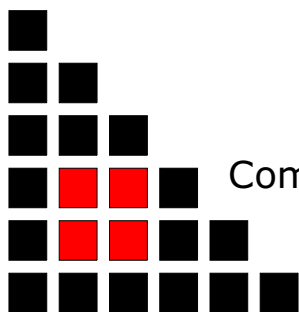


# WADENA COUNTY HOUSING STUDY

City of Menahga

December 2020

An analysis of the overall housing needs  
of cities in Wadena County



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# Introduction

## Overview

Community Partners Research, Inc., was hired by Wadena County, in partnership with The Economic Alliance, to complete an analysis of housing market conditions in the Cities of Menahga, Sebeka, Staples, Verndale and Wadena. This document specifically focuses on the City of Menahga, with separate documents completed for the other communities.

## Methodology

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

- U.S. Census Bureau
- Minnesota State Demographer
- Esri, Inc., a private data reporting service
- Records and data from the City
- Records and data maintained by Wadena County
- Data from the MN Dept. of Employment and Economic Development
- Data provided by the Multiple Listing Service
- Interviews with elected officials and staff from the cities
- Interviews with community leaders
- Interviews with 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 population estimates and annual detailed 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 2018, based on surveys collected over a five-year period from 2014 to 2018.

The Census Bureau also produces annual population estimates for individual jurisdictions. These are separate from the American Community Survey. However, the annual 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.

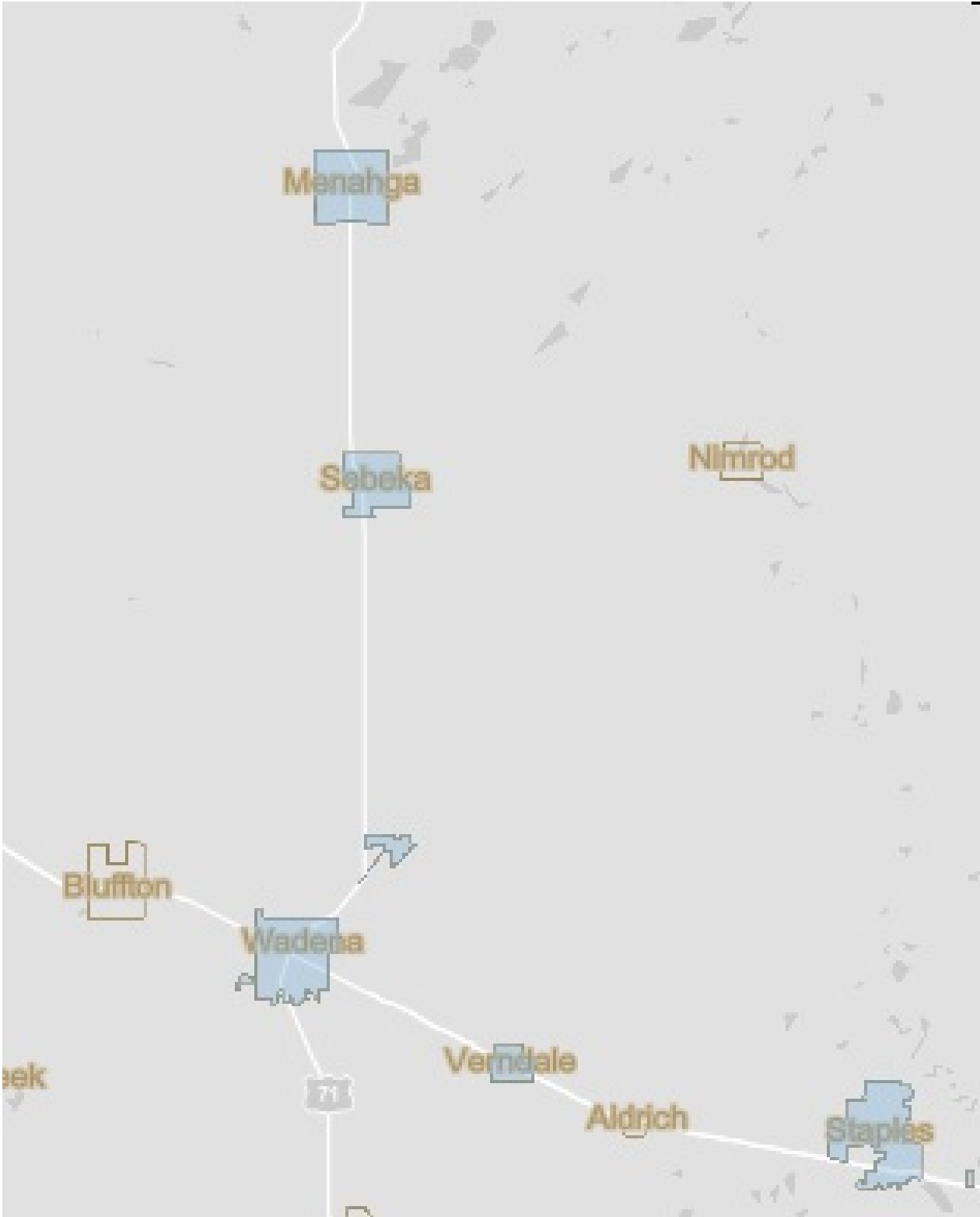
An additional data provider, Esri, Inc., has been used for the current-year, 2020 estimates. Esri is a private company that produces demographic data reports that are often used by financial institutions and the Minnesota Housing Finance Agency. Esri's 5-year projections extend to 2025.

## **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 underway, but the first data release is not expected until sometime in 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**

In addition to presenting demographic information for the City of Menahga, the analysts have also examined information for all of Wadena County.



## Population Trends Analysis

The following table tracks population change over time, using the decennial censuses data back to the year 1990. The 2019 estimate is from the Minnesota State Demographer. Other recent estimates are provided in the text that follows.

<b>Table 1 Population Trends - 1990 to 2019</b>							
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 Estimate	% Change 2010-2019
Menahga	1,075	1,220	13.5%	1,306	7.0%	1,329	1.8%
Wadena Co.	13,154	13,713	4.2%	13,843	0.9%	13,744	-0.7%

Source: U.S. Census Bureau; State Demographer

The most recent estimate from the Minnesota State Demographer’s Office has an effective date of April 1, 2019, so a data lag exists. It showed 1,329 people living in Menahga. When compared to the 2010 Census benchmark, the City had added 23 residents between 2010 and 2019.

A current-year estimate was obtained from Esri which shows 1,343 people living in the City of Menahga in 2020, up by 37 people from the level recorded in the 2010 Census.

A third source, the Census Bureau’s population estimates program, placed the City’s population at 1,302 people in 2019, down by four residents from 2010.

Although some differences do exist between the recent estimates, all three sources show limited change in the City’s population since 2010, with even the most optimistic estimate showing the addition of only 37 people. If accurate, this would indicate less growth than in prior decades, as Menahga added 86 people between 2000 and 2010, after adding 145 people in the 1990s.

For all of Wadena County, the State Demographer’s 2019 estimate showed 13,744 people, down by 99 people from 2010. Based on this estimate, the population growth within some jurisdictions, including Menahga, was not sufficient to offset losses in the remainder of the County.

The Census Bureau also showed a loss of population for the County. According to this source there were 13,682 permanent residents of Wadena County in 2019, down by 161 people from 2010.

Esri is showing some population growth Countywide. In 2020, this source estimated that Wadena County's population was 14,124 people, up by 281 people from 2010.

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

According to the 2018 estimate from the American Community Survey, more than 99% of the Menahga's residents were White for race, and less than 1% were 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 65 people living in group quarters housing in Menahga. All of these people were in a skilled nursing facility. The 2019 estimate from the State Demographer still showed 65 people living in group quarters housing. Although no details are provided, it is assumed that most of these people are still in the nursing home.



## Population Projections

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

<b>Table 2 Population Projections Through 2025</b>			
	2020 Estimate Esri	2025 Projection Esri	Change
Menahga	1,343	1,364	21 / 1.6%
Wadena County	14,124	14,327	203 / 1.4%

Source: Esri

Esri’s projection for Menahga expects very little change, with an increase of only 21 permanent residents between 2020 and 2025. As stated previously, the City’s population has been gradually increasing, according to most estimates, and this pattern of modest growth is expected to continue over the next five years.

Esri does expect some population growth Countywide, with the projected addition of 203 people over the five-year period. On an annual basis, this would average 40 to 41 people per year. This numeric gain would be above Esri’s estimated level of annual growth 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 2019 estimate is from the State Demographer. Other recent estimates are provided in the text that follows.

<b>Table 3 Household Trends - 1990 to 2019</b>							
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 Estimate	% Change 2010-2019
Menahga	443	491	10.8%	569	15.9%	598	5.1%
Wadena County	4,978	5,426	9.0%	5,705	5.1%	5,796	1.6%

Source: U.S. Census; State Demographer

According to the State Demographer, there were 598 households in the City in 2019. When compared to the 2010 Census, 29 households had been added, or an average of more than three households per year.

Esri’s 2020 estimate for Menahga shows the City with 590 total households, up by 21 households since 2010, or an annual average of just over two households per year.

As will be discussed in greater detail later in this document, building permit issuance shows that the City probably added only 23 new housing units through new construction between 2010 and 2018. The expansion of the City’s housing stock would not have been adequate to accommodate the estimated growth of 29 permanent households since 2010 as estimated by the State Demographer. However, it is possible that some formerly vacant housing was also occupied during the decade.

The primary estimating sources had similar opinions on the level of growth Countywide. According to the State Demographer, there were 5,796 households in Wadena County in 2019. When compared to the 2010 Census, this shows average annual growth of approximately 10 households per year.

According to Esri, there are 5,845 households in 2020. When compared to the 2010 Census, this shows average annual growth of 14 households per year.

If viewed as an annual range, the Wadena County estimates are reasonably similar and show the County adding between 10 and 14 households per year. As stated in the population section, these sources differ on the location of this growth, as the State Demographer places most of the Countywide growth within Wadena, while Esri places the growth in the remainder of the County.

## Average Household Size

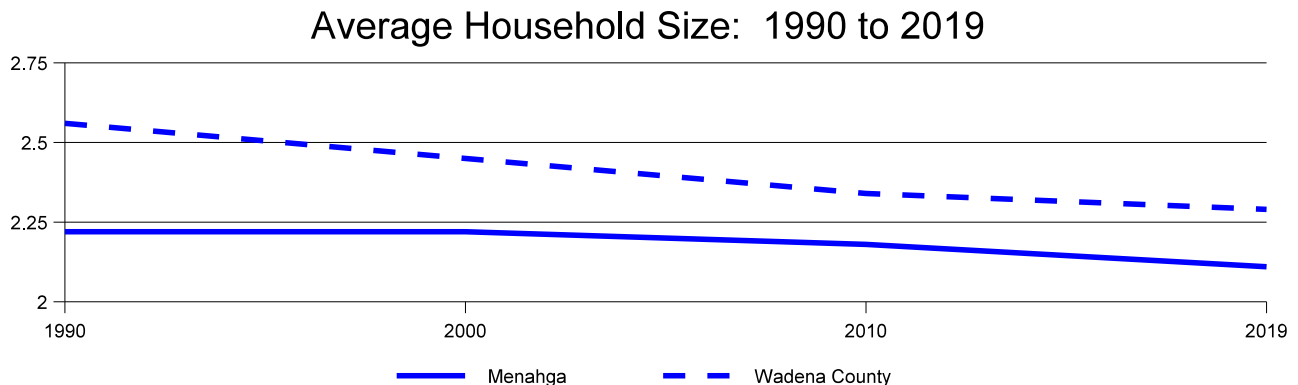
The following table provides decennial Census information on average household size dating back to 1990. The 2019 estimates from the State Demographer are also provided.

<b>Table 4 Average Number of Persons Per Household 1990 to 2019</b>				
	1990 Census	2000 Census	2010 Census	2019 Estimate
Menahga	2.22	2.22	2.18	2.11
Wadena County	2.56	2.45	2.34	2.29

Source: U.S. Census; State Demographer

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. Menahga has generally followed this pattern since the year 2000.

The average household size in Menahga did decrease from 2.22 persons in 2010 to 2.11 persons in 2019, according to the State Demographer. The City’s average household size has consistently remained well below the Countywide average.



An alternate estimate from Esri shows stability since 2010 with the City’s average household size remaining at 2.18 persons in 2020.

The average household size for all of Wadena County has been growing consistently smaller, according to the State Demographer.

