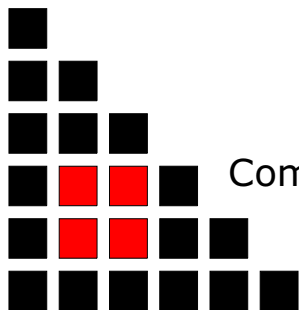


WADENA COUNTY HOUSING STUDY

City of Staples

December 2020

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



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List of Sections

	<u>Page</u>
Introduction	2
Demographic and Projection Data	3
Existing Housing Data	22
ACS Rental Housing Data	31
Rental Housing Inventory	35
Employment and Local Economic Trends Analysis	55
Findings and Recommendations	62
Summary of Key Demographic and Housing Findings	62
Wadena County Portion of Staples	65
Summary of Recommendations	66
Home Ownership Recommendations	67
Rental Housing Recommendations	78
Housing Rehabilitation	88
Other Initiatives and Issues	93

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 Staples, with separate documents completed for the other communities.

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Information was collected and analyzed from July to October 2020, including:

- U.S. Census Bureau
- Minnesota State Demographer
- Esri, Inc., a private data reporting service
- 2016 Staples Housing Study (AdMark Resources)
- Records and data from the City
- Records and data maintained by Wadena and Todd 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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Section Table of Contents

	Page
Demographic Data Overview	4
Population Data and Trends	6
Population Projections: 2020 to 2025	8
Household Data and Trends	9
Average Household Size	10
Household Characteristics: Age Trends: 2010 to 2020	11
Household Projections	13
Household Projections by Age of Householder: 2020 to 2025	14
2018 Median Income Data	16
Income Distribution by Tenure - 2018	18
Renters Housing Cost Burden - 2018	20
Ownership Housing Cost Burden - 2018	21

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 demographic estimates and detailed reports through the American Community Survey. However, there is a data lag on the release and the most recent estimates from the American Community Survey are for 2018, based on surveys collected over a five-year period from 2014 to 2018.

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

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

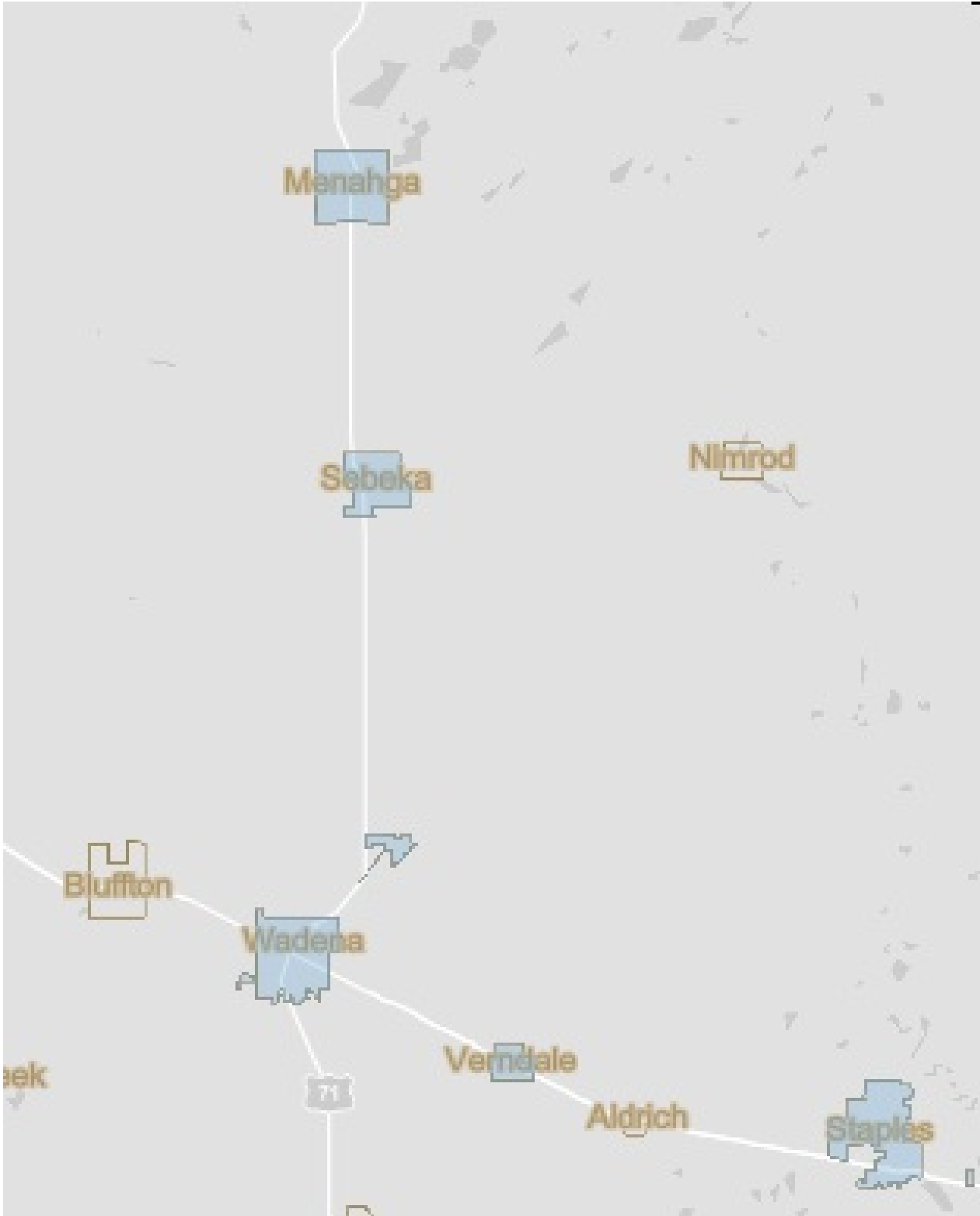
An additional data provider, Esri, Inc., has been used for the current-year, 2020 estimates. Esri is a private company that produces demographic data reports that are often used by financial institutions and the Minnesota Housing Finance Agency. Esri's 5-year projections extend to 2025.

