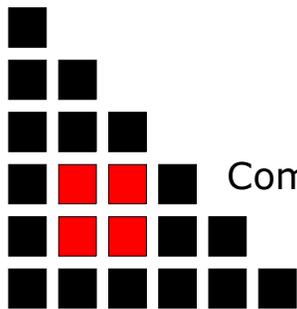


Wadena County HOUSING STUDY City of Wadena

December 2020

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



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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 Wadena, 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 December 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.

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Demographic and Projection Data

Sources of Data

A variety of data sources have been reviewed for this Study. One of the primary sources is the U.S. Census Bureau which produces annual detailed demographic reports through the American Community Survey. However, there is a data lag on the release and the estimates used for this project were from the 2018 American Community Survey, 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.

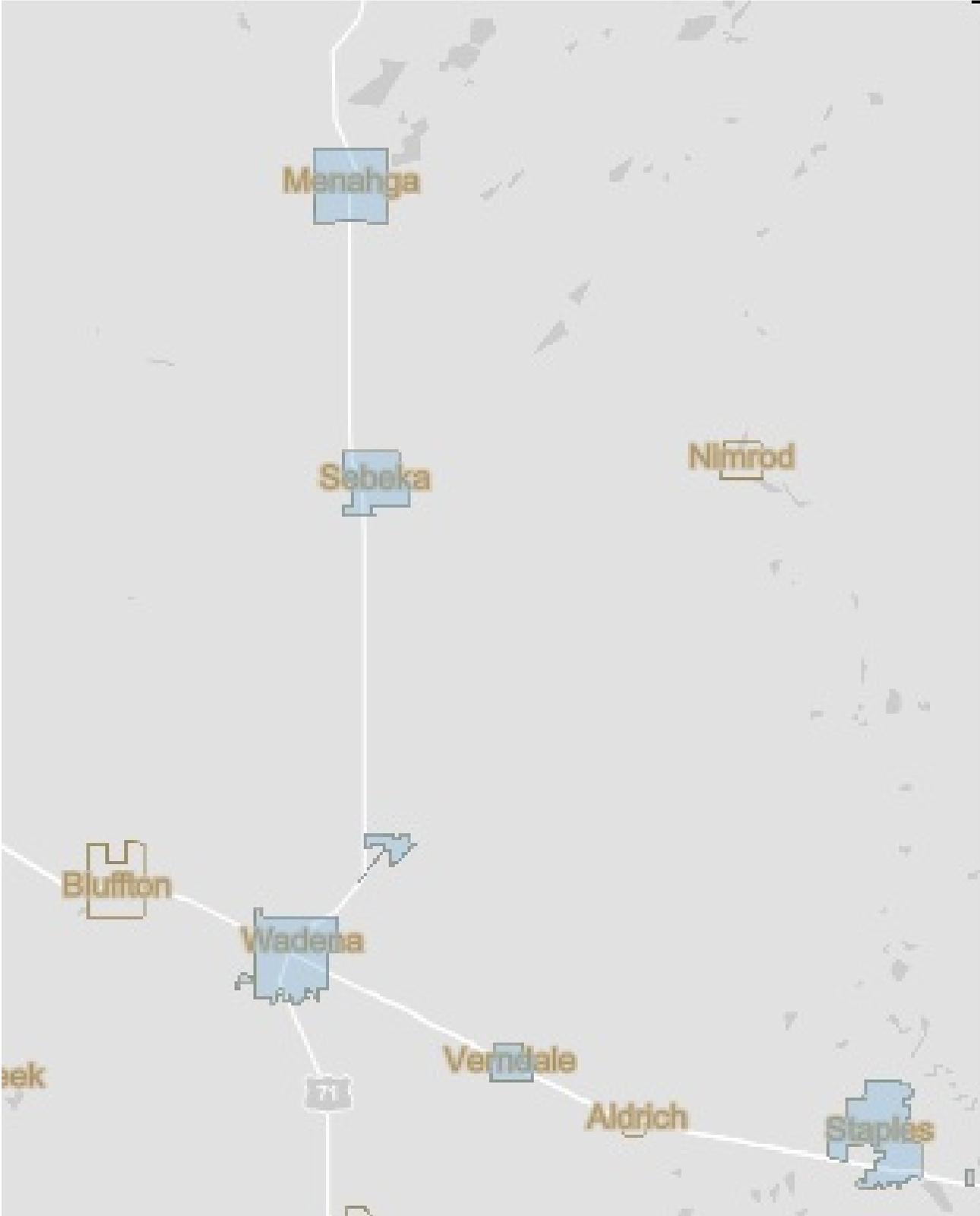
An additional data provider, Esri, Inc., has been used for the current-year, 2020 estimates. Esri is a private company that produces demographic data reports that are often used by financial institutions and the Minnesota Housing Finance Agency. Esri's 5-year projections extend to 2025.

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 being compiled, 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 Wadena, 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.

Table 1 Population Trends - 1990 to 2019							
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 Estimate	% Change 2010-2019
Wadena	4,242	4,294	1.2%	4,088	-4.8%	4,200	2.7%
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” of more than one year exists. It showed 4,200 people living in Wadena. When compared to the 2010 Census benchmark, the City had added 143 residents between 2010 and 2019.

A current-year estimate was obtained from Esri which shows 4,057 people living in the City of Wadena in 2020, down by 31 people from the level recorded in the 2010 Census.

A third estimate source, the Census Bureau’s annual population estimates program, placed the City’s population at 4,105 people in 2019, up by 17 people from 2010.

Minor differences do exist between the recent estimates. If used to form an annual range, these three sources show the City adding -3 to +16 people per year since 2010, although growth at the upper end of this range is viewed as the most reliable estimate.

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 the City of Wadena 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 the County's population was 14,124 people, up by 281 people from 2010.

Although Esri has the lowest population estimate for the City of Wadena of the three sources reviewed, Esri has the highest estimate for all of Wadena County in 2020. Esri believes that growth has been occurring within the jurisdictions outside of the City of Wadena. Conversely, both the State Demographer and the Census Bureau see some growth within the City of Wadena, but a decreasing population in the remainder of the County.

Population by Race/Ethnicity

According to the 2018 estimate from the American Community Survey, nearly 97% of Wadena's residents were White for race, and more than 97% were not of Hispanic/Latino ethnicity. Due to the limited diversity, no further demographic details have been provided by race/ethnicity.

Group Quarters Population

In 2010, there were 154 people living in group quarters housing in Wadena, with more than 56% living in nursing homes. Nearly 27% were living in some form of noninstitutionalized facilities, such as group homes, with remaining group quarters residents in correctional facilities.

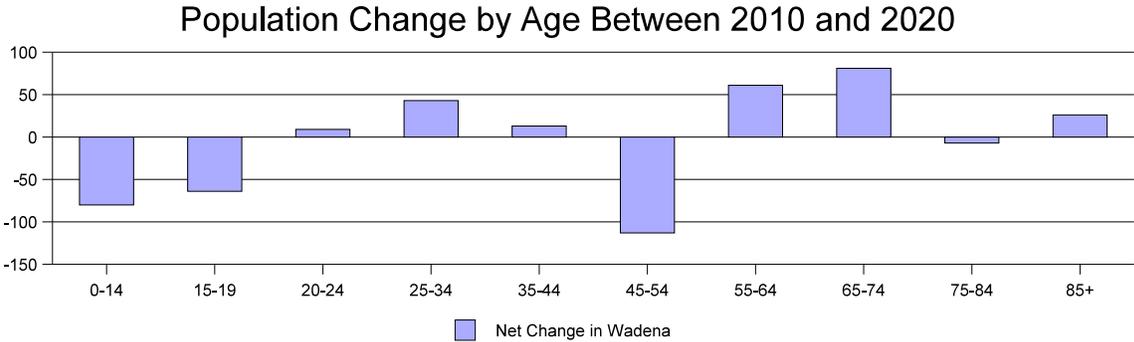
The 2019 estimate from the State Demographer showed 161 group quarters residents in Wadena, up slightly from the 2010 Census count, but no specific details were provided on type of housing. The group quarters distribution identified in the 2010 Census is still assumed to be accurate.

Population by Age Trends: 2010 to 2020

Although Esri does show the lowest population level for Wadena, this source does provide estimates within specific age ranges. The following table compares population by age changes in Wadena between 2010 and 2020, using the 2010 Census and 2020 estimates from Esri. While Esri’s estimate should be viewed as slightly low, the difference with the State Demographer’s estimate is only 3.5%, and the age distribution patterns are viewed as reasonably accurate.

Table 2 Population by Age - 2010 to 2020			
Age	City of Wadena		
	2010	2020	Change
0-14	747	667	-80
15-19	300	236	-64
20-24	247	256	9
25-34	467	510	43
35-44	392	405	13
45-54	550	437	-113
55-64	445	506	61
65-74	366	447	81
75-84	346	339	-7
85+	228	254	26
Total	4,088	4,057	-31

Source: U.S. Census; Esri



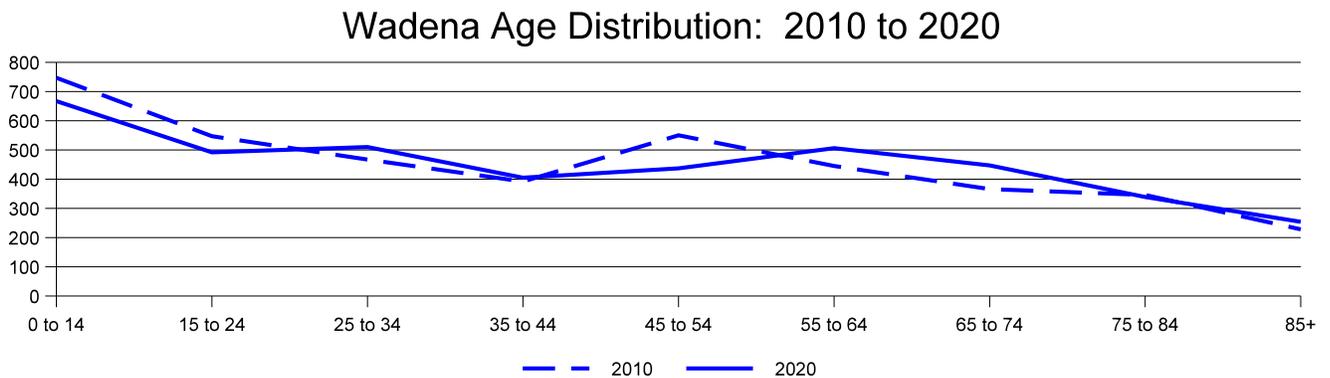
Based on the Esri estimate, Wadena has experienced only a limited overall population change between 2010 and 2020. This is reflected in the small numeric changes in many of the defined age groups, although some ranges have shown greater variation.

The City has been seeing a decreased number of children, age 19 and younger. There has also been a fairly large decrease in the 45 to 54 year old age range, as the age cohort trailing behind the “baby boom” generation was not as large and did not replace that advancing age cohort.

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

If aggregated into larger groupings, the City saw a net increase of more than 160 people age 55 and older, but a net decrease of more than 190 people age 54 and younger, according to Esri.

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



Population Projections

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

Table 3 Population Projections Through 2025			
	2020 Estimate Esri	2025 Projection Esri	Change
Wadena	4,057	4,079	22 / 0.5%
Wadena County	14,124	14,327	203 / 1.4%

Source: Esri

Esri’s projection for Wadena expects the City to add 22 permanent residents between 2020 and 2025. On an average annual basis, this would equal approximately four to five people per year. The limited future change in the City’s population is generally consistent with Esri’s belief that Wadena’s population level has experienced limited change since 2010.

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 higher than 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.

Table 4 Household Trends - 1990 to 2019							
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 Estimate	% Change 2010-2019
Wadena	1,789	1,871	4.6%	1,840	-1.7%	1,930	4.9%
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 1,930 households in the City in 2019. When compared to the 2010 Census, 90 households had been added. If viewed as an annual average, this would equal approximately 10 added households in a typical year.

As will be discussed in greater detail later in this document, building permit issuance does show that the City has been adding housing units through new construction over the past decade. After adjusting for the unit losses following the tornado disaster, a net gain of more than 120 total housing units is probable between 2010 and 2019. This expansion of the available housing stock would be more than sufficient to allow the level of household growth being estimated by the State Demographer’s Office.

Esri’s 2020 estimate for Wadena shows the City with 1,832 households, losing eight households since 2010, or an average of nearly one per year. This estimate appears to be flawed, as the growth of the housing stock would point to the City adding, not losing, households over 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.

Average Household Size

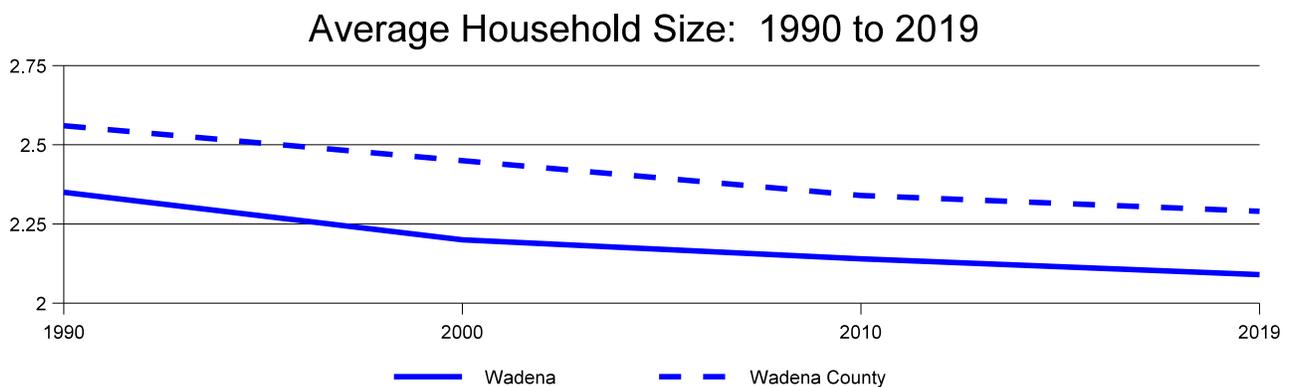
The following table provides decennial Census information on average household size dating back to 1990. The 2019 estimates from the State Demographer are also provided.

