably infill lots that exist around the community. This could include parcels that exist following demolition activity from the tornado disaster, or from ongoing clearance of substandard structures.

### **Publicly-owned Lots**

The City EDA owns some lots in Barber Circle. In the past, EDA lots have been sold to developers, including some of the sites for the duplex construction over the past decade.

In 2021, the EDA owns two lots in the Barber Circle area. However, there are a number of privately-owned lots in Barber Circle that are delinquent on property tax/special assessment payments, and it is possible that the EDA may attempt to acquire some of these lots in lieu of tax delinquency.

In the past, the EDA has generally been willing to sell lots at the approximate cost of outstanding special assessment balances, plus the costs needed for closing.

## Existing Home Sales

This section examines houses that have been sold within recent years in the City of Granite Falls. Since the City is located in two Counties, information was obtained from both the Chippewa and Yellow Medicine County Assessors.

Each County collects and utilizes information from residential sales for an annual sales ratio study. The fair market sale price for the property is compared to the estimated taxable value. As a result, the County information primarily reflects sales of 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.

Each 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 County Assessor also makes adjustments to the actual sales price to reflect personal property, financing concessions or other factors not directly related to the real estate value. For the analysis that follows, the “adjusted sales price” has been used.

The County’s sales ratio years differ from the calendar year, and start on October 1<sup>st</sup> and end on September 31<sup>st</sup>. Information was available for sales ratio year from 2017 through 2020.

<b>Table 15 Granite Falls Residential Sales Activity - 2017 to 2020</b>				
Year	Number of Good Sales	Median Sale Price	Highest Sale	Lowest Sale
2020	27	\$110,000	\$230,000	\$28,500
2019	40	\$109,500*	\$343,000	\$19,650
2018	48	\$82,250*	\$245,000	\$18,000
2017	34	\$78,825*	\$270,000	\$22,100

Source: Chippewa and Yellow Medicine County Assessors; Community Partners Research, Inc.

With a limited number of good sales in any 12-month time period, the annual median price may not be a reliable indicator of home values. There has been some year-to-year variation in the annual median price since 2017.

In 2020, there were only 27 good sales that were recorded, the lowest annual number over the four years reviewed. In 2020, the median price was \$110,000. This was very similar to the median of \$109,600 for 2019, when 40 good sales occurred in the City.

Based on the four years reviewed, there has been an upward trend in annual sales prices. Between 2018 and 2019 the annual median increased by more than \$27,000.

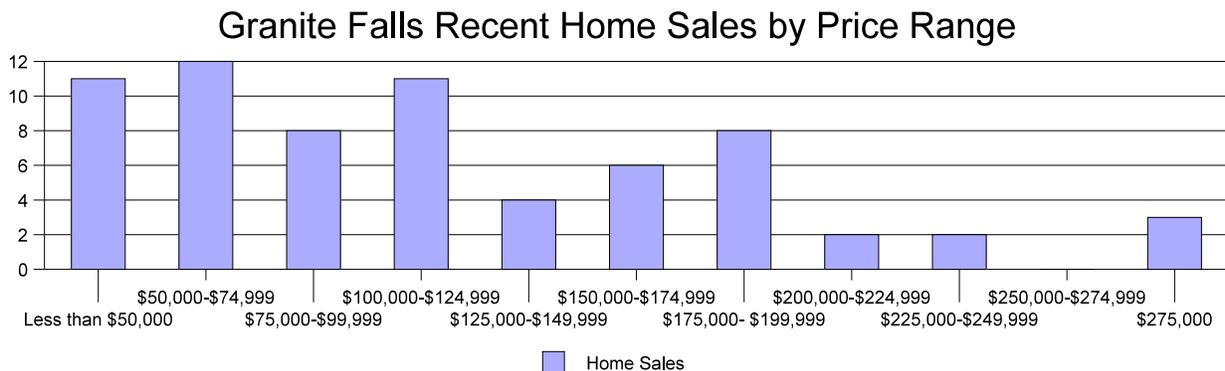
An alternate value estimate exists in the American Community Survey. In 2019, the estimated median value for owner-occupancy houses in Granite Falls was \$125,300. This was higher than the midpoint value achieved in home sales in 2019 and 2020.

## Home Sales by Price Range

The following table looks at the price distribution of 67 single family houses that sold in Granite Falls in 2019 and 2020. This information is once again from County sales records.

Table 16 Home Sales by Price Range: 2019-2020		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	11	16.4%
\$50,000 - \$74,999	12	17.9%
\$75,000 - \$99,999	8	11.9%
\$100,000 - \$124,999	11	16.4%
\$125,000 - \$149,999	4	6.0%
\$150,000 - \$174,999	6	9.0%
\$175,000 - \$199,999	8	11.9%
\$200,000 - \$224,999	2	3.0%
\$225,000 - \$249,999	2	3.0%
\$250,000 - \$274,999	0	0%
\$275,000+	3	4.5%
<b>Total</b>	<b>67</b>	<b>100%</b>

Source: Chippewa and Yellow Medicine County Assessors; Community Partners Research, Inc.



Most of the recent sales activity in occurred within the low to moderate price ranges, as nearly 63% of the sales were priced below \$125,000. Fewer than 11% of the recent sales were for \$200,000 or more.

## **West Central Association of Realtors Reports**

The West Central Association of Realtors (WCAR) has produced an annual report for 2020 showing some details on home sales in Granite Falls. It is based on calendar year reporting, and may contain some different sales than are listed in the County sales ratio reports. For example, houses that are sold directly by the owner, and not included in the Multiple Listing Service may not be included in the WCAR report.

For 2020, WCAR showed 38 closed sales in Granite Falls, with a median price of \$123,950. This was up from a median of \$110,000 in 2019.

When the report was produced, there was only a small volume of actively listed houses for sale in the Granite Falls market.

## **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 Granite Falls. On January 17, 2021, there were 14 single family homes that were listed for sale that appeared to be located in the city limits of Granite Falls. However, eight of these 14 listings were identified as "pending" or "contingent" sales.

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

The six listings that were actively for sale ranged in price from \$68,500 to \$264,900. Four of the listings were priced below \$150,000, and only one was above \$200,000.

## **Age of Housing**

The American Community Survey includes an estimate of the age of the housing stock.

For owner-occupancy units in Granite Falls, the estimated median year of construction is 1973. Nearly 24% of the owner-occupancy stock was constructed before 1960.

For rental housing, the estimated median year of construction was listed as 1975. Approximately 28% of the rental inventory was constructed prior to 1960.

## **Mobile Home Data**

The American Community Survey also provides some details on the mobile homes in the City, however, this source seems to under estimate the number of occupied units. According to the American Community Survey there were 48 mobile homes in Granite Falls, with 11 owner-occupied, 14 renter-occupied and 23 unoccupied. All of the occupied mobile homes in the City had an estimated manufacture date before the year 2000.

There are two mobile home parks in Granite Falls. The largest of these, Chippewa Terrace, reported 43 mobile homes, with 17 owner-occupancy and 25 renter-occupancy units. No contact was made with the second mobile home park.

Chippewa Terrace does have 12 additional vacant lots available, so the number of mobile homes could increase in the future. However, these lots are often utilized by seasonal campers or RVs, including temporary housing for limited-duration construction workers in the area.

## **Rental Housing Data**

### **Census Bureau Inventory**

At the time of the 2010 Census, there were 441 occupied rental units in Granite Falls, and at least 69 unoccupied units, for a total estimated rental inventory of 510 units. The City's rental tenure rate, was 34.4%, based on renter-occupancy households, above the Statewide rate in 2010 of 27% rental.

### **Rental Construction After 2010**

There has been some limited construction of rental housing in Granite Falls since 2010. A private developer has constructed 10 units, in two-unit structures. These are town house-style units with an attached garage, serving the conventional market rate rental segment.

When added to the 2010 Census inventory, the estimated rental housing stock in Granite Falls in 2020 could contain as many as 520 units. This estimate does not include an allowance for older unit losses, or for possible upward or downward changes due to tenure conversion.

### **Pending/Proposed Rental Projects**

Two proposed projects were identified that would create rental housing in the future.

The Granite Falls EDA is proposing a project that would create 3 rental units in the first construction phase. Eventually, as many as nine units could be constructed based on the initial site plan. These units would be town house-style and would serve the conventional market rate segment. This project is attempting to secure outside funding from the State of Minnesota for the first construction phase. If successful, construction would begin in 2021.

Another pending project would construct an additional duplex by S&H properties. Since 2015, five duplexes have been built and are renter-occupied.

## **Rental Housing Survey**

As part of this Study, a telephone survey was conducted of larger rental projects in Granite Falls. In the table provided later in this section, a summary of the contacted properties is provided.

Emphasis was placed on contacting multifamily properties with four or more units. For the purposes of future construction, we believe that the larger rental properties provide the best comparative information.

In some cases, properties with fewer than four units were surveyed, including some units in downtown mixed-use properties.

In addition to the multifamily projects listed, there was also information collected from owners of single family home and mobile home rentals. A written summary of this housing segment is provided on the following pages.

The survey was conducted in January 2020. Multiple attempts were made to contact each property. Information was tallied separately for different types of rental housing, including market rate units, subsidized housing, and specialized housing for seniors.

The breakdown of surveyed units is as follows:

- ▶ 150 market rate units
- ▶ 110 subsidized units
- ▶ 28 senior housing with light services apartments

Generalized information was collected from 62 units in rental houses or mobile homes.

In total, some usable information was obtained from nearly 350 rental housing units in Granite Falls, or approximately 65% or more of the City's estimated inventory in 2021.

The findings of the survey by market segment are provided below.

## **Market Rate Summary**

Property-specific information was obtained from 10 different rental projects with a combined 150 market rate rental units. Additionally, general information was collected from 62 rental units that exist in single family houses or mobile homes, but these units were not reported by property address.

Some of the survey responses may have provided limited information, and in the specific analyses that follow, a smaller subset of units may have been used.

### **Unit Mix - Multifamily**

The following information is for the bedroom mix for 150 units in multifamily projects:

- ▶ 1 studio (0.7% of all units)
- ▶ 32 one-bedroom (21.3%)
- ▶ 94 two-bedroom (62.7%)
- ▶ 23 three-bedroom (15.3%)

There were no multifamily units with four or more bedrooms reported, but these would be present in some of the single family rental houses.

### **Unit Mix - Single Family/Mobile Home**

The following information is for the bedroom mix for 62 units in single family rental houses or mobile homes:

- ▶ 5 one-bedroom (8.1%)
- ▶ 31 two-bedroom (50.0%)
- ▶ 22 three-bedroom (35.5%)
- ▶ 4 four-bedroom (6.5%)

### **Occupancy/Vacancy - Multifamily**

In general, a high rate of occupancy was reported in the market rate segment. One 8-unit project has an above-average level of vacancy, and the owner indicated that some ongoing issues had resulted in significant occupancy issues. This 8-unit project was excluded from the vacancy calculation. Another 8-unit building could not be contacted for occupancy data.

The multifamily vacancy calculation is based on reported information from 134 units. There were no vacant units within this group, for an estimated vacancy rate of 0%.

### **Occupancy/Vacancy - Single Family/Mobile Home**

Generally good demand was reported for rental units that exists in single family houses and mobile homes. No specific vacancy totals were obtained from some owners, but most reported typical occupancy between 95% and 100% in their rental portfolio.

### **Rental Rates**

There can be a wide variation in rental rates in Granite Falls. Some of the properties included in the rental survey have been constructed within the past 25 years and offer a town house-style unit with an attached garage. These newer units tend to have a higher rent structure than older apartment buildings, but also offer certain amenities and features not present in older housing.

Some of the units include the primary utility payments with the rent, while in other cases, the tenant pays some or all major utilities in addition to rent. We have attempted to include tenant-paid utilities into a gross rent estimate.

The Identified Range column defines the highest and lowest gross rents identified by the 2021 survey, while the Prevailing Range column defines a more narrow band of gross rents being charged by a majority of the units contacted.

<u>Multifamily Unit Type</u>	<u>Identified Range</u>	<u>Prevailing Range</u>
Studio/efficiency	\$430	\$430
1-bedroom	\$400 - \$670	\$435 - \$630
2-bedroom	\$545 - \$1075	\$550 - \$900
3-bedroom	\$600 - \$1250	\$700 - \$925

It is important to note that the newest rental project in Granite Falls, S&H Properties Duplexes, did not disclose their contract rent levels. The two-bedroom units in this project are believed to have the highest gross rent amounts being achieved in the community.

<u>Single Family Units</u>	<u>Identified Range</u>
1-bedroom	\$600 - \$775
2-bedroom	\$675 - \$875
3-bedroom	\$750 - \$1050
4-bedroom	\$825 - \$1050

There can be a wide range in the age, condition and quality of single family houses and mobile homes that are used as rentals, but many of these are probably older housing units that could be acquired by investors at an attractive price.

**American Community Survey Rental Rates**

The Census Bureau’s American Community Survey includes an estimate of gross rents. Although this information is from 2019, it does provide another source for examining the local rent structure. According to this source, the following median gross rents existed in Granite Falls:

<u>Unit Type</u>	<u>Median Gross Rent</u>
studio	\$378
1-bedroom	\$546
2-bedroom	\$754
3-bedroom	\$758
4-bedroom	\$717

For all units in Granite Falls, the estimated median gross rent in 2019 was \$583.

## **Tax Credit/Moderate Rent Summary**

Since the late 1980s, the primary federal incentive program for the production of affordable rental housing has been through federal low income housing tax credits, also referred to as Section 42 housing. Units assisted with tax credits have income, occupancy and rent restrictions that apply, in an attempt to provide affordable housing opportunities for lower income people. In Minnesota, tax credits are awarded annually on a competitive basis.

Granite Falls has never had a rental project that has received federal low income housing tax credits.