Accuracy of Data

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

Multi-County Jurisdiction

Staples is located in both Wadena and Todd Counties. Although most of the City's residents live in the Todd County portion of the community, Staples has been included in this Wadena County Study. In some cases, the data sources can be examined for both parts of Staples, and in some of the primary demographic tables that follow, the City has been divided for better analysis. For comparative purposes, 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
Staples (Wadena)	397	642	61.7%	871	35.7%	861	-1.1%
Staples (Todd)	2,357	2,462	4.5%	2,110	-14.3%	2,170	2.8%
Staples	2,754	3,104	12.7%	2,981	-4.0%	3,031	1.7%
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 exists. It showed 3,031 people living in Staples. When compared to the 2010 Census benchmark, the City had added 50 residents between 2010 and 2019.

According to the State Demographer, the growth in population since 2010 was due to the Todd County portion of the City. However, the population loss was only 10 people in the Wadena County portion. In prior decades, the City’s net population growth was typically located within the Wadena County portion.

A current-year estimate was also obtained from Esri which shows 3,088 people living in the City of Staples in 2020, up by 107 people from the level recorded in the 2010 Census. The Esri estimate covers the entire City, and does not differentiate between the Wadena and Todd County portions.

A third source, the Census Bureau’s population estimates program, placed the City’s population at 3,000 people in 2019, up by 19 residents from 2010. The Census Bureau also looks at the entire City.

Although some differences do exist between the recent estimates, all three sources show some population growth for the City’s population since 2010. In the 1990s the City’s population had been growing, before declining somewhat between 2000 and 2010.

The State Demographer's 2019 estimate showed 13,744 people living in Wadena County, down by 99 people from 2010.

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

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

Population by Race/Ethnicity

According to the 2018 estimate from the American Community Survey, nearly 96% of the residents of Staples were White for race, and fewer than 4% were of Hispanic/Latino ethnicity. Due to the limited diversity, no further demographic details have been provided by race/ethnicity.

Group Quarters Population

In 2010, there were 218 people living in group quarters housing in Staples. Most of these people were in skilled nursing facilities. In total, there were 189 people in nursing homes in 2010, and all of these were in the Wadena County portion of the City.

The 2019 estimate from the State Demographer still showed 189 people living in group quarters housing in the Wadena County portion of Staples. Although no details are provided, it is assumed that this still reflects nursing home residents.

Population Projections

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

Table 2 Population Projections Through 2025			
	2020 Estimate Esri	2025 Projection Esri	Change
Staples	3,088	3,147	59 / 1.9%
Wadena County	14,124	14,327	203 / 1.4%

Source: Esri

Esri’s projection for Staples expects some future growth, with an increase of 59 permanent residents between 2020 and 2025. As stated previously, the City’s population has been gradually increasing, according to most estimates, and this pattern is expected to continue over the next five years.

According to this source, the City should add 59 people, or approximately 12 additional residents in an average year. The location of this growth cannot be determined from the citywide forecast, but the most recent population growth has been occurring in the Todd County portion of the City.

Esri also expects some population growth for all of Wadena County, with the projected addition of 203 people over the five-year period. On an annual basis, this would average 40 to 41 people per year. This numeric gain would be above Esri’s estimated level of countywide 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 3 Household Trends - 1990 to 2019							
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 Estimate	% Change 2010-2019
Staples (Wadena)	93	198	112.9%	285	43.9%	289	1.4%
Staples (Todd)	1,018	1,080	6.1%	937	-13.2%	1,003	7.0%
Staples	1,111	1,278	15.0%	1,222	-4.4%	1,292	5.7%
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 1,292 households in the City in 2019. When compared to the 2010 Census, 70 households had been added, or an average of nearly eight households per year.

Most of the recent growth was attributed to the Todd County portion of the City, with only four households added in the Wadena County portion between 2010 and 2019. In the 1990s and 2000s, most of the City’s household growth had been occurring within the Wadena County portion of Staples.

Esri’s 2020 estimate for Staples shows the City with 1,271 total households, up by 49 households since 2010, or an annual average of nearly five households per year.

As will be discussed in greater detail later in this document, building permit issuance shows that the City has added as many as 125 new housing units through new construction over the past decade. However, 42 of these units were permitted in 2019 and were under construction in 2020, and would not yet be reflected in any household estimates. Excluding the new units being built, the City may have added more than 80 housing units since 2010, before adjusting for any possible unit demolition. The probable expansion of the City’s housing stock should have been adequate to accommodate the estimated growth of 49 to 70 permanent households over the decade.

The primary estimating sources had similar opinions on the level of growth for all of Wadena County. 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, these Wadena County estimates are reasonably similar and show the County adding between 10 and 14 households per year. As stated in the population section, these sources differ on the location of this growth, as the State Demographer places most of the Countywide growth within Wadena, while Esri places the growth in the remainder of the County.