Table 5 Average Number of Persons Per Household 1990 to 2019				
	1990 Census	2000 Census	2010 Census	2019 Estimate
Wadena	2.35	2.20	2.14	2.09
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.

The average household size in Wadena has gradually decreased over time, and was down to 2.09 persons in 2019 according to the State Demographer. An alternate estimate, from Esri, shows stability since 2010 with the City’s average household size at 2.14 persons in 2020.



The average household size for all of Wadena County has also been growing consistently smaller, but the average household size Countywide is larger than in the City of Wadena.

Household Characteristics: Age Trends

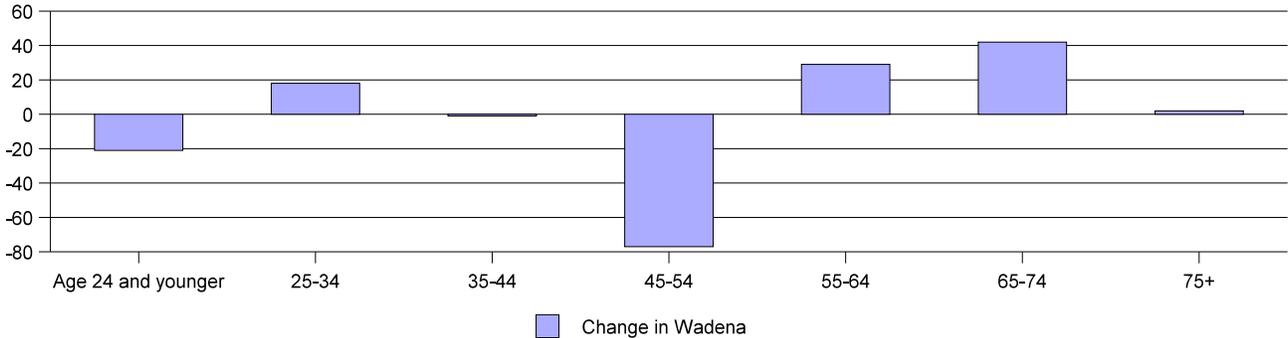
The following table examines the area’s changing age patterns. The 2020 age-based estimates from Esri are compared to the 2010 Census to track recent changes. This information has been analyzed is for the City of Wadena. While Esri shows fewer households in the City than the State Demographer, the difference in these estimates is 5.4%, but the relative distribution by age is viewed as reasonably accurate.

Table 6 Households by Age - 2010 to 2020			
Age	Wadena		
	2010	2020	Change
15-24	121	100	-21
25-34	253	271	+18
35-44	227	226	-1
45-54	331	254	-77
55-64	273	302	+29
65-74	239	281	+42
75+	396	398	+2
Total	1,840	1,832	-8

Source: U.S. Census; Esri

According to Esri, the City has lost eight households between 2010 and 2020. However, within some of the defined age ranges even larger changes have occurred. There has been growth in the number of households age 55 and older, but reductions within some of the younger age groups.

Household Change by Age Between 2010 and 2020



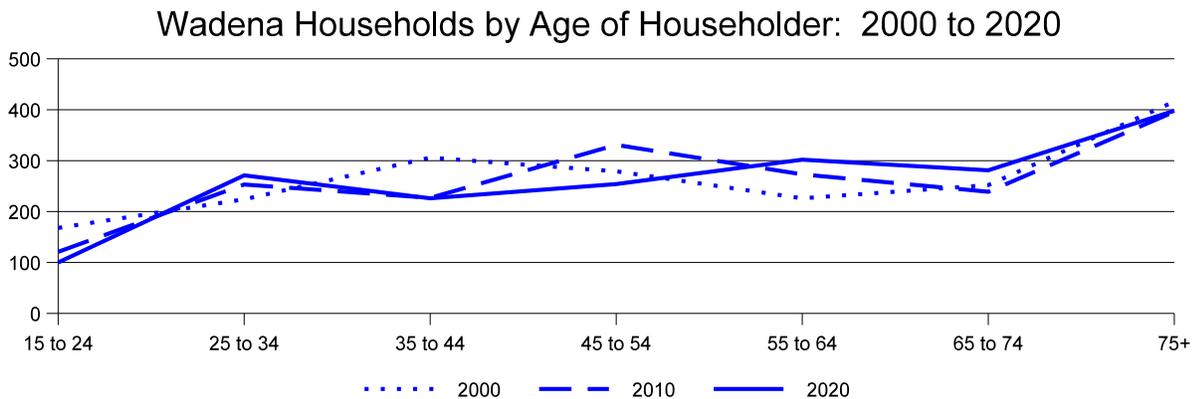
Much of the change occurred in the prime “baby boomer” age groups, between 55 and 74 years old, with especially strong growth among households age 65 to 74 years old.

With the exception of the 45 to 54 year old group, the other younger adult ranges remained relatively stable, with only limited change since 2010. The large decrease in the 45 to 54 year old group reflected the void that developed as the baby boomers advanced in age. The “baby bust” generation that followed is smaller in size and could not replace the previous age cohort.

Overall, Esri estimates that there was a net loss of 81 households age 54 and younger, but an increase of 73 households age 55 and older over the last decade.

It should also be noted that almost no growth has occurred within the oldest senior citizen range, age 75 and older. There are specialized senior housing in Wadena, providing attractive living options for older seniors.

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



Household Projections

The following table presents household projections from Esri, for the period between 2020 and 2025. It is important for readers to note that the information for the City of Wadena is probably too conservative, as Esri has placed much of the past and future growth outside of the City limits.

Table 7 Household Projections Through 2025			
	2020 Estimate Esri	2025 Projection Esri	Projected Change
Wadena	1,832	1,841	9 / 0.5%
Wadena County	5,845	5,938	93 / 15.9%

Source: Esri

Esri’s projection for Wadena expects the addition of only nine households over the next five years, or an annual average of two households per year. This future pace of growth would be well below the level achieved in the current decade, as estimated by other sources. As stated previously, Esri has placed most of the expected growth outside the city limits in the remainder of the County, which does not appear to be accurate.

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 projection for Wadena County is achievable, in the opinion of the analysts it would probably be due to household growth within the City of Wadena. Other data sources tend to show that the more rural portions of Wadena 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.

If Esri’s projection of average annual growth of 19 households is achieved, it is likely that more than half of this gain would be due to households within the City of Wadena.

Projected Households by Age

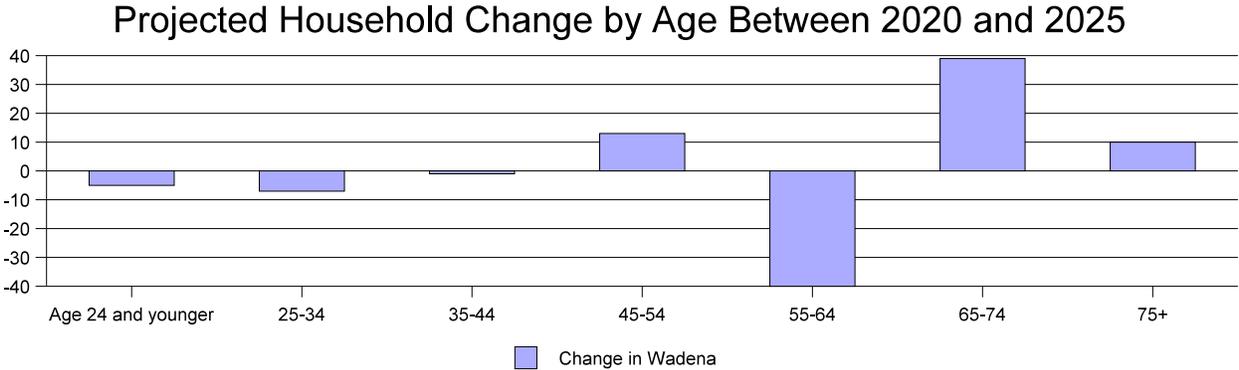
Esri provides projection data within defined 10-year age groups, which can be used to anticipate future changes in the demographic composition. The following table is for the City of Wadena. The overall projected increase in households should be viewed as very conservative.

Table 8 Wadena Projected Households by Age: 2020 to 2025			
Age Range	2020 Estimate	2025 Projection	Change
15-24	100	95	-5
25-34	271	264	-7
35-44	226	225	-1
45-54	254	267	+13
55-64	302	262	-40
65-74	281	320	+39
75+	398	408	+10
Total	1,832	1,841	+9

Source: Esri

The age-based projections to 2025 expect most of the net increase in Wadena to occur from households age 65 and older. The number of younger senior households, age 65 to 74, is expected to grow by 39 households. The older senior range, age 75 and above, is projected to grow by 10 households.

Although some of the younger adult households may remain stable or increase slightly in size, overall there is a decrease of 40 households projected within the combined ranges below age 65.



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.

Table 9 Median Household Income - 2010 to 2018			
	2010 Median	2018 Median	% Change
Households			
Wadena	\$28,924	\$41,678	44.1%
Wadena County	\$34,686	\$45,860	32.2%
Minnesota	\$57,243	\$68,411	19.5%
Families			
Wadena	\$47,904	\$48,886	2.0%
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 income had been increasing rapidly over the decade, while the median family income had changed very little. However, the median income levels in Wadena were relatively low when compared to the County or State medians.

All of Wadena County 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 Wadena could apply approximately \$1,040 per month and a median income family could apply approximately \$1,220 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.

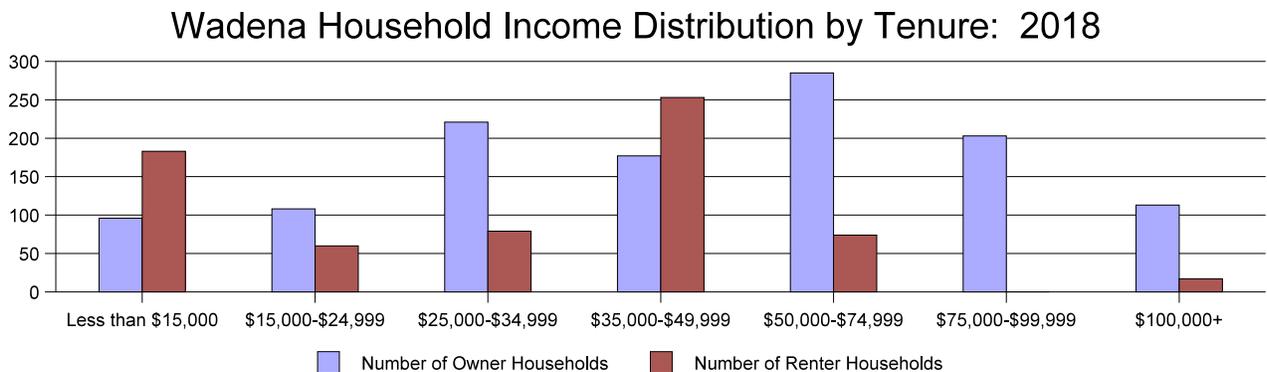
Household Income Distribution by Tenure: 2018

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

Table 10 Wadena Income Distribution by Tenure: 2018			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	96	183	279
\$15,000 - \$24,999	108	60	168
\$25,000 - \$34,999	221	79	300
\$35,000 - \$49,999	177	253	430
\$50,000 - \$74,999	285	74	359
\$75,000 - \$99,999	203	0	203
\$100,000+	113	17	130
Total	1,203	666	1,869

Source: American Community Survey

Within the moderate to higher income ranges, there was a strong preference for home ownership. For households with an annual income of \$50,000 or more, the rate of home ownership was nearly 85%, with approximately 15% of these households renting their unit.



This pattern changed somewhat in the lower and moderate income ranges. For all households with an annual income below \$50,000, the rental rate was approximately 49%. For low income households below \$25,000 for annual income the rental rate was above 54%.

For all renter households in the City the estimated median income level in 2018 was \$37,500. By comparative standards with the remainder of Wadena County, this estimated renter median is relatively high. At 30% of income, the midpoint household could apply nearly \$940 per month for rent without experiencing a cost burden.

For all home owners, the estimated median income was \$49,965. Owner households at this level could apply approximately \$1,250 per month toward housing costs.

Renter Housing Cost Burden

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

The following table examines the percentage of income required by renter households for monthly housing costs. Information is provided for renter households age 64 and younger, and households age 65 and older.

Table 11 Wadena Renter Household Cost Burden - 2018				
Percent of Income for Housing	Age 24 and Younger	Age 25 to 64	Age 65 and Older	Total
Less than 20%	0	202	13	215
20% to 29.9%	54	109	20	183
30% to 34.9%	0	23	25	48
35% or more	43	91	44	178
Not Computed	0	0	42	42
Total	97	425	144	666

Source: American Community Survey

Using a standard that 30% of income for housing defines a cost burden, most renter households in Wadena did not have a cost burden for rental housing in 2018. Overall, approximately 34% of all renters were paying 30% or more of their income for housing, but 66% of all renters had a more affordable rent, or did not report information.

Rental cost burden percentages did vary by age. For senior citizen renters, nearly 48% reported a cost burden. Among non-senior renters, approximately 30% were paying 30% or more of their income.

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

Owner Housing Cost Burden

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

Table 12 Wadena Owner Household Cost Burden - 2018			
Percent of Income for Housing	Households with a Mortgage	Households without a Mortgage	Total
Less than 20%	335	447	782
20% to 29.9%	157	46	203
30% or more	154	64	218
Not Computed	0	0	0
Total	646	557	1,203

Source: American Community Survey

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

Approximately 18% of all home owners reported that they paid more than 30% of their income for housing. As would be expected, the large majority of cost-burden home owners had a mortgage on their home. However, approximately 29% of owners reporting a cost burden had no mortgage. In these cases, it was generally a low annual income that had caused the cost burden, such as a retiree that owned their home but lived on a fixed income.