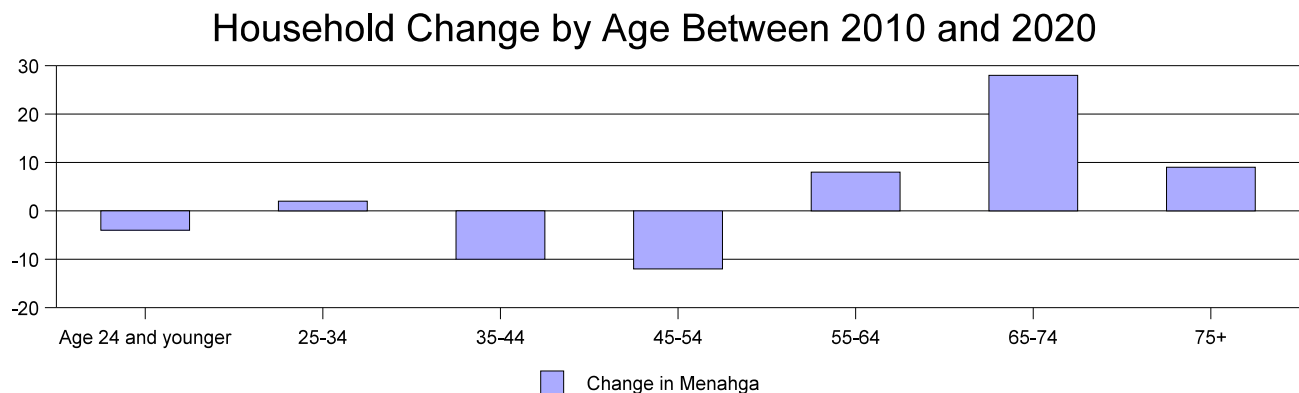
## Household Characteristics: Age Trends

The following table examines the area’s changing age patterns. The 2020 age-based estimates from Esri are compared to the 2010 Census to track recent changes. This information has been analyzed is for the City of Menahga. While Esri shows fewer households in the City than the State Demographer, the difference in these estimates is less than 1.5%.

<b>Table 5 Menahga Households by Age - 2010 to 2020</b>			
Age	2010	2020	Change
15-24	26	22	-4
25-34	66	68	+2
35-44	70	60	-10
45-54	85	73	-12
55-64	96	104	+8
65-74	96	124	+28
75+	130	139	+9
Total	569	590	+21

Source: U.S. Census; Esri

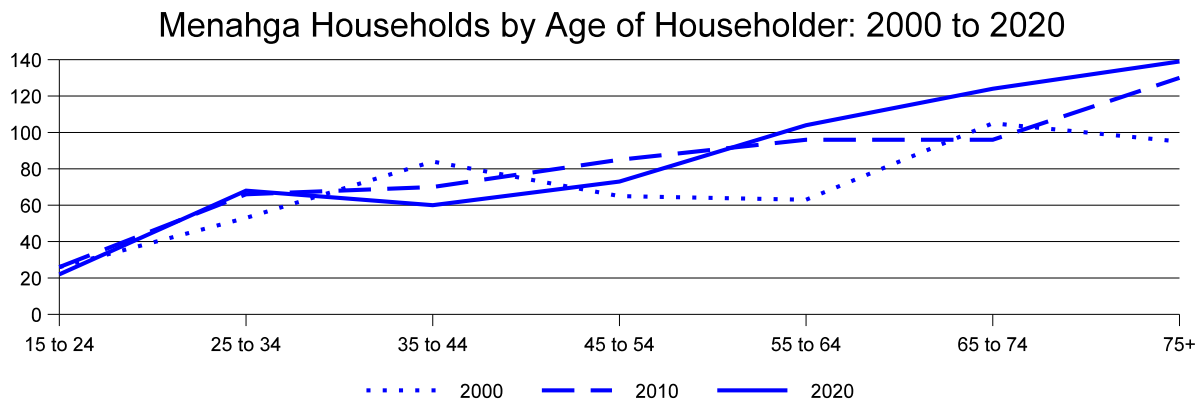
According to Esri, the City has added 21 households between 2010 and 2020. While many of the defined age ranges have remained relatively stable, others have seen changes. In general, there has been growth in the number of households age 55 and older, but a decrease in the combined groups age 54 and younger.



Much of the 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. Some growth also occurred among older seniors, age 75 and above.

With the exception of the 25 to 34 year old group, the other younger adult ranges decreased in size, although these changes were generally small. If all of the groups age 54 and younger are combined, the City had 24 fewer households.

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



Another noticeable trend over time is the increase of older senior households, age 75 and older. Menahga has specialized housing options for seniors and this has probably helped the community to attract and retain older senior citizens.

## Household Projections

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

<b>Table 6 Household Projections Through 2025</b>			
	2020 Estimate Esri	2025 Projection Esri	Projected Change
Menahga	590	602	12 / 2.0%
Wadena County	5,845	5,938	93 / 15.9%

Source: Esri

Esri’s projection for Menahga expects the City to add 12 households over the next five years. This is consistent with Esri’s recent estimate showing the City adding an average of approximately three households per year since 2010.

Although Esri’s forecast is generally consistent with past patterns, it should be noted that the City has averaged six new houses per year over the past two years, and going forward, a higher annual level of projected growth could be indicated.

Esri’s projection for all of Wadena County expects that 93 households will be added over a five-year period. To reach this projection, the County would need to average approximately 19 households per year.

While Esri’s County projection is achievable, it would probably be due primarily to household growth within the City of Wadena. Other data sources tend to show that the more rural portions of the County have been losing population and household over time. Future growth outside of the City of Wadena would appear to be less likely through the year 2025.

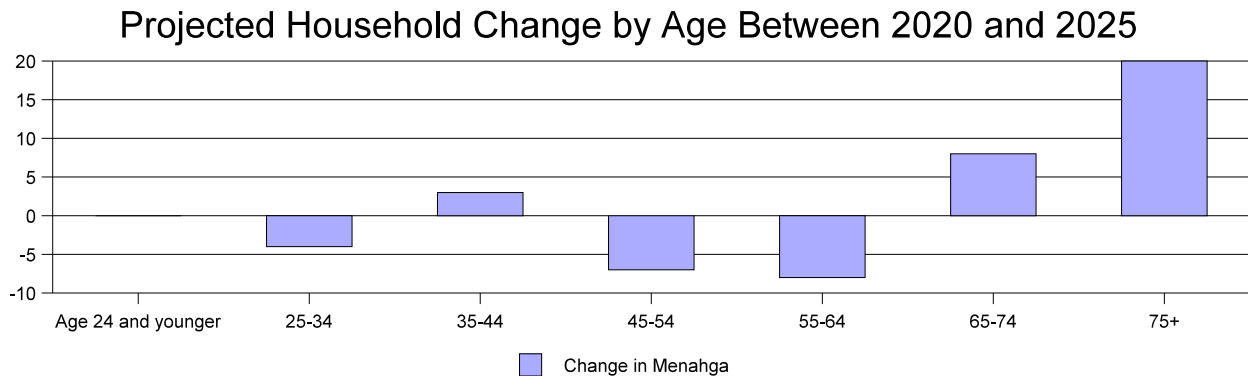
## Projected Households by Age

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 Menahga.

Age Range	2020 Estimate	2025 Projection	Change
15-24	22	22	0
25-34	68	64	-4
35-44	60	63	+3
45-54	73	66	-7
55-64	104	96	-8
65-74	124	132	+8
75+	139	159	+20
<b>Total</b>	<b>590</b>	<b>602</b>	<b>+12</b>

Source: Esri

The age-based projections to 2025 expect limited overall change in Menahga over the next five years, but solid growth is expected in the senior ranges. Most of the net increase should occur from households age 65 and older, and especially from households age 75 and older. Most of the age groups under 65 years old are projected to decrease in size or remain relatively stable.



## 2018 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 2018 to track income trends over the decade.

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 than the overall household median, 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 8 Median Household Income - 2010 to 2018</b>			
	2010 Median	2018 Median	% Change
Households			
Menahga	\$31,275	\$37,578	20.2%
Wadena County	\$34,686	\$45,860	32.2%
Minnesota	\$57,243	\$68,411	19.5%
Families			
Menahga	\$42,981	\$46,250	7.6%
Wadena County	\$47,898	\$69,996	46.1%
Minnesota	\$71,307	\$86,204	20.9%

Source: ACS

Information contained in the 2018 American Community Survey showed that the City's median household and median family income levels have been increasing over the decade, but remain well below the comparable Countywide medians. It is important to note that limited sampling in small communities can result in data flaws.

As documented on the previous pages, Menahga has a large number of senior-headed households, many of which may be living on fixed retirement incomes.

All of Wadena County also saw solid growth between 2010 and 2018 for the median income levels, especially for families. But the medians for Wadena County were well below the comparable Statewide medians in 2018.



A general standard is that 30% of income can be applied to housing costs. At this level, a median income household in Menahga could apply approximately \$940 per month and a median income family could apply approximately \$1,155 per month.

However, as will be detailed later, there is often a significant difference between renter and owner household income levels, with many renter households in the lower income ranges, with significantly less income that can be applied to housing costs.

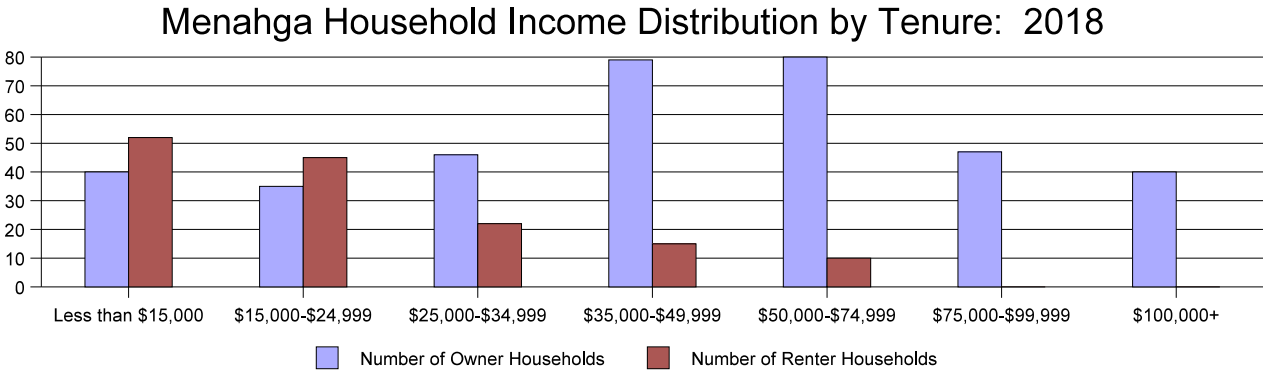
### Household Income Distribution by Tenure: 2018

The American Community Survey also contains household income distribution estimates. This information is available by ownership or renter status. When compared to other data sources, the American Community Survey has underestimated the number of households, but the distribution of income is still the best available information on this topic.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	40	52	92
\$15,000 - \$24,999	35	45	80
\$25,000 - \$34,999	46	22	68
\$35,000 - \$49,999	79	15	94
\$50,000 - \$74,999	80	10	90
\$75,000 - \$99,999	47	0	47
\$100,000+	40	0	40
<b>Total</b>	<b>367</b>	<b>144</b>	<b>511</b>

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 above 94%, with approximately 6% of these households renting their unit.



This pattern changed in the lower and moderate income ranges. For all households with an annual income below \$35,000, the rental rate was approaching 50%.

For all renter households in the City the estimated median income level in 2018 was \$19,318. Based on renter household income levels in other communities in Wadena County, it is possible that the estimate for Menahga is too low and impacted by limited sampling.

For all home owners, the estimated median income was \$47,708.

## 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 in Menahga.

<b>Table 10 Menahga Renter Household Cost Burden - 2018</b>		
Percent of Income for Housing	Number of Households	Percentage
Less than 20%	20	13.9%
20% to 29.9%	38	26.4%
30% to 34.9%	11	7.6%
35% or more	68	47.2%
Not Computed	7	4.9%
Total	144	100%

Source: American Community Survey

Using a standard of 30% of income, most renter households in Menahga did report a cost burden for rental housing in 2018. Overall, approximately 55% of all renters were paying 30% or more of their income for housing, with most of these actually paying 35% or more.

Cost burden was generally the result of a lower household income. Most 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 Menahga owner households for monthly housing costs. Information is provided for owner households with and without a mortgage on their home.

<b>Table 11 Menahga Owner Household Cost Burden - 2018</b>			
Percent of Income for Housing	Households with a Mortgage	Households without a Mortgage	Total
Less than 20%	98	104	202
20% to 29.9%	63	19	82
30% or more	45	38	83
Not Computed	0	0	0
Total	206	161	367

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.

However, approximately 23% of all home owners reported that they paid more than 30% of their income for housing. This included home owners both with and without a mortgage on their home. Nearly all of the home owners with a cost burden had an annual income below \$35,000.

## Building Permit Trends

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

<b>Table 12 Menahga Housing Construction Activity: 2010 to 2020*</b>			
Year	Single Family	Multifamily Rental	TOTAL
2020*	7	0	7
2019	5	0	5
2018	0	0	0
2017	2	0	2
2016	1	0	1
2015	2	0	2
2014	0	0	0
2013	0	16	16
2012	1	0	1
2011	1	0	1
2010	0	0	0
<b>TOTAL</b>	<b>19</b>	<b>16</b>	<b>35</b>

Source: City of Menahga

\* 2020 is partial year

According to City records, there have been 19 single family houses added to the City between 2010 and 2020, with the possibility that more permits could still be issued in the current year. One of the houses was an existing structure that was moved into the City, but still represents an addition to the housing stock.

Although the annual average since the year 2010 has been below two houses per year, there has been a significant increase in activity in 2019 and 2020. Over this 2-year period, the City has average six single family houses per year.

Only one multifamily project has been constructed since 2010, when four 4-plexes were built in 2013. These units offer market rate rental housing.

The research for this Study did not obtain any City building permit reports for the years prior to 2010. However, annual reporting to the Census Bureau was reviewed.

National housing construction markets were very active in the early to mid-2000s, and this was also the case in Menahga. Over the 8-year period from 2000 through 2007, there were permits issued for 58 new houses in Menahga, or an average of between 7 and 8 houses per year.

This pattern then changed, and over the next 11 years, from 2008 through 2018, the City averaged less than one new home per year.