Tanglewood Townhomes in Montevideo is the only tax credit award that has been made in Chippewa County. This 24-unit project was constructed in the late 1990s and all units serve households at or below 60% of the median income level.

In Yellow Medicine County only one tax credit award has been made. The 8-unit Clarkview Apartments was constructed in 1987. This project completed its tax credit compliance requirements after 15 years and would no longer have income, occupancy or rent restrictions.

## **Subsidized Summary**

The inventory of federally subsidized rental housing in Granite Falls has remained unchanged in recent decades. There are three subsidized projects providing rental opportunities for lower income households. These projects have a combined 110 units. Most of the City's current inventory of subsidized units can serve very low income people by charging rent based on 30% of the tenant's household income.

Just over half of the units are designated for general occupancy. These do not have age or disability requirements for tenants. However, most of the units in the general occupancy segment were originally constructed for senior/disabled tenant occupancy and have only one bedroom. Riverview Apartments changed its occupancy designation to general occupancy at a later date. As a result, the City has only a small inventory of subsidized units with two, and these are primarily in Scotland Green Apartments.

In 2021, there are no subsidized projects that can be identified as "at risk" of leaving their subsidy program. The Minnesota Housing Finance Agency maintains a federal "opt-out" log and no Granite Falls projects were listed.

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

Henry Hill Apartments is designated for senior/disabled tenants, with units, distributed as follows:

- ▶ 53 one-bedroom
- ▶ 1 two-bedroom

### **Unit Mix - General Occupancy**

Riverview and Scotland Green are available for general occupancy and contain a combined 56 units, distributed as follows:

- ▶ 47 one-bedroom
- ▶ 9 two-bedroom

There are no subsidized units in Granite Falls to serve large families needing three or more bedrooms.

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

Henry Hill Apartments reported an annual occupancy rate of approximately 99%. Any open units are typically the result of processing times needed to certify new applicants at unit turnover.

Henry Hill reported only a short waiting list with two or three names.

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

There were some vacant one-bedroom apartments reported in the 2021 survey. Scotland Green had one open unit and more than one vacancy existed in Riverview. Some of the vacancies in Riverview were attributed to the health pandemic, and the reluctance of people to move in multifamily housing.

## **Tenant-Based Rent Assistance**

In addition to the three rental developments with project-based subsidies, renter households in Granite Falls can also access HUD Housing Choice Vouchers. 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 amounts.

There are separate rent assistance programs available in Chippewa County and Yellow Medicine County, although both are administered by the same staff.

In Chippewa County there were there were 11 households with Vouchers in Granite Falls in January 2021. This program had the authority to issue 129 Vouchers Countywide, but funding and lease-up issues resulted in fewer Vouchers in use.

In Yellow Medicine County there were there were 20 households with Vouchers in Granite Falls in January 2021. This program had the authority to issue 73 Vouchers Countywide, but funding and lease-up issues resulted in fewer Vouchers in use.

Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month. However, when the 31 tenant-based Vouchers are combined with the project-based housing, there are as many as 141 households with access to some form of subsidized housing. This probably represents between 28% and 30% of all renter households in the City in 2021.

Both County Voucher programs maintain a waiting list for assistance. There were approximately 12 to 15 names on the waiting list in January in Chippewa County, and 8 to 10 names in Yellow Medicine. Each program provides a preference for applicants that live in the County, and not all of the households on the waiting lists meet this preference.

## **Senior Housing with Services**

Granite Falls has three housing options for seniors requiring services with their housing.

### **Subsidized Housing with Services Available**

Henry Hill Apartments is a 54-unit project that is designated for senior and/or disabled tenant occupancy. It is subsidized through HUD's Section 8 New Construction program and all tenants have access to project-based rent assistance allowing rent based on 30% of income.

Tenants in Henry Hill can privately contract for services through a third-party provider that operates in the building. At any time, approximately 25% of tenants will typically contract for some level of services.

Henry Hill reported a high rate of annual occupancy, although most residents are living independently without services.

### **Housing with Light Services**

There is one provider of senior housing with light services in Granite Falls. Granite Ridge is affiliated with the Avera Hospital and Care Center. The building has 28 apartment units. Rent includes a daily meal, light housekeeping, activities and an emergency call system.

There were some vacant units at the time of the survey, although this was partly attributed to the pandemic. However, some level of vacancy has been typical in this project for many years.

### **Assisted Living**

There are no current providers of senior assisted living in Granite Falls. A residential-style facility with estimated capacity for 10 residents had previously operated in the City but was closed in 2021.

### **Memory Care**

There are no specialized memory care housing options in Granite Falls.

## **Skilled Nursing Home**

Avera Granite Falls Care Center is licensed for 48 beds in 2021. Most of these are utilized by traditional long-term care residents.

The Care Center is a new facility, which was constructed in 2015 when an older building was replaced. The new construction allows most rooms to offer private occupancy. A high annual occupancy rate was reported.

**Table 17 Granite Falls Multifamily Rental Housing Inventory**

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
East Ridge Townhomes 102-112 Skyline Dr	2 - 2 bedroom <u>4 - 3 bedroom</u> 6 total units	\$700 \$700 +all utilities	No vacant units	Mix of tenants	Town house project constructed in the mid-1970s and intended for owner-occupancy but most later were acquired for use as rentals with 9 of 12 units rented in 2021 - this owner has 6 of these units. Tenant pays all utilities. Two-bedroom units are 1-level and have 1 bathroom, and 3-bedrooms are split-level and have 1.5 bathrooms. Full occupancy reported with most tenants younger working age or families.
Town Houses at Skyline Drive 120-122 Skyline Dr	1 - 2 bedroom <u>1 - 3 bedroom</u> 2 total units	\$650 \$700 +all utilities	No vacant units	Mix of tenants	Town house project constructed in the mid-1970s and intended for owner-occupancy but most later were acquired for use as rentals with 9 of 12 units rented in 2021 - this owner has 2 of these units. Tenant pays all utilities. Two-bedroom units are 1-level and have 1 bathroom, and 3-bedrooms are split-level and have 1.5 bathrooms. Full occupancy reported with most tenants younger working age or families.
15 <sup>th</sup> Street Apartments 1175 15 <sup>th</sup> St	1 - 1 bedroom 3 - 2 bedroom <u>4 - 3 bedroom</u> 8 total units	\$525 \$575 \$600	6 vacant units	Mix of tenants	Split-level apartment building constructed in the mid-1960s. Originally constructed for student occupancy with all units having 3 bedrooms, but over time it has served general occupancy and lower level units were remodeled to remove bedrooms and create additional living space. Rent includes utilities. Only 2 units occupied at time of survey - owner cited deferred exterior maintenance and no current property manager as impacting lease-up.
Highway 23 Properties 525 Prentice St	6 - 2 bedroom <u>2 - 3 bedroom</u> 8 total units	\$535 \$650 +heat, electric	N/A	N/A	Unable to contact owner for current occupancy information - information provided is from secondary sources. Rent includes water, sewer and garbage, with tenant paying heat and electric. All units have 1 bathroom. Garage available.

**Table 17 Granite Falls Multifamily Rental Housing Inventory**

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Gran View Apartments 110-116 Baldwin St	2 - 1 bedroom <u>14 - 2 bedroom</u> 16 total units	\$360 \$460 +heat, electric	No vacant units	Mix of tenants	Two 2-level walkup apartment buildings constructed in the mid-1970s. Rent includes water, sewer, hot water and garbage, with tenant paying electric heat and electricity. Owner reported full occupancy and good demand with a mix of tenants from young working age to retirees.
776 Prentice St	<u>3 - 1 bedroom</u> 3 total units	\$450	No vacant units	Primarily singles	Rental units on the upper floor of an older downtown mixed-use building. Units were gutted and rebuilt in early 2000s. Rent includes utilities. Owner reported full occupancy with most tenants being singles.
834 Prentice St	1 - studio <u>3 - 1 bedroom</u> 4 total units	\$400 \$550-\$600 +electric	No vacant units	Primarily singles	Rental units on the upper floor of an older downtown mixed-use building. Units were gutted and rebuilt in mid-2010s. Tenant pays electricity. Owner reported full occupancy with most tenants being singles.
Scenic Valley 168 Hwy 212 E	<u>17 - 1 bedroom</u> 17 total units	\$400	No vacant units	Mix of tenants including short-term temp workers	Former motel that was converted into rental housing - originally for temp construction workers and then used by MN West for student housing, but offering general occupancy housing for more than 10 years. Rent includes all utilities. Units are studio apartments with microwave and mini-fridge but no stove. Short-term leases are available and some tenants may be temp workers in the area. Manager reported full occupancy.

**Table 17 Granite Falls Multifamily Rental Housing Inventory**

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
S&H Properties Duplexes 9 <sup>th</sup> St & 10 <sup>th</sup> Ave	4 - 2 bedroom <u>6 - 2 bdrm large</u> 10 total units	N/A +utilities	No vacant units	Primarily seniors	Five duplex structures constructed between 2015 and 2019. Units are slab-on-grade without stairs and include 1 or 2 car attached garage. Tenant pays all utilities. Amenities include dishwasher, in-floor heat, AC and in-unit laundry. Units have 1250 sq ft and 1-car garage or 1450 sq ft and 2-car garage; all units have 1 bathroom. Owner reports very strong demand and very low unit turnover. Most tenants are seniors. Additional duplex planned for 2021.
Skyline Vista Apartments 224 Mooney Cr	4 - 1 bedroom 17 - 2 bedroom <u>3 - 3 bedroom</u> 24 total units	\$640 \$740 \$845 +electric	No vacant units	Mix of tenants	Three-level apartment building constructed in the late 2000s. Rent includes heat, water, sewer and garbage, with tenant paying electric. Amenities include dishwasher, AC, detached garage and some units have balconies. One-bedroom units have 658 sq ft, 2-bedrooms have 938 to 1009 sq ft and some have 2 bathrooms, and 3-bedrooms have 1410 sq ft and 2 bathrooms. Manager reported full occupancy with a mix of tenants ranging from retirees to young professionals - good demand as units are the newest apartments in the City.
Skyview Estates	18 - 2 bdrm/1 bath 4 - 2 bdrm/2 bath <u>6 - 3 bdrm/1 bath</u> 28 total units	\$700 \$873 \$1000 +utilities	No vacant units, waiting list	Mix of tenants	Town house-style rental units developed by the Granite Falls EDA in 3 phases in the 1990s. Tenant pays all utilities. Most units are 1-level with attached 1 car garage, but 2 units are 2-level and 4 have 2 car garage. Amenities include dishwasher, garbage disposal and in-unit laundry hookup. Two-bedrooms range from 1169 to 1528 sq ft and 3-bedrooms have 1493 sq ft. Manager reported full occupancy and strong demand with a 27 name waiting list.

<b>Table 17 Granite Falls 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>Market Rate</b>					
Valley Estates Apartments 1040-1090 17 <sup>th</sup> St	2 - 1 bedroom 19 - 2 bedroom <u>3 - 3 bedroom</u> 24 total units	\$475 \$500 \$525 +heat, electric	No vacant units	Mix of tenants	Two 2-level walkup apartment buildings constructed in 1977. Located near MN West campus and originally intended for students but over time has primarily served general rental market with no students currently in occupancy. Rent includes water, sewer and garbage with tenant paying electric heat and electricity. Amenities include dishwasher, garbage disposal, AC ad 13 garages for extra fee. Owner reported full occupancy and many long-term tenants - rents reflect limited increase over time for existing tenants. Most working-age tenants are employed in Granite Falls.

**Table 17 Granite Falls Multifamily Rental Housing Inventory**

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Subsidized</b>					
Henry Hill Apartments 150 7 <sup>th</sup> Ave	53 - 1 bedroom <u>1 - 2 bedroom</u> 54 total units	\$842 \$959 30% of income	Annual occupancy rate of nearly 99%	Senior/ disabled	HUD Section 8 hi-rise apartment project constructed in 1979 and designed for senior and/or disabled occupancy. All tenants can pay rent based on 30% of income up to maximum rents listed. Project is licensed as housing with services and has a third-part service provider - approx. 25% of tenants contract privately for services. Manager estimated that 70% of tenants are seniors and 30% younger with disability. High rate of occupancy reported with nearly 99% annual rate - vacancies are usually due to processing time needed to certify new tenants - but only a 2-3 name waiting list.
Riverview Apartments 108 Baldwin St	39 - 1 bedroom <u>1 - 2 bedroom</u> 40 total units	\$683 \$775 30% of income	1 bedrooms available - impact of pandemic	General occupancy	HUD Section 8/MHFA subsidized project for general occupancy constructed in 1970. Original intended for senior/disabled occupancy but later changed to general occupancy. All tenants have access to project-based rent assistance allowing rent based on 30% of income up to maximum rents listed. Project amenities include elevator, community room with kitchen, community laundry and river front location. Manager reported some vacant units at time of survey but attributed this to impact of pandemic - project had previously been near 100% occupancy with a waiting list. Calls received from over-income applicants and people looking for short-term lease options.

**Table 17 Granite Falls Multifamily Rental Housing Inventory**

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Subsidized</b>					
Scotland Green Apartments 1440 9 <sup>th</sup> St	8 - 1 bedroom <u>8 - 2 bedroom</u> 16 total units	\$500-\$692 \$537-\$697 30% of income	1 vacant unit 1 - 1 Bdrm	General occupancy	USDA Rural Development subsidized project for general occupancy constructed in 1989. Building is 2-level. Eight tenants have access to project-based rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents listed. Some tenants may also have Vouchers. Manager reported 1 vacant unit at time of survey.
Chippewa County Tenant-based HUD Housing Choice Vouchers	11 households in Granite Falls	N/A	N/A	General occupancy	Formerly 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. In Jan. 2021, 11 households in Granite Falls were participating in the Chippewa County program. Program had 95 Vouchers in use Countywide and was authorized for 129, but funding and lease-up issues reduced actual Voucher use. Waiting list exists with 12-15 households.
Yellow Medicine County Tenant-based HUD Housing Choice Vouchers	20 households in Granite Falls	N/A	N/A	General occupancy	Formerly 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. In Jan. 2021, 20 households in Granite Falls were participating in the Yellow Medicine County program. Program had 54 Vouchers in use Countywide and was authorized for 73, but funding and lease-up issues reduced actual Voucher use. Waiting list exists with 8-10 households.