Building Permit Trends

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

Table 13 Wadena Housing Construction Activity: 2010 to 2020						
Year	Single Family Detached	Multifamily Rental	Senior/ Special Use	Total Permitted	Units Demolished	Net Gain in Units
2020	5	4	0	9	0	9
2019	2	0	0	2	0	2
2018	1	43	0	44	1	43
2017	0	0	0	0	0	0
2016	3	3	49	55	1	54
2015	4	0	0	4	2	2
2014	3	30**	0	33**	2	31**
2013	3	0	0	3	1	2
2012	2	32	0	34	2	32
2011	2	4	0	6	1	5
2010	25	0	0	25	70	-45
TOTAL	50	116	49	215**	80	135**

Source: City of Wadena * 2020 is partial year

** A design change after permitting in 1976 Enterprises Apartments resulted in fewer units

Tracking housing unit construction activity in Wadena over the past decade is complicated due to the impact of the tornado disaster in 2010. Some of the new housing development was needed to replace lost units. This was especially true for single family construction in the year 2010, as residents constructed replacement homes that had been demolished.

Single Family Construction

From 2010 through November 2020, there were 50 single family houses that were permitted in Wadena. This total included some structures that were moved into the City such as modular homes and manufactured housing.

However, City records show that 50 single family houses were demolished in 2010 due to tornado damage. After 2010, some additional demolition occurred, presumably as older, deteriorated houses were removed. Although post-tornado demolition was averaging approximately one house per year, the construction of new houses over the 11-year period did not fully replace the lost units, and the inventory of single family houses is probably smaller in 2020 than existed in 2010 before the disaster.

All of the single family construction since 2010 was identified as detached houses. There were no twin homes or town house units that were intended for owner-occupancy.

In 2014, the City initiated an incentive program to promote new construction of houses on lots that were vacant following the tornado. A 10-year tax abatement was offered. Based on available reports, at least five houses were added in 2015 or 2016 that may have benefitted from the abatement program. The tax abatement offer was ended in 2016.

Multifamily Construction

There has been a substantial amount of multifamily rental construction in Wadena over the past 10 years. Based on City reports, there were 161 total rental units constructed, with four additional units under construction in 2020. Most of the rental construction created conventional market rate housing, but a 49-unit senior assisted living facility was also built in 2016.

One project, 1976 Enterprises Apartments, was modified after permit issuance, with fewer units constructed. The exact number of units constructed could not be confirmed, but an estimate of 20 apartments has been used. As a result, it is probable that approximately 158 units were created through new construction over the decade.

Once again, not all of the multifamily units represented a net gain in the inventory. There were five multifamily structures removed in 2010 due to tornado damage with a combined 20 rental units.

Some of these were rebuilt over the next few years, generally in three or four unit structures. After the tornado adjustments, the probable net gain in rental housing was approximately 135 to 140 total units, including the assisted living apartments.

The larger-scale rental projects that were developed since 2010 include:

- ▶ ***Green Gable Townhomes*** - Permitted in 2012, this project created 28 units in 4-unit structures. Green Gables provides market rate general occupancy housing.
- ▶ ***1976 Enterprises Apartments*** - Permitted in 2013, this project was designed to create 27 apartment units providing market rate general occupancy housing. The design plan was then changed and approximately 20 units were created.
- ▶ ***The Meadows of Wadena*** - This 49-unit senior assisted living facility was permitted in 2016 and opened for occupancy in 2017.
- ▶ ***Lincoln Park Townhomes*** - Permitted in 2018, this project created 40 units in duplex structures. Lincoln Park provides market rate general occupancy housing.
- ▶ ***Merickel Rentals*** - 17 units were created in five separate construction projects of three or four-unit buildings, permitted between 2011 and 2018. Some of these buildings were constructed on the sites of rental buildings that had been demolished following the 2010 tornado.
- ▶ ***Merickel Duplexes*** - In 2020, two duplex structures were permitted (4 units) and are under construction.

Lots and Land

No definitive residential lot inventory was obtained. Information was assembled from MLS listings, City records and other sources.

City Information

Interviews with City staff identified two development areas with an existing inventory of vacant lots. However, other lots may exist outside of these subdivisions.

City of Wadena - The City acquired a residential subdivision through a tax forfeiture process. In 2020, as many as 16 vacant lots remain, although two have been sold to a private party that intends to build a home and shop. Ten of the remaining lots were sold in 2020 to MMCDC, a regional housing nonprofit group that has a history of constructing affordable houses. The remaining lots are being offered for \$5,000, with assessments paid, provided that the buyer starts construction of a new home within one year.

Volksted Property - This privately-owned subdivision has approximately 10 lots available. No specific information could be obtained on lot pricing.

In addition to these subdivisions, there are probably infill lots that exist around the community. This could include parcels that exist following demolition activity from the 2010 tornado, as City records indicate that as many as 40 houses were removed and not initially rebuilt within the first few years following the disaster.

The City of Wadena does own an approximate 100-acre parcel that could be used for residential development in the future.

MLS

When viewed by the analysts, the website Realtor.com did not list any lots that appeared to be within the Wadena City limits. All of the posted lots were more than one acre in size, and appeared to be rural.

Existing Home Sales

This section examines houses that have been sold within recent years in the City of Wadena. Information was obtained from the Wadena County Assessor's Office. A small portion of the City also extends into Todd County, but no sales records were obtained for this portion of the community.

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 14 Wadena Residential Sales Activity - 2010 to 2020*

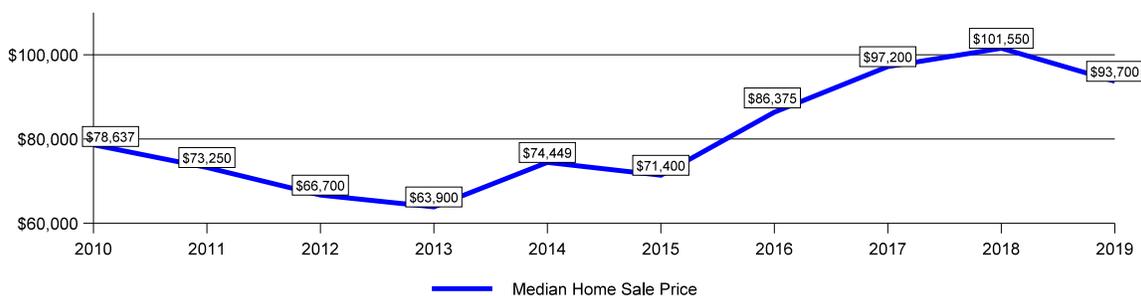
Year	Number of Good Sales	Median Sale Price	Highest Sale	Lowest Sale
2020*	26	\$114,703	\$229,600	\$27,400
2019	56	\$93,700	\$282,500	\$41,500
2018	62	\$101,550	\$277,000	\$15,000
2017	54	\$97,200	\$323,500	\$12,500
2016	46	\$86,375	\$203,700	\$15,000
2015	57	\$71,400	\$385,000	\$10,800
2014	50	\$74,449	\$395,000	\$10,000
2013	41	\$63,900	\$267,300	\$15,000
2012	36	\$66,700	\$198,400	\$20,000
2011	40	\$73,250	\$189,000	\$10,000
2010	40	\$78,637	\$322,000	\$27,100

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. There has been some year-to-year variation in the annual median price since 2010.

In 2019, the last full year, there were 56 good sales that were recorded. The median price was \$93,700. A higher median was reached in 2018, but over the past three full years the median has ranged from approximately \$93,000 to \$102,000. Year-to-date in 2020, a higher median price has been achieved, although this may change when a full year of activity is recorded. In general, there has been an upward trend in the annual median sale price.

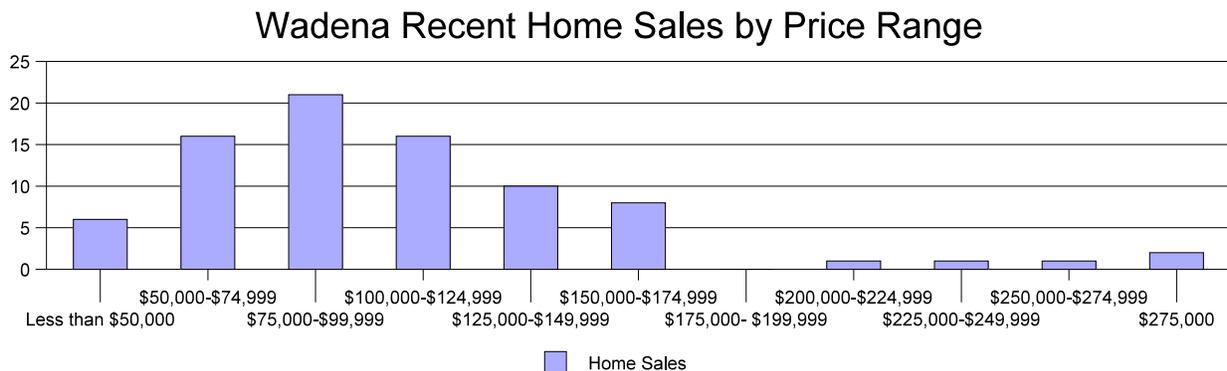
Median Home Sale Prices in Wadena: 2010 to 2019

Home Sales by Price Range

The following table looks at the price distribution of 82 single family houses that sold in Wadena in 2019 and 2020 (partial). This information is once again from County's sales records.

Table 15 Home Sales by Price Range: 2019-2020*		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	6	7.3%
\$50,000 - \$74,999	16	19.5%
\$75,000 - \$99,999	21	25.6%
\$100,000 - \$124,999	16	19.5%
\$125,000 - \$149,999	10	12.2%
\$150,000 - \$174,999	8	9.8%
\$175,000 - \$199,999	0	0%
\$200,000 - \$224,999	1	1.2%
\$225,000 - \$249,999	1	1.2%
\$250,000 - \$274,999	1	1.2%
\$275,000+	2	2.4%
Total	82	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 77% of the sales were priced between \$50,000 and \$149,999. Only 6% of the recent sales were for \$175,000 or more.

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 Wadena. On August 25, 2020, there were 21 single family homes that were listed for sale that appeared to be located in the city limits of Wadena. 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 Wadena by listing price, as posted on Realtor.com.

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

Table 16 Wadena Active MLS Listings by Price Range: Aug. 2020		
Asking Price	Number of Listings	Percent of Listings
Less than \$50,000	2	3.7%
\$50,000 - \$74,999	3	3.7%
\$75,000 - \$99,999	2	6.1%
\$100,000 - \$149,999	4	35.4%
\$150,000 - \$199,999	8	30.5%
\$200,000 - \$249,999	0	14.6%
\$250,000+	2	9.8%
Total	21	100%

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

Overall, approximately 38% of the active listings were priced between \$100,000 and \$199,999. Fewer than 10% of the listings were for \$200,000 or more.

It is important to note that a number 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.

Age of Housing

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

For owner-occupancy units in Wadena, the estimated median year of construction is 1962. Nearly 45% of the owner-occupancy stock was constructed before 1960.

For rental housing, the estimated median year of construction was listed as 1969. Approximately 31% 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 45 owner-occupied mobile homes in Wadena in 2018, and no renter-occupied units. All of the 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.

Although the American Community Survey shows that all of the mobile homes in the City are owner-occupied, it is probable that some rental units exist in both Pine View Acres and Wadena Village.

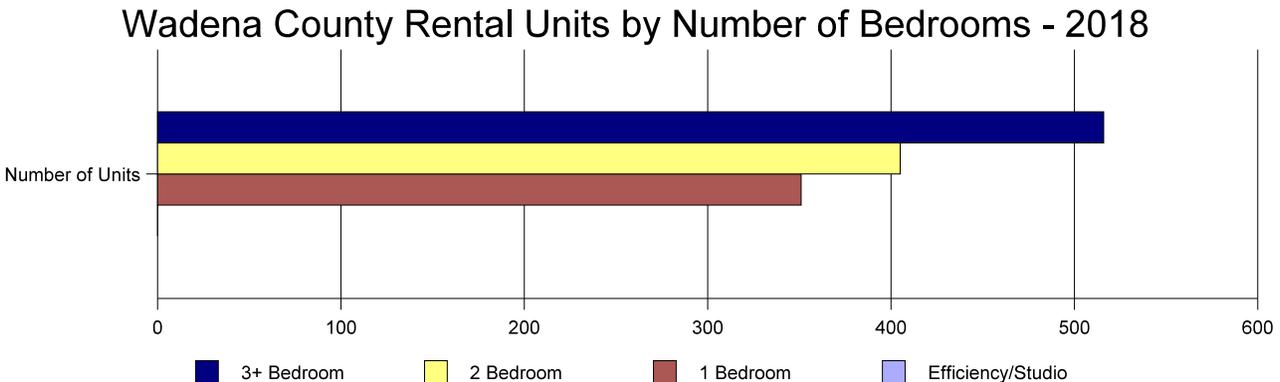
American Community Survey Rental Data

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 Wadena.