Average Household Size

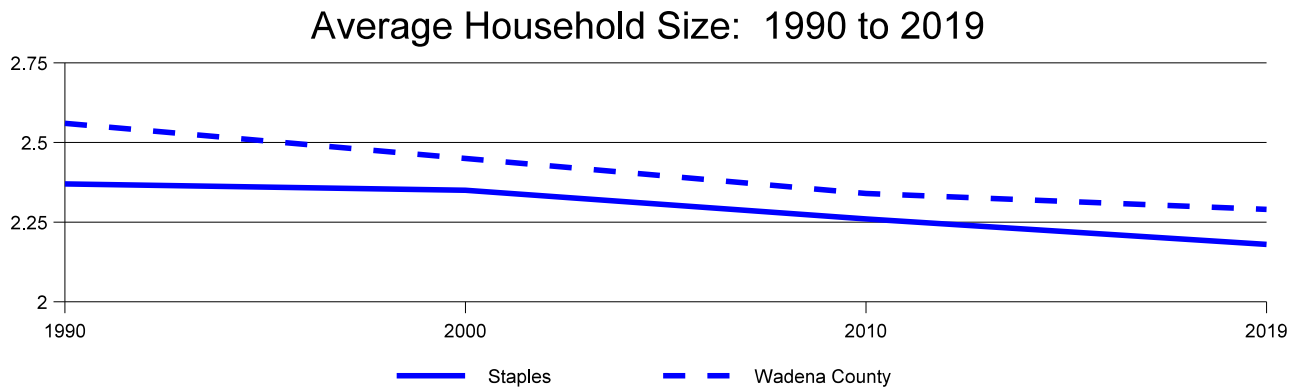
The following table provides decennial Census information on average household size dating back to 1990. The 2019 estimates from the State Demographer are also included.

Table 4 Average Number of Persons Per Household 1990 to 2019				
	1990 Census	2000 Census	2010 Census	2019 Estimate
Staples	2.37	2.35	2.26	2.18
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. Staples has generally followed this pattern since the year 1990.

The average household size in Staples has decreased from 2.37 persons in 1990 to 2.18 persons in 2019, according to the State Demographer. The City’s average household size has consistently remained below the Wadena County average.



An alternate estimate from Esri shows a different pattern since 2010 with the City’s average household size increasing to 2.30 persons in 2020. However, this would not seem to be consistent with longer-term patterns.

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

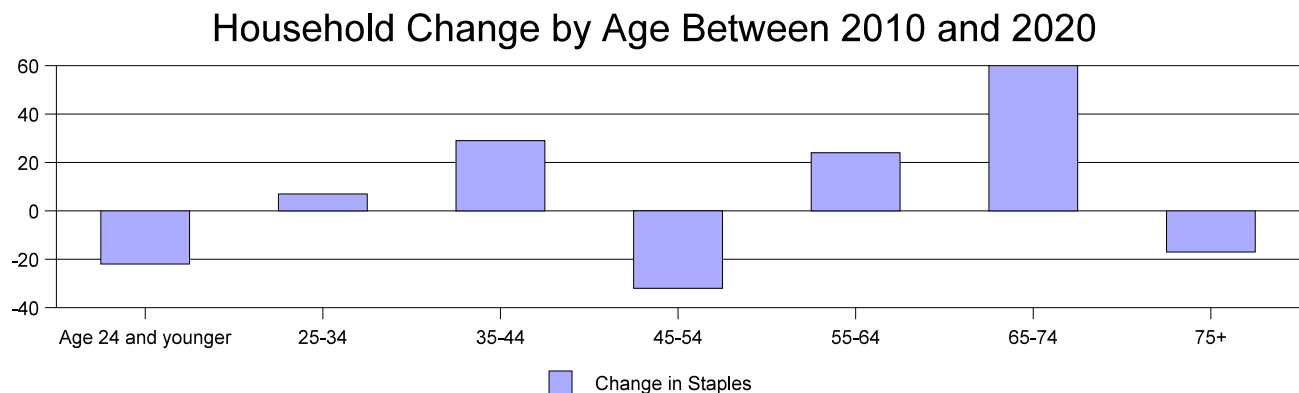
Household Characteristics: Age Trends

The following table examines the area’s changing age patterns. The 2020 estimates from Esri are compared to the 2010 Census to track recent changes. This information has been analyzed is for the City of Staples. While Esri shows fewer households in the City than the State Demographer, the difference in these estimates is less than 2%.

Table 5 Staples Households by Age - 2010 to 2020			
Age	2010	2020	Change
15-24	94	72	-22
25-34	197	204	+7
35-44	171	200	+29
45-54	206	174	-32
55-64	206	230	+24
65-74	138	198	+60
75+	210	193	-17
Total	1,222	1,271	+49

Source: U.S. Census; Esri

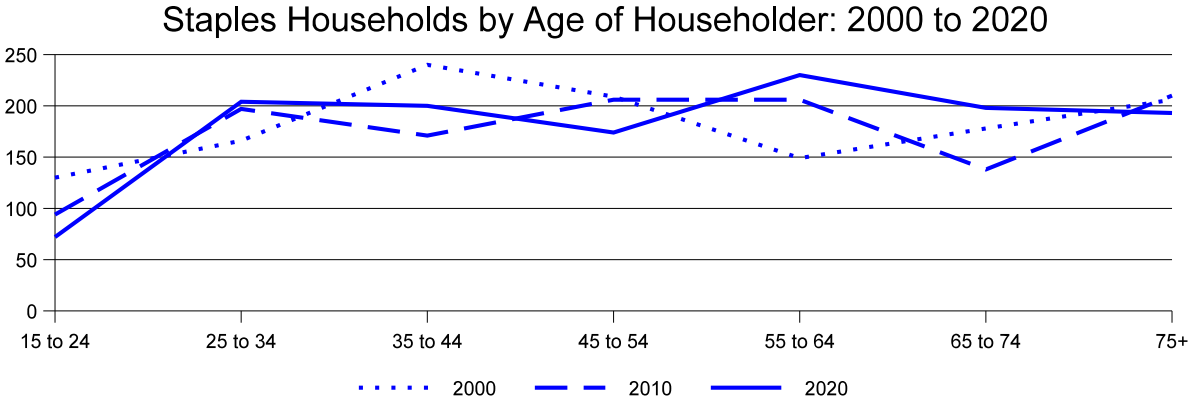
According to Esri, the City has added 49 households between 2010 and 2020. Most of the defined age ranges have experienced change, especially in the 65 to 74 year old range which had the largest increase in numeric growth. With the exception of the 25 to 44 year old range, the younger age groups decreased in size over the last decade.