**Table 17 Granite Falls Multifamily Rental Housing Inventory**

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Senior Housing with Services</b>					
Avera Granite Ridge Senior Housing 500 Skyview Dr	1 bdrm small 1 bdrm large <u>6 - 2 bedroom</u> 28 total units	\$945 \$1036 \$1255 +\$200 for additional resident	Some vacant units COVID impact	Senior housing with light services	Senior-designated housing project oriented to independent living with light services available that is affiliated with the Avera Care Center and Hospital. Rent includes all utilities, noon meal, light housekeeping, activities and emergency call system. Optional garage parking for \$45. Additional services available through private contract with home health care provider. Project had been licensed in the past as housing with services but has transitioned to more independent housing. One-bedrooms have 570 or 630 sq ft and 2-bedrooms have \$780 sq ft. Manager reported some vacancies at time of survey - pandemic has impacted seniors willingness to move but some vacancies tended to exist pre-pandemic. Avera has researched expanding campus with assisted living and/or memory care but has not proceeded.
Avera Granite Falls Care Center 250 Jordan Dr	48 licensed beds	NA	High rate of annual occupancy pre-pandemic	Skilled nursing home	Skilled nursing facility that was constructed in 2015 as replacement of older facility. Affiliated with Granite Ridge Senior Housing and Hospital. New building allows 32 private rooms and 8 semi-private rooms. No designated bed set-asides and most residents are long-term care. Prior to the pandemic an annual occupancy rate of 99% existed, but COVID impact has resulted in some open beds at time of survey. Complex has done multiple studies of campus expansion including assisted living and/or memory care but has not proceeded - near-term focus is on replacing hospital.

Source: Community Partners Research, Inc.

## **Demand Calculations for Market Rate Rental Housing**

### **Overview**

The following calculations are based on information for the entire Granite Falls Market Area, which includes the small cities and townships in the immediate area. These calculations examine the demand potential, adjusted by number of households that would be income-qualified to live in a unit at prevailing market rate rents.

For the purposes of this Study, an income-qualified household has an estimated annual income of \$35,000, or more. If 30% of household income is applied to monthly housing costs, then these households can afford a gross rent of \$875 or more. For new market rate housing, it is assumed that gross rental rates will generally need to be at or above \$875. For households at or near the \$35,000 threshold, it is possible that an even larger percentage of income would therefore be needed to afford a newly constructed market rate unit.

Granite Falls does have the potential to attract renter households from an even larger geographical region. This is especially true given the large number of people that work in the City, but commute in daily for employment. However, most commuters do live in the immediate area, and the following calculations use the Market Area data as an indicator of locally-generated demand, which is viewed by the analysts as more sustainable.

## **Demand from Household Growth**

The demographic projections provided earlier in this study have been based on the Market Area adding approximately 6 to 8 households per year, with 30 to 40 total households added over a five-year period. This growth potential is based on an aggregated Market Area geography, but in the opinion of the analysts, this net growth is most likely to occur within the City of Granite Falls. Households that elect to live in the rural areas will probably be looking for owner-occupancy housing, including options on larger rural land tracts. Renter households will typically locate within a city, where the large majority of rental options exist.

For projected tenure, we have used a percentage of 50% for renter-occupancy. While this rental tenure rate is substantially higher than the level reported in the entire Market Area, it is more consistent with the estimated tenure distribution within the City of Granite Falls for new unit construction in recent decades. It is also a recognition of the aging patterns that are present in the Market Area as a growing number of households are moving into the age ranges where rental frequency begins to increase.

### **Income-Qualified Demand from New Household Growth Calculation**

Projected 5-year household growth	35
Percentage of renter-occupied households	50%
Projected rental household growth	18
Percentage of renter households in target income range	30%
Demand from income-qualified renter household growth	5

Utilizing the best available information on growth patterns, income levels and tenure rates, future household growth is projected to add demand for approximately five additional market rate units by the year 2025 to serve the targeted income range.

It is important to note that even more demand will be present from lower income groups that would benefit from affordable rent or subsidized housing. If the same calculations are applied to all income ranges, the estimated demand from growth would increase to approximately 18 rental units over the five-year period, but most of 13 of these would need to be in a more affordable price range.

## **Pent-Up Demand from Existing Households and Movership**

The City of Granite Falls has an above-average distribution of rental housing units, despite the limited amount of new rental housing unit construction over the past two decades. Since 2010, only ten new rental units can be identified through building permit issuance. There may have been some existing unit conversion, as single family houses and mobile homes could have changed to rental use.

The survey of existing multifamily rental properties found almost no market rate vacancies. Owners and managers talked about ongoing strong demand, especially for more moderately-priced units.

Demand for newly constructed rental housing would be generated from existing renters that would elect to move from their older housing unit. For this calculation, existing renter households in the entire Market Area have been examined.

To determine the number of potential renter households that would be expected to move on an annual basis if good quality, affordable units were vacant and available in the area, we have performed the following calculation using an annual turnover rate of only 10%, or less than 1% per month.

### **Income-Qualified Movership/Competitive Advantage**

Total renter households in the Market Area - estimated 2021	610
Percentage in income-qualified range	40%
Total income-qualified households	244
Annual turnover @ 10%	24

With few choices for existing tenants to move, it is probable that past movership has been suppressed. If new, good quality options became available, demand from approximately 24 households would exist annually. Once again, this potential demand is even larger if all income ranges are examined, as more than half of all current renter households could not afford the rent typically associated with a new rental unit.

For the movership calculation, a higher percentage of households have been viewed as income-qualified, reflecting the slightly higher rental household income levels for the entire Market Area.

## **Potential Demand from Senior Households**

Although an above-average rental tenure rate exists in Granite Falls, the rate of renter-occupancy is much lower for the aggregated jurisdictions that form the larger Market Area. At the time of the 2010 Census, the entire Market Area had a below-average rental rate of less than 24%. For senior-headed households between the ages of 64 and 84 years old, the rental tenure rate was less than 18% in 2010.

While home ownership rates are typically high for younger seniors, more households tend to move into rental options as they age. This has not generally been the case in the Granite Falls Market Area, as even households age 74 to 84 years old had a home ownership rate approaching 78%.

When all senior-headed households are combined, including older seniors age 85 and older, the 2010 Census showed that fewer than 23% of Market Area households age 65 and older were renters. In areas where a more diverse set of rental options exists that would appeal to seniors, a rental tenure rate of 26% or more can typically be achieved. In the opinion of the analysts, senior home owners would potentially form an additional market for rental housing that is age appropriate, and a 26% rental rate has been used in the calculation.

The following analysis is based on the all senior-headed households living in the designated Market Area jurisdictions. Home owners living in the surrounding townships and small cities will look to move closer to services and amenities as they age, and Granite Falls represents the preferred location for senior housing.

### **Income-Qualified Senior Demand Calculation**

Number of households age 65 and older in 2020	800
Potential rental tenure @26% rate	208
Less actual rental tenure/households	180
Potential unmet demand	28
Percentage in income-qualified range @62%	17

Based on the under-supply of attractive rental housing options for moderate and higher income senior households within the Market Area, there is a below-average rental tenure rate within these older adult age groups. To reach a more normal rental utilization rate, as many as 17 additional households would typically be in the rental market, and have the ability to pay \$875 or more per month toward their housing costs.

Since many of the households age 65 and older that currently live within the Market Area are home owners, there is a fairly high percentage with an annual income of \$35,000 or more. As a result, up to 62% of the senior-headed households would potentially be income-qualified for market rate rental housing, according to age-by-income reports from Esri.

### **Demand from Unit Replacement/Obsolescence**

Demand created by unit replacement and obsolescence may also occur. This would be in addition to normal tenant movership that occurs when people voluntarily move to a better or more suitable unit. Displacement caused by unit obsolescence and demolition is not voluntary.

Research completed for this Study did not document rental unit demolition in the City in the recent past. Instead, it is possible that rental housing has actually been added by unit conversion, as housing formerly used for owner-occupancy changed to rental use. Going forward, as demand for home ownership grows, the rate of conversion should slow or even reverse, as people look for affordable home ownership options. But with no evidence of a net loss of rental housing, no allowance has been made for demand created by unit replacement.

## **Total Demand and Market Share**

The combination of demand generators identified above results in market potential from 107 households for all rental housing, including 46 households that are income-qualified for the gross rental rates typically required by market rate housing.

Some of this demand is growth-generated and will continue to increase over the projection period, but most of the calculated demand exists from under-served market segments, such as seniors that have continued to own their housing since there are no suitable rental choices in the local market.

It is important to state that at least five proposed rental units may be constructed in Granite Falls in 2021, addressing a portion of the calculated demand. However, as many as 40 additional units may be needed over the 5-year projection period.

Typically, Community Partners Research would recommend that a single rental project can only capture a share of the overall demand. Therefore, a series of phased rental development projects would be recommended. This would help to prevent a saturation of units if a single larger-scale project was constructed at one time.

## **Additional Considerations**

There are some additional factors that should also be considered by a potential developer of rental housing in Granite Falls that could impact future development.

- ▶ The recommendations made in this Study are based on calculations of household growth, pent-up demand, under-served market segments and similar demand-generators, but do not include competitive positioning of a specific project. No specific sites or design ideas have been considered by the analysts. It is probable that newly constructed units would have certain competitive advantages over other apartment projects in the immediate area, but this is not assured until a development concept is identified.
- ▶ The research completed for this Study identified two pending projects that would create five rental units and would directly compete for a share of the market. There is no guarantee that other projects will not advance in Granite Falls or other nearby communities that could also address a portion of the projected demand.
- ▶ Any new rental project should attempt to serve a broad segment of the potential market. Projections point to a growing demographic segment of older adults, age 65 and above, as the baby boomers move through the aging cycle. Any new housing should be designed to appeal to older adult renters, with age-appropriate features and amenities. However, in most small communities, general occupancy housing can serve a wider range of needs, even if most tenants are seniors.
- ▶ Granite Falls is the preferred location for rental development among the Market Area jurisdictions. The demand calculations presented above are for the entire Market Area. However, it is possible that projects in other nearby cities, that are outside of the designated Market Area, including Montevideo, Renville, Clara City or Clarkfield could address a portion of the demand potential.

The opinion of Community Partners Research has been formed with information on general market conditions in the area. The analysts have assumed that high quality construction and materials will be used, and that the property will be professionally managed. Community Partners Research has not reviewed construction plans or architectural drawings. We have not reviewed any project pro forma information, or cash flow scenarios based on proposed rents compared to total development costs.

## **Senior Housing with Services Summary**

Senior housing with services is a broad classification that encompasses a wide range of options, from nearly independent housing to advanced assisted living, memory care and skilled nursing homes.

The following definitions of units by type have been made by Community Partners Research based on our understanding of the care assistance 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 three licensed providers of senior housing with services in Granite Falls. This list was used to contact housing providers.

The projects in the City have been grouped and analyzed within the following market segments:

- ▶ Subsidized housing with services
- ▶ Independent senior housing with light services available
- ▶ Skilled nursing homes

### **Pandemic Impact**

During the research process, the global pandemic was occurring. While impacting all forms of housing, in Minnesota this event had the largest effect on senior housing providing services for frail residents. At the time this section of the document was drafted there were no providers in Granite Falls with COVID cases, but there were other housing providers in both Chippewa and Yellow Medicine Counties that were listed on the Minnesota Department of Health website identifying senior facilities with confirmed COVID tests.

The impact of pandemic was evident in the rental survey that was completed. In some cases, tenant movement had been suppressed, as some seniors were attempting to delay any move, if that was a possible option. In facilities with confirmed COVID cases in the past, there may have been a limitation on admitting new residents.

The telephone survey asked questions both about current occupancy patterns and about pre-pandemic patterns. However, these senior segments may need to be reevaluated once the pandemic is brought under control.

## **Housing with Light Services/Congregate Housing**

Projects that have been identified as providing light services may use different descriptions in their marketing. Some of the facilities may define their housing as independent living, or congregate senior housing. Community Partners Research has classified these units as housing with light services.

As used in this Study, senior housing with light services defines a housing project where certain types of supportive services are available to residents, such as a daily meal(s), access to an emergency call system and on-site staffing. Other light services may also be available or provided, such as weekly laundry service or assistance with house keeping. In completely independent rental housing, these types of services would not be available. Housing projects with some services allow seniors to acquire help as needed, allowing them to “age in place”.

In the opinion of the analysts, Avera Granite Ridge Senior Housing provides housing with light services. It is not listed on the MN Department of Health in 2021 but had been licensed in the past as a “Housing with Services” provider.

### **Unit Inventory**

Granite Ridge has 28 apartment units. It is affiliated with the Avera Care center and Hospital. Rent includes all utilities, noon meal, light housekeeping and emergency call system. Additional services are available through a private contract with a home health care provider. This project had been licensed in the past as housing with services but has transitioned to more independent housing.

### **Occupancy/Vacancy**

When contacted for the rental survey in January 2021, there were unoccupied units in Granite Ridge. This was partly attributed to the pandemic, as this project has had confirmed COVID cases in the past. However, it is also probable that some level of vacancy existed pre-pandemic.

Although historical occupancy information was not obtained, Granite Ridge appears to have changed its occupancy focus in the past, which may indicate that demand has not been adequate to maintain a high rate of occupancy.

## **Rental Rates**

The monthly rent in Granite Ridge does include all basic utilities except for telephone and television, along with a daily meal, weekly light housekeeping and an emergency call system.