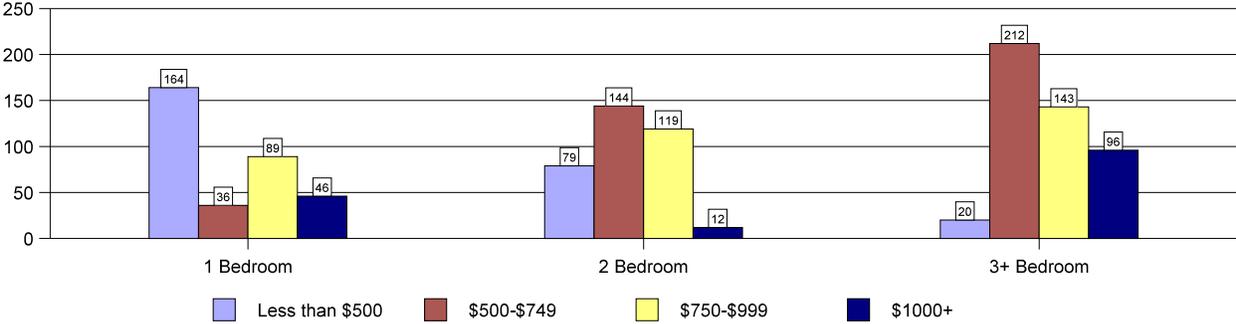
Unit Size	Rent less than \$500	Rent \$500 to \$749	Rent \$750 to \$999	Rent \$1,000+	No cash rent	Total Units
Efficiency/Studio	0	0	0	0	0	0
1 Bedroom	164	36	89	46	16	351
2 Bedroom	79	144	119	12	51	405
3+ Bedroom	20	212	143	96	45	516
Total	263	392	351	154	112	1,272

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

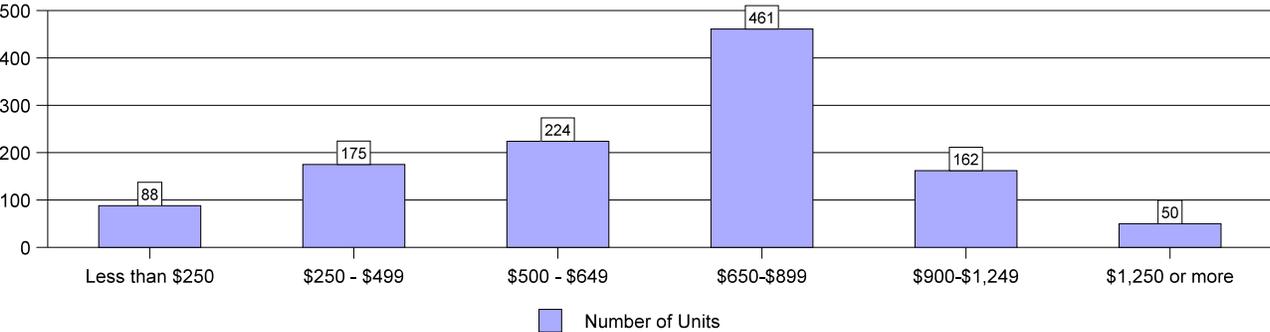


The American Community Survey includes an estimate of the median gross rent, for all units and by bedroom size. Overall, the median gross rent level was \$692 in 2018. Gross rent would include tenant-paid utilities.

- ▶ 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.

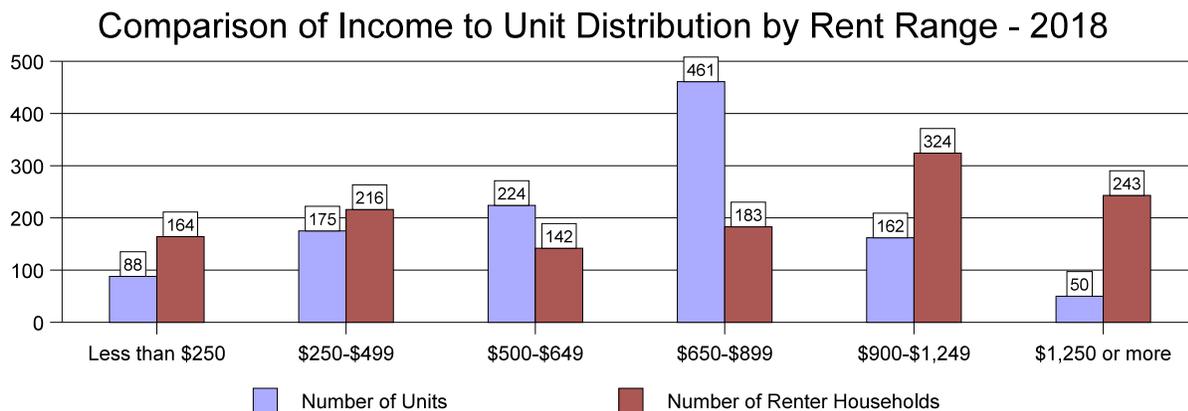
Wadena County Rental Unit Distribution by Rent Range - 2018



The rent distribution tables from the 2018 American Community Survey also 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, student 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 ranges, for a unit priced at less than \$500. If all of the renter income groups below \$20,000 are combined, there 380 households but only 263 rental units priced less than \$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 section.

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 in these higher price ranges in the 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 738 occupied rental units in Wadena, and at least 73 unoccupied units, for a total estimated rental inventory of 811 units. The City's rental tenure rate, was 40.1%, based on renter-occupancy households, well above the Statewide rate in 2010 of 27% rental.

The 2010 tornado disaster in Wadena occurred June, after the 2010 decennial census was completed. City records do show that at least 20 rental units in small multifamily buildings were destroyed. There were also 50 single family houses that were damaged beyond repair, although the actual use of these houses for renter or owner occupancy was not known.

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 666 occupied rental units in the City. There were also 83 unoccupied rental units, for a total estimated inventory of 749 total units. If accurate, this source showed a net loss of more than 60 rental housing units in the City between 2010 and 2018.

In the opinion of the analysts, the American Community Survey estimate in 2018 was too low, as rental construction during the decade should have increased the size of the City's rental inventory.

Rental Construction After 2010

Wadena did have some decrease in rental housing early in the decade, as the tornado disaster resulted in the demolition of at least 20 units in the year 2010. However, subsequent construction then resulted in a net increase in rental options.

Based on building permit reports, the following projects have added to the City's rental housing inventory since the 2010 Census was conducted:

- ▶ Green Gable Townhomes - 28 market rate units
- ▶ 1976 Enterprises Apartments - 20+ market rate units
- ▶ The Meadows of Wadena - 49 senior assisted living units
- ▶ Lincoln Park Townhomes - 40 market rate units
- ▶ Merickel Rentals - 21 market rate units created in six separate construction projects - some were constructed on the sites of rental buildings that were demolished following the 2010 tornado

Combined, the projects developed since 2010 have created approximately 158 rental housing units, including those for assisted living. While it is possible that more than 20 rentals were lost due to the tornado, the net gain in the rental stock may be as large as 135 to 140 units.

When added to the 2010 Census inventory, the estimated rental housing stock in Wadena in 2020 could contain as many as 950 units. This estimate does not include an allowance for older unit losses, other than the identified tornado-related demolitions of multifamily buildings, or for possible upward or downward changes due to tenure conversion.

The volume of rental unit construction since 2010 has greatly exceeded the production of single family homes and it is probable that the City's rental tenure rate in 2020 is higher than the level of 40.1% recorded by the 2010 Census.

Pending/Proposed Rental Projects

The research for this Study identified the following proposed projects that could create additional rental housing:

- ▶ The Wadena Development Authority had acquired a building in 2019 that could be used for two apartment units in a mixed-use project.
- ▶ A developer has proposed the construction of five or six duplex structures creating 10 to 12 rental units.
- ▶ A developer has proposed the construction of a traditional apartment building that could contain as many as 40 total units.

Additional rental projects may be in the early planning stages but no details were available.

Rental Housing Survey

As part of this Study, a telephone survey was conducted of larger rental projects in Wadena County. Emphasis was placed on contacting multifamily properties with four or more units. For the purposes of future construction, we believe that the larger rental properties provide the best comparative information.

In some cases, properties with fewer than four units were surveyed, but these represent new rental buildings that have been constructed in the past ten years, sometimes replacing buildings lost in the 2010 tornado.

One property management company with a large portfolio of rental units was also surveyed. No property-specific information was obtained, since many of these rentals are in single family houses or small buildings, but generalized information was obtained from this company.

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

A separate section later in this document analyzes the specialized care segment for all of Wadena County.

The breakdown of surveyed units is as follows:

- ▶ 337 market rate units
- ▶ 192 subsidized units
- ▶ 37 senior housing with services apartment units

Additional specialized senior care facilities were contacted, including a nursing home and memory care/assisted living facilities with sleeping rooms, but these do not represent independent rental housing units.

In total, some usable information was obtained from more than 565 rental housing units in Wadena, or nearly 60% of the City's estimated inventory in 2020.

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

Market Rate Summary

Property-specific information was obtained from 16 different rental projects with a combined 183 market rate rental units. Additionally, a rental property management company with 154 units in multiple buildings was also contacted, but these units were aggregated and not reported by property address.

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

Unit Mix

One rental building could not provide the bedroom mix for their project. The property management company with 154 units also did not provide the specific number of units by bedroom.

The following information is for the bedroom mix for 163 units that provided specific information:

- ▶ 45 one-bedroom (27.6%)
- ▶ 67 two-bedroom (41.1%)
- ▶ 51 three-bedroom (31.3%)

There were no studio/efficiency units that provided specific information, although some are known to exist in apartment buildings in the City. There were also no units with four or more bedrooms reported, but these would be present in some of the single family houses that are offered as rentals.

Occupancy/Vacancy

The first calculation is based on the occupancy reported in the 183 units surveyed in the property-specific multifamily structures. There were 11 unoccupied units reported, for a vacancy rate of 6.0%.

However, eight of these open units were in a single project, Fair Oaks Apartments which is in the process of changing its occupancy focus away from senior-designated housing. Excluding Fair Oaks, the vacancy rate was only 2.0%.

The second vacancy calculation is from the aggregated reporting from the Gores Company, which manages 154 rental units. In this portfolio, which ranges from rental houses to small apartment buildings, the reported vacancy rate was 9%.

There are reports of significant unmet demand for market rate rental housing in Wadena, despite the reported vacancy rate of 9% in the Gores Company portfolio. Other property managers reported multiple phone calls whenever a turnover unit becomes available. However, it should be noted that this demand may primarily exist within the more affordable market segment.

Rental Rates

There can be a wide variation in rental rates in Wadena. Many of the properties included in the rental survey have been constructed within the past 20 years. These newer units tend to have a higher rent structure, but also offer many amenities and features.

Wadena also has a stock of older rental housing in a more moderate rent range. The rents reported in the Gores Company units are not included, since no information was available on the inclusion or exclusion of utilities in the rent range.

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

The Identified Range column defines the highest and lowest gross rents identified by the 2020 survey, while the Prevailing Range column defines a more narrow band of gross rents being charged by a majority of the units contacted. It is important for readers to note that the survey was less successful in contacting some of the City’s older rental developments that date to the 1970s or earlier. Presumably these have a more moderate rent structure, but this could not be verified.

<u>Unit Type</u>	<u>Identified Range</u>	<u>Prevailing Range</u>
Studio/efficiency	\$450	\$450
1-bedroom	\$510 - \$715	\$510 - \$715
2-bedroom	\$665 - \$1050	\$675 - \$1025
3-bedroom	\$800 - \$1410	\$975 - \$1260

The Gores Company reported the following general ranges for units in their management. Since many of these may be single family homes, it is probable that tenant-paid utilities would add substantially to the total gross rent amount.

1-bedroom	\$350 to \$600
2-bedroom	\$450 to \$1,100
3-bedroom+	\$850+

American Community Survey Rental Rates

In a separate section of this document, summary information has been provided from the American Community Survey on Wadena County’s rental housing inventory. Although this information is from 2018, it does provide another source for examining rental rates.

According to this source, the following median gross rents existed in Wadena:

<u>Unit Type</u>	<u>Median Gross Rent</u>
1-bedroom	\$437
2-bedroom	\$754
3-bedroom	\$722

For all units in Wadena, the estimated median gross rent in 2018 was \$690.

Tax Credit/Moderate Rent Summary

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

Wadena has only one rental project that has received federal low income housing tax credits and operates under the program regulations. Wadena Square Apartments was constructed in the mid-1990s using both tax credits and USDA Rural Development assistance. The Rural Development program includes access to project-based rent assistance, and Wadena Square has been included in the subsidized housing analysis on the following page.

Compliance Requirements

Projects awarded tax credits had an initial 15-year compliance requirement. For Wadena Square, the initial compliance was completed in 2010. However, an extended compliance phase now applies, and should extend to the year 2025.

During extended compliance, new applicants must be income-certified, but existing tenants do not have to be certified annually. At the end of the extended compliance period, all income and rent restrictions are removed. However, the easing of tax credit requirements at Wadena Square would not have an impact on requirements that apply to the USDA Rural Development assistance.

Subsidized Summary

The inventory of federally subsidized rental housing in Wadena has remained unchanged in recent decades. There are four subsidized projects providing rental opportunities for lower income households. These projects have a combined 192 units. Most of the City's current inventory of subsidized units can serve very low income people by charging rent based on 30% of the tenant's household income.

A majority of the units, 120, are designated for or have a preference for senior and/or disabled occupancy. In some cases, a waiver may have been granted to allow for younger or non-disabled tenants, but in large part these units serve the senior and disabled populations. There are 72 units that are designated as general occupancy subsidized housing.

In 2020, there are no subsidized projects that can be identified as "at risk" of leaving their subsidy program. The Minnesota Housing Finance Agency maintains a federal "opt-out" log and no Wadena County projects were listed. Two of the subsidized projects in Wadena are owned by the Wadena Housing and Redevelopment Authority, a public entity.

Unit Mix - Senior/Disabled Occupancy

The subsidized rental projects that are designated for, or oriented to, senior/disabled tenants contain 120 total units, distributed as follows:

- ▶ 115 one-bedroom (95.8%)
- ▶ 5 two-bedroom (4.2%)

Unit Mix - General Occupancy

The subsidized rental projects available for general occupancy contain 72 total units, distributed as follows:

- ▶ 16 one-bedroom (22.2%)
- ▶ 34 two-bedroom (47.2%)
- ▶ 22 three-bedroom (30.6%)

Occupancy/Vacancy - Senior/Disabled Occupancy

There were no available units in the projects oriented to senior/disabled tenant occupancy. Both projects have a shared waiting list. However, not all of the people on the waiting list meet the occupancy preferences for senior, near-senior or disabled applicants.