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. However, there was some decrease among older seniors, age 75 and above.

When all of the age groups 55 and older are combined, the City had a net increase of 67 households, but a net loss of 18 households age 54 and younger.

It is possible to track the advancing “wave” progression of the baby boomer households in Staples 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.

Table 6 Household Projections Through 2025			
	2020 Estimate Esri	2025 Projection Esri	Projected Change
Staples	1,271	1,296	25 / 2.0%
Wadena County	5,845	5,938	93 / 15.9%

Source: Esri

Esri’s projection for Staples expects the City to add 25 households over the next five years. This is very consistent with Esri’s recent estimate showing the City adding an average of approximately five households per year since 2010.

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

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

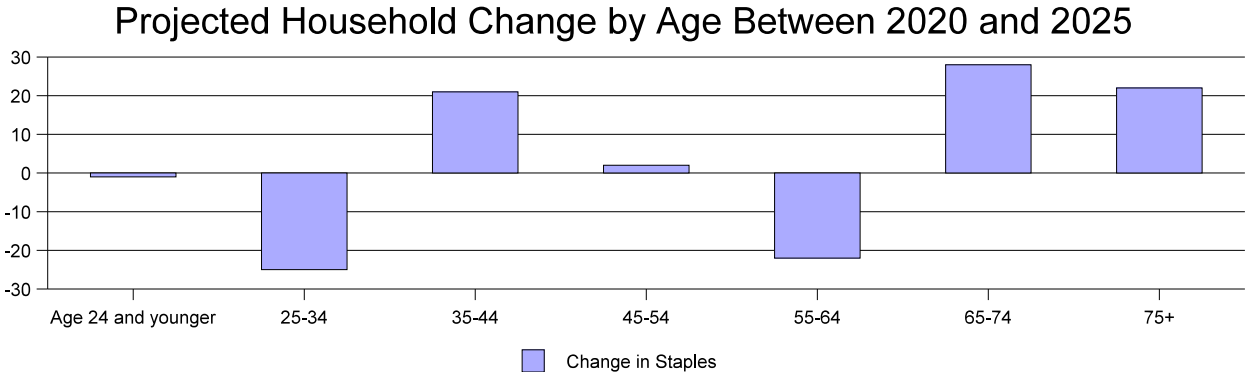
Projected Households by Age

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

Table 7 Staples Projected Households by Age: 2020 to 2025			
Age Range	2020 Estimate	2025 Projection	Change
15-24	72	71	-1
25-34	204	179	-25
35-44	200	221	+21
45-54	174	176	+2
55-64	230	208	-22
65-74	198	226	+28
75+	193	215	+22
Total	1,271	1,296	+25

Source: Esri

The age-based projections to 2025 expect limited overall change in Staples over the next five years, but growth is expected in the senior ranges. Most of the net increase should occur from households age 65 and older. With the exception of growth in the 35 to 44 year old range, most of the other age groups under 65 years old are projected to decrease in size or remain relatively stable.



2018 Median Income Data

Annual median income estimates are available at the city, township and county level through the American Community Survey. Information from 2010 can be compared to 2018 to track income trends over the decade.

Household income represents all independent households, including people living alone and unrelated individuals together in a housing unit. Families are two or more related individuals living in a household. Family incomes tend to be higher than the overall household median, as families have at least two household members, and potentially more income-earners, while many non-family households have only one household member.

Table 8 Median Household Income - 2010 to 2018			
	2010 Median	2018 Median	% Change
Households			
Staples	\$27,333	\$40,722	49.0%
Wadena County	\$34,686	\$45,860	32.2%
Minnesota	\$57,243	\$68,411	19.5%
Families			
Staples	\$40,056	\$52,875	32.0%
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 and median family income levels have been increasing rapidly over the decade, but remain well below the comparable medians for Wadena County. Between 2010 and 2018 the City’s median household income increased by 49% while the median family income increased by 32%.