Rates for one-bedrooms range from \$945 to \$1,036, and are at \$1,255 for a two-bedroom. Since a daily noon meal is included, a second tenant in an apartment has a \$200 monthly additional charge.

## **Pending Projects**

The research for this Study did not identify any proposed senior projects in Granite Falls.

## **Assisted Living**

Assisted living providers are able to offer a higher level of care and services for their senior residents. Assisted living will have 24-hour on-site staffing, and the availability of skilled nursing care. All meals are provided, as well as the ability to assist with medications. Some facilities offer bundled service packages while others may offer the services for purchase 'a la carte'.

Assisted living providers are classified as "Assisted Living Services" on the MN Department of Health website. In 2021, there were no facilities with Assisted Living Services in Granite Falls.

There is one licensed provider of Comprehensive Home Care listed, Prairie Rose Assisted Living.

## **Nearby Assisted Living Providers**

Although no assisted living facilities exist in Granite Falls, there are options within a reasonable radius of the City. The following licensed providers have been identified from State licensing:

- ▶ Clara City Assisted Living
- ▶ Copper Glen - Montevideo
- ▶ Home Front First - Montevideo
- ▶ Meadow Creek Hospitality - Montevideo
- ▶ Rosewood - Montevideo

All of these providers are in Chippewa County. There were no licensed providers identified in Yellow Medicine County.

## **Pending Projects**

The research for this Study did not identify any proposed senior projects in Granite Falls.

## **Memory Care Housing**

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

### **Unit Inventory**

The records available from the MN Department of Health website show no providers in Granite Falls with a “Dementia Unit/Dementia Program” classification.

### **Nearby Memory Care Providers**

Although no specialized facilities exist in Granite Falls, there are options within a reasonable radius of the City. The following licensed providers have been identified from State licensing:

- ▶ Brookside Senior Living - Montevideo
- ▶ Clara City Assisted Living
- ▶ Rosewood - Montevideo

All of these providers are in Chippewa County. There were no licensed providers identified in Yellow Medicine County.

### **Pending Projects**

The research for this Study did not identify any proposed memory care projects in Granite Falls.

## **Skilled Nursing Homes**

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

Telephone interviews with administrators of nursing homes have generally highlighted the fact that nursing home residents often stay for shorter periods of time than in the past. Many nursing homes have changed their focus over time by designating a larger share of their beds for short-term stays in transitional care units (TCU).

During the pandemic in 2020, the demand for transitional care stays has been greatly reduced, as elective surgeries have often been postponed. Even in homes with dedicated TCU wings it is possible that recent use may have shifted to long-term care (LTC).

### **Unit Inventory**

Avera Granite Falls Care Center is licensed for 48 beds. This facility has no specific set-asides, and all beds are available for long-term care. Typically, a large percentage of beds are used by permanent residents.

### **Occupancy/Vacancy**

There has been a long-standing moratorium on adding skilled nursing beds in Minnesota. As a result, many nursing homes exist in older structures, often constructed in the 1960s or 1970s. However, the facility in Granite Falls was constructed in 2015. It did not add beds, but transferred beds from an older facility. This allowed most rooms to be available for private occupancy in a “state of the art” building.

The reported annual occupancy rate was reported as very high. Prior to the pandemic, an annual occupancy rate of 99% existed, but COVID impact has resulted in some open beds at time of survey.

### **Rental Rates**

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

## **Senior Demographics and Market Share**

Housing with services projects can attract people 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 Granite Falls, Community Partners Research has compared the supply of various types of units to demographic data for older seniors, age 75 and above.

### **Senior Population in 2020**

The 2020 estimates from Esri show 1,285 total senior citizens living in the Market Area. This is more heavily weighted to younger seniors, with 735 seniors between the ages of 65 and 74 years old, and 550 older seniors, age 75 and above.

When compared to the 2010 Census, the Market Area has added senior citizens. In 2010 there were 1,074 total senior citizens, with 541 age 65 to 74 years old and 533 age 75 and older.

Most of the numeric growth over the prior decade occurred among seniors under the age of 75. Between 2010 and 2020, the older senior age group increased by only 17 people, or 3.2%.

### **Senior Households**

For senior-headed households, there were 701 households in the Market Area that had a householder age 65 or older at the time of the 2010 Census. Of these households, 323 had a householder between 65 and 74 years old, and 378 had a householder age 75 or older.

By 2020, Esri estimates that there are 800 total senior households, with 426 age 65 to 74 and 374 age 75 and older.

When 2020 is compared to 2010, the Market Area had an estimated decrease of 4 older senior households age 75 and above.

However, for younger seniors between 65 and 74 years old, the Market Area had an increase of 103 households, or growth of nearly 32%.

## **Projections to 2025**

Esri's age-based projections to the year 2025 expect some further growth. Between 2020 and 2025, the Market Area is expected to add approximately 80 people in the 75 and older age ranges. The Market Area is projected to add nearly 50 total older senior households over the next five years.

In percentage terms, the older senior population is expected to increase by 14.5%, while older senior households should increase by 13.1%.

It is important to note that the senior demographic statistics and projections would include seniors already residing in senior housing, including the nursing home. Adjustments to the senior population and the number of senior-headed households will be made for each of the different housing types reviewed.

## **Skilled Nursing Home Capture Rates**

Since utilization of nursing home beds varies by short-term versus longer-term stays, some assumptions need to be applied to this segment of the market. For Avera in Granite Falls, it is estimated approximately 40 to 45 skilled nursing beds are typically utilized by longer-term residents.

When compared to the older senior population of approximately 550 people in the Market Area in 2020, the available supply of longer-term nursing home beds would need a capture rate of approximately 7.3% to 8.2% of the total population of older seniors (age 75+).

It is important to note that the supply of licensed nursing home beds has not been increasing in many years even though the population of seniors has continued to grow. The required capture rate in 2020 is generally lower than it would have been in the past.

While calculations have been performed on the market share for nursing homes, there has been a long-standing moratorium on adding beds. As a result, no additional capture by nursing homes would be expected in the future. Instead, it is possible that the supply of longer-term occupancy beds could potentially decrease, as more beds are devoted to rehab/recovery stays, memory care or similar uses in the future.

### **Memory Care Housing - Potential Capture Rate**

There are no specialized memory care housing options in Granite Falls in 2021.

After adjusting for people that would typically be long-term residents of nursing homes, there are approximately 510 older seniors in the primary target market. If 3% to 3.5% of this group would need access to specialized memory care, approximately 15 to 18 beds would be needed.

Looking forward to the year 2025, to maintain a similar capture rate would yield the potential need for approximately two to three additional memory care beds.

### **Assisted Living - Potential Capture Rate**

There are no assisted living housing options in Granite Falls in 2021.

When examining market demand for assisted living, the potential for 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, would be classified as "group quarters" residents and not counted as an independent household, so no downward adjustments are needed.

There were an estimated 374 older senior households, age 75 and above, that were present in Market Area in 2020. This group had largely remained since 2010, based on estimates for the area, but should increase in size through the year 2025.

If 5% of all older senior households accessed an assisted living unit, approximately 18 units would be needed in 2021, and would increase to 21 units by 2025. This potential demand estimate is based on a relatively low capture rate.

### **Housing with Light Services Capture Rate**

Avera Granite Ridge Senior Housing, with 28 apartment units, provides an option for more independent senior households needing only light services. The monthly rent includes a noon meal, emergency call system, light housekeeping, and access to additional optional services through home health care.

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

A primary target market of approximately 374 total older senior households was present in the Market Area in 2020. To maintain full occupancy, Granite Ridge would need to capture approximately 7.5% of these older senior households. Based on projected growth, this percentage would drop to 6.6% by 2025.

At the time of this Study, there was unused capacity in Granite Ridge. While some vacancies can be attributed to the pandemic, it does appear that some level of vacancy would also have been present in the past.

## **Employment and Economy**

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

### **Major Employers**

The largest employers in Granite Falls include:

- ▶ Fagen, Inc.
- ▶ Project Turnabout
- ▶ Yellow Medicine County
- ▶ Avera Medical Group
- ▶ Minnesota West Community and Technical College
- ▶ Granite Falls Energy
- ▶ Granite Fluid Power
- ▶ Yellow Medicine East Public Schools
- ▶ Sunsource
- ▶ SpecSys
- ▶ The Specialty Manufacturing Company
- ▶ Prairie's Edge Casino Resort (outside city limits)

Source: Chamber of Commerce

## Labor Force, Work Force and Unemployment

The Minnesota Department of Employment and Economic Development provides employment and labor force information at the county level. The following table looks at statistics for Yellow Medicine and Chippewa Counties combined.

<b>Table 18 Two-County Labor Force and Employment: 2010 to 2020*</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate- Counties	Unemployment Rate - MN	Unemployment Rate - US
2010	13,031	12,136	895	6.9%	7.4%	9.6%
2011	12,926	12,145	781	6.0%	6.5%	8.9%
2012	12,737	12,079	658	5.2%	5.6%	8.1%
2013	12,486	11,857	629	5.0%	5.0%	7.4%
2014	12,384	11,844	540	4.4%	4.2%	6.2%
2015	12,518	12,011	507	4.1%	3.7%	5.3%
2016	12,478	11,954	524	4.2%	3.9%	4.9%
2017	12,277	11,823	454	3.7%	3.4%	4.4%
2018	12,266	11,885	381	3.1%	2.9%	3.9%
2019	12,575	12,085	490	3.9%	3.2%	3.7%
2020*	12,217	11,658	559	4.6%	5.9%	8.2%

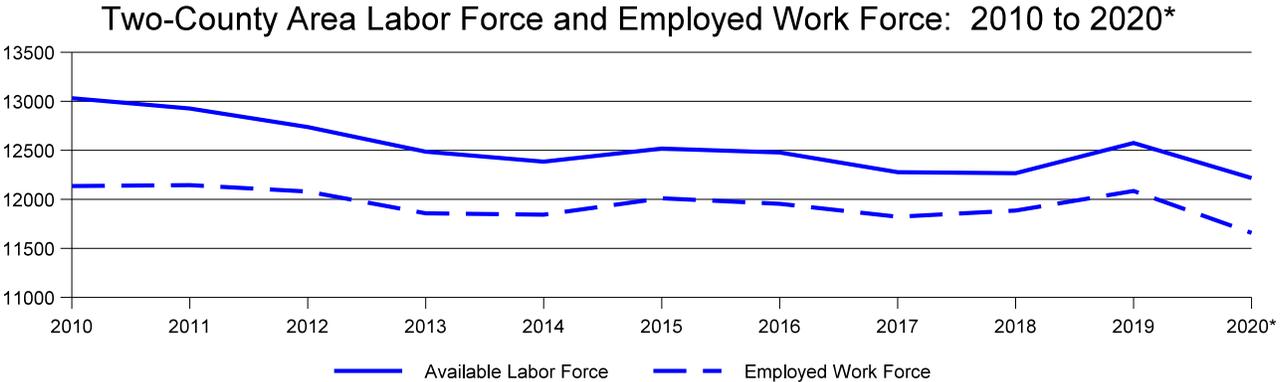
Source: MN Department of Employment and Economic Development

\* 2020 is through November

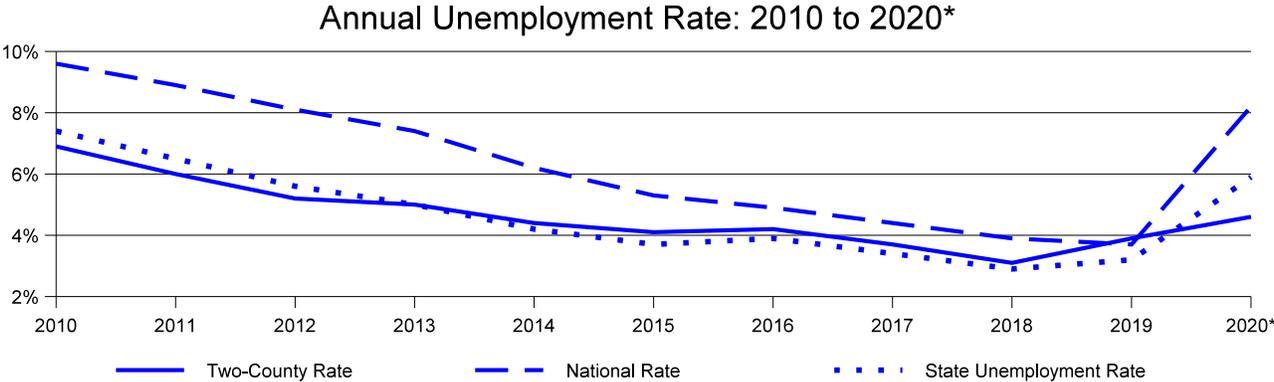
The Local Area Unemployment Statistics (LAUS) tracks employment by place of residence. It shows how many residents of the two Counties are actively in the labor force, and their employment status, regardless of where they actually work.

The following analysis excludes comparative information for 2020 due to the impact of the global pandemic.

When viewed back to the year 2010, there has been some up and down movement in the size of the Counties' available labor force. If 2019 is compared to 2010, the total resident labor force decreased by 456 people, or -3.5%. However, the low point for the decade was actually reached in 2018, and the size of the resident labor force then increased in 2019.



Generally similar patterns were present in the employed work force. From 2010 to 2019, the number of employed residents decreased by 51 people, or -0.4%. With less decrease in the employed work force, the unemployment rates for the combined Counties generally decreased during this time, from 6.9% in 2010 to 3.9% in 2019.



Since 2010, the annual unemployment rate for Yellow Medicine/Chippewa Counties has remained generally similar to the Statewide rate. The Counties have generally been well below the national unemployment rate.

The impact of the global pandemic is evident in the partial-year statistics for 2020. The Counties' unemployment rate has increased, consistent with the State and national rates.