Occupancy/Vacancy - General Occupancy

There were two vacant general occupancy units reported in the 2020 survey. The estimated vacancy rate in this housing segment was 2.8%.

However, both of the general occupancy projects reported that waiting lists are maintained, and the open units may just represent a delay in filling turnover units. The income-certification process for income-based housing can result in short-term vacancies.

Tenant-Based Rent Assistance

In addition to the four developments with project-based subsidies, renter households in Wadena 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 43 households in Wadena 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 235 households with access to some form of subsidized housing. This probably represents 25% to 27% of all renter households in the City.

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

Wadena has three housing options for seniors requiring services with their housing. All of these are stand-alone projects and are not affiliated or physically attached to other providers.

Housing with Light Services

There are no providers of senior housing with a light services option in Wadena. In this type of housing, residents are largely independent but may access certain features and services with their housing, such as a daily meal(s), laundry and/or light housekeeping, an emergency call system and possible on-site staffing for all/part of the day.

Assisted Living

There are two providers of senior assisted living in Wadena.

The Meadows of Wadena offers both assisted living and memory care housing. There are 37 suites/apartments that are available for assisted living. There were some unoccupied units in this facility when surveyed, but this was partly due to the global health pandemic. Some rooms in a separate wing of the building were being held intentionally vacant in the event that a resident tested positive for COVID.

Comfort Care Cottages has four adjoining houses with 20 rooms/apartments and capacity for 21 people. There were some unoccupied rooms at the time of the survey, but the number was not specified.

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

Memory Care

There are two memory care housing options in Wadena.

The Meadows of Wadena has a designated wing that serves residents with memory care housing needs. There are 10 suites in a dedicated memory care wing of this facility. A high rate of occupancy was reported with a waiting list.

Fair Oaks Lodge in Wadena has a 20-bed memory care wing as part of the skilled nursing home. A high utilization rate was reported for these beds. Instead of a waiting list, this facility can often admit memory care residents into other parts of the nursing home that are secure, and then wait for a bed in the memory care wing to become available.

Skilled Nursing Home

Fair Oaks Lodge is licensed for 75 beds in 2020. These are targeted to three different segments, including the 20 beds for memory care use, 35 beds for traditional long-term care and 20 beds dedicated to shorter-term, transitional care stays.

However, during the pandemic, the third floor of this facility has been reserved for COVID use, and only 51 total beds are being offered to typical pre-pandemic uses.

Table 18 Wadena Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Commercial Apartments	13 - 1 bedroom <u>3 - 2 bedroom</u> 16 total units	\$475-\$490 \$515 +electric	No vacant units, waiting list	Senior-designated housing	Historic downtown conversion project completed in the late 1980s and owned by the Wadena HRA. Building is designated for senior occupancy age 55 and older. Rent includes heat, water, sewer and garbage with tenant paying electric. Full occupancy at time of survey and waiting list exists.
Fair Oaks Apartments	26 - 1 bedroom <u>6 - 1 bdrm large</u> 32 total units	\$650 \$715	8 vacant units	Mix of tenants including seniors and students	This apartment building owned by the Wadena HRA that was constructed in 1996 and attached to Fair Oaks nursing home. It was originally intended to provide assisted living, but then moved to housing with services and then independent housing. In 2020, the senior designation was changed to general occupancy due to persistent vacancy issues. Rent includes all utilities. Eight units were vacant at time of survey but occupancy continues to improve as younger tenants move in, including some students.
819-831 5th St	6 - 2 bedroom <u>1 - 3 bedroom</u> 7 total units	\$525-\$550 \$600 +utilities	No vacant units	Mix of tenants	Town house-style units constructed in 190. Tenants pay all utilities in addition to rent. Amenities include 1-car detached garage. Owner reported full occupancy and very strong demand for affordable housing. Mix of tenants reported including working age and seniors.
Green Gable Townhomes 1114 King AV SW	14 - 2 bedroom <u>14 - 3 bedroom</u> 28 total units	\$900 \$1000 +electric	No vacant units	Mix of tenants but mainly retirees	Seven buildings with 4 units each permitted in 2013. Units offer one-level living with attached 2-car garage. Rent includes heat, water, sewer and garbage, with tenant paying electric. Unit amenities include stove, refrigerator, dishwasher, microwave, AC, in-unit laundry and patio. Manager reported full occupancy and strong demand. Most tenants are retirees.

Table 18 Wadena Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
502-516 King Ave	<u>8 - 3 bedroom</u> 8 total units	\$800 +utilities	No vacant units	Mix of tenants	Town house-style units constructed in late 1960s or early 1970s. Tenants pay all utilities in addition to rent. Amenities include 2-car detached garage. Owner reported full occupancy and very strong demand for affordable housing. Mix of tenants reported including working age and seniors.
Lincoln Park Townhomes 801 Lincoln Ave SW	20 - 2 bedroom <u>20 - 3 bedroom</u> 40 units	\$1000 \$1200 +electric	No vacant units	Mix of tenants but mainly retirees	Twenty 2-unit structures permitted in 2018. Units offer one-level living with attached 2-car garage. Rent includes heat, water, sewer and garbage, with tenant paying electric. Unit amenities include stove, refrigerator, dishwasher, microwave, AC, in-unit laundry and patio. Community building at this site. Manager reported full occupancy and strong demand. Most tenants are retirees.
Meadowbrook Apartments 106-122 5 th St SW	13 - 1 bedroom <u>11 - 2 bedroom</u> 24 total units	N/A +electric	N/A	N/A	Unable to contact in 2020 - information provided is from secondary sources. Two-level apartment building constructed in 2003 and remodeled after tornado damage in 2010. Rent includes heat, water sewer and garbage with tenant paying electric. One-bedrooms have 640 sq ft and 2-bedrooms have 792-840 sq ft; all units have 1 bathroom. Located near the M State campus.
1976 Enterprises Apartments 302 4 th St NW	Studio 1 bedroom <u>2 bedroom</u> 20+ total units	\$450 \$600 \$700 includes utilities	3 vacant units 2 - studio 1 - 2 bdrm	Mix of tenants	Apartment building constructed in 2014 - originally permitted for 27 units but floor plan modifications resulted in fewer being built - contact was unsure of final unit count. Rent includes utilities. Three units vacant at time of survey due to normal turnover - repairs were being made before leasing. Mix of tenants reported, from students to seniors.

Table 18 Wadena Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
624 Lincoln AVE SW	<u>4 - 2 bedroom</u> 4 total units	\$975 +electric	No vacant units	Primarily retirees	Four-plex constructed in 2011 on site created when 4 units were demolished after tornado. Rent includes heat, sewer, water and garbage, with tenant paying electric. Units offer one-level living with 2-car attached garage. Unit amenities include all appliances, in-unit laundry hookup and AC. Units have approx. 1075 sq ft and 1.75 bathrooms. Full occupancy with strong demand. Most tenants are retirees.
1218 7 th St SW	<u>4 - 2 bedroom</u> 4 total units	\$975 +electric	No vacant units	Primarily retirees	Four-plex constructed in 2012 on site created when 4 units were demolished after tornado. Rent includes heat, sewer, water and garbage, with tenant paying electric. Units offer one-level living with 2-car attached garage. Unit amenities include all appliances, in-unit laundry hookup and AC. Units have approx. 1075 sq ft and 1.75 bathrooms. Full occupancy with strong demand. Most tenants are retirees.
719 King Ave SW	<u>3 - 3 bedroom</u> 3 total units	\$1200-\$1350 +electric	No vacant units	Primarily retirees	Triplex constructed in 2018. Rent includes heat, sewer, water and garbage, with tenant paying electric. Units offer one-level living with 2-car or 3-car attached garage. Unit amenities include all appliances, in-unit laundry hookup and AC. Units have approx. 1300 sq ft and 2 bathrooms. Full occupancy with strong demand. Most tenants are retirees.
724 Kingsley	<u>3 - 2 bedroom</u> 3 total units	\$975 +electric	No vacant units	Primarily retirees	Triplex constructed in 2014. Rent includes heat, sewer, water and garbage, with tenant paying electric. Units offer one-level living with 2-car attached garage. Unit amenities include all appliances, in-unit laundry hookup and AC. Units have approx. 1075 sq ft and 1.75 bathrooms. Full occupancy with strong demand. Most tenants are retirees.

Table 18 Wadena Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
1221 7 th St SW	<u>3 - 3 bedroom</u> 3 total units	\$1200 +electric	No vacant units	Primarily retirees	Triplex constructed in 2016. Rent includes heat, sewer, water and garbage, with tenant paying electric. Units offer one-level living with 2-car attached garage. Unit amenities include all appliances, in-unit laundry hookup and AC. Units have approx. 1300 sq ft and 2 bathrooms. Full occupancy with strong demand. Most tenants are retirees.
602 Lincoln Ave	<u>4 - 2 bedroom</u> 4 total units	\$975 +electric	No vacant units	Primarily retirees	Four-plex constructed in 1998. Rent includes heat, sewer, water and garbage, with tenant paying electric. Units offer one-level living with 2-car attached garage. Unit amenities include all appliances, in-unit laundry hookup and AC. Units have approx. 1075 sq ft and 1.75 bathrooms. Full occupancy with strong demand. Most tenants are retirees.
1219 3 rd Ave	<u>3 - 2 bedroom</u> 3 total units	\$975 +electric	No vacant units	Primarily retirees	Triplex constructed in 2008. Rent includes heat, sewer, water and garbage, with tenant paying electric. Units offer one-level living with 2-car attached garage. Unit amenities include all appliances, in-unit laundry hookup and AC. Units have approx. 1075 sq ft and 1.75 bathrooms. Full occupancy with strong demand. Most tenants are retirees.
1219-1223 6 th St SW	<u>2 - 3 bedroom</u> 2 total units	\$1200 +electric	No vacant units	Primarily retirees	Duplex constructed in 2005. Rent includes heat, sewer, water and garbage, with tenant paying electric. Units offer one-level living with 2-car attached garage. Unit amenities include all appliances, in-unit laundry hookup and AC. Units have approx. 1300 sq ft and 2 bathrooms. Full occupancy with strong demand. Most tenants are retirees.

Table 18 Wadena Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
1220-1228 6 th St SW	<u>6 - 2 bedroom</u> 6 total units	\$975 +electric	No vacant units	Primarily retirees	Three duplexes constructed in 2001. Rent includes heat, sewer, water and garbage, with tenant paying electric. Units offer one-level living with 2-car attached garage. Unit amenities include all appliances, in-unit laundry hookup and AC. Units have approx. 1075 sq ft and 1.75 bathrooms. Full occupancy with strong demand. Most tenants are retirees.
Gores Company Rentals multiple addresses	1 bedroom 2 bedroom <u>3 bedroom+</u> 154 total units	\$350-\$600 \$450-\$1100 \$850+ utilities vary by property	Approx. 9% vacancy rate	Mix of tenants	The Gore Company's rental portfolio includes 154 units in multiple rental structures from single family houses to small apartment buildings. Specific information was not provided by address but generalized reporting was done. Overall vacancy reported at approx. 9% - stated that no shortage of rental housing is present in Wadena. Unit rents can vary widely depending on unit age, size and amenities, but general range is presented. Pandemic has impacted rental market in prohibition on evictions.

Table 18 Wadena Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Greenwood Apartments 700 2 nd St NW	12 - 1 bdrm Apt. 22 - 2 bdrm TH <u>14 - 3 bdrm TH</u> 48 total units	N/A \$655 \$715 30% of income	No vacant units, waiting list	General occupancy	HUD Section 8/MHFA subsidized project for general occupancy constructed in 1979. Apartments are in 2-level apartment building and 2 and 3-bedrooms are in town houses. All tenants have access to project-based rent assistance allowing rent based on 30% of income up to maximum rents listed. One-bedrooms have 700 sq ft, 2-bedrooms have 1000 sq ft and 3-bedrooms have 1100 sq ft; all units have 1 bathroom. Manager reported full occupancy and long waiting list - waiting for all unit sizes.
Humphrey Manor West 300 2 nd St NE	58 - 1 bedroom <u>3 - 2 bedroom</u> 61 total units	\$618 \$640 30% of income	No vacant units, waiting list	General occupancy with preference for senior/disabled	HUD Public Housing project constructed in 1968 and designed for senior and/or disabled occupancy. Later HUD rule change made the building available for general occupancy. Preference given the elderly, near-elderly and disabled, but approx. 30% of current tenants do not hold preference. All tenants can pay rent based on 30% of income up to flat rents listed. Physically connected to Humphrey Manor East. Full occupancy at time of survey and waiting list exists, although many do not meet preferences.
Humphrey Manor East	57 - 1 bedroom <u>2 - 2 bedroom</u> 59 total units	\$605 \$640 30% of income	No vacant units, waiting list	Senior and/or disabled occupancy	HUD Section 8/MHFA project for senior/disabled occupancy. All tenants have access to project-based rent assistance allowing rent based on 30% of income, up to maximum rents listed. Physically connected to Humphrey Manor West. Full occupancy at time of survey and waiting list exists.

Table 18 Wadena Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Wadena Square 803 2 nd St NW	4 - 1 bedroom 12 - 2 bedroom <u>8 - 3 bedroom</u> 24 total units	\$465-\$645 \$495-\$675 \$530-\$710 30% of income	2 vacant units 1 - 2 bdrm 1 - 3 bdrm	General occupancy	USDA Rural Development subsidized project for general occupancy constructed in 1995. Building is 2-level. 14 tenants have access to project-based rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents listed. Some tenants also have Vouchers. Amenities include in-unit laundry, AC, playground and picnic area. One-bedrooms have 616 sq ft, 2-bedrooms have 760 sq ft, and 3-bedrooms have 910 sq ft; all units have 1 bathroom. Manager reported 2 vacant units at time of survey, but waiting list exists and vacancies can sometimes be due to processing time for new tenants.
Tenant-based HUD Housing Choice Vouchers	43 households in Wadena	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, 43 households in Wadena were participating in the Wadena County program. Program typically has 65 to 69 Vouchers in use Countywide. Waiting list exists with 140 households.