The building permit issuance in 2019 and 2020 is more similar to the period before 2008, but it is not known if this level of home building can be sustained.

## **Lots and Land**

There are multiple residential subdivisions in Menahga. In total, as many as 54 single family lots may be vacant in Menahga. According to City staff, the following approximate inventory is present in 2020.

Southeast Subdivision - 20 vacant lots  
East Blueberry River Drive - 11 vacant lots  
Southgate - 10 vacant lots  
Six Lane Subdivision - 8 vacant lots  
Cat Tail Trail - 5 vacant lots

Although these lots are vacant, many of them may not be available for sale. Attempts to learn more about availability and pricing were unsuccessful.

According to secondary sources, many of these lots are individually owned. In some cases, neighboring home owners have acquired adjoining parcels to create a larger yard. In other cases, the lot owner has never proceeded with the intended construction of a new home, but the lot has not been listed for re-sale.

Some of the vacant lots may also be owned by area home builders. The above-average volume of new home construction in 2019 and 2020 is attributed in part to builders that had banked some lots in the past, and have been more aggressively promoting these lots in 2019 and 2020 for new homes as market conditions improved.

The analysts did not physically view the vacant lot inventory, and no secondary information exists about the quality or desirability of the vacant lot inventory.

The Menahga Development Corp., a local nonprofit group, has vacant land that has been proposed for future for residential development. This land is not currently served by municipal sewer and water systems, and the best information indicates that development costs would be high, resulting in a significant property assessment unless outside funding could be secured.

In addition to the vacant lots in larger subdivisions identified above, it is also possible that some infill lots may exist in older neighborhoods around the community.



## **Existing Home Sales**

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

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

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

The Assessor's Office also attempts to make 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.

Information was available for each calendar year, and details are provided for the years 2010 through 2019. Partial-year information was also available for 2020, and has been presented, although this will change as additional sales are recorded.

**Table 13 Menahga Residential Sales Activity - 2010 to 2020\***

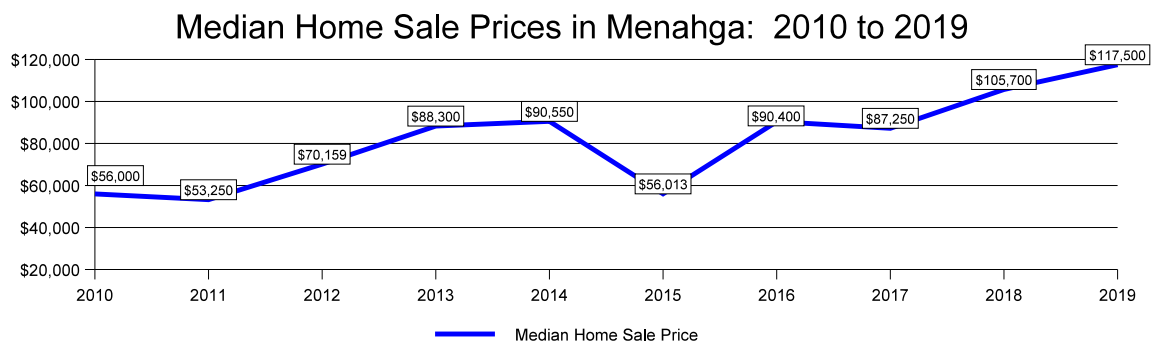
Year	Number of Good Sales	Median Sale Price	Highest Sale	Lowest Sale
2020*	6	\$86,000	\$168,950	\$22,100
2019	15	\$117,500	\$193,500	\$7,500
2018	30	\$105,700	\$176,500	\$24,500
2017	24	\$87,250	\$192,000	\$13,500
2016	27	\$90,400	\$269,000	\$10,000
2015	20	\$56,013	\$159,300	\$16,500
2014	22	\$90,550	\$180,000	\$14,600
2013	11	\$88,300	\$182,000	\$24,000
2012	10	\$70,159	\$160,000	\$15,000
2011	14	\$53,250	\$153,500	\$14,000
2010	17	\$56,000	\$144,000	\$22,100

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

\* 2020 is through June 23

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. This is evident in the wide variation that exists for the annual medians in Menahga since 2010.

In 2019, the last full year, there were only 15 good sales that were recorded. The median price was \$117,500, the highest of all the years reviewed. In 2018, the annual median was also above \$100,000. Partial-year reporting for 2020 showed a lower median price, although this may change when a full year of activity is available. In general, there has been an upward trend in the annual median sale price.



## Home Sales by Price Range

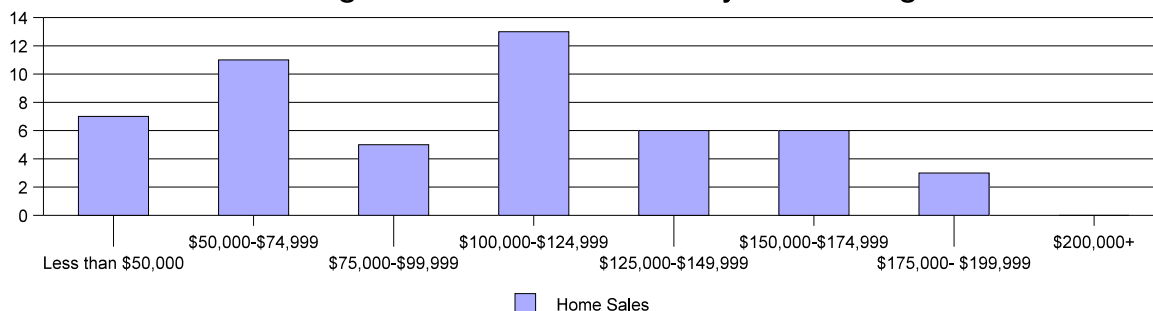
The following table looks at the price distribution of 51 single family houses that sold in Menahga from January 1, 2018 through June 23, 2020. This information is once again from County's sales records.

Table 14 Home Sales by Price Range: 2018-2020*		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	7	13.7%
\$50,000 - \$74,999	11	21.6%
\$75,000 - \$99,999	5	9.8%
\$100,000 - \$124,999	13	25.5%
\$125,000 - \$149,999	6	11.8%
\$150,000 - \$174,999	6	11.8%
\$175,000 - \$199,999	3	5.9%
\$200,000+	0	0%
Total	51	100%

Source: Wadena County Assessor; Community Partners Research, Inc. \* Partial-year

Most of the recent sales activity in occurred within the low to moderate price ranges, as nearly 71% of the sales were priced below \$125,000. Only 6% of the recent sales were for \$175,000 or more, and during this time period there were no houses that sold for \$200,000 or more. Over this multi-year time period, the median sales price was \$105,900.

Menahga Recent Home Sales by Price Range



An alternate home value estimate is available from the 2018 American Community Survey. This source places the midpoint owner-occupied house value at \$94,800. This amount was lower than the sales medians for the multi-year time period from 2018 to 2020.

## 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 Menahga. On August 25, 2020, there were only 5 single family homes that were listed for sale that appeared to be located in the city limits of Menahga. Some additional homes were listed that appeared to be outside the City in the surrounding rural areas. The following table examines the MLS listings in Menahga by listing price, as posted on Realtor.com.

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

<b>Table 15 Menahga Active MLS Listings by Price Range: Aug. 2020</b>		
Asking Price	Number of Listings	Percent of Listings
Less than \$50,000	0	0%
\$50,000 - \$74,999	0	0%
\$75,000 - \$99,999	0	0%
\$100,000 - \$149,999	3	60%
\$150,000 - \$199,999	2	40%
\$200,000+	0	0%
Total	5	100%

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

All five of the houses listed on the MLS in August 2020 were priced between \$100,000 and \$199,999.

It is important to note that some of the MLS listings were identified as "pending" or "contingent" sales, and may no longer be available on the open market, but this review does provide some insight into for-sale market activity in 2020.

## **Housing Condition Analysis**

In September of 2020, Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of single family/duplex houses in the participating cities in Wadena County. Houses that appeared to contain three or more units were excluded from the survey.

In Menahga, the older parts of the City were divided into two neighborhoods, as follows:

- #1 South border - Main Street  
North border - 3<sup>rd</sup> Street  
West border - Evergreen Avenue  
East border - Highway 71
  
- #2 South border - 1<sup>st</sup> Street SE  
North border - 2<sup>nd</sup> Street NE  
West border - Highway 71  
East border - Fern Avenue

Houses were rated in one of four levels of physical condition, as defined below. The survey analyzed only the physical condition of the visible exterior of each home. Exterior condition is assumed to be a reasonable indicator of the structure's interior quality.

Dilapidated houses are generally considered beyond repair.

Major Repair houses need multiple major improvements such as roof, windows, sidings, structural/foundation, etc., and may or may not be economically feasible to rehabilitate.

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

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

**Table 16 Windshield Survey Condition Estimate - 2020**

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	27 / 33.3%	34 / 42.0%	15 / 18.5%	5 / 6.2%	81
Neighborhood #2	15 / 24.2%	26 / 41.9%	18 / 29.0%	3 / 4.9%	62
Total	42 / 29.4%	60 / 41.9%	33 / 23.1%	8 / 5.6%	143

Source: Community Partners Research, Inc.

In general, the housing stock in the older portions of Menahga is in good condition, with more than 71% of the houses rated in one of the two highest condition categories. This percentage would be even higher citywide, as the newer portions of the City were not surveyed.

However, there were 33 houses rated in the Major Repair category and eight houses rated as Dilapidated and possibly beyond repair.

No mobile homes were rated in the City.

## **Age of Housing**

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

For owner-occupancy units in Menahga, the estimated median year of construction is 1975. However, nearly 28% of the owner-occupancy stock was constructed before 1960.

For rental housing, the estimated median year of construction was listed as 1982. Approximately 27% 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. According to this source, there were 54 mobile homes in Menahga. However, 18 of these were unoccupied, including vacant housing and units intended for seasonal/recreational use.

There were 34 owner-occupied mobile homes in Menahga in 2018, and two renter-occupied units. The large majority of the occupied mobile homes in the City were manufactured before the year 1980.

No median value estimate was provided, based on the small sampling that was done.

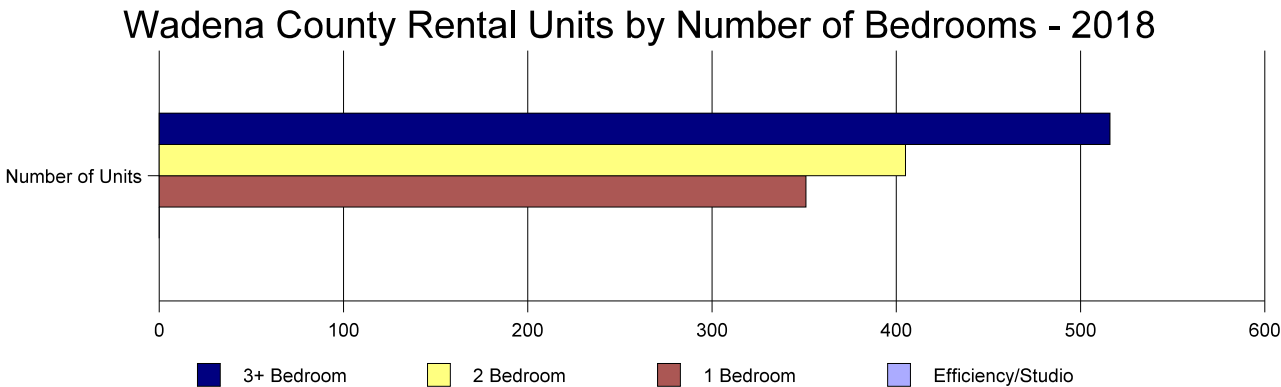
### American Community Survey Rental Data

The 2018 American Community Survey provides information on rental units in Wadena County. A later section of this document provides information collected in a rental survey of larger multifamily properties within the City of Menahga.

Unit Size	Rent less than \$500	Rent \$500 to \$749	Rent \$750 to \$999	Rent \$1,000+	No cash rent	Total Units
Efficiency/Studio	0	0	0	0	0	0
1 Bedroom	164	36	89	46	16	351
2 Bedroom	79	144	119	12	51	405
3+ Bedroom	20	212	143	96	45	516
Total	263	392	351	154	112	1,272

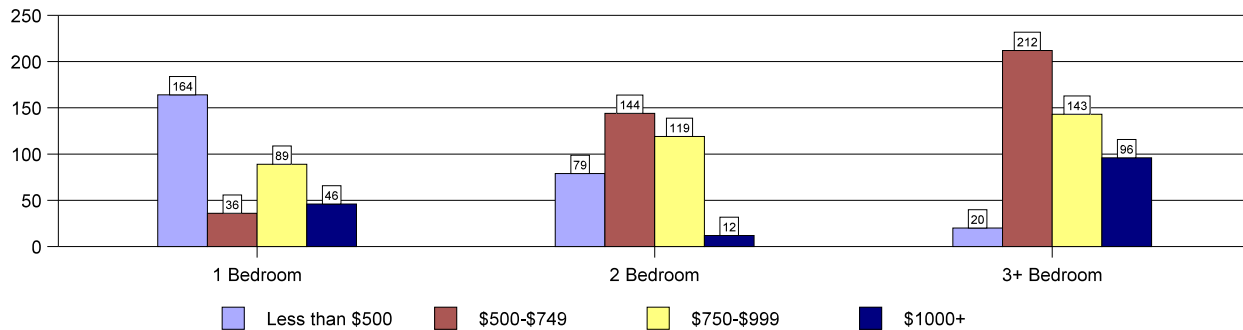
Source: American Community Survey

According to the 2018 ACS, there was a broad distribution of rental options in one-bedroom, two-bedroom units and 3+bedroom units. No studio/efficiency apartments were sampled in the data collection, although some of these do exist in the County. Overall, more than 72% of all rental housing had two or more bedrooms.