All of Wadena County also had solid growth between 2010 and 2018 in 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 Staples could apply approximately \$1,020 per month and a median income family could apply approximately \$1,320 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

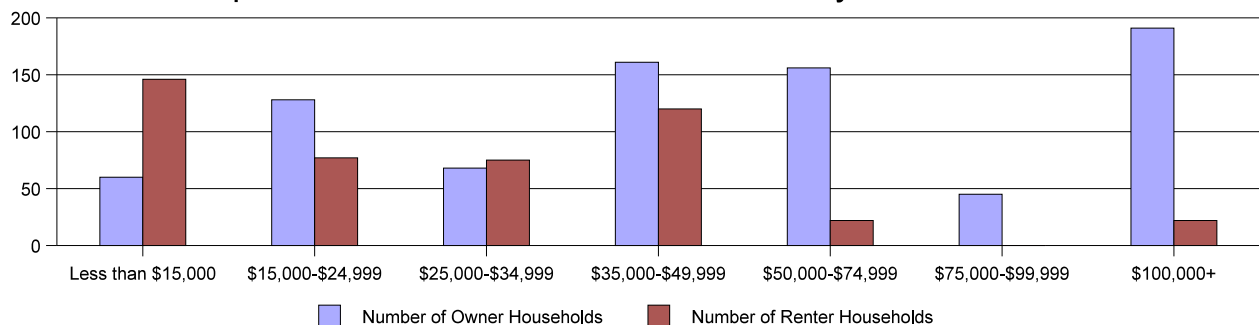
The American Community Survey contains household income distribution estimates. This information is available by ownership or renter status. When compared to other data sources, the American Community Survey has underestimated the total number of households in Staples, but the distribution of income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

Table 9 Staples Income Distribution by Tenure: 2018			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	60	146	206
\$15,000 - \$24,999	128	77	205
\$25,000 - \$34,999	68	75	143
\$35,000 - \$49,999	161	120	281
\$50,000 - \$74,999	156	22	178
\$75,000 - \$99,999	45	0	45
\$100,000+	191	22	213
Total	809	462	1,271

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 90%, with only 10% of these households renting their unit.

Staples Household Income Distribution by Tenure: 2018



This pattern changed in the lower and moderate income ranges. For all households with an annual income below \$35,000, the rental rate was approaching 54%.

For all renter households in the City the estimated median income level in 2018 was \$25,741. At the median income level for renters, a household could apply approximately \$645 per month toward housing costs without experiencing a cost burden.

For all home owners, the estimated median income was \$47,596. At the median income level for owners, a household could apply approximately \$1,190 per month toward housing costs without experiencing a cost burden.

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 10 Staples 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	40	26	66
20% to 29.9%	18	171	0	189
30% to 34.9%	0	8	52	60
35% or more	18	42	38	98
Not Computed	0	0	49	49
Total	36	261	165	462

Source: American Community Survey

Using a standard that 30% of income for housing defines a cost burden, most renter households in Staples 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 55% reported a cost burden. Among non-senior renters, approximately 23% 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 \$25,000 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 Staples owner households for monthly housing costs. Information is provided for owner households with and without a mortgage on their home.

Table 11 Staples Owner Household Cost Burden - 2018			
Percent of Income for Housing	Households with a Mortgage	Households without a Mortgage	Total
Less than 20%	242	262	504
20% to 29.9%	86	51	137
30% or more	94	74	168
Not Computed	0	0	0
Total	422	387	809

Source: American Community Survey

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

However, approximately 21% of all home owners reported that they paid more than 30% of their income for housing. This included home owners both with and without a mortgage on their home. A large majority all of the home owners with a cost burden had an annual income below \$35,000.

Building Permit Trends

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

Table 12 Staples Housing Construction Activity: 2010 to 2020*			
Year	Single Family	Multifamily Rental	TOTAL
2020*	1	0	1
2019	0	42	42
2018	1	38	39
2017	0	0	0
2016	1	34	35
2015	1	0	1
2014	2	0	2
2013	2	0	2
2012	2	0	2
2011	1	0	1
2010	1	0	1
TOTAL	12	114	126

Source: Census Bureau; City of Staples

* 2020 is partial year

Over the 11-year period from 2010 to 2020 (partial year) there have been 126 housing units constructed in Staples, based on building permit issuance. This total includes 42 rental units in Mill Townhomes that were still under construction in 2020, but with the first phase of units completed and opened for occupancy in October.

Excluding Mill Townhomes, the remaining permits represent an estimated gain of 83 housing units in the City since 2010. This is fairly well matched to the State Demographer's estimate that Staples added 70 resident households between 2010 and 2019. It is very possible that some older housing was lost during this same time period, but specific demolition or unit removal records were not obtained.

Most of the new housing construction in Staples over the past 11 years has been in rental complexes. The three larger-scale projects identified added 34 units in Pullman Townhomes in 2016, 38 units in Cardinal Pines Apartments in 2018, and 42 units in Mill Townhomes in 2019.

Both Pullman and Cardinal Pines offer conventional market rate rental housing for general occupancy. Mill Townhomes is a moderate rent, income-restricted project that was assisted through federal low income housing tax credits.

Over the 11 years reviewed, there were only 11 single family homes constructed, based on annual reports. But nine of these were constructed between 2010 and 2016. Since 2017, only two new houses have been permitted, including a speculative construction house that was built in 2020.

Based on the reports obtained, it does not appear that any attached single family housing for owner-occupancy has been built over the decade, such as twin homes or town houses.

This Study did not attempt to track changes in the City's inventory of mobile homes in parks. In 2020, there were as many as five mobile homes that appear to have been added in the community. However, unless the supply of lots in mobile home parks has recently expanded, it is assumed that the lots used in 2020 had at times been occupied in prior years. If there has been a significant increase in mobile homes, the household and population growth statistics provided earlier may be too conservative.

Lots and Land

According to City staff there is a very limited supply of vacant residential lots in 2020. The largest supply exists in Valley View Subdivision, which is in the Wadena County portion of the City.

Valley View - This subdivision has seven vacant lots for single family home construction in 2020. The estimated prices are approximately \$30,000, including outstanding assessments. Due to slow lot sales in past years, it is possible that the remaining lot inventory may enter tax forfeiture in the future.