Table 18 Wadena Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior Housing with Services					
Comfort Care Cottages 1232 Jefferson St S	17 sleeping rooms <u>3 apartments</u> 20 total rooms with 21 person capacity	N/A	Some unoccupied rooms	Assisted living	Originally constructed as a board and lodging facility in the late 1980s but now operating as assisted living. Four adjoining houses - rooms are either private sleeping rooms or small apartments without kitchens. One room can be shared by couple so capacity is for 21 people. Residents share bathrooms and common living areas in a residential setting. Assisted living care and staffing provided. Owner stated that some open rooms exist - pandemic has had limited impact but may have delayed some seniors from moving. County assistance programs are accepted.
The Meadows of Wadena Assisted Living	17 - studio 2 - access. apts 16 - 1 bedroom <u>2 - 2 bedroom</u> 37 total units plus memory care	N/A	3 open units +4 units reserved for COVID	Assisted living	Assisted living project that was permitted in 2016 and opened for occupancy in 2017 with 49 units. In 2019 a wing was converted to 10 studios for memory care and assisted living unit total was reduced to 37. Studio units have limited kitchens but 1 and 2-bedrooms have kitchens. All units have private bathrooms. One-bedrooms have approx. 570 sq ft. Basic service package includes 3 meals, case management, weekly housekeeping and laundry, assistance with showers, nightly checks, a call pendant and access to 24-hour staffing. COVID has impacted facility with 3 open rooms plus 4 rooms in one wing that are held intentionally vacant for residents with COVID. Pre-pandemic occupancy was higher with waiting list. County assistance is accepted for lower income seniors.

Table 18 Wadena Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior Housing with Services					
The Meadows of Wadena Memory Care	<u>10 - studio</u> 10 total units plus assisted living	N/A	No vacant units, waiting list	Memory care	Assisted living project that was permitted in 2016 and opened for occupancy in 2017 with 49 units. In 2019 a wing was converted to 10 studios for memory care and assisted living unit total was reduced to 37. Memory care is in studio units with private bathrooms. Full range of care provided. While COVID has impacted facility all of the memory care rooms were full consistent with pre-pandemic occupancy. County assistance is accepted for lower income seniors.
Fair Oaks Lodge 201 Shady Ln Dr	20 Memory care 20 TCU 35 LTC 75 licensed beds	N/A	51 beds in use with high occupancy	Skilled Nursing Home	Skilled nursing home that is licensed for 75 beds in 2020, with 20 in a dedicated memory care wing, 20 in transitional care and the remaining 35 beds available for long-term care. But due to pandemic one floor has been dedicated for COVID care, and only 51 beds are currently available for other uses, including the 20 beds in memory care. High rate of occupancy when contacted. Memory care is typically full - if beds are not available then other beds in the facility are used until a memory care bed is available. Project has not had COVID impact for existing residents, and has been able to admit new residents in recent months.

Source: Community Partners Research, 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.

Major Employers

The largest employers in Wadena include:

- ▶ Tri-County Hospital
- ▶ Wal-Mart
- ▶ County of Wadena
- ▶ Independent School District 2155
- ▶ Mason Brothers Company
- ▶ Russ Davis Wholesale
- ▶ Homecrest Outdoor Living
- ▶ Polman Trucking Company
- ▶ Fair Oaks Lodge
- ▶ MN State Community & Technical College

Source: Comprehensive Annual Financial Report 2019

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.

Table 22 County Labor Force and Employment: 2010 to 2020*						
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

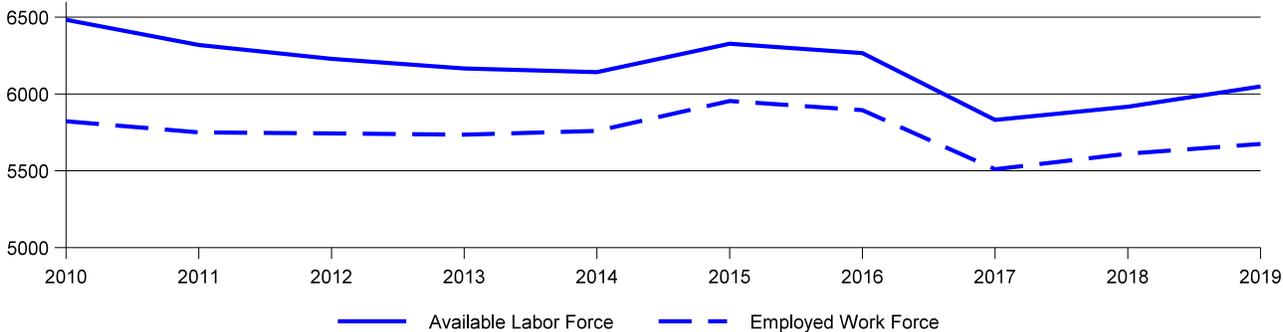
* 2020 is through October

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 increased from that time.

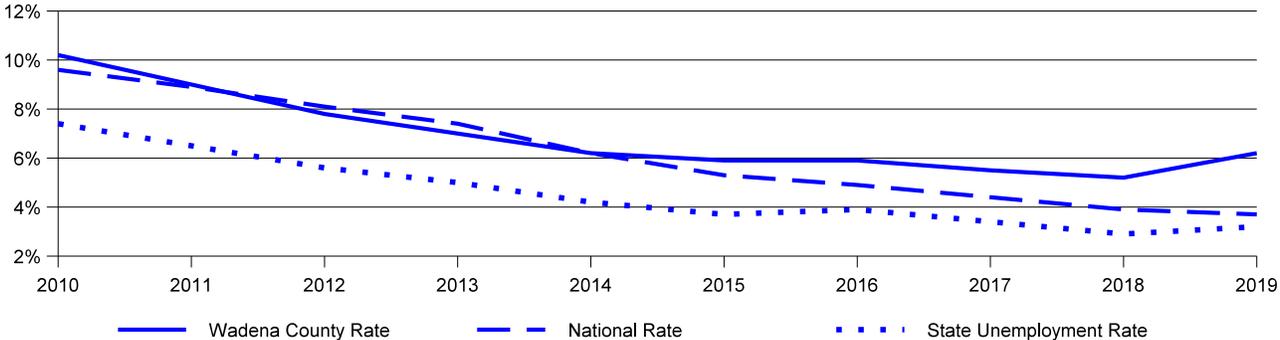
Generally similar patterns have been present in the employed work force. From 2010 to 2019, the number of employed County residents decreased by 147 people, or -2.5%. During this time, the County’s unemployment rate has dropped from 10.2% in 2010 to 6.2% in 2019.

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 Wadena. 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.

Table 24 Wadena Average Annual Wages by Industry - 2019		
Industry	Employment	Average Weekly Wage
Total All Industry	3,260	\$821
Manufacturing	276	\$900
Trade, Transportation, Utilities	959	\$800
Information	37	\$703
Financial Activities	97	\$1,012
Professional and Business Services	36	\$587
Education and Health Services	1,105	\$917
Leisure and Hospitality	241	\$264
Other Services	80	\$373
Public Administration	318	\$859

Source: MN Department of Employment and Economic Development

For all industry, the average weekly wage was \$821 in 2019. At full-time employment for 52 weeks this would equate to an average annual wage of \$42,692.

The two dominant industry sectors for total employment were Education and Health Services, and Trade/Transportation/Utilities. More than 63% of all reported jobs in Wadena were in one of these industry sectors. The average weekly wages in these sectors were \$917 and \$800, respectively.

As the largest city in Wadena County, the City of Wadena represents most of the jobs countywide. In 2019, more than 59% of all reported jobs in Wadena County were in the City of Wadena. The average weekly wage in Wadena was higher than the average of \$758 for all of Wadena County.

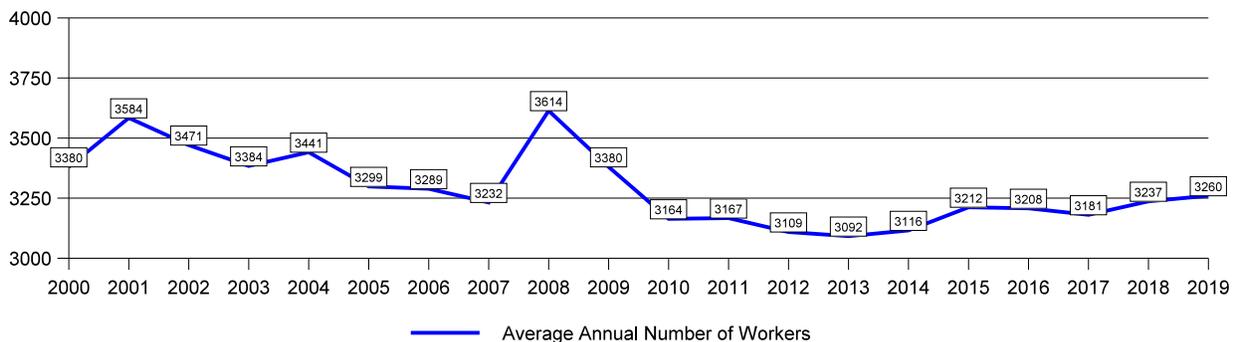
Wadena Annual Covered Employment

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

Table 25 Wadena Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	3,380	2010	3,164
2001	3,584	2011	3,167
2002	3,471	2012	3,109
2003	3,384	2013	3,092
2004	3,441	2014	3,116
2005	3,299	2015	3,212
2006	3,289	2016	3,208
2007	3,232	2017	3,181
2008	3,614	2018	3,237
2009	3,380	2019	3,260

Source: QCEW - MN Department of Employment and Economic Development

Number of Covered Workers in Wadena



When viewed over a longer time period, back to the year 2000, there has been a decrease in the number of jobs in Wadena. However, most of this change occurred in the 2000s. Since 2010 there has been a gradual increase in the employment level.

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.

Table 26 Commuting Times for Wadena Residents - 2018		
Travel Time	Number	Percent
Less than 10 minute	935	52.0%
10 to 19 minutes	451	25.1%
20 to 29 minutes	67	3.7%
30 minutes +	345	19.2%
Total	1,798	100%

Source: American Community Survey

A large majority of Wadena’s residents were working locally in 2018, with a travel time of 19 minutes or less for their primary job. Overall, more than 77% had a commute time less than 20 minutes. However, approximately 19% were traveling 30 minutes or more for their job.

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

Table 27 Commuting Times for Wadena Employees - 2018		
Travel Time	Number	Percent
Less than 10 minutes	1,184	31.4%
10 to 19 minutes	1,085	28.7%
20 to 29 minutes	646	17.1%
30 minutes+	859	22.8%
Total	3,774	100%

Source: American Community Survey

Most people that work in Wadena were traveling less than 20 minutes in 2018. Overall, more than 60% of the jobs were filled by people traveling 19 minutes or less, including the people that both live and work within Wadena. 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 Wadena, there were 2,904 people that were employed within the city limits in 2017. Approximately 21% of these Wadena-based employees also lived within the City, with nearly 2,300 employees commuting into the City. The primary identified jurisdictions supplying workers to the City were Wadena Township, Staples, Thomastown Township, Henning, Leaf River Township, Sebeka and Perham.

Many Wadena residents left their home community to work elsewhere. In 2017, approximately 62% of the City’s employed residents worked outside the city limits. The primary locations listed for outbound commuters were New York Mills, Perham, Hobart Township and Brainerd.



Findings and Recommendations

Summary of Key Findings for Wadena

Past Growth Patterns

Over the past few decades, the City of Wadena has generally been adding households, while maintaining a relatively stable population level. In 2019, there were an estimated 1,930 resident households living in the City. When compared to the 2010 Census, the City had added 90 households over the decade, or an average of 10 households per year. However, when compared to the 1990 Census, Wadena had added only 141 households, for a 30-year average of approximately five households per year.

Despite some population growth since 2010, the longer-term pattern has been that fewer people are living in the City. The estimated population in 2019 was lower than existed in 1990, as an aging population and fewer families with children have resulted in a continued decrease in the average household size.

When examining demographic trends, it is important to acknowledge the tornado disaster that occurred in Wadena in 2010. This event resulted in a significant damage to the City's housing stock. Although subsequent new construction caused a net gain in overall housing availability over the following decade, it is probable that there are fewer single family houses in Wadena in 2020 than were present before the tornado in 2010. The net housing unit growth after 2010 was largely due to multifamily rental production.

Projected Growth

Projections are often based on past patterns, which are then trended forward. For Wadena, the limited growth pattern in past decades yields an expectation of modest future growth. The projections obtained from Esri expect the City to add approximately two households per year, and four to five people per year through 2025.

In the opinion of the analysts, Esri's projections are too conservative. A better indicator of the City's growth potential is to examine the success of recent housing unit construction. Over the 10-year period spanning 2010 through 2019, the best available records indicate that the City had a net gain of between 120 and 130 total housing units. This was after adjustments for housing lost to the 2010 tornado.

The occupancy rates in the newly constructed housing are high. Based on past housing activity, a more realistic growth projection would expect the City to add between 10 and 13 households per year going forward, or a five-year total of approximately 50 to 65 total households.

As the largest City in the County, Wadena is an attractive residential location for seniors. 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 through the year 2025.

For the recommendations that follow, the projection that has been used expects that Wadena will add 50 to 65 households over the next five years.

Housing Construction/Availability

For the growth projections to be achieved, Wadena will need to add a commensurate level of housing units. While a limited amount of unoccupied housing may exist in the City in 2020, the best available information points to a high rate of occupancy and housing utilization.

As stated above, it is probable that Wadena has fewer single family houses than in the past, as new construction activity since 2010 was lower than the estimated house demolition activity following the tornado disaster.

All of the estimated net gain in the housing stock would be attributed to multifamily rental housing construction, including some specialized housing for seniors needing services.