### Wadena County Gross Rent Distribution by Bedroom Size - 2018

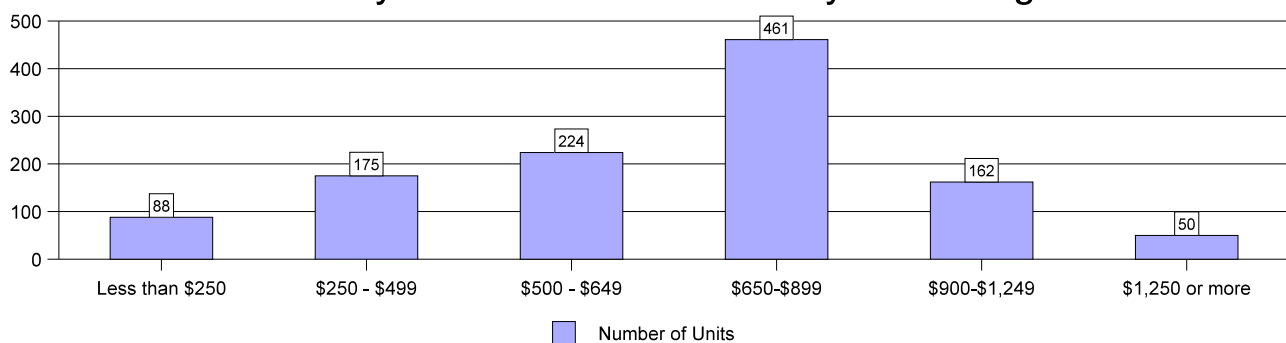


The American Community Survey includes an estimate of the median gross rent for all units and by bedroom size. Overall, the median gross rent level was \$692 in 2018. Gross rent would include tenant-paid utilities.

- ▶ The median for one-bedroom rentals was \$516.
- ▶ The median for two-bedroom rentals was \$655.
- ▶ The median for three-bedroom rentals was \$722.
- ▶ The median for four-bedroom rentals was \$1,029.
- ▶ The median for units with five or more bedrooms was \$1,308.

The information on gross monthly rent by the number of bedrooms in the rental unit used fairly broad ranges for reporting rents. The American Community Survey also presents information on gross rents within more defined ranges, but this information is not distributed by bedroom mix.

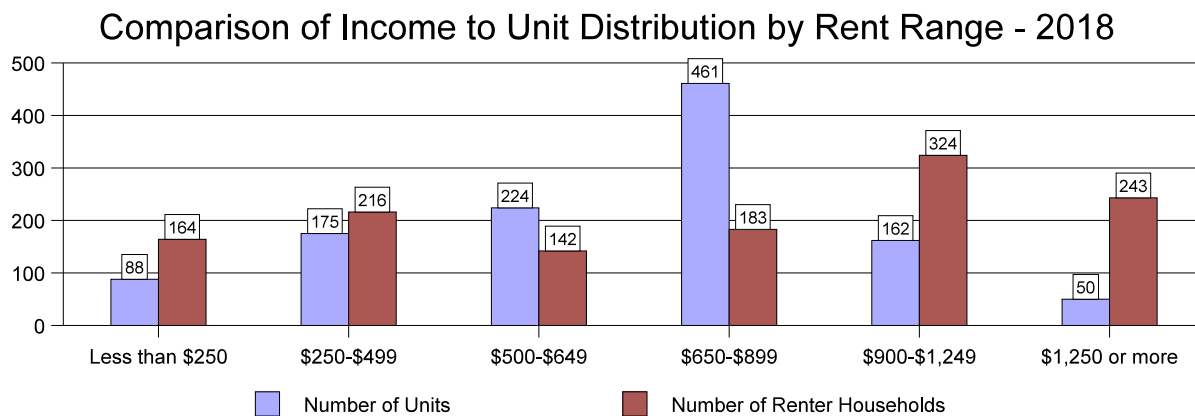
### Wadena County Rental Unit Distribution by Rent Range - 2018



The rent distribution tables from the 2018 American Community Survey do not differentiate between different segments of the market. Since all types of renter households could be surveyed, the rent distribution should include subsidized units, tax credit units and probably some specialized senior housing. However, the vast majority of units in the County would represent conventional, market rate housing.

Using the overall distribution of gross monthly rents and renter households by income, presented earlier in this Study, it is possible to compare rents and income. The following chart displays the overall rent distribution within defined price ranges as estimated for all rental units in the County.

Rental rate information can then be compared to the number of renter households that would need a unit within this same basic price range, using a standard that 30% of income can be applied to housing costs.



Comparing supply and demand, based on the price needed versus unit rent distribution, shows some distinct trends. First, there were more lower income households than units in the lowest price ranges. If all of the renter income groups below \$20,000 are combined, there 380 households but only 263 rental units priced under \$500.

The mismatch between very affordable units and renter households with an income below \$20,000 would be mitigated somewhat by rent assistance Vouchers or other public assistance programs. However, even with some assistance available, there were many lower income households with a housing cost burden, as detailed earlier in this document.

Within the more moderate income ranges between \$20,000 and \$36,000, the supply of rental units exceeded the number of households. Presumably, some of the lower income households that could not find a unit that was more affordable instead moved into units in this basic price range, even though it may have caused a significant rent burden.

In the higher rent ranges of \$900 or more, the overall supply of units was much smaller than the number of renter households with moderate to higher incomes. Overall, the American Community Survey estimates showed that nearly 45% of all renter households in Wadena County in 2018 had an annual

income of \$36,000 or more, but only 18% of all rental units were priced at \$900 or more for gross rent. Since 2018 there may have been some additions to this higher price range in newly constructed projects in Wadena.

### **Median Gross Rent by City**

A median gross rent estimate exists for each of the Cities participating in this Housing Study project, and provides for some level of comparison between communities.

For all rental units, the estimated medians in 2018 were as follows:

Menahga - \$683  
Sebeka - \$710  
Staples (Wadena County portion only) - \$798  
Verndale - \$569  
Wadena - \$690

It is important to note that there is a wide variation in the total of number of rental units in each individual community, which can impact the margin of error that exists in each City estimate.

## **Rental Housing Data**

### **Census Bureau Inventory**

At the time of the 2010 Census, there were 191 occupied rental units in Menahga, and at least 21 unoccupied rental units, for a total estimated rental inventory of 212 units. The City's rental tenure rate, was 33.6%, based on renter-occupancy households, above the Statewide rate in 2010 of 27% rental.

There is no accurate tenure count available since 2010, but the American Community Survey for 2018 did contain an estimate. According to that source, there were 144 occupied rental units in the City. There were also 33 unoccupied rental units, for a total estimated inventory of 177 total units.

If accurate, this source showed a net loss of 35 rental housing units in the City between 2010 and 2018. It is the opinion of the analysts that the American Community Survey estimate was too in 2018, as some rental construction during the decade probably increased the size of the City's rental inventory.

### **Rental Construction After 2010**

After the 2010 Census was completed, one multifamily housing project was developed in Menahga, adding to the rental inventory. There were 16 rental units constructed in a project known as Pleasant Pines Acres.

When added to the 2010 Census inventory, the estimated rental housing stock in Menahga could contain as many as 220 to 230 units in 2020. This estimate does not include an allowance for older unit losses, or for possible upward or downward changes due to tenure conversion.

The number of rental units constructed since 2010 is slightly lower than the production of single family homes and it is probable that the City's rental tenure rate in 2020 is generally similar to the level of 33.6% recorded by the 2010 Census.

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

No proposed projects were identified that would create rental housing in Menahga.

## **Rental Housing Survey**

In September 2020, a telephone survey was conducted of multifamily rental projects in the participating cities in Wadena County. The survey focused on rental properties with four or more units.

The table that follows presents information for market rate, tax credit, subsidized, and senior housing with services developments separately.

Surveyed unit totals in Menahga included:

- ▶ 16 market rate units in multifamily structures
- ▶ 12 moderate rent tax credit units
- ▶ 48 subsidized housing units
- ▶ 37 senior apartments with services available
- ▶ 13 rooms for assisted living

Excluding the sleeping rooms offered for assisted living, the telephone survey was able to collect usable information from 113 rental units, or approximately 50% of the City's estimated rental stock.

Menahga also has a 65-bed skilled nursing home that was contacted, although these represent "group quarters" rather than independent housing units.

## **Market Rate Summary**

Most of the conventional market rate rental housing in Menahga exists in single family homes. Only one multifamily rental project offering conventional market rate housing could be identified in the City.

Pleasant Pines Acres has 16 two-bedroom units, in 4-plex configurations. The units offer amenities similar to single family living, with a private entrance and attached garage. Other features are offered, including a dishwasher and in-unit laundry facilities. This project was constructed in 2013.

When contacted by the rental survey, the representative of this project was unwilling to disclose occupancy or rental rate information. This project was identified as offering age-restricted housing, for tenants 55 and older.

Based on a viewing of the property, it appeared to have a high rate of occupancy in September 2020.

## **Tax Credit Summary**

Menahga has two rental projects that have received federal low income housing tax credits. One of these, Blueberry Hills, was an existing project subsidized through USDA Rural Development that was later awarded tax credits for renovation. Blueberry Hills is analyzed in the subsidized section that follows.

Meadow Run Townhomes operates as income-restricted, moderate rent housing. The project was placed in service in 1996, and has completed its initial 15-year compliance requirement. In 2011 it entered into its extended compliance phase. During extended compliance, all new tenants must still be certified as eligible under the income and occupancy limits.

### **Unit Mix**

Meadow Run has 12 units, with eight two-bedrooms and four three-bedrooms. All 12 are tax credit assisted, so income limits and rent caps apply. However, in the extended compliance phase existing tenants do not need to be income-certified annually.

### **Occupancy/Vacancy**

According to the property manager, all units were either occupied at the time of the survey, or were in the process of being filled. The income certification process can cause short-term delays in filling any turnover units. A short waiting list is maintained for Meadow Run.

There are some tenant-based Vouchers being used in Menahga and it is possible that some of the residents in Meadow Run have Vouchers.

### **Rental Rates**

The federal tax credit program places maximum rent limitations on assisted units. For 2020, maximum gross rents for older existing units at 60% of median income were as follows:

<u>Bedroom Size</u>	<u>Maximum Allowable Rent</u>
Two-Bedroom	\$981
Three-Bedroom	\$1,133

The estimated gross unit rents at Meadow Run are below \$675 for a two-bedroom, and below \$725 for a three-bedroom town home. This rent structure is lower than the federal limits set for units at 45% of median income.

The maximum rents allowable at 60% of income under the tax program are probably above the prevailing rates for most market rate units in the Menahga area. It is assumed that in order to stay competitive with other rental projects in the City, the tax credit units charge rents that are well below the maximum federal limits. Tax credit projects also have income restrictions that apply, which reduces the potential tenant base, also requiring a lower rent structure to remain competitive.

The Meadow Run Townhomes project is also owned and managed by a nonprofit housing agency, and serves a mission of providing affordable housing.



## **Subsidized Summary**

Menahga has two rental projects that provide subsidized housing opportunities.

Blueberry Hills is subsidized through USDA Rural Development. The project was awarded tax credits in 2012 for renovation. Blueberry Hills offers general occupancy housing.

Pine Villa Apartments is subsidized through HUD's Section 8 New Construction program and has 30 units designated for senior and/or disabled tenant occupancy.

### **Unit Mix**

All of the units in Pine Villa have one bedroom. Most of the units in Blueberry Hills have two or more bedrooms.

- ▶ One-bedroom - 34 units
- ▶ Two-bedroom - 10 units
- ▶ Three-bedroom - 4 units

### **Occupancy / Vacancy**

At the time of the rental survey, all of the subsidized units in Menahga were either occupied or in the process of being filled. The income certification process can cause short-term delays in filling any turnover units.

Blueberry Hills reported a waiting list of 20 to 25 names. Pine Villa maintained a short waiting list.

### **Rental Rates**

All of the units in both Blueberry Hills and Pine Villa have access to project-based rent assistance, allowing eligible tenants to pay rent based on 30% of income.

## **Tenant-Based Rent Assistance Vouchers**

In addition to the two developments with project-based rent subsidies, renter households in Menahga can also access HUD Housing Choice Vouchers. Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts. The rent assistance is administered by the Wadena HRA.

In September 2020, there are six households in Menahga using Vouchers. 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.

Countywide, the program has the authority to issue 74 Vouchers, but budget limitations generally result in between 63 and 69 Vouchers in active use. Approximately 68% of the Vouchers were being used in Wadena, with the remainder elsewhere in the County.

When tenant-based rent assistance is combined with the project-based housing, there are 54 households with access to some form of subsidized housing. This probably represents 25% or more of all renter households in the City. If the income-restricted tax credit units are added, as many as 66 renter households have access to some form of income-restricted housing with a below-market rent structure.

The Wadena County Voucher program does maintain a waiting list for assistance. There were approximately 140 names on the waiting list in September 2020. The program provides a preference for applicants that either live or work in Wadena County, and most of the households on the waiting list met at least one of those preferences.