## Employment and Wages by Industry

The following table shows the annual employment and average wages for 2019, the last full year of data. The table only provides information for the City of Granite Falls. The previous table, which provided information on the Two-County labor force, represents the location of the worker by their home residence. The following table, represents the location of the job.

<b>Table 19 Granite Falls Average Annual Wages by Industry - 2019</b>		
Industry	Employment	Average Weekly Wage
Total All Industry	1,417	\$836
Trade, Transportation, Utilities	249	\$765
Financial Activities	55	\$882
Professional and Business Services	39	\$977
Education and Health Services	422	\$856
Leisure and Hospitality	130	\$242
Public Administration	183	\$824

Source: MN Department of Employment and Economic Development

For all industry, the average weekly wage was \$836 in 2019. At full-time employment for 52 weeks this would equate to an average annual wage of \$43,472.

The dominant industry sector for total employment was Education and Health Services. The average weekly wage in this sector was \$856, higher than the citywide average.

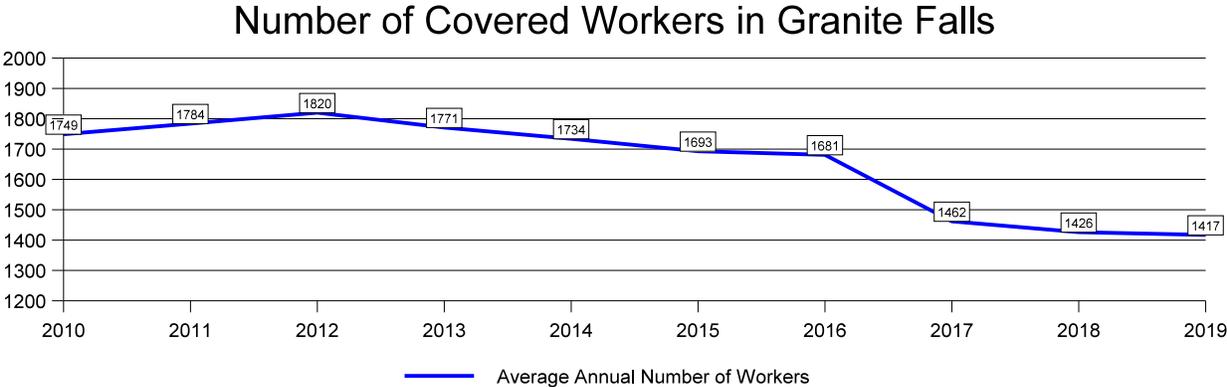
## Granite Falls Annual Covered Employment

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

<b>Table 20 Granite Falls Average Annual Employment</b>			
Year	Total Covered Employment	Year	Total Covered Employment
-	-	2015	1,693
2010	1,749	2016	1,681
2011	1,784	2017	1,462
2012	1,820	2018	1,426
2013	1,771	2019	1,417
2014	1,734	2020*	1,329

Source: QCEW - MN Department of Employment and Economic Development  
 \*2020 is through June

When viewed over a longer time period, back to the year 2010, there has been a decrease in the number of jobs in Granite Falls. However, most of this change occurred between 2016 and 2017. Since 2017 there has been a very gradual increase in the employment level, through 2019, the last full year of data.



## Commuting Patterns of Area Workers

Information on commuting patterns is from the American Community Survey and has been examined for the City. The first table looks at travel time for City residents, excluding people that work at home.

<b>Table 21 Commuting Times for Granite Falls Residents - 2019</b>		
Travel Time	Number	Percent
Less than 10 minute	606	47.4%
10 to 19 minutes	302	23.6%
20 to 29 minutes	164	12.8%
30 minutes +	206	16.1%
Total	1,278	100%

Source: American Community Survey

A large majority of the City’s residents were working locally in 2019, with a travel time of 19 minutes or less for their primary job. Overall, 71% had a commute time less than 20 minutes. However, approximately 16% were traveling 30 minutes or more for their job.

Travel times are also listed by location of employment. The following travel times were identified for people that worked in Granite Falls.

<b>Table 22 Commuting Times for Granite Falls Employees - 2019</b>		
Travel Time	Number	Percent
Less than 10 minutes	670	35.8%
10 to 19 minutes	596	31.9%
20 to 29 minutes	377	20.2%
30 minutes+	226	12.1%
Total	1,869	100%

Source: American Community Survey

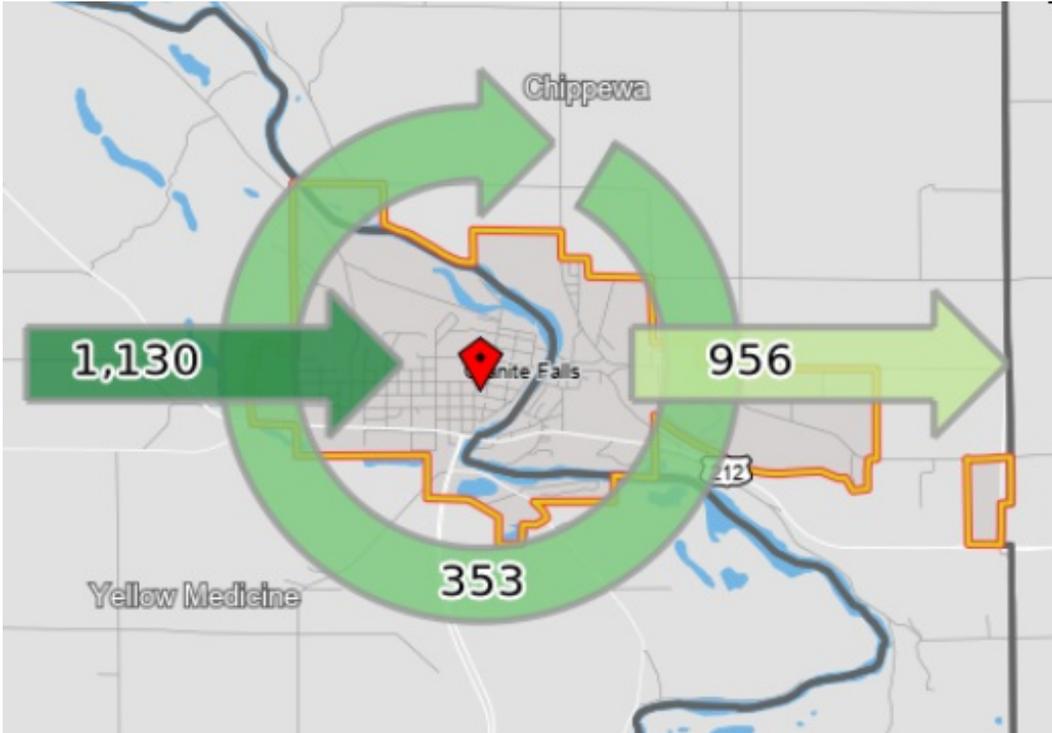
Most people that work in Granite Falls were traveling less than 20 minutes in 2019. Overall, nearly 68% of the jobs were filled by people traveling 19 minutes or less, including the people that both live and work within the City. However, more than 12% of workers were traveling 30 minutes or more.

### **Census On the Map**

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on data for the year 2018, but provides a further breakdown of worker movement patterns.

According to the report for Granite Falls, there were 1,483 people that were employed within the city limits in 2018. Approximately 24% of these Granite Falls-based employees also lived within the City, with 1,130 employees commuting in from outside the City. The primary identified jurisdictions supplying workers to the City were Montevideo, Stony Run Township, Minnesota Falls Township, Sparta Township, Marshall and Maynard.

Many Granite Falls residents left their home community to work elsewhere. In 2018, approximately 73% of the City’s employed residents worked outside the city limits. The primary locations listed for outbound commuters were Montevideo, Minnesota Falls Township, Stony Run Township, Sparta Township, Marshall and Willmar.



# **Findings and Recommendations**

## **Summary of Key Findings for Granite Falls**

### **Past Growth Patterns**

Over the past few decades, the City of Granite Falls has generally been experiencing a gradual but sustained loss of population and households. Much of the population loss can be attributed to changing demographic patterns, including the aging of residents and fewer children in the community.

Household losses have been very limited. Depending on the recent estimate that is used, the City has been experiencing a loss of only one to two households per year over the past 30 years.

When examining demographic trends for Granite Falls, it is important to acknowledge the impact of past natural disasters. Multiple flood events and a tornado resulted in a loss of housing units, especially between 2000 and 2010. While some lost units were replaced with new housing in other locations in the City, the removal of damaged or at-risk housing negated some of the unit gains that could otherwise have occurred with new development. Going forward, an expansion of the available housing stock will be needed in order for the City to add households.

### **Projected Growth**

Projections are often based on past patterns, which are then trended forward. For Granite Falls, the limited growth pattern in past decades yields an expectation of only modest changes going forward. The projections obtained from Esri expect the City to lose approximately two households per year over the next five years.

For the entire aggregated Market area, a loss of six to seven households per year is being projected through 2025.

In the opinion of the analysts, Esri's projections are overly conservative. While larger-scale growth is unlikely, an expansion of better quality housing options in the community would have the potential to attract households, and this Study has proceeded with a forecast that the City could add between six and eight households per year, or a five-year total of between 30 and 40 households over the projection period.

Less growth would be expected in the entire Market Area, as some of the added households in the City may relocate from more rural areas to access age-appropriate housing options.

Granite Falls is a desirable residential location for seniors. Over the next five years, the age-based forecasts show an increase in the number of households age 65 and older, while an overall decrease is possible in the number of households age 64 and younger through the year 2025.

For the recommendations that follow, the projection that has been used expects that Granite Falls will add 30 to 40 households over the next five years.

### **Housing Construction/Availability**

For the growth projections to be achieved, Granite Falls will need to add a commensurate level of housing units. While a limited amount of unoccupied housing may exist in the City in 2021, the best available information points to a high rate of occupancy and utilization in the inventory.

The City has added some new housing since the year 2010, but much of this potential gain was probably negated by housing demolition, including flood plain clearance activities. Going forward, a mix of both owner-occupancy and rental housing will be needed for the City to grow.

### **Housing Tenure Patterns**

Granite Falls has historically served as a rental center for the surrounding rural areas. In 2010, more than 34% of the City's households lived in a rented unit. The construction patterns since 2010 would point to a relatively similar rental tenure rate in 2021.

### **Household Income**

According to the 2019 American Community Survey, the median household income in Granite Falls was approximately \$58,700. The City's median family income was approaching \$74,000.

However, income levels did vary significantly by housing tenure. For all renter households, the estimated median income level in 2019 was below \$20,000. This low estimate is probably a data flaw, but it is likely that the median income for renters was less than \$30,000. For all home owners, the estimated median income was \$76,500 in 2019. Most home owners have significantly greater amounts available for housing costs than renter households.

## **Housing Costs**

Housing costs in Granite Falls are generally in a moderate range. The estimated median value for an existing single house in 2021 is probably less than \$130,000. While existing home values have been increasing in recent years, they are still in an affordable price range, especially when compared to the costs of newly constructed housing.

Gross rent amounts can vary greatly depending on the type and age of the housing unit, but in 2019 the estimated median gross rent was less than \$600 per month. The City has a number of older rental options that tend to have a very moderate rent structure.

Despite the relatively moderate housing costs, the low estimated income levels for most renter households resulted in a high rate of housing cost burden. In 2019, approximately 53% of all renter households in Granite Falls reported paying 30% or more of income for housing.

Only 13% of home owners were paying 30% or more of household income for housing costs.

## **Employment and Commuting**

Granite Falls serves as an employment center for the surrounding area. There are more jobs based in Granite Falls than the size of City's resident labor force. As a result, the best information on commuting patterns indicates that most City residents are able to work locally. In 2019, approximately 71% of the City's employed residents were traveling less than 20 minutes to work. However, most of the jobs in Granite Falls were being filled by people living outside of the community.

The Quarterly Census of Employment and Wages (QCEW) reports workers that are covered by unemployment insurance. Using this data, longer-term employment patterns can be tracked. Since 2010 there has been a decrease in the number of jobs in Granite Falls. However, most of this change occurred between 2016 and 2017. Since 2017 there has been a very gradual increase in the employment level, through 2019, the last full year of data.

## Findings and Recommendations Overview

Community Partners Research, Inc., has utilized a range of sources in compiling information for this Housing Study. The following summary is provided of the specific recommendations being made. Later in this section, the findings that lead to these recommendations have been presented in detail.

<b>Findings and Recommendations</b>	
<b>Home Ownership Recommendations</b>	
1.	Projected demand for three to five owner-occupancy units annually
2.	Promote attached single family housing construction
3.	Promote the lot options in the City/monitor lot supply
4.	Consider the creation of housing construction incentives
5.	Consider affordable new construction partnerships
6.	Promote the affordable existing housing stock in the City
7.	Utilize and promote all programs that assist with home ownership
8.	Consider the development of a purchase/ rehabilitation program
<b>Rental Housing Recommendations</b>	
9.	Promote the production of 20 to 24 units of market rate rental housing
10.	Promote the creation of 20 to 30 units of moderate rent market rate housing
11.	Monitor the supply and demand for income-restricted rental housing
12.	Monitor demand for senior housing with light services
13.	Promote the development of 22 to 26 units of senior assisted living
14.	Promote the development of 16 to 20 beds of memory care housing
<b>Housing Rehabilitation and Preservation</b>	
15.	Continue to offer rental housing rehabilitation programs
16.	Continue to offer owner-occupied housing rehabilitation
17.	Continue to demolish dilapidated structures
18.	Consider programs to improve the condition and quality of mobile homes
19.	Continue strategies for downtown housing and redevelopment

<b>Findings and Recommendations</b>	
<b>Other Initiatives</b>	
20.	Promote employer involvement in housing
21.	Create a housing plan and coordination among housing agencies
22.	Develop community marketing programs and strategies

## **Home Ownership Recommendations**

**Overview:** In the 11-year period spanning 2010 through 2020, it appears that only six new single family houses were permitted in Granite Falls. The City anticipates that at least two new houses will be permitted in 2021. All of the single family housing starts have been intended for owner-occupancy.