Valley View also had ten lots platted for twin home construction (20 total housing units). No twin homes have ever been built and the City has acquired this property through the tax forfeiture process. The City may look for duplex or town house-style rental development for this site. Another option being considered is to re-plat this subdivision as single family lots, although existing special assessments against each lot would also need to be modified.

Some infill lots exist around the community, but no specific inventory was provided. The City has put in place policies to facilitate the use of older infill lots that may not meet the current standards for residential construction.

Undeveloped land parcels do exist, including a City-owned property that could be used for future residential construction.

Existing Home Sales

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

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

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

The Assessor's Office also attempts to make adjustments to the actual sales price to reflect personal property, financing concessions or other factors not directly related to the real estate value. For the analysis that follows, the "adjusted sales price" has been used.

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

Table 13 Residential Sales Activity - 2010 to 2020*

Year	Number of Good Sales	Median Sale Price	Highest Sale	Lowest Sale
2020*	3	\$166,650	\$276,760	\$146,750
2019	14	\$137,975	\$289,000	\$89,900
2018	10	\$144,000	\$323,500	\$132,703
2017	11	\$136,200	\$248,120	\$45,120
2016	12	\$145,750	\$174,200	\$60,000
2015	14	\$127,050	\$282,600	\$91,960
2014	6	\$135,800	\$281,389	\$92,100
2013	4	\$111,700	\$325,600	\$87,900
2012	6	\$128,325	\$186,300	\$54,365
2011	4	\$92,463	\$152,900	\$25,000
2010	5	\$169,000	\$247,400	\$110,000

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

* 2020 is through June 23

With a very limited number of good sales in any 12-month time period, the annual median price may not be a reliable indicator of home values. This is evident in the wide variation that exists for the annual medians in the Wadena County portion of Staples since 2010.

In 2019, the last full year, there were 14 good sales that were recorded. The median price was \$137,975. If the 27 sales between 2018 and 2020 (partial) are aggregated, the median was \$146,750.

Although there are some lower valued sales over time, in most years the lowest priced sale is \$60,000 or higher. In each of the years reviewed, at least one house has been sold for more than \$150,000. While information was not reviewed for the Todd County portion of Staples, it is believed that more low valued sales occur annually in that part of the City.

An alternate home value estimate is available from the 2018 American Community Survey. This source places the midpoint owner-occupancy house value in Staples at \$92,200. But this appears to be due to a large difference between the portions of the City within each County. For only the Wadena County portion of Staples, the estimated median value was \$145,000 in 2018, an estimate that is very similar to the sales median.

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 Staples. On August 30, 2020, there were only 10 single family homes that were listed for sale that appeared to be located in the city limits of Staples.

The listing prices ranged from a low of \$92,500, to a high of \$325,000. A number of the houses at the lower end of this range were identified as a “pending” sale.

Housing Condition Analysis

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

In Staples, most of the older housing stock exists in the Todd County portion of the City. Houses that were south of Highway 10 were included in the survey.

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

Dilapidated houses are generally considered beyond repair.

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

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

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

Table 14 Windshield Survey Condition Estimate - 2020					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
South of Hwy 10	85 / 25.5%	144 / 43.3%	70 / 21.0%	34 / 10.2%	333

Source: Community Partners Research, Inc.

In general, the housing stock in this older part of Staples is in good condition, with nearly 69% of the houses rated in one of the two highest condition categories. However, fewer than 26% of the houses were rated as Sound, the highest rating used.

There were 70 houses in this part of the City rated in the Major Repair category and 34 houses rated as Dilapidated and possibly beyond repair. The number of Dilapidated houses was high when compared to other communities.

Mobile Home Condition

Mobile homes south of Highway 10 were also viewed and rated. These units are scattered throughout the neighborhood and are not within a mobile home park. The same rating definitions as described on the previous pages were used for mobile homes.

Readers should note that there are at least two mobile home parks in the City of Staples and these are not located in the target neighborhood that was surveyed for housing condition. No housing condition information was collected from the mobile home parks.

Table 15 Windshield Survey Condition Estimate - 2020					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile homes	2 / 9.5%	6 / 28.6%	7 / 33.3%	6 / 28.6%	21

Source: Community Partners Research, Inc.

Most of the mobile homes in this portion of Staples were rated in the two lowest condition categories. There were seven mobile homes rated as Major Repair and six units that were considered Dilapidated, and probably beyond the point of economical repair.

Only two of the mobile homes were rated as Sound, with six viewed as needing Minor Repair.

Age of Housing

The American Community Survey includes an estimate of the age of the housing stock. This information exists for the Wadena County portion of the City.

For owner-occupancy units, the estimated median year of construction is 1980 for houses in the Wadena County portion of the City. According to the American Community Survey, all of the owner-occupied houses in the Wadena County portion of the City were constructed in 1960 or later. For all of Staples, the median year of construction is 1962.

For rental housing, the estimated median year of construction was listed as 1991 for the Wadena County portion. Most of the rental housing in the Wadena County portion of the City was built 1970 or later. Citywide, the median year of construction is 1967.

Mobile Home Data

The American Community Survey also provides some details on the mobile homes in the City. According to this source, there were 54 mobile homes in the Wadena County portion of Staples. There were 46 units that were occupied and eight that were either vacant or intended for seasonal/recreational use.

All of the occupied mobile homes had an estimated year of construction before the year 2000. The American Community Survey did not provide an estimated median value for occupied mobile homes.