Wadena County households also have access to some specialized rent assistance programs that are very targeted. HUD's Mainstream Vouchers are available to disabled households and the Wadena HRA will be applying for 40 Mainstream Vouchers in the future. Some VASH Vouchers for veterans at risk of homelessness may be available. There are also some additional programs, including Shelter+Care and the Bridges program. No specific information was obtained for these targeted programs.

## **Senior Housing with Services**

Menahga has three options for seniors requiring services with their housing. Two of these, Green Pine Acres and Woodside Manor, are physically attached and known as Greenwood Connections Senior Living. The other facility, Rose Haven, is a stand-alone assisted living project.

### **Housing with Light Services**

Woodside Manor has 37 apartment units and does offer an independent living option. Seniors are not required to purchase any additional services, or may elect only lighter services, such as meals, laundry and light housekeeping. Although meal and care services are optional, all residents do have access to an emergency call system and 24-hour staffing from the adjoining nursing home.

At the time of the rental survey, approximately half of the residents in Woodside Manor were living independently or acquiring limited services. These residents can then “age in place” by adding more intensive services over time.

### **Assisted Living**

Approximately 50% of the units in Woodside are occupied by people accessing higher levels of assisted living care. Full occupancy was reported and a waiting list exists, although it was described as shorter than in the recent past.

A second facility, Rose Haven, also offers higher services housing, with 13 sleeping rooms with private or shared bathrooms. There was one open room at the time of the rental survey, but good demand was reported.

Both of the assisted living providers in Menahga will accept County assistance programs, such as Elderly Waiver. This assistance helps lower income seniors acquire supportive services.

### **Memory Care**

There is no dedicated memory care housing option in Menahga, but all of the providers probably do house people with memory loss issues.

### **Skilled Nursing Home**

Green Pine Acres is a skilled nursing home that is licensed for 65 beds in 2020. There are 16 beds in a transitional care wing, and the remaining 49 beds are available for longer-term residents.

Green Pines has been completing a facility expansion and renovation project in recent years, and this has impacted occupancy rates. Some rooms are held intentionally vacant for renovation. As a result, an annual occupancy rate of less than 90% was reported.

### **Global Pandemic**

The research process for this Housing Study coincided with the global pandemic. While impacting all forms of housing, in Minnesota this event had the largest effect on senior housing providing services for frail residents. A number of different housing providers in the region have been listed on the Minnesota Department of Health website identifying senior facilities with confirmed COVID tests, including senior housing in Menahga.

It is very possible that tenant movement had been suppressed during much of the past year. Seniors may be attempting to delay any move, if that is a possible option. Utilization rates should be re-evaluated when the pandemic is under control.

<b>Table 18 Menahga Multifamily 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>					
Pleasant Pines Acres	<u>16 - 2 bedroom</u> 16 total units	N/A	N/A	Senior occupancy age 55+	Four 4-plexes constructed in 2013 and designated for senior occupancy (age 55 and older). Units are one-level and include amenities such as dishwasher, in-unit laundry and garage. Owner did not wish to disclose rent or occupancy information. Calls are received from younger renters looking for housing.
<b>Tax Credit/Moderate Rent</b>					
Meadow Run Townhomes 714-720 Elm St	<u>8 - 2 bedroom</u> <u>4 - 3 bedroom</u> 12 total units	\$630 \$680 +electric	Open unit in the process of being filled	All units at 60% or less of median	Tax credit placed in service in 1996 and entered extended compliance in 2011. All units serve households at or below 60% of median income. Units are town house-style with 2-level living. Rent includes heat, water, sewer and garbage with tenant paying electric. Amenities include stove, refrigerator, dishwasher, wall AC, detached garage and playground area. One unoccupied unit due to turnover is in process of being filled - income certification can result in short-term vacancy. Short waiting list exists.

**Table 18 Menahga Multifamily Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Subsidized</b>					
Blueberry Hills 422 1 <sup>st</sup> St NE	4 - 1 bedroom 10 - 2 bedroom <u>4 - 3 bedroom</u> 18 total units	\$615 \$715 \$805 30% of income	No vacant units, waiting list	General occupancy with all units at 60% or less of median	Two-level apartment building constructed as USDA Rural Development subsidized project in 1994. This project was awarded tax credits in 2012 for renovation and all tenants are at 60% or less of median income. All tenants have access to project-based rent assistance that allows rent based on 30% of income up to maximum rents listed. Manager reported that all units are leased or in process of being leased. Waiting list of 20 to 25 names exists.
Pine Villa Apartments 323 1 <sup>st</sup> St NE	<u>30 - 1 bedroom</u> 30 total units	\$480 30% of income	Open units in the process of being filled	Senior/ disabled occupancy	HUD Section 8 subsidized project constructed in 1975 and designated for senior and/or disabled tenant occupancy. All tenants have access to project-based rent assistance that allows rent based on 30% of income up to maximum rent listed. Building has elevator, community room and is pet-friendly. Four unoccupied units due to turnover are in process of being filled - income certification can result in short-term vacancy. Short waiting list exists.
Tenant-based HUD Housing Choice Vouchers	6 households	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 Sept. 2020, 6 households in Menahga were participating in the Wadena County program. Program typically has 65 to 69 Vouchers in use Countywide with most of these in Wadena. Waiting list exists with 140 households.

**Table 18 Menahga Multifamily Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Senior Housing with Services</b>					
Rose Haven 37 6 <sup>th</sup> St SE	13 rooms with 15 resident capacity	N/A	1 vacant room	Assisted living	Senior assisted living facility constructed in 2000. Residents have sleeping room with either private or shared bathroom - 2 rooms are available to couples for 15 person capacity. All meals and care services available with 24-hour staffing. One room was vacant at time of survey - most residents come from the immediate area. County assistance programs accepted for lower income residents.
Woodside Manor 501 Main St NE	31 - 1 bedroom <u>6 - 2 bedroom</u> 37 total units	\$930 \$1095 +services a la carte	No vacant units, waiting list	Senior housing with services/ Assisted living	Flexible care senior apartment project constructed in 2 phases in 1997 and 2000. Part of the Greenwood Connections Senior Living complex and attached to the skilled nursing home. Tenants can live independently or acquire light services or assisted living care. Independent residents do have access to emergency call system and 24-hour staffing. Units have kitchens - 600 to 800 sq ft apartments. Manager estimates that approx. 50% of residents acquire higher level of services, 30% just light services and 20% are independent. Full occupancy and waiting list - although wait time is 6 months and shorter than in the past. COVID has probably had some impact on demand.
Green Pine Acres 427 Main St NE	licensed for 65 beds with 49 LTC 16 TCU	N/A	Approx. 88% occupancy in past year	Skilled nursing home	Skilled nursing home that is part of the Greenwood Connections Senior Living complex. First constructed in 1965 with later additions including TCU wing in 2017. Current use is 49 beds in long-term care and 16 beds in transitional care. Remodeling of LTC rooms has resulted in lower occupancy in past year - prior annual occupancy had been 97%. 41 rooms in LTC are private and 4 are semi-private. Although facility is not locked it does house people with memory loss issues.

Source: Community Partners, Inc.

## **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.

### **Largest Employers**

The largest employers in Menahga include:

- ▶ Green Pine Acres Nursing Home
- ▶ Menahga Public Schools
- ▶ Lakes Area Cooperative
- ▶ Salo Manufacturing
- ▶ Community First Bank
- ▶ Menahga Concrete Products

Source: LakesnWoods.com



## Labor Force, Work Force and Unemployment

The Minnesota Department of Employment and Economic Development provides employment and labor force information for Wadena County. The following table looks at statistics since 2010.

<b>Table 19 County Labor Force and Employment: 2010 to 2020*</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2010	6,483	5,822	661	10.2%	7.4%	9.6%
2011	6,319	5,750	569	9.0%	6.5%	8.9%
2012	6,229	5,743	486	7.8%	5.6%	8.1%
2013	6,166	5,735	431	7.0%	5.0%	7.4%
2014	6,142	5,760	382	6.2%	4.2%	6.2%
2015	6,327	5,954	373	5.9%	3.7%	5.3%
2016	6,266	5,895	371	5.9%	3.9%	4.9%
2017	5,831	5,510	321	5.5%	3.4%	4.4%
2018	5,917	5,611	306	5.2%	2.9%	3.9%
2019	6,049	5,675	374	6.2%	3.2%	3.7%
2020*	6,073	5,626	447	7.4%	6.1%	8.4%

Source: MN Department of Employment and Economic Development

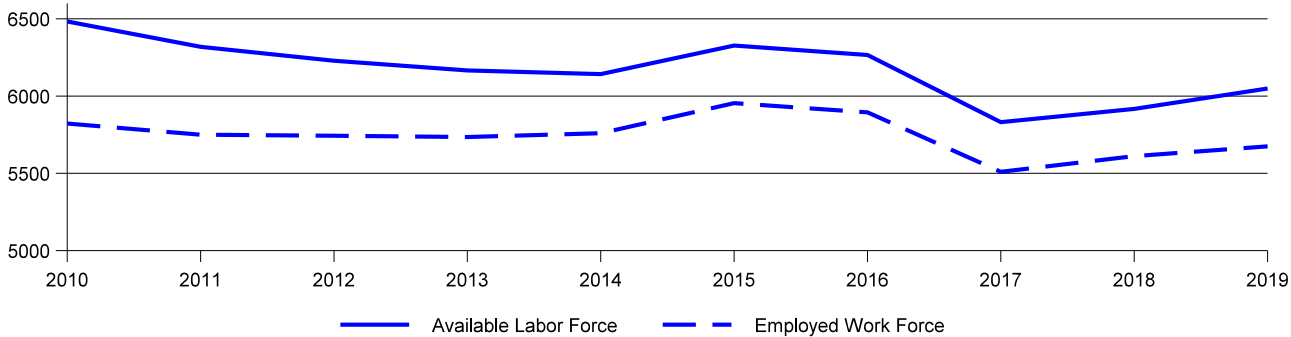
\* 2020 is through October

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

When viewed back to the year 2010, there has been some up and down movement in the size of the County’s available labor force. If 2019 is compared to 2010, the total resident labor force decreased by 434 people, or -6.7%. However, the low point for the decade was actually reached in 2017, and the size of the resident labor force has increased from that time.

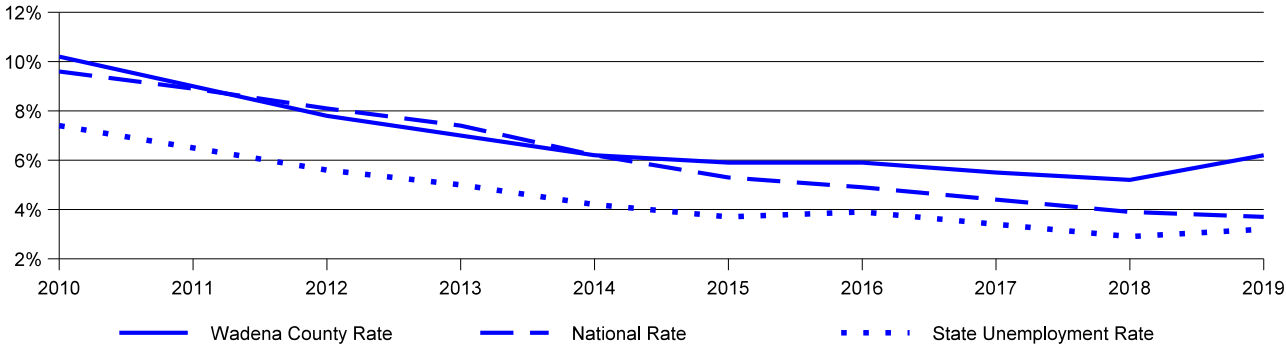
Generally similar patterns were present in the employed work force. From 2010 to 2019, the number of employed County residents decreased by 147 people, or -2.5%. However, during this time, the County’s unemployment rate has dropped from 10.2% in 2010 to 6.2% in 2019.

Wadena County Area Labor Force and Employed Work Force: 2010 to 2019



The County’s unemployment rate has shown some fluctuation, but had generally been on a downward trend through 2019. The County’s lowest unemployment rate was reached in the year 2018 at 5.2%. The highest rate was reached in 2010 at 10.2%.

Annual Unemployment Rate: 2010 to 2019



Since 2015, Wadena County’s unemployment rate has remained higher than the national rate, and has been above the Statewide rate for the entire time period reviewed.

The impact of the global pandemic is evident in the partial-year statistics for 2020. The County’s 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 Menahga. The previous table, which provided information on the County’s labor force, represents the location of the worker by their home residence. The following table, represents the location of the job.

<b>Table 20 Menahga Average Annual Wages by Industry - 2019</b>		
Industry	Employment	Average Weekly Wage
Total All Industry	711	\$701
Construction	56	\$1,003
Trade, Transportation, Utilities	108	\$464
Education and Health Services	329	\$677
Other Services	35	\$504
Public Administration	13	\$744

Source: MN Department of Employment and Economic Development

For all industry, the average weekly wage was \$758 in 2019. At full-time employment for 52 weeks this would equate to an average annual wage of \$39,416.

The two dominant industry sectors for total employment were Education and Health Services, and Trade/Transportation/Utilities. More than 62% of all reported jobs in Menahga were in one of these industry sectors. The average weekly wages in these sectors were \$810 and \$726, respectively.