However, between 2010 and 2014, the City was still actively implementing a flood damage mitigation plan, which included ongoing removal of flood-prone residential properties. Although exact demolition records were not obtained, it is probable that between eight and ten single family houses were acquired and cleared. As a result, the City appears to have experienced a small net loss of single family homes over the past decade.

There was some level of rental housing construction, with 10 units permitted. As a result, the City probably did have some small net gain in overall housing availability between 2010 and 2020. In 2010, the City's home ownership rate was just below 66% and is probably very similar in 2021.

A large share of the households in Granite Falls and the surrounding Market Area were age 55 or older in 2020. In the City, more than 55% of all households were in these older adult ranges according to the best available estimates. In the entire Market Area, including Granite Falls, nearly 53% of all households were age 55 or older. Age-based projections expect these percentages to grow even larger by 2025.

Empty-nester and senior households will often begin to move to low/no maintenance housing options, which can include age-appropriate new construction. In Granite Falls, the rental production since 2010 has been oriented to senior renters, in one-level twin home units with an attached garage. The City has not had any recent owner-occupancy housing construction in attached single family units, but single family-style rentals have been very successful and may have reduced the demand that could have otherwise existed for senior-oriented home ownership housing options.

Granite Falls does have good quality single family lots available in a new subdivision phase that was completed within the past three years. In 2021, as many as 20 vacant lots can be identified, although some of these are privately owned and may not be actively listed for sale. Some of the lots that are listed are priced as low as \$10,000.

Existing home values in the community are in a moderate price range, but it does appear that there is upward pressure, based on recent sales. Between 2018 and 2019 the annual median sale price had increased by more than \$27,000. However, the estimated value in 2020 was still probably below \$130,000, much lower than the costs associated with new construction.

The demand forecast and recommendations that follow are specific to the City of Granite Falls. Different issues impacting home ownership will be addressed in the individual recommendations that follow.

**1. Projected demand for three to five owner-occupancy units annually**

**Findings:** Despite some gradual reduction in the number of resident households over the past 20 years, the City of Granite Falls does have the potential for modest growth going forward, in the opinion of the analysts. An achievable forecast is that the City could add between six and eight households per year over the next five years.

This Study has used a projection that growth-generated demand will result in the need for at least 30 to 40 additional housing units in Granite Falls over the next five years. Although most existing households own their unit, the recent production patterns in the City have been more heavily oriented toward rental housing construction.

Applying a projection that approximately 50% of the near-term demand will be for owner-occupancy units, Granite Falls should need approximately 15 to 20 additional single family homes over the next five years. With a minor allowance for other factors, including unit replacement, a realistic forecast would indicate the need for up to 25 units for owner-occupants over the five-year projection period.

**Recommendation:** In the recent past, the City has had very limited success with owner-occupancy housing development. Even with houses that are expected to proceed in 2021, the City has averaged less than one single family housing start per year since 2010. After removals of flood-prone houses and substandard structures, the City probably has fewer single family homes in 2021 than existed at the start of 2010. However, growth potential does exist, and going forward an achievable forecast would point to demand for approximately three to five single family housing starts per year in a typical year.

This projection represents all forms of owner-occupancy housing, including attached single family units, which will be addressed in a later recommendation. Most of the expected demand will come within the moderate to higher-priced segment, representing trade-up home buyers. Some limited demand will exist from entry-level buyers, but construction prices will continue to make this a difficult segment to address through new construction. A goal of one to two entry-level homes per year is possible, but may require financial assistance to lower the end purchase price.

## **2. Promote attached single family housing construction**

**Findings:** Prior to the housing market retreat of the late 2000s, attached housing, primarily in the form of twin homes, had been adding market share. In some comparably-sized communities, 20% or more of the single family housing starts were in attached structures.

However, as the national housing markets retreated in the late-2000s, alternative housing products, such as attached single family, often suffered the greatest hit. As people became concerned about owning new construction, they became even more concerned about less traditional housing products.

Based on the available building permit reports, it does not appear that any attached housing construction for owner-occupancy has occurred in Granite Falls in more than a decade. Rental projects with town house-style units have been built and these have been very successful, but the last town houses for owner-occupancy may date back to the 1970s or 1980s.

Age-based forecasts to 2025 show continued household growth within the 55 and older age ranges. These projections indicate that approximately 57% of all households living in the City will be age 55 and older. The near-senior and 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 up to 20% of the future demand for owner-occupancy housing construction can be met through attached single family units, such as twin homes. With overall ownership demand of up 25 units over the 5-year period, attached single family construction should reach four to six total units.

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 to encourage a roll-over of the housing stock.

Depending on the project location, we would expect most of the attached unit construction to occur in the more moderate price ranges, below \$300,000. In 2020, it is not clear if lots exist for twin homes, or if existing lots could be re-platted for this use. Some of the rental twin homes that have been built combined three single family lots into a parcel for a two-unit structure.

### **3. Promote the lot options in the City/monitor lot supply**

**Findings:** Based on information obtained, there are at least 20 vacant lots available in the newest residential development area, known as Barber Circle. An unspecified number of remnant lots, infill parcels and redevelopment sites are also believed to exist around the City.

Specific lot pricing was not obtained for many of the vacant lots, but as many as 10 lots in Barber Circle are listed on the MLS with prices ranging from \$10,000 to \$22,800. These lots may also include some special assessment amounts. Despite attractive pricing, few houses have been constructed in recent years, although two single family starts are expected in 2021.

In addition to lots that are actively for sale, it is possible that some parcels could be available in the future. Reports indicate that a number of privately-owned lots in Barber Circle are delinquent on property taxes and special assessment payments. The City's EDA may seek to acquire some of these parcels in lieu of tax forfeiture. The EDA could then make these available for purchase.

There has not generally been a strong home building market in Granite Falls for many years. The last time that three or more single family houses were permitted in a single year was in 2005, and some of those houses may have been built due to flood plain clearance activities, as households relocated from flood risk areas of the City.

**Recommendation:** We generally apply a standard that a 2 ½ year supply of lots should exist. If the projected goal of three to five single family housing starts per year can be achieved, this would result in the need for up to 12 or 13 vacant lots to meet near-term demand. An adequate inventory is present in 2021, but if the upper end of the projection range is reached, some additional lot development may need to begin within the next five years.

The City should actively promote the attractive lot options that exist for new home construction. Since the lot inventory has been slow to be absorbed, some additional incentives or initiatives should be considered, as will be discussed in the recommendations that follow.

Although zoning and special assessments need to be considered, the possible re-platting of some lots to allow twin homes could also be explored.

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

**Findings:** Since 2005, the City has been averaging less than one single family housing start per year. Going forward, a higher level of production is achievable, but proactive efforts may be needed to attract this larger market share. If the projected demand of three to five new owner-occupancy houses per year is not being reached, the City may need to consider offering some type of construction incentive.

A successful approach used by other communities is to offer financial assistance 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 property tax abatement or tax increment financing programs to pay for improvement costs. Others have used a direct cash incentive, such as a cash payment to the end buyer.

In some cases, incentives have been offered directly to home builders to encourage speculative construction. These may be in the form of shared-risk, such as deferring any City fees or assessments until the time of sale. In some communities, publicly-owned lots may be used with payment not due from the builder until the home is sold.

**Recommendation:** The City has a strong interest in adding to its housing stock, to provide housing options for a local work force and to help replace older homes. The City may wish to consider incentives that could be offered to accelerate home building. Home ownership promotes community stability. While costly, financial incentives could provide the City with a competitive advantage over other housing opportunities available in the region.

One consideration that may impact the discussion of construction incentives is based on the legal power to waive fees or make direct payments. The City Attorney may need to be consulted before any incentives are offered to be sure that they meet a “public purpose” test.

## **5. Consider affordable new construction partnerships**

**Findings:** The City EDA owns some vacant lots in the primary residential subdivision area, and may acquire additional lots in the future. Over time, the EDA has sold some lots to developers for the construction of rental duplexes. It may also be possible to use any publicly-owned lots for affordable new home construction in a partnership with a housing agency.

The Southwest Minnesota Housing Partnership (SWMHP) has been active in constructing traditional single family houses in the region. Their most recent efforts have been in the City of Worthington. In that community, a slab-on-grade house was recently built and sold, with approximately 1,520 sq. ft. of living space, three bedrooms, two bathrooms and a 2-car attached garage. Despite the cost-saving measures applied, the list price for this house was \$260,500. Due to strong demand in Worthington, this house was actually sold for more than the listing price.

Despite the fact that agencies like SWMHP attempt to construct “affordable” homes, the end sale price is often above \$250,000. In Granite Falls, a house at this price would be approximately double the cost of the median existing house in the community. As a result, these affordable ownership efforts will probably need to utilize other types of assistance to lower the cost to the end buyer. MHFA may be a source of “gap” funding to bridge the difference between new construction costs and local buyer expectations.

Habitat for Humanity of West Central MN also has been active in the creation of affordable home ownership options in the region, although the service area only includes the Chippewa County portion of Granite Falls. Based in Willmar, this agency has successfully constructed houses in Montevideo. Habitat can often use infill lots or redevelopment sites that offer a cost savings on land and municipal infrastructure. In Granite Falls, some vacant lots are believed to exist in older neighborhoods, although these lots may or may not be suitable for new homes.

**Recommendation:** The projections used for this Study do expect some limited demand for affordable home construction. This demand will probably be for only one or two homes per year. The City has access to established partner agencies working within the region to address this most affordable market segment.

To be successful in Granite Falls, it is probable that some outside funding will be needed to write-down the end sale price. In some communities, development subsidies as large as \$48,000 have been secured per home to generate affordable new construction. MHFA programs, including Challenge grants, may be a possible source for cost write-downs. Other types of assistance, including local employer involvement, could also be pursued.

## **6. Promote the affordable existing housing stock in the City**

**Findings:** Although lower values for existing homes can serve as a deterrent to new construction, older homes do offer a very affordable ownership option for entry-level buyers. The values for older existing homes in Granite Falls are generally in a very affordable price range. However, these homes tend to sell quickly when listed on the market, and in 2021 a below-average inventory was available on the Multiple Listing Service (MLS).

This Study tracked the sales activity in the City back to the year 2017. Given the variation in the number of annual sales, the midpoint price for any 12-month period may not be an accurate indicator of overall values. But in recent years, an annual median at or above \$110,000 is probable. MLS sales reports point to an even higher median value over the past year of approximately \$124,000.

Another estimate of home values is available from the Census Bureau's American Community Survey. In 2019 the median value for owner-occupancy houses was estimated at \$125,300. This value was very similar to the median for annual recent sales of properties on the Multiple Listing Service. Moderate home values can represent a very attractive ownership option for potential home buyers in the larger region.

**Recommendation:** There are many job opportunities within the City. One of the community goals is to provide attractive housing for the local work force. Promotion of the affordable ownership options can help achieve this goal. The City can represent a potential competitive advantage in attracting home buyers, with relatively affordable average values for existing single family houses.

Over time, some of the City's older, lower-valued homes may have slipped into disrepair. Action may be needed to clear severely substandard structures, but it is in the City's best long-term interest to maintain and improve the older housing stock to attract home owners, and to maintain the rate of ownership.

As will be discussed later in this section, programs and assistance that can be offered to improve the quality and condition of older houses will also make this affordable stock more appealing to potential home buyers. The City has an active rehabilitation grant in process for the repair of owner-occupancy houses in a designated part of the community.

## **7. Utilize and promote all programs that assist with home ownership**

**Findings:** Home ownership is generally the preferred housing option for most households and most communities. The best available information indicates that more than 65% of all households living in Granite Falls are home owners. There are programs that can be used to promote home ownership. The area's housing agencies and financial institutions can assist with this effort.

First time home buyer assistance, down payment assistance, and low interest loans help to address affordable housing issues. Although the City's median home value may be approaching \$125,000, there are also houses at lower values that are very affordable for first time buyers. A local down payment assistance program could be explored through regional housing agencies.

Local banks are utilizing assistance programs that exist, including grants for closing costs/down payment assistance through the Federal Home Loan Bank. However, the low income limits that apply to these programs results in few households that may be able to qualify. A locally created program may have the ability to be better suited to local needs.

Home ownership counseling and training programs should also be promoted. These programs can play a role in helping marginal buyers achieve home ownership.

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

**Recommendation:** The City, financial institutions and regional housing agencies should utilize all available assistance programs to promote home ownership. The community could explore the possibility of obtaining specific program set-asides for use in the community. Funding sources for home ownership programs may include MHFA, USDA Rural Development, the Greater MN Housing Fund, the Federal Home Loan Bank and SCDP grants.

The Upper Minnesota Valley Regional Development Commission (UMVRDC), Prairie Five Community Action and the Southwest MN Housing Partnership (SWMHP) are all regional agencies that are active in housing programs. These agencies could potentially assist with affordable ownership program delivery.

## **8. Consider the development of a purchase/rehabilitation program**

**Findings:** Granite Falls has a stock of older homes, some of which may need repairs. The estimated median year of construction for all owner-occupancy houses in the City is 1973. Approximately 24% of the single family homes in the City are more than 60 years old. As some of the lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of maintenance and repair work that is required.

In the past, the Minnesota Housing Finance Agency had provided funding for the Minnesota Urban Homestead Program (MURL) Program. Under the program, a City or housing agency purchased an existing home that needed rehabilitation, made improvements to the home and then sold the home to a low income family with a mortgage and monthly payment that was affordable.

MURL accomplished many community goals, including the promotion of home ownership for lower income people, and the repair of substandard housing units. However, MHFA is no longer providing MURL funding.