Housing Tenure Patterns

As the largest city in Wadena County, Wadena has historically had an above-average distribution of renter-occupancy housing options. At the time of the 2010 Census, more than 40% of households in Wadena were renters. The construction patterns since 2010 would point to an even higher rental tenure rate in 2020.

Household Income

According to the 2018 American Community Survey, the median household income in Wadena was approximately \$41,700, more than \$4,100 below the median for all of Wadena County. The City's median family income was above \$48,900, but more than \$21,000 lower than the comparable Countywide level.

The lower income levels in Wadena are impacted by the high rate of renter-occupancy in the City. For all renter households, the estimated median income level in 2018 was \$37,500. For all home owners, the estimated median income was \$49,965. While the City's median renter income level was relatively high by comparative standards, in general, renters tend to have lower household incomes than home owners.

Housing Costs

Housing costs in Wadena were generally in a moderate range. The estimated median value for an existing single house is probably above \$100,000 in 2020, slightly higher than the other cities in the County, but still in a very affordable range.

The estimated median gross rent in 2018 was \$690 per month.

With relatively moderate housing costs, most households in Wadena have been able to find affordable housing. Approximately 34% of all renter households reported paying 30% or more of income for housing in 2018. Approximately 18% of home owners were also paying 30% or more of household income to housing costs.

Employment and Commuting

Wadena is the County's largest employment center. There are more jobs based in the City than the size of Wadena's resident labor force. As a result, the best information on commuting patterns indicates that most City residents are able to work locally. In 2018, more than 75% of the City's employed residents were traveling less than 20 minutes to work. However, many of the job opportunities in Wadena were being filled by people living outside the community.

The Quarterly Census of Employment and Wages (QCEW) reports workers that are covered by unemployment insurance. Using this data, longer-term employment patterns can be tracked. In Wadena, there has been a relatively stable local employment level recorded between 2010 and 2019.

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.

Findings and Recommendations	
Home Ownership Recommendations	
1.	Projected Demand for Five to Seven Owner-occupancy Units Annually
2.	Promote Attached Single Family Housing Construction
3.	Promote the Lot Options in the City/Monitor Lot Supply
4.	Consider the Creation of Housing Construction Incentives
5.	Promote Affordable New Construction Partnerships
6.	Additional Strategies to Encourage Lot Sales and New Home Construction
7.	Promote the Affordable Existing Housing Stock in the City
8.	Utilize and Promote all Programs that Assist with Home Ownership
9.	Consider the Development of a Purchase/ Rehabilitation Program
Rental Housing Recommendations	
10.	Promote the Production of 24 to 30 Units of Market Rate Rental Housing
11.	Monitor the Supply and Demand for Income-Restricted Rental Housing
12.	Monitor Demand for Specialized Senior Housing/Promote the Development of Housing with Services
Housing Rehabilitation and Preservation	
13.	Continue to Offer Rental Housing Rehabilitation Programs
14.	Continue to Offer Owner-occupied Housing Rehabilitation
15.	Continue to Demolish Dilapidated Structures
16.	Consider Programs to Improve the Condition and Quality of Mobile Homes
17.	Strategies for Downtown Housing and Redevelopment
Other Initiatives	
18.	Create a Housing Plan and Coordination Among Housing Agencies
19.	Develop Community Marketing Programs and Strategies

Home Ownership Recommendations

Overview: In 2010, a tornado hit the City of Wadena causing extensive damage to property. Based on City reports, 50 single family houses were demolished in 2010 due to the tornado. Significant rebuilding began in 2010, as building permits were issued for 25 new single family houses, many of these as replacements for lost homes. However, by 2011, only two single family permits were issued.

In the 10-year period spanning 2011 through 2020, there were 25 single family houses that were permitted in Wadena. Some of these were structures that were moved into the City such as modular homes and manufactured housing. Over this period the City averaged approximately two to three single family housing starts per year.

Prior to the national housing market collapse of the late 2000s, Wadena had been more successful in achieving a higher level of new home construction. From 2000 through 2007, the City was averaging approximately eight single family housing starts per year. But starting in 2008, this changed, and for the next 13 years the City averaged closer to two new houses per year, if the tornado rebuilding impact is excluded.

Wadena has had much greater success with rental housing construction. In 2010, prior to the tornado, the City's rental tenure rate was above 40%. With more rental housing constructed after 2010, it is probable that the rental rate is even higher in 2020, and the City's home ownership rate is below 60%.

A very large share of the households in the Wadena and Wadena County are age 55 and older in 2020. In the City, nearly 54% of all households are age 55 and older, according to the best available estimates.

Empty-nester and senior households will often begin to move to low/no maintenance housing options, which can include age-appropriate new construction. In Wadena, much of the recent rental production has been oriented to senior renters, in the Green Gable and Lincoln Park Townhomes projects, and in small rental developments constructed by Merickel Lumber. These single family-style rental units have been very successful, and may have reduced the demand that could have otherwise existed for senior-oriented home ownership housing options.

Wadena does have at least two subdivisions with good quality lots available. In 2020, between 20 and 25 vacant lots can be identified in these two development areas, although ten of these lots are now owned by a nonprofit organization that promotes affordable housing.

At least some of the vacant lots can be purchased for as low as \$5,000, provided home construction begins within one year, so there are very affordable options for buyers, and lot availability should not limit near-term home building activity.

Existing home values in the community are in a moderate price range, but it does appear that there is some upward pressure, based on recent sales. Between 2015 and 2018 the annual median sale price had increased by more than \$30,000. However, the estimated value in 2020 is still probably below \$110,000 based on existing home sales, well below the costs associated with new construction.

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

1. Projected Demand for Five to Seven Owner-occupancy Units Annually

Findings: Despite some decade-to-decade variation, the City of Wadena does have a long-term pattern of household growth. Since 2010, the City has been averaging annual growth of approximately ten households per year. Since 1990, the City has averaged nearly five additional households per year. While these patterns show moderate growth, the City has continued to need new housing production annually.

Going forward, this Study has used a projection that growth-generated demand will result in the need for at least 50 to 65 additional housing units in Wadena. Although most existing households own their unit, the recent production patterns in Wadena have been heavily oriented toward rental housing.

Applying a projection that approximately 40% of the near-term demand will be for owner-occupancy units, Wadena should need approximately 20 to 26 additional single family units. With some allowance for other factors, including unit replacement, a realistic forecast would indicate the need for 25 and 35 units for owner-occupants over the next five years.

Recommendation: In the recent past, the City has had limited success with owner-occupancy housing development. Excluding the one-time impact of tornado replacement housing, the City has averaged approximately two single family housing starts per year since 2008. However, in the early and mid-2000s, the City had been averaging up to eight single family units per year. Going forward to the year 2025, an achievable forecast would point to approximately five to seven single family housing starts per year in a typical year.

This projection represents all forms of owner-occupancy housing, including attached single family units which will be addressed in a later recommendation. Most of the expected demand will come within the moderate to higher-priced segment, representing trade-up home buyers. Annual demand should be for three to five units per year. Some additional demand from the affordable, entry-level segment should be for two to three units annually.

2. Promote Attached Single Family Housing Construction

Findings: Prior to the housing market retreat of the late 2000s, attached housing, primarily in the form of twin homes, had been adding market share in most communities. Although specific construction reports for Wadena from the previous decade were not reviewed, in some similar-sized communities, 20% or more of the single family housing starts were in attached structures.

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

Based on the available building permit reports, it does not appear that any attached housing construction for owner-occupancy has occurred in Wadena more than a decade. Multiple rental projects with town house-style units have proceeded and these have been very successful.

The age-based projections to 2025 show some household growth potential, primarily within the 65 and older age ranges. The 2025 projections indicate that nearly 54% of all households living in Wadena will be age 55 and older. The near-senior and senior citizen age groups have historically had very high rates of owner-occupancy and represent a primary target market for attached single family housing that offers no maintenance or low maintenance living.

Recommendation: The demand calculations used for this Study expect that up to 20% of the future demand for owner-occupancy housing construction can be met through attached single family housing, such as twin homes. With overall ownership demand at 25 to 35 units over the 5-year period, attached single family construction should reach five to eight total units. The recommended production could probably be achieved in a small twin home development area.

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

Depending on the project location, we would expect most of the attached unit construction to occur in the more moderate price ranges. In 2020, it is not clear if lots exist for twin homes, or if existing lots could be re-platted for this use.

3. Promote the Lot Options in the City/Monitor Lot Supply

Findings: Based on information obtained from the City, there are at least 20 to 25 vacant lots available in 2020, primarily in two different subdivisions. This lot inventory would probably be greater if remnant lots, infill parcels and redevelopment sites around the City are added.

Although specific lot pricing was not obtained for most of these lots, there are some in a city-owned subdivision that are available for \$5,000, provided new construction begins within one year. Despite this offer, few lots have been sold in recent years. As a result, 10 lots in the city-owned subdivision were recently sold to MMCDC, a regional nonprofit with a history of affordable single family home construction in other communities, including Detroit Lakes and Frazee.

There has not generally been a strong home building market in Wadena County for many years. Wadena, Staples and Menahga have all had a similar number of single family housing starts over the past decade, although both Wadena and Menahga have seen some increased level of activity over the past one to two years.

Each of the communities in Wadena County had achieved a greater level of new construction in the early to mid-2000s, when national markets were very active. But since 2008, few new homes have been built in any single year, with the exception of post-tornado activity in 2010.

In addition to the lot inventory available in Wadena, the Cities of Menahga and Sebeka also have relatively large supplies of vacant lots. The lot supply in Staples is much more limited, as no recent subdivision activity has occurred in this community.

Recommendation: We will generally apply a standard that a 2 ½ year supply of lots should exist. If the projected goal of five to seven single family housing starts per year is achieved, this would result in the need for up to 17 vacant lots to meet near-term demand. An adequate inventory is present in 2020, but if the projections are reached, some additional lot development may need to begin within the next two years.

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

4. Consider the Creation of Housing Construction Incentives

Findings: Since 2011 the City has been averaging approximately two to three new single family housing starts per year. Going forward, a higher level of production is achievable, but proactive efforts may be needed to attract this larger market share. If the projected demand of five to seven new houses per year is not being reached, 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.

It is important to state that Wadena has used new construction incentives in the past. A few years after the 2010 tornado, the City offered a 10-year tax abatement for new house construction on lots that were vacant after damage clearance. Based on available reports, at least five houses were added in 2015 or 2016, and may have benefitted from the abatement program. That incentive was ended in 2016.

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

In other communities that have achieved success with incentive programs, the cost per unit has often reached or exceeded \$15,000 per house. This would probably limit the number of homes that could be assisted annually, but may result in a higher level of home building.

Another 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. Promote Affordable New Construction Partnerships

Findings: The City owns a residential subdivision that was acquired through the tax forfeiture process. Ten of the vacant lots in this subdivision have been sold to the Midwest Minnesota Community Development Corporation (MMCDC). This nonprofit group has worked in other communities in the region to build new homes.

MMCDC has used different approaches in their single family construction projects. In Detroit Lakes, affordable new homes were built and sold at market prices. In Frazee, four new houses were built on a redevelopment parcel and sold at below-market prices. The cost write-down in Frazee was achieved through the use of grant funds available to the project.

The houses in Frazee were 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 total development cost of approximately \$213,000 or more.

The proposed construction in Wadena would not have access to any grant funded cost write-downs. The houses would be sold for market prices, assumed to be in the \$250,000 range.

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

To the extent that adequate outside funding can be secured, an effort similar to the project in Frazee could be explored to make the end sale price lower in Wadena. A difficulty with this approach will be securing adequate funding for the development subsidy that may be needed. The houses in Frazee used approximately \$48,000 each in cost write-downs.

Other communities in the County, including Sebeka, have recently worked with Habitat for Humanity to get some very affordable homes built. This approach could potentially be used for infill redevelopment sites, including in older neighborhoods where substandard structures may have been cleared. It is possible that some lots cleared after the 2010 tornado may still exist.

6. Additional Strategies to Encourage Lot Sales and New Home Construction

Findings: Although we believe that the potential exists for Wadena to see increased home building over the next five years, this has not been happening in the recent past. The City owns a residential subdivision with four or five unsold lots in 2020. 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:

- ▶ ***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, vacant lots could be replatted 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.

7. 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. The values for older existing homes in Wadena are generally in an affordable price range.

This Study tracked the sales activity in Wadena back to the year 2010. Given the variation in the annual sales activity, the midpoint sale for any 12-month period may not be an accurate indicator of overall values, but in recent years an annual median of approximately \$100,000 or more is probable. The timing of the data collection for 2020 resulted in only partial-year sales reporting, but through June the 2020 median sale price had been approaching \$115,000.

Another estimate of home values is available from the Census Bureau's American Community Survey. In 2018 the median value for owner-occupancy houses was \$100,300. This estimate was very similar to the medians for annual recent sales. Moderate home values can represent a very attractive ownership option for potential home buyers in the larger region.

Recommendation: Wadena has many job opportunities located 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. Wadena does have a potential competitive advantage in attracting home buyers, with relatively affordable average values for existing single family houses.

Over time, some of the City's older, lower-valued homes may have slipped into disrepair. Action may be needed to clear 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.

8. Utilize and Promote all Programs that Assist with Home Ownership

Findings: Home ownership is generally the preferred housing option for most households and most communities. The best available information indicates that between 55% and 60% of all households living in Wadena 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 also 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 programs.

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.

Both MMCDC and the Central Minnesota Housing Partnership (CMHP) are regional nonprofit agencies dedicated to affordable housing that have been active in Wadena County. Both of these agencies can potentially assist with affordable home ownership program delivery.

9. Consider the Development of a Purchase/ Rehabilitation Program

Findings: Wadena 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 1962. Nearly 45% 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, improved the home, sold the home to a low income family and provided a mortgage and a monthly payment that was affordable. However, MHFA is no longer providing MURL funding.