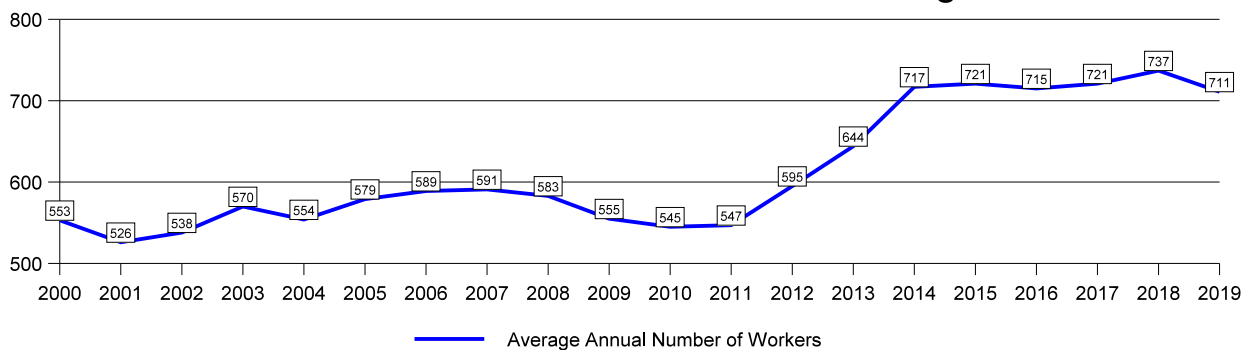
## Annual Covered Employment

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

<b>Table 21 Menahga Average Annual Employment</b>			
Year	Total Covered Employment	Year	Total Covered Employment
2000	553	2010	545
2001	526	2011	547
2002	538	2012	595
2003	570	2013	644
2004	554	2014	717
2005	579	2015	721
2006	589	2016	715
2007	591	2017	721
2008	583	2018	737
2009	555	2019	711

Source: QCEW - MN Department of Employment and Economic Development

**Number of Covered Workers in Menahga**



When viewed over a longer time period, back to the year 2000, there has been substantial growth in the number of jobs in Menahga. Most of this increase occurred after 2011. Since 2014, more than 700 covered jobs have been reported annually in Menahga.

## Commuting Patterns of Area Workers

Information on commuting patterns is from the 2018 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 22 Commuting Times for Menahga Residents - 2018</b>		
Travel Time	Number	Percent
Less than 10 minute	129	32.3%
10 to 19 minutes	145	36.3%
20 to 29 minutes	49	12.3%
30 minutes +	76	19.0%
Total	399	100%

Source: American Community Survey

A large majority of Menahga’s residents were working locally in 2018, with a travel time of 19 minutes or less for their primary job. Overall, nearly 69% had a commute time under 20 minutes. However, 19% were traveling 30 minutes or more for their job.

Travel times are also listed by location of employment. For people that worked in Menahga, the following travel times were identified.

<b>Table 23 Commuting Times for Menahga Employees - 2018</b>		
Travel Time	Number	Percent
Less than 10 minutes	191	25.5%
10 to 19 minutes	230	30.7%
20 to 29 minutes	157	21.0%
30 minutes+	171	22.8%
Total	749	100%

Source: American Community Survey

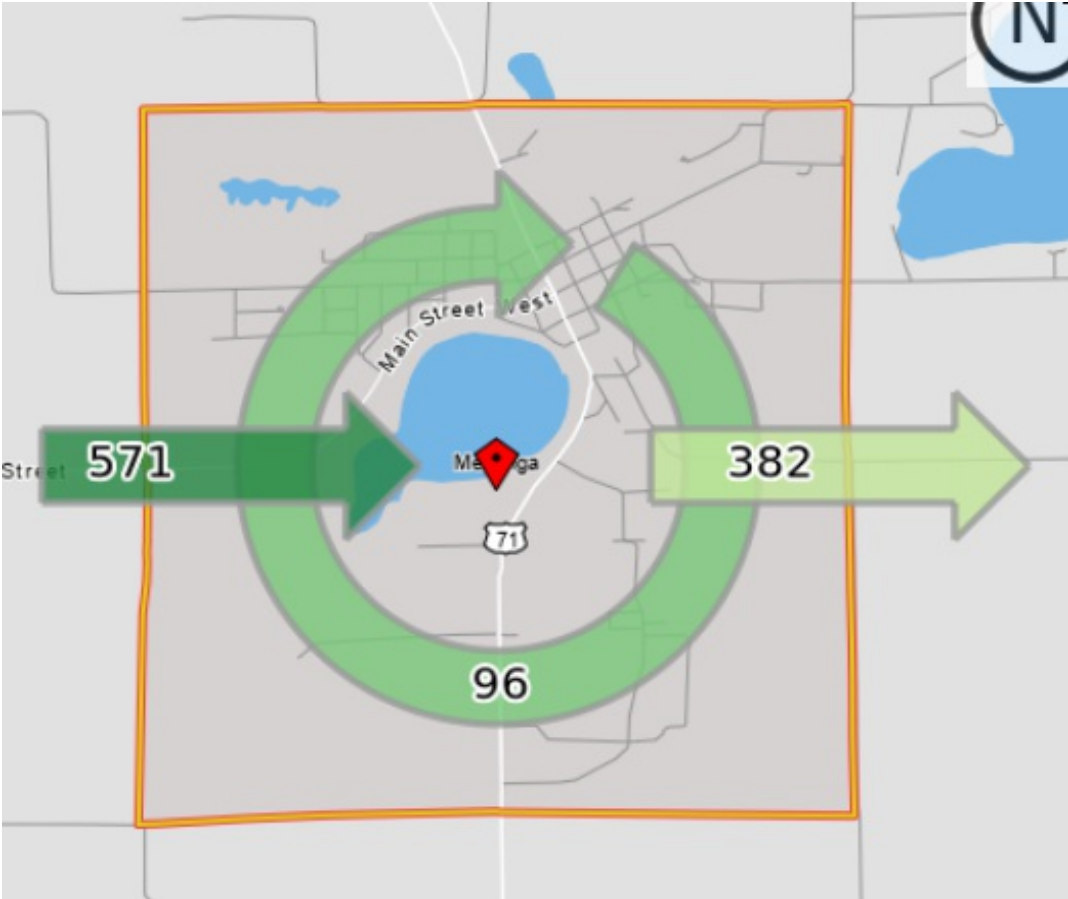
Most people that work in Menahga were traveling less than 20 minutes in 2018. Overall, more than 56% of the jobs were filled by people traveling 19 minutes or less, including the people that both live and work within Menahga. However, nearly 23% of workers in the City were traveling 30 minutes or more.

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

According to the report for Menahga, there were 667 people that were employed within the city limits in 2017. Approximately 14% of these Menahga-based employees also lived within the City, with 571 employees commuting in to work. The primary identified jurisdictions supplying workers to the City were Blueberry Township, Red Eye Township, Osage Township and Shell River Township.

Many Menahga residents left their home community to work elsewhere. In 2017, approximately 80% of the City’s employed residents worked outside the city limits. The primary locations listed for outbound commuters were Park Rapids and Wadena.



# **Findings and Recommendations**

## **Summary of Key Findings for Menahga**

### **Past Growth Patterns**

Over the past few decades, the City of Menahga has consistently added population and households. In 2019, there were an estimated 598 resident households living in the City. When compared to the 2010 Census, the City had added 29 households over the decade. When compared to the 2000 Census, Menahga had added more than 100 households.

The annual building permit reports that have been reviewed show that Menahga added approximately 35 housing units through new construction between 2010 and 2020. This total included 12 new houses permitted in 2019 and 2020. These most recently built houses would generally not be reflected in the household estimates that exist for 2019. By late 2020 it is reasonable to assume that 40 or more households have been added when compared back to the 2010 Census count.

### **Projected Growth**

Projections for smaller communities are often based on past patterns, which are then trended forward. For Menahga, the consistent pattern of growth in past decades yields an expectation of future growth.

The projections obtained from Esri expect the City to add between two and three households per year, and four to five people per year through 2025. These projections are potentially conservative. While the City has been averaging approximately three new housing units per year since 2010, new unit construction did accelerate in 2019 and 2020. It is very possible that future growth of five or more households per year can be achieved going forward.

Menahga is a community that is attractive to senior citizens. Over the next five years, the age-based forecasts show a continued increase in the number of households age 65 and older, while an overall decrease is projected in the number of households age 64 and younger.

For the recommendations that follow, the projection that has been used expects that Menahga will add an average of approximately five households per year, or 25 households over the next five years.

## **Housing Construction/Availability**

In general, Menahga will need to add housing units to add households. Any unoccupied units that exist in the City in 2020 may not be attractive for potential households, due to condition, quality or features.

Since 2010, as many as 35 new units have been built in Menahga. This has included both single family and multifamily options. However, more than half of the new units have been in the form of single family houses intended for owner-occupancy.

## **Housing Tenure Patterns**

Menahga has historically had an above-average distribution of renter-occupancy housing options. At the time of the 2010 Census, nearly 34% of households were renters. Although owner-occupancy construction has been greater than rental development over the past 11 years, it is probable that the overall tenure rates in 2020 have not changed significantly from the levels reported in 2010.

One of the reasons for an above-average rental rate is the City's appeal as a location for seniors. For a small community, Menahga has an array of specialized housing, oriented to seniors needing some level of services. The newest rental housing constructed in the City is oriented to senior occupancy, although offering completely independent living.

## **Household Income and Housing Costs**

According to the 2018 American Community Survey, the median household income in Menahga was \$37,578, more than \$8,000 lower than the median for all of Wadena County. The City's median family income was more than \$23,000 lower than the comparable Countywide level.

The lower income levels in Menahga may be due in part to the large population of seniors living in the community. Presumably many of these senior households would be retired and living on a fixed income.

The lower income levels were also impacted by a disparity between renter and owner households. For all renter households, the estimated median income level in 2018 was only \$19,318. For all home owners, the estimated median income was \$47,708. Based on renter household income levels in other communities in Wadena County, it is possible that the renter estimate for Menahga is somewhat low and impacted by limited sampling. But Countywide, renter households tend to have lower incomes than home owners.



Housing costs in Menahga were generally in a moderate range. The estimated median value for an existing single house is probably above \$100,000, slightly higher than the other cities in the County, but still in a very affordable range. The estimated median gross rent in 2018 was \$683 per month. Since much of the rental stock is income-restricted, rent levels tend to be moderate.

Despite relatively affordable housing costs, the lower income levels in Menahga have resulted in many households with a cost burden. Nearly 55% of all renter households reported paying 30% or more of income for housing in 2018. Approximately 23% of home owners were also paying 30% or more of household income to housing costs.

### **Employment and Commuting**

There are many employment opportunities in the City of Menahga and the best information on commuting patterns indicates that most residents are able to work locally. In 2018, nearly 69% of the City's employed residents were traveling less than 20 minutes to work.

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. In Menahga, there has been a significant increase in employment in recent decades, with most of this job growth recorded between 2011 and 2014. Since 2014, the number of jobs based in the City has remained stable.

With a number of Menahga-based jobs, many workers are commuting in from outside the immediate area. In 2018, nearly 43% of the jobs based in the City were filled by people traveling 20 minutes or more to work in Menahga.

Based on the research completed for this Study, the following findings and recommendations have been made.

## 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 specific 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 the Lot Options in the City/Monitor Lot Availability
3.	Additional Strategies to Encourage Lot Sales and New Home Construction
4.	Consider the Creation of Housing Construction Incentives
5.	Explore Options for 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 12 to 16 Units of Market Rate Rental Housing
10.	Monitor the Supply and Demand for Income-Restricted Rental Housing
11.	Monitor Demand for Specialized Senior Housing/Promote the Development of Memory Care Housing
<b>Housing Rehabilitation and Preservation</b>	
12.	Promote Rental Housing Rehabilitation Programs
13.	Continue to Promote Owner-occupied Housing Rehabilitation
14.	Demolish Dilapidated Structures
15.	Consider Programs to Improve the Condition and Quality of Mobile Homes
16.	Strategies for Downtown Housing and Redevelopment
<b>Other Initiatives</b>	
17.	Create a Housing Plan and Coordination Among Housing Agencies
18.	Develop Community Marketing Programs and Strategies

## **Home Ownership Recommendations**

**Overview:** The City of Menahga has continued to have some new home construction over the past decade. Annual reports from 2010 forward show 19 single family houses permitted in the City. Over this time period the City has averaged nearly two new single family houses per year.

Most of the home building since 2010 has occurred in the past two years, as 12 single family houses were permitted in 2019 and 2020. It is not clear if this 2-year activity indicates a substantial improvement in demand, or if this is just a short-term jump in housing starts that will not be sustained.

Prior to the national housing market collapse of the late 2000s, Menahga had been more successful in achieving a higher level of new home construction. From 2000 through 2007, the City was averaging between 7 and 8 single family housing starts per year. But starting in 2008, this changed, and for the next 11 years the City averaged less than one new house per year.

In 2020, a very large share of the households in the Menahga and Wadena County are age 55 and older. In the City of Menahga, approximately 62% of all households are age 55 and older, according to the best available estimates.

Empty-nester and senior households may consider the construction of a new single family home as a way to upgrade their housing. But over time, these older households will increasingly be looking for age-appropriate choices. This could include no/low maintenance options, including rental housing. With fewer young families and households, in the future there may be a smaller potential market than in the past for ownership of traditional single family homes.