**Recommendation:** The City of Granite Falls could explore options for the creation of a purchase/rehab program for existing houses. A regional housing agency could assist with this effort.

In the past, the high school has periodically constructed a single family house that is sold and then moved and set on a permanent foundation. In the future, the school has discussed the repair of an older house as a possible replacement for a student construction training project. By joining with a local housing agency, student crews could be part of an effort to purchase, rehabilitate and then resell an older home in the community.

A program could also be developed to provide mortgage funds directly to households for the purchase and rehabilitation of existing substandard homes. This program would not require an intermediate housing agency to purchase the house. Another alternative would be to assist private contractors with purchasing, repairing and reselling older homes.

The Minnesota Housing Finance Agency (MHFA), the SCDP Program, and the Federal Home Loan Bank are additional potential funding sources.

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

## **Rental Housing Recommendations**

**Overview:** Granite Falls serves as a rental center for small cities and rural townships in the surrounding region. At the time of the 2010 Census, more than 34% of all households in the City were renting their housing. This percentage has probably remained relatively stable since 2010, as only a limited number of new housing units have been constructed in the City.

Granite Falls has a diverse mix of rental units by both housing segment and structure type. In addition to conventional market rate rents, the City has federally subsidized rental housing and some units oriented to seniors.

The only rental construction since 2010 has been in units that serve the conventional market rate segment. The newest project has created 10 twin home-style units that offer amenities that are similar to single family living, with an attached garage, one-level floor plan, in-unit laundry and private exterior entrances. While not age restricted, these units have been very popular with older renters, age 55 and above.

No specific rental rate information was obtained from the units constructed in the past decade, but the estimated monthly contract rent is probably between \$1,000 and \$1,200 for a two-bedroom unit. With the inclusion of tenant-paid utilities, the gross monthly rent may approach \$1,400 per month. While this is a higher rent structure than other rental options in the area, a high rate of occupancy was reported and unmet demand exists.

In the late 1990s the Granite Falls EDA had developed a similar style of housing, with a town house-style unit with an attached garage. This project has had a very successful occupancy history, and maintains a long waiting list in 2021.

An apartment building was also constructed in the 2000s, offering conventional rental housing in a multistory building. This serves a wide range of tenants, including working-age residents, seniors and potentially some student renters.

While most of the rental housing in the City serves the conventional market rate segment, Granite Falls has an inventory of 110 income-restricted housing units in subsidized multifamily projects. There are also 28 apartment units in a senior project offering light services.

Much of the City's older conventional market rate inventory exists in single family houses offered as rentals and in other small structures with four or fewer units. According to the American Community Survey estimates, nearly 29% of all rental units in Granite Falls are in single family houses and approximately 37% of all rental options are in structures with four or fewer units.

Looking at the growth potential for the City to the year 2025 yields a reasonable projection that as many as 30 to 40 additional housing units will be needed to keep pace with expected growth. Approximately 50% of these units could be oriented to renter households. However, in the rental segment an additional allowance is also needed for unit replacement and unmet demand.

An earlier section of this document had specifically focused on anticipated rental demand. If all income groups could be served, including very low income households needing a very affordable unit, as many as 107 additional units can be justified over the next five years. However, a more realistic target would be to address up to half of this potential demand, with a goal to create between 45 to 55 traditional rental housing units through 2025. If significant subsidy assistance can be obtained, additional production for low income renters would also be encouraged, and more than 55 units could be added.

The following recommendations address specific segments of the Granite Falls rental market.

**9. Promote the production of 20 to 24 units of market rate rental housing**

**Findings:** High quality market rate rental housing production has been successful in Granite Falls. Two of the three most recent projects created in the City over the past 25 years have created town house-style units. The third project created a multi-level traditional apartment building, which was constructed in the late-2000s.

The town house-style projects are modeled on single family living and include the 10 units in twin homes constructed since 2015 by S&H Properties, and 28 units in Skyview Estates developed by the City's EDA in the 1990s. The apartment building, Skyline Vista, has 24 units.

Based on the telephone survey of rental housing, the occupancy rates in the newest projects tend to be high. All of the newer town house-style projects reported full occupancy and strong demand. Skyview Estates had a waiting list with 27 names at the time of the research for this Study. Skyline Vista also reported full occupancy and good demand.

The newer town house-style projects that offer one-level living, an attached garage and features of single family living have an estimated gross two-bedroom rent ranging from approximately \$850 to \$1,350. The largest of these units are typically above \$1,000 per month for gross rent. Skyline Vista Apartments have a lower rent structure, less than \$800 gross rent for a two-bedroom.

Overall, renter household income levels in Granite Falls are low. The estimated median renter household income in 2019 was below \$20,000. In the opinion of the analysts this estimate is probably flawed. However, it is very probable that the median income for renters was below \$30,000 in 2019, based on estimates from similar communities. At this income level, most renter households could afford a monthly gross rent payment of approximately \$750 or less.

The demand calculations presented earlier assumed that approximately 30% of all renter households in the Granite Falls area have an annual income of \$35,000 or more, an amount that would typically be required to afford newly built market rate housing.

**Recommendation:** Based on the success of projects that were developed in the past 25 years, including S&H Properties, Skyview Estates and Skyline Vista, additional construction of 20 to 24 high quality market rate rental units is recommended. This would address approximately half of the recommended production of market rate housing over the five-year projection period.

This recommendation is based in part on the assumption that gross rents for newly built two-bedroom units are likely to exceed \$1,000 per month. If a lower rent structure can be achieved, then a higher level of initial production could be considered. If stable occupancy is achieved within the recommended phase of development and unmet demand is still evident, additional phases could also be advanced.

While different rental styles could be used to meet this goal, including an apartment building, the success of past town house-style projects would support this type of future development in Granite Falls. With a growing

population of empty-nesters and seniors living in the area, a town house-style project would serve households looking for a life-cycle change from home ownership. This type of housing can serve as a bridge between home ownership and rental housing, and has generally been very successful with seniors.

As an alternate plan, an apartment building similar to Skyline Vista could also be developed, to help diversify the choices available.

As stated previously, the age-based projections for the Granite Falls Market Area expect that more than 55% of all households will be age 55 or older by the year 2025. Regardless of actual construction type, any new rental housing should contain amenities and features that would appeal to this older adult segment of the market.

In the past five years, a private developer has been active in high quality rental construction, but only 10 units have been built in five twin homes. While small increments may be added in the future, this has generally expanded the rental stock by only two units per year. Going forward, a public/private partnership could be considered to generate a higher number of new units. Public participation could also result in a lower, more affordable rent structure for this market rate housing.

The Granite Falls EDA is also pursuing grant funds to develop three town house-style units on a redevelopment site. If successful, this could be the first phase of up to nine total units on the site. Although grant funds are being pursued, this project would essentially operate as market rate housing, with a gross rent structure above \$1,000 for a two-bedroom unit.

## **10. Promote the creation of 24 to 30 units of moderate rent market rate housing**

**Findings:** Granite Falls also has an inventory of older market rate housing. This stock exists in apartment buildings, in downtown commercial buildings and in single family rentals, including mobile homes.

The best information on overall rental rates in Granite Falls shows a moderate rent structure. According to the American Community Survey estimate for 2019, the median gross rent for all units was \$583. For two-bedroom units, the estimated median was \$754 in 2019. But a wide variation in monthly rents exists, depending on the age, features, amenities and condition of units.

Since a fairly large share of the conventional market rate inventory exists in rental houses or mobile homes, great variation can be present. Two-bedroom houses will generally be within a range of \$650 to \$850 per month including utilities.

Occupancy rates appear to be high within the inventory of older market rate housing, as most of these older units have a more moderate rent structure. In general, demand for these units was strong, with any vacancies being property-specific. Many long-term tenants were reported, and turnover units in good condition were leased quickly.

**Recommendation:** Most existing renter households in Granite Falls need access to a more affordable unit than can be created through conventional market rate new construction. In addition to the units identified in the previous recommendation, the City should promote the development of between 24 and 30 additional market rate units within a more affordable price range, with a target rent below \$850.

The creation of these units may be possible in a range of housing types, including conversion projects that utilize existing structures. There may be opportunities in downtown commercial buildings. There may also be some underutilized housing that can be improved and made more attractive for renter-occupancy.

To construct new market rate housing within this price range may also be possible, although significant development subsidies would probably be required. A combination of local assistance, local employer involvement and State funding may be possible to reach this development goal.

## **11. Monitor the supply and demand for income-restricted rental housing**

**Findings:** There are three rental projects in Granite Falls that provide affordable housing but have income restrictions for tenants. Two of these used development subsidy programs through the U.S. Department of Housing and Urban Development (HUD) and one utilized USDA Rural Development funding.

Combined, there are 110 subsidized units in the community. Project-based rent assistance exists for 102 of these units, allowing rent based on 30% of household income. In the remaining eight units a basic rent applies. While still below-market, it may exceed 30% of the tenant's income.

One of the projects, Henry Hill Apartments, is designated for senior/disabled occupancy. Henry Hill has 54 apartment units, with 53 having one bedroom. This building also offers a services option through a home health care provider.

The remaining two projects are designated as general occupancy housing. However, Riverview Apartments was originally constructed for senior/disabled occupancy so 39 of the 40 units have only one bedroom. Scotland Green has 16 total units. Although constructed as general occupancy housing, eight of the apartments have only one bedroom, and eight have two bedrooms. In Scotland Green only half of the units have project-based rent assistance.

The subsidized inventory in Granite Falls is heavily oriented to one-bedroom rental options. Only 10 of the subsidized units have two bedrooms, and there are no units with three or more bedrooms in the City. As a result, larger families have no options in the subsidized stock.

In addition to the income-restricted properties, there are also 31 tenant-based rent assistance Vouchers being used in Granite Falls. While it is possible that one or more of these Vouchers may be in use in Scotland Green, which cannot offer project-based rent assistance for all units, it is assumed that these are instead being used within the private rental market.

When project-based assistance and tenant-based Vouchers are combined, there are potentially 141 households in Granite Falls that have access to some form of assisted housing in 2020. This may represent 28% of all rental opportunities in the City.

As stated previously, the estimated median household income level for renters in Granite Falls was low in 2019. While the American Community Survey estimate is probably too low, it is likely that the midpoint income level for renter households in the City is below \$30,000.

With the low estimated income level for renters, the 2019 American Community Survey also reported that approximately 53% of all renter households in Granite Falls were applying 30% or more of their income for housing, and most of these were applying 35% or more. These lower income households would generally be eligible for subsidized housing.

**Recommendation:** In recent decades there have been very few resources for the development of new “deep subsidy” housing. The last addition of a subsidized building was in 1989 when Scotland Green was constructed. To address the high incidence of rental cost burden, the development of 20 to 30 units of subsidized rental housing would be encouraged.

Any very affordable rental housing that can be developed should primarily focus on units for families, with two or more bedrooms. The City has a much better supply of one-bedroom apartments, but very few units oriented to larger households.

Although the City could benefit from some additional “deep subsidy” units, it is highly unlikely that adequate funding for a project at the recommended scale could be secured in the future. It may be more possible for a project in Granite Falls to compete for low income housing tax credits. Tax credits would generally help to create income-restricted units that would have a below-market rent structure.

However, since the tax credit program was created in the mid-1980s, no awards have been made to projects in Granite Falls. Only one project has ever received tax credits in Chippewa County, in Montevideo, and one project in Yellow Medicine County, in Clarkfield. Both of these awards were made more than 20 years ago. Any available resources for the creation of affordable housing are very competitive, and in recent years have typically been awarded to larger regional centers.

While the City should look for additional unit development options, we would also recommend that Granite Falls monitor the existing supply of assisted housing. An important community strategy will be to preserve the existing subsidized options. Any very affordable housing that is lost is unlikely to be replaced.

A more realistic near-term approach to expanding very affordable housing is to add to the supply of tenant-based Vouchers. Renters in Granite Falls have access to programs in both Yellow Medicine and Chippewa Counties. There is generally a waiting list for Voucher programs, but continued promotion of this resource to area renters should be encouraged.

## **12. Monitor demand for senior housing with light services**

**Findings:** Granite Falls has a housing option for more independent seniors needing only light services. Granite Ridge, with 28 apartment units, was constructed in the 1990s. It is affiliated with the Avera Care Center and Hospital.

While identified as independent housing, rent includes a noon meal, weekly light housekeeping and an emergency call system. Additional services are available through a private contract with a home health care provider. This project can help seniors to gradually add services as they age.

At the time of the research for this Study, there were some vacancies in Granite Ridge. However, the global health pandemic has impacted demand for congregate living options, and the occupancy may improve when conditions stabilize. But discussions with staff do indicate that some level of vacancy also existed pre-pandemic.

A separate part of this Housing Study includes information on the supply of specialized senior housing and the demographic profile of senior residents living in the Granite Falls area. It is important to realize that specialized housing options also exist in many neighboring communities, including Montevideo, Clara City, Renville, Belview, Marshall and Clarkfield. As a result, the Market Area that was examined is composed of the small cities and rural townships that immediately surround Granite Falls.

**Recommendation:** Based on the research completed for this Study, the City is well-served by housing with light services. To maintain full occupancy, Granite Ridge would need to capture approximately 7.5% of the older senior households living in the primary Market Area. At the time of this Study, there was unused capacity in Granite Ridge. While some vacancies can be attributed to the pandemic, it does appear that some level of vacancy would also have been present in the past.

Some additional growth is projected in the senior population in the area. Based on projected growth, the percentage capture rate would drop to approximately 6.6% of older senior households by 2025. The demand for additional units should therefore be monitored as demographic patterns change.

The pandemic underway in 2021 has the potential to significantly impact specialized housing options for seniors. In Minnesota, more than 70% of the COVID deaths have occurred in residents of congregate care facilities. Any recommendations concerning this type of housing are made with the assumption that the pandemic will soon be contained.