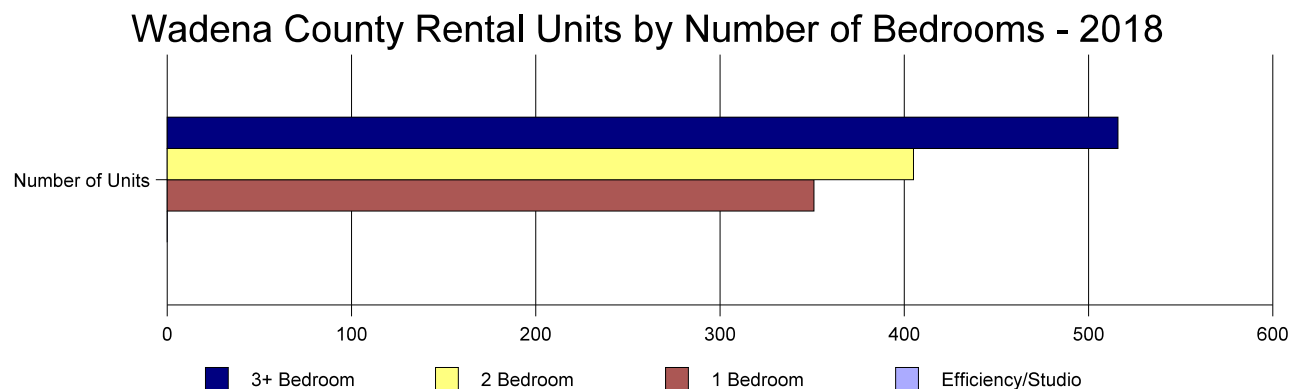
American Community Survey Rental Data

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 Staples.

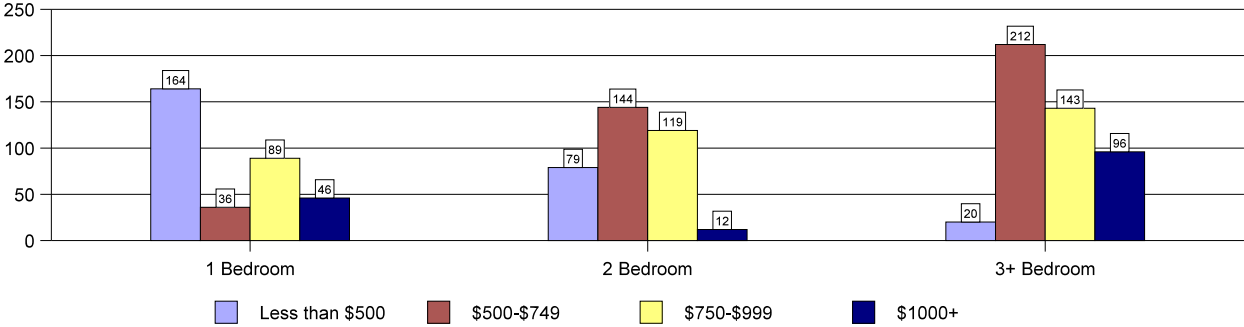
Table 17 Wadena County Rental Distribution by Bedrooms and Rent - 2018						
Unit Size	Rent less than \$500	Rent \$500 to \$749	Rent \$750 to \$999	Rent \$1,000+	No cash rent	Total Units
Efficiency/Studio	0	0	0	0	0	0
1 Bedroom	164	36	89	46	16	351
2 Bedroom	79	144	119	12	51	405
3+ Bedroom	20	212	143	96	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

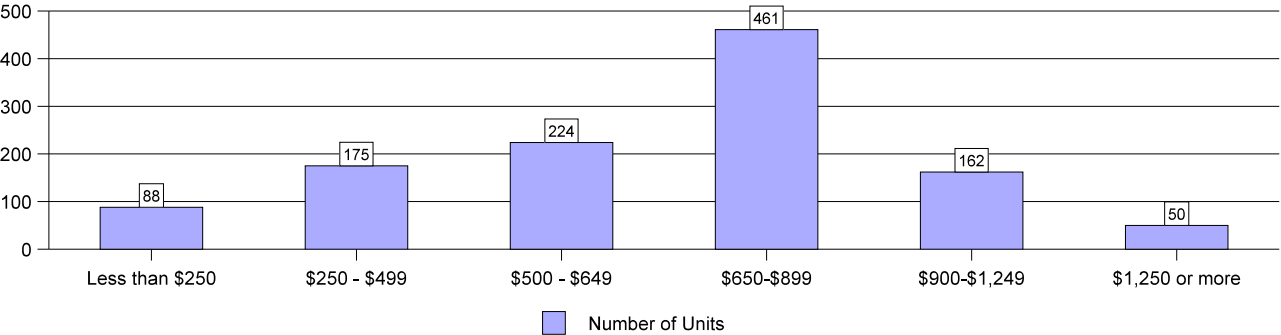


The American Community Survey includes an estimate of the median gross rent, for all units and by bedroom size. Overall, the median gross rent level was \$692 in 2018. Gross rent would include tenant-paid utilities.

- ▶ 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.