There is conflicting information on the residential lot supply in Menahga. City staff identified more than 50 vacant lots in 2020, in multiple subdivisions. However, it does not appear that many of these lots are actively listed for sale. Some of the lots may be owned by area home builders, and are sold as a home construction package.

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. In both 2018 and 2019, the annual median sale price had moved above \$105,000. However, the estimated values for most existing homes remain well below the costs associated with new construction.

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

## **1. Projected Annual Demand for Three to Five Owner-occupancy Units Annually**

**Findings:** The City of Menahga has had a long-term pattern of both population and household growth. Since 2010, the City has been averaging annual growth of approximately three households per year. Since 1990, the City has averaged more than five additional households per year.

Going forward, the household growth projections used for this Study expect some continued demand for owner-occupancy housing construction to the year 2025. This Study has proceeded with the potential growth of approximately 25 additional households in Menahga over a 5-year period. Adding some additional housing allowance for unit replacement and other factors, it is probable that the City will need to add 30 to 35 total housing units by the year 2025. This total would include both home ownership and rental housing options.

**Recommendation:** In the recent past, the City has had some success with both owner and rental housing development. With an estimate that 60% to 70% of the near-term demand will be for home ownership, a realistic goal is to see 18 to 25 new single family houses constructed over the five-year projection period. In a typical year, this would represent approximately three to five houses annually.

Although it is possible that some of these units could be constructed as twin homes, to serve the growing market of seniors and near-seniors in Menahga, it is probable that most of these will be traditional single family houses.

Demand will primarily be within the moderate to higher-priced segment, representing trade-up home buyers. Annual demand should be for two to three moderate to higher-priced units per year. Some additional demand from the affordable, entry-level segment should be for one to two units annually.

## **2. Promote the Lot Options in the City/Determine Lot Availability**

**Findings:** As stated earlier, there is conflicting information on the inventory of residential lots. Based on reporting obtained from the City, there are at least five different subdivisions in Menahga that each have five or more vacant lots available in 2020. As many as 54 vacant single family lots exist in these subdivisions. However, almost no information could be obtained on the this lot supply, as few were actively listed for sale. Based on secondary sources, many of the vacant lots are privately owned, and not available for home building.

Only one or two lots were on the Multiple Listing Service (MLS). The listed prices were \$10,000. Based on the prices in other nearby communities, it is assumed that most of the lots in Menahga would be moderately priced. In some cases, the low to moderate pricing has resulted in the purchase of some vacant lots by adjoining property owners to create a larger yard for the home owner.

The Menahga Development Corp., a local nonprofit, has been active in the past in subdivision development. Although specific details were not obtained, previous lots were generally sold for an affordable price of approximately \$12,000, plus special assessments. The Development Corp. has additional land for a potential subdivision, but the estimated costs for municipal infrastructure make this cost prohibitive.

While Menahga has achieved some recent success with new home construction, there has not generally been a strong home building market in Wadena County for many years. Over the past decade, both Wadena (excluding tornado replacement) and Staples have had a similar number of single family housing starts as Menahga. In other nearby communities, including Sebeka and New York Mills, residential lots have been offered at a very low price without any significant market response.

**Recommendation:** The analysts have proceeded with the assumption that Menahga has an adequate lot supply to allow for near-term home construction. We generally apply a standard that a 2 ½ year inventory of improved lots should be available. Based on projected demand for up to five housing starts per year, the City would need approximately 12 to 13 lots. Although we cannot verify that this supply is actively being marketed, there are more than 50 vacant lots that are known to exist in the City in 2020.

We would encourage the City to create an inventory of vacant lots, identifying those that are available for home construction, along with contact information for the property owner. This could benefit home buyers and home builders that are interested in new housing construction in Menahga.

If this effort to document the actual lot supply indicates that a shortage exists, then plans for future land development could be considered. Although Menahga has been the most successful City in the County for housing starts over the past two years, the demand is still limited. Past lot sales have been successful in part due to low pricing. It is doubtful that future lot development could be accomplished in an equally low price range.

The Menahga Development Corp. has additional land development, but this would require an extension of municipal services to the parcel. The analysts did not specifically view this potential development site, or the subdivisions that have already been developed, so no opinion can be offered on competitive pricing. But it is believed that lot sales will be price-sensitive, and new lot development should not proceed unless funding can be secured to keep the end lot sale prices competitive with the local market. Even with affordable pricing, developers should proceed with the assumption that an extended lot absorption time must be expected.

### **3. Additional Strategies to Encourage Lot Sales and New Home Construction**

**Findings:** Although Menahga has seen an increase in single family construction in the last two years, the longer-term average has been below two single family housing starts per year over the past decade. The City may have a relatively large inventory of vacant lots, although this cannot be confirmed. In addition to the ideas advanced earlier, the following efforts could be explored to promote additional construction and lot absorption.

**Recommendation:** Our recommendations to promote lots sales and housing development include:

- ▶ **Competitive pricing** - The demand for lots in Menahga is limited. To encourage home construction, lots must be offered at a competitive price.
- ▶ **User-Friendly** - The lot purchase and home building process should be 'user friendly.' This includes an inventory of vacant lots, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process should be as 'user friendly' as possible.
- ▶ **Lot availability for twin home/town home development** - Although there is no evidence of attached single family housing for owner-occupancy in the recent past, the demographic patterns for the area show an aging population that could create demand for twin homes/town homes over the next five years. If possible, lots should be available for a twin home/town home development.

- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivisions. This broadens the lot buyer market. Smaller infill lots with fewer amenities could be marketed for more affordable homes.
- ▶ ***Marketing*** - The City could develop a comprehensive marketing strategy to sell available lots. All stakeholders should be included in creating marketing strategies. This would include marketing the attractiveness of the community as a place to live.
- ▶ ***Manufactured/Modular homes*** - Manufactured and modular homes can provide affordable housing opportunities for moderate income households.

#### **4. Consider the Creation of Housing Construction Incentives**

**Findings:** Although both 2019 and 2020 have been above the long-term average, since 2008 the City has been averaging fewer than two new single family housing starts per year. Going forward, there may be proactive efforts needed to attract a larger market share. If the projected demand of three to five new houses per year is not being achieved, the City may wish to consider offering construction incentives.

One successful approach used by other communities is to offer some type of 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 down payment assistance program.

**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. 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. The City Attorney may need to be consulted before any incentives are offered to be sure that they meet a “public purpose” test.



## **5. Explore Options for Affordable New Construction Partnerships**

**Findings:** In an effort to generate more affordable new home construction, some communities have teamed with nonprofit groups to build new homes.

One recent example is in the nearby City of Frazee that worked with the Midwest MN Community Development Corporation (MMCDC) to construct four houses on a redevelopment parcel. Starting in 2016, two houses were constructed and successfully sold. In 2018 and 2019, two additional houses were built and sold.

These are modest homes, with a split-entry design and approximately 936 sq ft of living space per level. To keep the initial costs low, the lower level was not finished. An optional two-car detached garage was available, along with a finished lower level, depending on the financial ability of the home buyer.

Despite the cost-cutting efforts being applied, these homes had a higher development cost than could be charged to the end buyer, based on a property appraisal. The houses needed an approximate cost write-down of \$48,000 each, which came from supplemental grant programs. The first two houses were sold for \$165,500, despite a total development cost of approximately \$213,000. The next two homes sold for \$175,000 but also had a slightly higher development cost.

**Recommendation:** The projections used for this Study do expect some demand for affordable home construction, but this demand will probably be for only one or two homes per year. MMCDC is an established partner in working within the region to address this most affordable market segment.

The difficulty with this approach will be securing adequate funding for the development subsidy that may be needed. The houses in Frazee needed approximately \$48,000 each in cost write-downs. Future construction using this model would therefore be dependent on securing outside assistance.

Despite the difficulties in making this affordable project work, it has helped Frazee to achieve multiple community goals, including the redevelopment of a blighted area, the provision of more affordable home ownership and adding to the number of home owners living in the City. To the extent that adequate outside funding can be secured, this effort could be explored in Menahga.

Based on actual market evidence, a realistic goal would be to construct one affordable house per year. Both redevelopment parcels and affordable lots in the existing subdivisions could be potential locations for future homes.



## **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. This Study tracked the sales activity in Menahga back to the year 2010.

Given the limited annual sales activity, the midpoint sale for any 12-month period may not be an accurate indicator of overall values. But in both 2018 and 2019, the annual median was above \$105,000 in Menahga. A reasonable estimate is that the median value in the City in 2020 would be between \$105,000 and \$120,000, based on sales activity.

Comparative home value information from the American Community Survey indicates that prices in Menahga tend to be lower than larger nearby communities. According to the American Community Survey, the median value for an owner-occupied home in Menahga was approximately \$95,000 in 2018, compared to \$135,900 in Park Rapids and \$100,300 in Wadena. The estimated median for all of Wadena County was \$123,700. Lower-valued existing homes can represent a very attractive ownership option for potential home buyers in the larger region.

**Recommendation:** Menahga has 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. Menahga does have a potential competitive advantage in attracting home buyers, with lower average values for single family houses than in the area's larger regional centers.

There is some evidence that over time, some of the City's older, lower-valued homes have slipped into disrepair. Action may be needed to clear some of these 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 maintain the rate of home 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. There have been efforts in the past by housing agencies to offer special financing options that combined the home mortgage and rehabilitation assistance into a single loan. Borrowers can use these types of programs to purchase a house in need of repair and make the necessary improvements with the rehabilitation component.

## **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 approximately two-thirds of all households living in Menahga 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 is probably above \$100,000, there are lower valued houses in the community that are very affordable for first time buyers. A local down payment assistance program could be explored through regional housing agencies. The Federal Home Loan Bank may have funding for closing cost and down payment assistance.

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

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

**Recommendation:** The City, area 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 Minnesota Housing Fund and the Small Cities Development Program.

The City has an established working relationship with MMCDC, an area nonprofit that owns and manages Meadow Run Townhomes. The Central MN Housing Partnership (CMHP), another regional nonprofit dedicated to affordable housing also operates within Wadena County. Both of these agencies can potentially assist with affordable home ownership program delivery.

## **8. Consider the development of a Purchase/Rehabilitation Program**

**Findings:** Menahga 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 1975. Approximately 28% 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, the City or an area housing agency purchased an existing home that needed rehabilitation, rehabilitated the home, sold the home to a low income family and provided a mortgage and a monthly payment that was affordable.

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 Program funding.

**Recommendation:** We recommend that Menahga explore options for the creation of a purchase/rehab program for existing houses. A regional housing agency could assist by purchasing a home that needs repair, rehabilitate and then resell the home to an eligible buyer.

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. In some cases, it may be possible to assist private contractors with purchasing, repairing and reselling homes.

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

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

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

## **Rental Housing Recommendations**

**Overview:** Most households living in Menahga own their housing, but the City does serve as the rental center for the surrounding area. At the time of the 2010 Census, nearly 34% of all households in the City were renting their housing. This percentage has probably remained relatively stable since 2010, as Menahga has added nearly as many rental units as owner-occupancy units through new construction since 2010.

The City has a mix of structures providing rental housing. However, most of the units in multifamily projects either serve the income-restricted affordable market segment or the senior segment providing supportive services. Single family rental houses represent much of the conventional market rate segment.

Only one larger-scale project serving the market rate segment could be identified in Menahga. In 2013, there were four 4-unit structures developed, adding 16 high quality rental units in the community. These are town house-style, with an attached garage, one-level living and the amenities of a single family unit. They are oriented to older renters, age 55 and above.

No specific rental rate information could be obtained on the City's newest rental project, but similar housing in Wadena would indicate a probable gross monthly rent of approximately \$1,000 to \$1,200 for a two-bedroom unit. While this is a substantially higher rent structure than prevailing rental options in the area, it represents a very competitive price for a high quality newer unit with attractive amenities. Secondary information points to good demand for these rentals in Menahga with a high rate of occupancy.

Similar types of projects have been developed in other area communities, including Wadena, New York Mills and Staples. In all cases, these town house/cottage-style units have achieved market success, especially from empty-nester and senior households.

Menahga also has an inventory of 60 income-restricted housing units in multifamily projects. This includes subsidized housing for lower income people and moderate rent options assisted through federal tax credits.

There are also 37 apartment units in a senior project offering services.

Nearly all of the remaining rental options in the City are believed to be in single family houses or mobile homes used as rentals, or in other small structures containing fewer than four units.

Looking at the growth potential for the City to the year 2025 yields a reasonable projection that as many as 30 to 35 additional housing units will be needed to keep pace with expected growth, unit replacement and current unmet demand. Approximately half of these units could be oriented to renter households. Even more production may be appropriate, but most new housing development should primarily be intended to serve the locally-generated demand.

The following recommendations address specific segments of the Menahga rental market.

## **9. Promote the Production of 12 to 16 Units of Market Rate Rental Housing**

**Findings:** High quality market rate rental housing production has been successful in Menahga. In 2013, 16 units were constructed in four-plex configurations in a project known as Pleasant Pines Acres. Although direct information was not obtained from the owner/manager, secondary reports indicate that Pleasant Pines has been very successful within the target market of households age 55 and older.

Town house or cottage-style projects that offer one-level living, an attached garage and features of single family living have also been successfully developed in Wadena, New York Mills and Staples in recent years. Estimated gross rents for a two-bedroom option in these various comparable projects have generally ranged from approximately \$950 to \$1250, depending on specific size and features.