Recommendation: We recommend that Wadena 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 repairs, 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: As the largest city in the County, Wadena serves as a rental center for the surrounding region. At the time of the 2010 Census, more than 40% of all households in the City were renting their housing. This percentage has probably increased somewhat after 2010, as Wadena has added more than 135 rental units through new construction, while experiencing a small net loss of single family houses after the tornado disaster.

The City has a diverse mix of rental units by both market segment and structure type. Most of the rental construction since 2010 has been in projects that serve conventional market rate renter households. The City has also added rental housing in a specialized senior project that offers care to people needing services with their housing.

Most of the conventional market rate projects created since 2010 added town house-style units that offer amenities that are similar to single family living, with an attached garage, one-level floor plan, in-unit laundry and private exterior entrances. While not age restricted, these units have been very popular with older renters, age 55 and above.

The newest projects tend to have an attractive rent structure for the amenities and features that are offered. The estimated gross monthly rent is approximately \$1,000 to \$1,200 for a two-bedroom unit. While this is a higher rent structure than prevailing rental options in the area, strong demand and full occupancy was generally reported.

Similar types of projects have also been developed in other area communities, including Staples and Menahga. These town house/cottage-style units have also achieved market success, especially from empty-nesters and seniors.

Much of the City's older conventional market rate inventory exists in single family houses offered as rentals and in other small structures with four or fewer units. According to the American Community Survey estimates, more than half of all rental units in Wadena are in single family houses. Approximately 69% of all rental options are in structures with four or fewer units.

Wadena has an inventory of 192 income-restricted housing units in multifamily projects. There are also 37 apartment-style units in a senior project offering services. The City also has specialized care senior options in sleeping rooms, providing assisted living and memory care housing.

Looking at the growth potential for the City to the year 2025 yields a reasonable projection that as many as 50 to 65 additional housing units will be needed to keep pace with expected growth, unit replacement and current unmet demand. Approximately 60% of these units could be oriented to renter households. With some additional allowance for unit replacement and unmet demand, a target of 40 to 55 additional rental housing units should be developed in the City over the 5-year projection period.

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

10. Promote the Production of 24 to 30 Units of Market Rate Rental Housing

Findings: High quality market rate rental housing production has been successful in Wadena. Most of the new units are town house or cottage-style units, but a multi-level traditional apartment building was also constructed in 2014.

The town house-style projects are modeled on single family living and include the 28-unit Green Gable Townhomes in 2013, the 40-unit Lincoln Park Townhomes in 2018, and 21 units in multiple small projects constructed between 2011 and 2020 by Merickel Lumber. Some of the Merickel developments were built on lots cleared after the 2010 tornado and were replacement housing projects.

An apartment building was also constructed and is known as 1976 Enterprises Apartments. Only limited information was obtained on this building, but it is believed to contain 20 or more units in studio, one-bedroom and two-bedroom apartments. The building was originally permitted for 27 apartments but was then reconfigured and approximately 20 units were eventually built.

Based on the telephone survey of rental housing, the occupancy rates in the newest projects tend to be high. All of the newer town house-style projects reported full occupancy and strong demand. The newest apartment building did report some unoccupied units.

While most of the newer projects have high rates of occupancy, it is possible that some of the City's older rental inventory has some vacancies. One property management company with more than 150 total units, many in single family houses, reported that an approximate 9% vacancy rate was typical.

However, another property owner with single family homes and small apartment buildings reported very strong demand for affordable rentals in Wadena. This owner stated that multiple calls are received whenever a turnover unit is advertised. These are generally affordable rental options.

The best information on overall rental rates in Wadena shows a moderate rent structure. According to the American Community Survey estimate for 2018, the median gross rent for all units was \$690. But a wide variation in monthly rents exists, depending on the age, features, amenities and condition of units.

The newer town house or cottage-style projects that offer one-level living, an attached garage and features of single family living have an estimated gross two-bedroom rent ranging from approximately \$950 to \$1,250. The newest apartment-style units, in 1976 Enterprises Apartments, have a lower rent structure of approximately \$700 for a two-bedroom.

Since much of the conventional market rate inventory exists in rental houses, great variation can be present. The Gores Company, which has more than 150 total units including single family homes, reported a general range of \$450 to \$1,100 for a two-bedroom unit.

Although renter household income levels are lower than for most home owners, the estimated median renter household income in Wadena was relatively high in 2018, at \$37,500. At this income level, a household could afford a monthly gross rent payment of approximately \$940.

Approximately 52% 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.

Recommendation: Based on the success of recent projects, additional construction of 24 to 30 high quality market rate rental units is recommended over the next five years. Although different rental styles could be used to meet this goal, including an apartment building, the success of past town house-style projects would support this type of future development in Wadena.

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

As an alternate plan, an apartment building could also be developed, to help diversify the choices available. In Staples, the Cardinal Pines Apartments opened for occupancy in 2019 and has been well-received by area renters. This project offers a number of amenities, including large floor plans, in-unit laundry and optional garage parking.

As stated previously, the age-based projections for the City expect that nearly 54% of all households will be age 55 or older by the year 2025. Regardless of actual construction type, any new rental housing in Wadena should contain amenities and features that would appeal to this older adult segment of the market.

In both Wadena and Staples, private developers have been active in rental housing construction, and it is probable that this will continue in the future. However, a public role in the project could help to contribute to a lower, more affordable rent structure.

11. Monitor the Supply and Demand for Income-Restricted Rental Housing

Findings: There are four rental projects in Wadena that provide affordable housing but have income restrictions for tenants. Each of these used federal development subsidy programs through either the U.S. Department of Housing and Urban Development (HUD) or through USDA Rural Development. All of these properties can offer project-based rent assistance for very low income renters.

Two of the projects, Humphrey Manor East and Humphrey Manor West, are oriented to senior/disabled tenant occupancy. Combined they have 120 apartment units. Nearly all of these are one-bedroom apartments.

The remaining two properties are designated for general occupancy, and most of the units have two or more bedrooms. Combined, Greenwood Apartments and Wadena Square have 72 rentals. Ten of the units in Wadena Square do not offer project-based rent assistance, so a moderate "basic" rent applies.

In addition to these income-restricted properties, there are also 43 tenant-based rent assistance Vouchers being used in Wadena. While it is possible that one or more of these Vouchers may be in use in Wadena Square, which cannot offer project-based rent assistance for all units, it is assumed that these are instead being used within the private rental market.

With these resources, there are potentially 235 households in Wadena that have access to some form of assisted housing in 2020. This may represent 25% to 27% of all rental opportunities in the City.

As stated previously, the estimated median household income level for renters in Wadena was relatively high in 2018, at \$37,500. The combination of higher incomes along with a supply of subsidized housing resources has meant that most renters can secure affordable housing.

The 2018 American Community Survey reported that approximately 34% of all renter households in Wadena 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. The last addition of a subsidized building was in 1995 when Wadena Square was constructed.

Although new deep subsidy projects are rare, there have been some moderate rent projects developed using federal low income housing tax credits and other State resources. Currently, a moderate rent tax credit project is under construction in Staples, but no similar tax credit projects have been developed in Wadena in the past 20 years.

Although the City could benefit from some additional “deep subsidy” units, it is highly unlikely that funding could be secured in the future. It may be more possible for a project in Wadena to compete for low income housing tax credits or State work force housing grants. These would generally help to create income-restricted units that would have a below-market rent structure.

Available resources for the creation of affordable housing are very competitive, and in recent years have typically been awarded to regional centers. However, the Mill Townhomes project in Staples may indicate that Wadena could also be successful in receiving an allocation of federal low income housing tax credits.

We would recommend that Wadena monitor the existing supply of assisted housing. If the project in Staples succeeds and achieves stabilized occupancy, the City could explore options with the Central MN Housing Partnership, which advanced the Staples application.

Another 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 expanding very affordable housing is to add to the supply of 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.

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.

12. Monitor Demand for Specialized Senior Housing/Promote the Development of Housing with Services

Findings: Wadena has housing options for seniors as they move through the aging cycle. The City has a skilled nursing home that offers long-term care, two assisted living providers, and two specialized memory care facilities.

The City does not currently offer any lighter services senior housing for more independent seniors. There had previously been a project that may have been addressing this segment, known as Fair Oaks Manor. This apartment building is physically connected to the Fair Oaks Lodge nursing home and was originally intended to provide housing with services. But its focus has changed over time, and in 2020 it offers conventional market rate housing for general occupancy, with no age restrictions.

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 Wadena, specialized forms of senior housing exist in Menahga, Sebeka 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. Wadena contains most of the dedicated memory care beds in the County. But the County's only light services housing options are in Staples and Menahga.

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. A reasonable estimate is that between 35 and 40 total units currently serve this housing segment Countywide, split almost equally between Staples and Menahga. To maintain full occupancy, a capture rate of approximately 3.8% to 4.3% is required among all senior households in Wadena County. An expansion of housing within this segment may be needed, and Wadena would be a logical location for an expansion of this housing type.

Assisted Living - Assisted living housing options for seniors needing a higher level of services exist in Wadena, Menahga, Sebeka and Staples. A reasonable estimate is that between 135 and 140 total units/rooms serve this housing segment in Wadena County, with approximately 42% of these in Wadena. 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. This is a relatively high capture rate, 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 reasonable estimate is that capacity currently exists for approximately 46 people in this housing segment in Wadena County. Approximately 65% of this bed capacity is in the City of Wadena. 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 pandemic.

Skilled Nursing Homes/Long-Term Care - Skilled nursing homes exist in Wadena, Menahga and Staples. Some of the licensed beds 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 Countywide, with approximately 27% of these beds in Wadena. 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 their focus to create COVID wards.

Recommendation: It is important to state that the pandemic underway in 2020 has the potential to significantly impact specialized housing options for seniors. In Minnesota, more than 70% of the COVID deaths have occurred in residents of congregate care facilities. During the research process, there were reported positive cases in senior housing facilities in Wadena, Staples, Sebeka and Menahga. The recommendations concerning this type of housing are made with the assumption that the pandemic will soon be contained.

In the City of Wadena, the best current information indicates that residents are well-served by housing options for assisted living, memory care and skilled nursing care. The specialized option that is not available locally is for light services housing oriented to more independent seniors.

In 2020, approximately 4% of the County's older senior households have access to lighter services senior housing, but none of the current inventory exists in Wadena. A housing project with light services in Wadena with 20 to 24 units would help to expand the choices in the City, while proving better access to this form of housing Countywide.

If these units are added to the options that exist in Staples and Wadena, a capture rate of approximately 6.5% of the households age 75 and older would be required to maintain full occupancy in 2020. By the year 2025, this would drop to approximately 6% of older senior households, based on the projected rate of growth.

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 Wadena 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. Structures that are not maintained and improved may slip into disrepair and be lost from the housing stock. Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities.

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

13. Continue to Offer Rental Housing Rehabilitation Programs

Findings: Much of the conventional market rate rental stock in Wadena exists in smaller structures, including single family houses offered for rental use. Many of the units in this inventory are older housing.

Based on American Community Survey, approximately 31% 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). An award was made to Wadena in the 2020 application cycle for the rehabilitation of up to nine single family rental houses, along with up to 18 rental units in multifamily buildings.

The SCDP grant activity will be available within a defined target area neighborhood adjoining the downtown area.

Recommendation: Wadena has already taken a significant step in addressing the rehabilitation of older rental housing. The City will be working with the Central MN Housing Partnership (CMHP) to administer the SCDP programs.

In the future, additional older neighborhoods could be targeted. Other regional housing agencies may also be able to assist with this rental housing rehabilitation effort.

14. Continue to Offer Owner-occupancy Housing Rehabilitation

Findings: The City of Wadena had already designated a rehabilitation target area for an SCDP grant application, and had completed a housing condition analysis for this area. As a result, a condition survey was not completed as part of this Housing Study.

Wadena does have an older single family housing stock. According to the American Community Survey, the median year of construction for owner-occupancy units is 1962. Approximately 45% of the City's owner houses were constructed before 1960.

The Small Cities Development Program grant award in 2020 includes an owner-occupancy rehabilitation activity that will complete four projects. Other funding sources, including programs from the Minnesota Housing Finance Agency and the Weatherization Program may also be in use.

Recommendation: Wadena has already taken the first step in addressing the rehabilitation of owner-occupancy housing. The City will be working with the Central MN Housing Partnership (CMHP) to administer the SCDP programs.

We would recommend that the City continue to prioritize the rehabilitation of the older housing stock in the community. Future grant applications are encouraged, along with promotion of other programs and funding sources to assist with the repair of single family homes.

15. Demolish Dilapidated Structures

Findings: Although the analysts did not complete a housing condition survey in Wadena, it is probable that there are single family houses in the City that are dilapidated and possibly too deteriorated to rehabilitate. Some severely substandard structures were identified in each of the other communities participating in this Housing Study project.

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

16. Consider Programs to Improve the Condition and Quality of Mobile Homes

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

According to the American Community Survey, all of the mobile homes have a date of construction prior to 1980. Older mobile homes will often be showing deterioration, and may be difficult to economically repair.

Recommendation: Addressing the issues created by substandard mobile homes is not easily solved. 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. Some communities 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.

17. Strategies for Downtown Housing and Redevelopment

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

In 2020 the City secured a Small Cities Development Program (SCDP) grant that includes an activity to rehabilitate five commercial structures in a targeted part of the downtown area. It is also possible that some rental housing units could be rehabilitated in mixed-use buildings.

The Wadena HRA, which already owns rental housing in the downtown, acquired a building in 2019 that could be used for two apartment units in a mixed-use project.

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 Wadena:

- ▶ 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

18. Create a Housing Plan and Coordination Among Housing Agencies

Findings: As the largest city in the County, Wadena does have some designated staff to work on housing programs and issues. However, the City may need additional resources to plan and implement some of the housing recommendations advanced in this Study.

In addition to the Wadena Housing and Redevelopment Authority, the community also has access to County and regional agencies, including the 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 Wadena 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.

19. 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 Wadena 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.