### **13. Promote the development of 22 to 26 units of senior assisted living**

**Findings:** Granite Falls does not have any assisted living options for seniors needing a higher level of care with their housing. There had once been a residential-style facility known as Prairie Rose, which had been operating in the City, but in 2021 this facility appears to have closed. It is believed that Prairie Rose had capacity for 10 residents, although actual occupancy history is not known.

While no assisted living projects exist in Granite Falls, there are options in both Montevideo and Clara City in Chippewa County. No assisted living projects exist in Yellow Medicine County, although other types of specialized care housing are available in Clarkfield and Canby.

**Recommendation:** An earlier section of this Study has compared demographic statistics for older senior citizens, age 75 and older, that live in the Granite Falls area to possible capture rates for assisted living. At a relatively moderate capture rate of 5% of the target market, approximately 18 units could be justified in 2020, and increases to 21 units with anticipated growth through 2025. With some allowance to draw seniors from an even larger area, even more units could potentially be developed and a 22 to 26 unit project would provide options for seniors to remain in the community.

The Avera health care system in the City operates the Care Center and Granite Ridge. They have previously analyzed an expansion of senior housing options in the City but have not proceeded with a project. An initial concept plan had been based on an assisted living project with approximately 24 units, along with a specialized memory care facility.

A previous assisted living analysis had utilized demographic information extending to the year 2021. Community Partners Research has accessed more recent data, including projections to 2025, but has reached generally similar conclusions. Much of this can be linked to fairly limited growth in the population of older senior citizens in recent years.

It is important to state that this Study has not examined competitive positioning between providers in the region. A newly built facility may succeed by offering a superior housing product. However, if the overall demand is not adequate, the less competitive providers may experience decreased occupancy. Overall, we have based our recommendations on locally-generated demand, not competitive factors.

As stated in the previous recommendation, the pandemic underway in 2021 has the potential to significantly impact specialized housing options for seniors. In Minnesota, more than 70% of the COVID deaths have occurred in residents of congregate care facilities. Recommendations concerning this type of housing are made with the assumption that the pandemic will soon be contained. Before proceeding with any specific assisted living project a more detailed analysis should be completed based on conditions at that time.

#### **14. Promote the development of 16 to 20 beds of specialized memory care housing**

**Findings:** This very specialized form of housing serves people in the advanced stages of memory loss that cannot live successfully in other types of senior housing. There is no project in Granite Falls that currently addresses this market segment, although some of the residents of the Care Center may be experiencing memory loss issues.

Unlike most communities in the State, Granite Falls has a newer nursing home, which was constructed in the past five years. This high quality facility offers a very attractive option for seniors needing a higher level of care. There has been a long-standing moratorium on adding nursing home beds, but some unit replacement has occurred over time, including the home in Granite Falls. The quality of this facility may make it a preferred option for some seniors that would otherwise look for a memory care project.

There are two licensed memory care provider facilities in Montevideo, Brookside Senior Living and Rosewood. In Clara City, there is one licensed provider, Clara City Assisted Living. There are no identified providers in Yellow Medicine County, although skilled nursing homes in the County may be serving some of this need.

**Recommendation:** An earlier section of this Study has compared demographic statistics for older senior citizens, age 75 and older, that live in the Granite Falls area to possible capture rates for memory care housing. There are an estimated 510 older seniors in the primary target market. If 3% to 3.5% of this group would need access to specialized memory care, approximately 15 to 18 beds could be supported. Looking forward to the year 2025, to maintain a similar capture rate would yield the potential need for approximately two to three additional memory care beds.

The Avera health care system in the City operates the Care Center and Granite Ridge. They have previously analyzed an expansion of senior housing options in the City but have not proceeded with a project. An initial concept plan had been based on a memory care facility with approximately 12 to 16 resident capacity, along with an assisted living project.

A previous memory care analysis had utilized demographic information extending to the year 2021. Community Partners Research has accessed more recent data, including projections to 2025, but has reached a number that is only slightly higher for memory care needs. Much of this can be linked to fairly limited growth in the population of older senior citizens in recent years.

As stated earlier, this Study has not examined competitive positioning between providers in the region. For-profit housing providing services can be a very competitive business. A newly built facility may succeed by offering a superior housing product. However, if the overall demand is not adequate, the less competitive providers may experience decreased occupancy. Overall, we have based our recommendations on locally-generated demand, not competitive factors.

Consistent with previous recommendations, the pandemic underway in 2021 has the potential to significantly impact specialized housing options for seniors. In Minnesota, more than 70% of the COVID deaths have occurred in residents of congregate care facilities. Recommendations concerning this type of housing are made with the assumption that the pandemic will soon be contained. Before proceeding with any specific assisted living project a more detailed analysis should be completed based on conditions at that time.

## **Housing Rehabilitation**

**Findings:** The City of Granite Falls has an asset in its existing housing stock. Older units, both now and into the future, will represent the large majority of the City's affordable housing opportunities. As the existing housing stock ages, more maintenance and repair will be required. Without rehabilitation assistance, the affordable stock will shrink, creating an even more difficult affordability situation.

Existing units generally sell at a discount to their replacement value. Structures 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 needs.

### **15. Continue to offer rental housing rehabilitation programs**

**Findings:** Granite Falls has a mix of rental housing structure types, ranging from mobile homes to high-rise apartment buildings. Much of the conventional market rate rental stock in Granite Falls exists in smaller structures, including single family houses offered for rental use.

Many of the units in the City's rental inventory are in older structures. Based on American Community Survey, approximately 28% of all rental units in the City were constructed prior to 1960. This may include older, lower-valued houses may have been acquired by investors over time, and then converted to rental use. The median year of construction for all rental housing is 1975.

The rehabilitation of older rental units can be one of the most effective ways to provide 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.

The City has been successful in securing grant funds through the Minnesota Small Cities Development Program (SCDP). An open grant program is operating in a targeted neighborhood in the City, with a goal of rehabilitating seven single family rental houses. The rehab activity is being administered by Prairie Five Community Action Council.

Additional rental rehab has also been completed separately by the Upper Sioux Community Housing Authority. This agency has acquired to older apartment buildings and has completed extensive renovation activities. This housing is then made available to Tribal members.

**Recommendation:** Granite Falls has been actively addressing the rehabilitation of older rental housing. In the future, additional older neighborhoods could be targeted. Other regional housing agencies may also be able to assist with this rental housing rehabilitation effort.

There are other potential funding sources, including loan programs through the Minnesota Housing Finance Agency. These programs may be an option for larger multifamily buildings.

## **16. Continue to offer owner-occupied housing rehabilitation**

**Findings:** Granite Falls also has an older single family housing stock. According to the American Community Survey, the median year of construction for owner-occupancy units is 1973. Approximately 24% of the City's owner houses were constructed before 1960.

The City of Granite Falls has an active Small Cities Development Program grant in process, serving a targeted neighborhood in the City. The grant award includes an owner-occupancy rehabilitation activity with an initial goal of rehabilitating 11 houses. At the time of the research for this Study, most of the houses had been completed or were in process. Other funding sources, including programs from the Minnesota Housing Finance Agency and the Weatherization Program may also be in use.

**Recommendation:** Granite Falls is already active in addressing the rehabilitation of owner-occupancy housing. We would recommend that the City continue to prioritize the rehabilitation of the older housing stock. Future grant applications are encouraged, along with promotion of other programs and funding sources to assist with the repair of single family homes.

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

**Findings:** Although the analysts did not complete a housing condition survey in Granite Falls, it is probable that there are single family houses in the City that are dilapidated and possibly too deteriorated to rehabilitate. The City has been active in the past with the removal of houses that are beyond repair.

**Recommendation:** The City should continue to work with property owners to demolish or repair dilapidated structures. The appearance of the City is enhanced when blighted buildings are removed. It may also be possible to re-use cleared lots for redevelopment.

## **18. Consider programs to improve the condition and quality of mobile homes**

**Findings:** The housing condition survey did not view and rate mobile homes in Granite Falls. However, secondary data sources would indicate that some of the mobile homes in the City are in need of improvement.

According to the American Community Survey, all of the occupied mobile homes have a date of construction prior to 2000. Older mobile homes will often be showing deterioration, and may be difficult to economically repair.

**Recommendation:** Addressing the issues created by substandard mobile homes is not easily solved. The City has discussed mobile home improvement initiatives with regional housing agencies, including the Southwest MN Housing Partnership.

Some communities have rehabilitated older units, but this is difficult to accomplish because of the type of construction of mobile homes, and it is rarely cost effective. Cities have established programs that purchase and remove substandard mobile home units, provided a newer unit is purchased to replace the acquired dwelling. While this approach can work well in upgrading the stock, it can be expensive, especially if there are a large number of homes in poor condition.

Some specific initiatives include:

- ▶ ***Down Payment Assistance Program*** - Develop a Down Payment Assistance Program that assists households with the purchase of a newer mobile home.

- ▶ ***Operation Safe Mobile Home Park*** - Owners of substandard mobile homes are given the option of voluntarily selling their unit to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished/salvaged. The owner can then use the funds from the sale to help purchase a new home. Mobile home dealerships have sometimes participated by buying the salvaged homes.
- ▶ ***Time of Sale/Rent Inspection Program*** - This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale or rental. All identified safety hazards must be corrected before the unit is sold, rented and/or occupied.
- ▶ ***Age Limits for Mobile Homes Moved into the City*** - Some cities have implemented an ordinance which stipulates that a mobile home must have been manufactured after a designated year to be moved into the city. This prevents older units from being moved into the community in the future.
- ▶ ***Cooperative/Land Trust*** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.

## **19. Strategies for downtown housing and redevelopment**

**Findings:** Downtown Granite Falls has a mix of buildings that provide commercial and housing options. This includes a number of buildings that have been renovated over time. There are also buildings that are substandard and in need of repairs.

The City is currently administering a Small Cities Development Program (SCDP) grant that includes a commercial rehabilitation activity with a goal of improving six structures. At the time of the research for this Study, all of the funds in this activity had been committed.

In addition to the repair of older buildings, the City has also researched redevelopment options, including the removal of some underutilized structures with a plan for new construction. Over the past 20 years the City was also very active in flood damage mitigation programs that preserved and reconfigured the downtown business district.

**Recommendation:** This recommendation provides an outline for additional actions that could be taken to continue to redevelop the downtown, to maximize the usage of downtown buildings, to promote new downtown businesses and to identify and implement renovations/conversions for housing, including:

- ▶ Interview downtown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for the downtown (potential new businesses, address parking needs, develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a plan for each downtown property and each downtown block. This may include:
  - ▶ Commercial building rehab and renovations
  - ▶ Facade work
  - ▶ Rental unit conversions or rehab
  - ▶ Building demolition
  - ▶ New construction
  - ▶ Recruiting new businesses
- ▶ Identify funding sources
  - ▶ SCDP funds
  - ▶ Property owner funds
  - ▶ City and EDA funds
  - ▶ Federal Home Loan Bank
  - ▶ Tax increment financing
  - ▶ Tax abatement
  - ▶ Department of Employment and Economic Development funds
  - ▶ MHFA funds
  - ▶ Area nonprofits including SWMHP, UMVRDC and Prairie Five
- ▶ Work with stakeholders to identify roles, secure funding, develop and implement programs and projects

## **Other Initiatives and Issues**

### **20. Encourage employer involvement in housing**

**Findings:** The connection between economic development and housing availability has become an increasingly important issue as local employers have the need to retain their existing work force and to attract new workers to the community. Housing for new employees is a concern for employers. It may be advantageous for some employers to become involved in housing.

**Recommendation:** We recommend an ongoing effort to involve employers as partners in addressing the City's housing needs. Some funding sources, including the Greater MN Housing Fund, have offered programs in the past that match employer contributions. The funding agencies often view applications favorably that include employers in the problem solving process.

Employer involvement can include direct assistance to their employees such as a grant, loan, down payment assistance or similar approaches. In other cases, employers do not wish to provide assistance to specific employees, but are willing to contribute to an overall city project, such as work force oriented rental housing, an affordable home ownership program or a new subdivision.

### **21. Create a housing plan and coordination among housing agencies**

**Findings:** Granite Falls does have designated staff to work on housing and economic development programs and issues. However, the City has also been active in accessing the expertise of regional agencies, including the Southwest MN Housing Partnership, the Upper MN Valley Regional Development Commission, and Prairie Five CAC. The City may need additional resources, including these agencies, to plan and implement some of the housing recommendations advanced in this Study.

There are also State-level resources, including the Minnesota Housing Finance Agency (MHFA), USDA Rural Development and the Greater MN Housing Fund. All of these agencies and organizations have experience with housing and community development programs and funding.

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

## **22. Develop community marketing programs and strategies**

**Findings:** There is competition from other cities in the immediate region to attract new residents, new home construction and home buyers. A community that invests in active marketing may have an advantage. Attracting interest from a potential home buyer may sometimes be limited by a lack of information and awareness of financing and incentive programs, homes and lots that are available for sale, a list of local builders, etc.

This is especially evident for new households moving into the area. The home buying/home building process can be very intimidating for first-time buyers and builders. It is important for the home buying or home building process to be user-friendly.

**Recommendation:** Granite Falls can work to promote the City as a desirable place to live, and could consider the following activities:

- ▶ Identify the City's strengths and competitive advantages and heavily promote them
- ▶ Create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers to provide employees (especially new employees) with housing opportunities in the City
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Work with builders to make the construction of a new home a very user friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, commercial, service and recreational opportunities that make the City a "full service" community
- ▶ Provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges

- ▶ Preserve and improve the quality of the City’s housing through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Develop new housing choices, such as new rental housing, twin homes, etc.
- ▶ Develop incentives and strategies to encourage builders and households to buy lots and to build and buy new homes
- ▶ Review the City’s building policies and fees to assure that they are user-friendly, fair and reasonable for developers, builders and households
- ▶ Develop a coordinated housing plan with area housing agencies