While these comparable projects are successful, the rent levels required for new construction units are above the ability to pay for most renter households in the area. According to American Community Survey income data for the Wadena County, approximately 54% of all renter households had an annual income below \$35,000 in 2018. For these households, a monthly gross rent payment of \$875 or less is considered to be affordable.

Fewer than half of all existing renter households in the County can afford the rates being charged in the newer market rate projects that have been constructed in recent years. This percentage of income-qualified renter households was even lower in Menahga, where most renter households have low income levels.

**Recommendation:** To help expand the high quality housing options in Menahga, the construction of 12 to 16 market rate rental units is recommended over the next five years. Although different rental styles could be used to meet this goal, including a small apartment project, the success of past town house-style projects would support this type of future development in Menahga. An advantage of this construction style is that units could also be added in smaller four to eight unit increments.

Given Menahga's large population of empty-nesters and seniors, 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, a small-scale apartment building could probably achieve a lower rent structure, that would be better matched to the income levels of area renter households. Gross rents of \$800 or less may be possible for one-bedroom units, and below \$900 for two-bedrooms.

As stated previously, the age-based projections for the City expect that more than 64% of all households will be age 55 or older by the year 2025. Regardless of actual construction type, any new rental housing in Menahga should contain amenities and features that would appeal to this older adult segment of the market.

The first option to developing market rate rental housing would be to encourage the private sector to construct this housing. The developer of the Pleasant Pines Acres has expressed an interest in building more units, depending on construction costs.

If private-sector activity does not occur, the City or a regional housing agency could utilize essential function bonds or similar funding sources to construct market rate rental housing in Menahga.

One of the considerations should be to make some of the new units available for general occupancy. It appears that Pleasant Pines Acres is age-restricted to households age 55 and older. While older adult households will continue to be a primary target market going forward, having attractive rental options for younger renters would also benefit the community. Some of the area's larger employers would benefit from better housing choices for their work force.

## **10. Monitor the Supply and Demand for Income-restricted Rental Housing**

**Findings:** There are three rental projects in Menahga that provide affordable housing, but have income restrictions for tenants.

Meadow Run Townhomes is a 12-unit moderate rent project that was assisted with federal housing tax credits. It does not have any project-based rent subsidy to assist very low income renters.

Blueberry Hills with 18 units and Pine Villa Apartments with 30 units are both federally-subsidized, with project-based rent assistance for tenants. Project-based assistance allows tenants to pay rent based on 30% of household income. This provides affordable housing even for very low income renters.

Pine Villa is designated for senior/disabled occupancy and all of the apartments have only one bedroom. Meadow Run and Blueberry Hills are available as general occupancy housing and most of the units have two or more bedrooms.

In addition to these income-restricted properties, there are also six tenant-based rent assistance Vouchers being used in Menahga. It is very likely that one or more of these Vouchers may be in use in Meadow Run Townhomes, the moderate rent project that cannot offer project-based rent assistance.

Although some overlap in resources may be present in Meadow Run, there are potentially between 60 and 66 households in Menahga that have access to some form of assisted housing in 2020. This may represent more than 30% of all rental opportunities in the City.

Despite the relatively large percentage of income-restricted resources that exist, the 2018 American Community Survey reported that approximately 55% of all renter households in Menahga were applying 30% or more of their income for housing, and most of these were applying 35% or more. These households also tended to have lower incomes, and 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, similar to Blueberry Hills or Pine Villa. There have been some resources for “shallow subsidy” projects such as Meadow Run. For a small community, Menahga has been successful in securing these types of resources, and a relatively large share of the City’s rental stock has income restrictions for tenants.



Although the City could benefit from some additional “deep subsidy” units, it is highly unlikely that funding could be secured in the future. Given Menahga’s small size, it would probably not be successful in competing for affordable housing development programs, including additional low income housing tax credits or State work force housing grants. In recent years, these types of funding awards have typically been made to regional centers.

We would recommend that Menahga monitor the existing supply of tax credit and subsidized rental housing. At this time, it would not be practical to pursue the development of additional income-restricted housing in the City. An important strategy is to preserve the existing subsidized options. Any very affordable housing that is lost is unlikely to be replaced.

A more realistic approach to providing affordable housing is to expand the local use of the tenant-based Vouchers. There is a lengthy waiting list for the Voucher program, but continued promotion of this resource to area renters should be encouraged. With only six current households in Menahga utilizing this program, there could be opportunities to expand its use.

The Wadena HRA is attempting to secure additional rent assistance funding through HUD’s Mainstream Vouchers program. Mainstream Vouchers assist non-elderly households that include a person with disabilities. HUD had not made new funding awards under this program for many years, but in 2019 some additional Vouchers were provided. Although this assistance is targeted to specific qualifying households, it does expand the overall pool of rent assistance resources available to County residents, and could reduce the competition for traditional Vouchers.

## **11. Monitor Demand for Specialized Senior Housing/Explore the Development of Memory Care**

**Findings:** Menahga has a diverse set of housing options for seniors as they move through the aging cycle. The Greenwood Connections Senior Living complex includes a skilled nursing home and a senior apartment building that can offer a range of care from largely independent to assisted living. There is also a stand-alone provider, Rose Haven, that has 13 rooms available for up to 15 people needing assisted living care.



A separate part of this Wadena County Housing Study includes a Countywide perspective and includes detailed information on the supply of specialized senior housing. This analysis also provides information on older senior citizens living in Wadena County. In addition to Menahga, specialized forms of senior housing exist in Sebeka, Wadena and Staples.

In the opinion of the analysts, the two senior segments that appear to be under supplied in Wadena County are light services/congregate housing and housing dedicated to people with memory loss.

Menahga is one of the communities with a light services project. There is no dedicated provider of memory care housing in Menahga, but people with memory loss issues do live in the other forms of specialized senior housing.

This Study has compared demographic statistics for older senior citizens, age 75 and older, that live in Wadena County to the overall supply of specialized housing. It is recognized that the potential draw area for senior housing would extend beyond the County's borders. The analysis contained in this document is focused on assuring that County residents have access to specialized care options as they move through the aging cycle.

The following calculations have been made on the current distribution of units in the County compared to these senior demographics:

***Light Services Senior Housing*** - Housing options with light services for more independent seniors exist in Menahga and Staples. This type of housing is not present in Wadena, the largest city in Wadena County. A reasonable estimate is that between 35 and 40 total units currently serve this housing segment, with nearly half of these in Menahga. To maintain full occupancy, a capture rate of approximately 3.8% to 4.3% is required among all senior households Countywide. An expansion of housing within this segment may be needed, although Wadena would be a logical location, as this community is not currently served by this housing type.

***Assisted Living*** - Assisted living housing options for seniors needing a higher level of services exist in Menahga, Sebeka, Wadena and Staples. A reasonable estimate is that between 135 and 140 total units/rooms serve this housing segment, with approximately 24% of these in Menahga. For older senior households age 75 and above, a capture rate of approximately 12.7% to 13.2% is required Countywide to maintain full occupancy. These are relatively high capture rates, and some unused capacity was reported in 2020, although the impact of the global health pandemic on occupancy patterns is difficult to assess.

**Memory Care** - 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. Memory care options exist in Wadena and Staples. A specialized memory care facility is not present in Menahga. A reasonable estimate is that capacity currently exists for approximately 46 people in this housing segment.

The current supply of memory care beds would need to capture approximately 3.2% of the County's older senior population to achieve full occupancy. Utilization rates in the existing supply of memory care beds/units tend to be high. There was some unused capacity reported, but this may have been directly linked to the COVID pandemic.

**Skilled Nursing Homes/Long-Term Care** - Skilled nursing homes are present in Menahga, Wadena and Staples. Some of the licensed beds in the County are dedicated to uses such as memory care or transitional care stays. Approximately 125 to 130 skilled nursing beds are generally available to longer-term residents. The supply of longer-term nursing home beds would need a capture rate of approximately 7.6% of the total population of older seniors (age 75+) in order to maintain a bed utilization rate of 95%. The actual utilization rate in 2020 is well below this level, but this segment is being directly impacted by the pandemic, with some beds temporarily changing focus to create COVID wards.

**Recommendation:** It is important to state that the global pandemic underway in 2020 has the potential to significantly impact specialized housing options for seniors. In Minnesota, more than 70% of the COVID deaths were from residents of long-term care or assisted living facilities. The recommendations concerning this type of housing are made with the assumption that the pandemic will soon be contained.

In the City of Menahga, the best current information indicates that residents are well served by housing options for light services, assisted living and skilled nursing care. The specialized option that is not available locally is for memory care housing, although some residents of Green Pine Acres do have memory loss and are successfully living in the nursing home. However, a dedicated memory care facility with 10 to 12 beds would expand this option for area seniors.

The demographic data used for this Housing Study would expect the County's population of older seniors, age 75 and above, to increase by approximately 11% to 12% over the five-year projection period. To maintain the current

distribution of housing, a very minor expansion of assisted living and light services housing units could also be justified. However, when combined, an expansion of less than 10 units/rooms would be indicated. As a result, we would recommend that the City monitor the need for additional senior housing with within these specific segments.

It is important to state that this Study has not examined competitive positioning between providers. 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 supply and demand, not competitive factors.

## **Housing Rehabilitation**

**Findings:** The City of Menahga has an asset in its existing housing stock. Existing 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. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock. Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities.

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

### **12. Promote Rental Housing Rehabilitation Programs**

**Findings:** Much of the conventional market rate rental stock in Menahga exists in smaller structures, including single family houses and mobile homes offered for rental use. Much of the inventory in small structures is older housing.

Based on American Community Survey estimates, approximately 27% 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 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) for the rehabilitation of owner-occupancy housing and commercial properties. However, the most recent grant did not include a rental rehabilitation activity.

**Recommendation:** Menahga should promote the rehabilitation of older rental housing. Working with regional housing agencies, the City should seek funds to rehabilitate rental units. In Menahga, this is likely to be “spot” rehab activity, as most of the older rental housing will be in single family houses or small rental structures.

### **13. Continue to Promote Owner-occupied Housing Rehabilitation**

**Findings:** A housing condition survey completed in 2020 found some houses in need of repair in Menahga. The survey focused on older portions of the City and rated exterior features of single family houses. In total, 143 houses were viewed and rated for condition.

Most of the houses in the City are generally in good condition, with more than 71% rated in the sound or minor repair categories. However, there were 33 houses rated as needing major repair, and 8 houses rated as dilapidated. Dilapidated structures may be beyond the point of economically feasible repair. These structures may need to be cleared, with a plan to re-use the lot.

Menahga does have an older housing stock. According to the American Community Survey, the median year of construction for owner-occupancy units is 1975. Approximately 28% of the City’s owner houses were constructed before 1960.

The City is currently administering a Small Cities Development Program grant that includes an owner-occupancy rehabilitation activity. At the time of the research for this Study, some SCDP funds remained available for owner-occupancy rehab. Other funding sources, including programs from the Minnesota Housing Finance Agency and the Weatherization Program are also in use.

**Recommendation:** We would recommend that the City continue to prioritize the rehabilitation of the older housing stock in the community. The Small Cities Development Program is the best funding source that can be used for a larger-scale rehabilitation effort. Future grant applications are encouraged, along with promotion of other programs and funding sources to assist with the repair of single family homes.

#### **14. Demolish Dilapidated Structures**

**Findings:** The housing condition survey found 8 single family houses in the City that are dilapidated and possibly too deteriorated to rehabilitate. While it is probable that some houses have been demolished and cleared in recent years, substandard structures also remain.

**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 affordable housing redevelopment.

#### **15. Consider Programs to Improve the Condition and Quality of Mobile Homes**

**Findings:** The housing condition survey did not view and rate mobile homes in Menahga. 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, most of the mobile homes have a date of construction prior to 1980. These older mobile homes may be showing deterioration, and may be difficult to economically repair.

It is important to state that some of the mobile homes in Menahga may not be intended for year-round use, but instead may be seasonal/recreational units.

**Recommendation:** Addressing the issues created by substandard mobile homes is not easily solved. 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 provide for the purchase and removal of 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.

## **16. Strategies for Downtown Housing and Redevelopment**

**Findings:** Downtown Menahga 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.

In 2020, the City was in the process of delivering a Small Cities Development Program (SCDP) grant that includes an activity to rehabilitate commercial structures in the downtown area. It is possible that some rental housing units may exist in mixed-use buildings that could be rehabilitated.

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.

**Recommendation:** We are also recommending the following actions for downtown Menahga:

- ▶ 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 HRA funds
  - ▶ Federal Home Loan Bank

- ▶ Tax increment financing
  - ▶ Tax abatement
  - ▶ Department of Employment and Economic Development funds
  - ▶ MHFA funds
  - ▶ Area nonprofits including CMHP and MMCDC
- 
- ▶ Work with stakeholders to identify roles, secure funding, develop and implement programs and projects



## **Other Initiatives and Issues**

### **17. Create a Housing Plan and Coordination Among Housing Agencies**

**Findings:** The City of Menahga does not have designated staff to work on housing programs and issues. The City may need resources to plan and implement some of the housing recommendations advanced in this Study.

The City does have access to County and regional agencies, including the Wadena Housing and Redevelopment Authority, Midwest Minnesota Community Development Corporation (MMCDC), Central MN Housing Partnership (CMHP), and Mahube-Otwa Community Action.

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.

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

### **18. 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:** The City of Menahga 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.