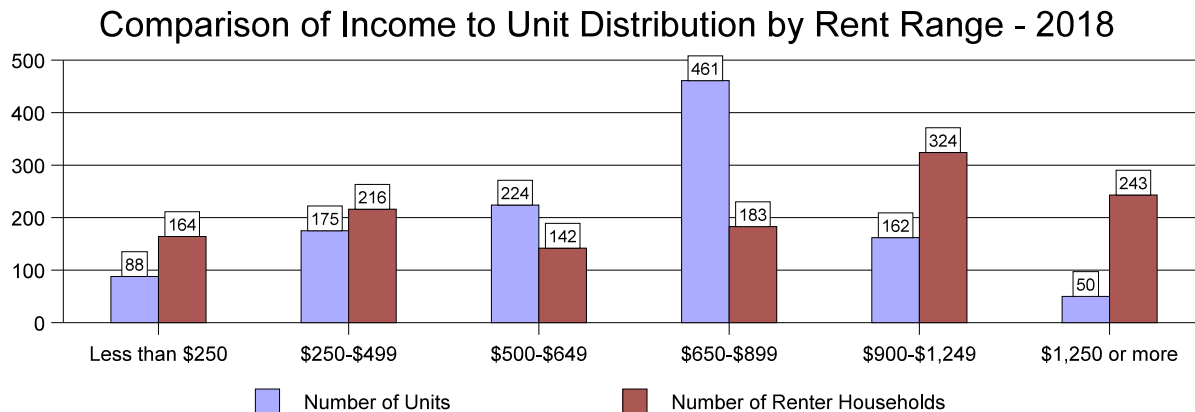
Wadena County Rental Unit Distribution by Rent Range - 2018



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 newly constructed projects in Staples and 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 471 occupied rental units in Staples, and at least 103 unoccupied rental units, for a total estimated rental inventory of 574 units. The City's rental tenure rate, was 38.5%, based on renter-occupancy households, well above the Statewide rate in 2010 of 27% rental. However, the rental rate could have been even higher if the large number of vacant units had instead been occupied when the Census was conducted.

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 462 occupied rental units in the City. There were also 159 unoccupied rental units, for a total estimated inventory of 621 total units. If accurate, this source showed a net gain of between 45 and 50 rental housing units in the City between 2010 and 2018.

This estimate would appear to be generally consistent with building permit issuance, as 34 new units were permitted in 2016. The other new rental developments built after 2010 would not have been completed when the 2018 estimates were issued.

Rental Construction After 2010

After the 2010 Census was completed, there has been some new rental housing construction in Staples.

In 2016, a 34-unit market rate project was issued a building permit. This project, known as Pullman Townhomes, should have been available for occupancy in 2018 when the American Community Survey was issued.

There have also been two more recent rental projects permitted in the City. In 2018, the 38-unit Cardinal Apartments project was permitted. In 2019, the 42-unit Mill Townhomes project started construction. With the addition of these two projects, the number of rental units in Staples will probably approach 700 total units in 2020.

Since rental production in the City has exceeded ownership housing construction, it is probable that the rental housing tenure rate in 2020 is now above 40%.

Pending/Proposed Rental Projects

Two possible projects were identified that would add rental housing in Staples.

The Staples HRA has proposed to acquire a former motel building and create “micro” apartments oriented to student renters. As planned, 34 apartments would be created through this conversion project.

The other possible project could be a second and third phase of construction at the Cardinal Pines Apartments site. The original site plan had allowed for three separate phases of construction, with as many as 96 total units possible. To date, only the first construction phase with 38 units has been completed.

Rental Housing Survey

As part of this Study, a telephone survey was conducted of larger rental projects in Staples. 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.

No information was obtained from smaller properties, including single family houses offered as rental housing.

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:

- ▶ 112 market rate units
- ▶ 56 moderate rent/tax credit units
- ▶ 96 federally subsidized units
- ▶ 66 senior housing with services apartment units

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

In total, some usable information was obtained from 330 rental housing units in Staples, or more than 45% 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 five different rental projects with a combined 112 market rate rental units.

Unit Mix

The number of units by bedroom follows:

- ▶ 26 one-bedroom (23.2%)
- ▶ 63 two-bedroom (56.3%)
- ▶ 23 three-bedroom (20.5%)

There were no studio/efficiency units in the properties that were contacted, although some exist 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

Only two units were reported as vacant when the survey was conducted, for a vacancy rate of 1.8%.

A previous housing study completed by Ad Mark Resources in 2016 had found a vacancy rate of less than 1% in conventional market rate housing. At that time, neither the Pullman Townhomes nor the Cardinal Pines Apartments projects had been built.

Rental Rates

There can be a wide variation in rental rates in Staples. Two of the five market rate properties included in the rental survey have been constructed within the past five years. These newer units tend to have a higher rent structure, but also offer many amenities and features. Staples also has a stock of older rental housing in a more moderate 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. It is important for readers to note that the survey was less successful in contacting some of the City’s older rental properties. Presumably these have a more moderate rent structure, but this could not be verified.

<u>Unit Type</u>	<u>Identified Range</u>
1-bedroom	\$685 - \$925
2-bedroom	\$575 - \$1235
3-bedroom	\$875 - \$1350

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 Staples:

<u>Unit Type</u>	<u>Median Gross Rent</u>
1-bedroom	\$705
2-bedroom	\$596
3-bedroom	\$825

For all units in Staples, the estimated median gross rent in 2018 was \$629, but this estimate would pre-date the addition of new units in Pullman Townhomes and Cardinal Pines.

Tax Credit Summary

Staples has two operating rental projects that have received federal low income housing tax credits, and a third project is under construction in 2020.

One of the existing projects, Staples Square, also used USDA Rural Development assistance when it was constructed in 2004. However, Staples Square does not have any project-based rent assistance. While Rural Development projects would typically be included in the City's subsidized inventory, in the case of Staples Square it is more similar to the moderate rent tax credit housing that is present in Staples. As a result, the following analysis includes Staples Square in the tax credit inventory, with 12 total units.

The other existing project, Pine Crest Townhomes, was developed in 1990. It has 10 moderate rent units. No contact information could be obtained for this property as it had recently changed ownership and management.

Mill Townhomes was starting initial occupancy in October 2020. Mill Townhomes will have 42 total affordable units, but eight of these will provide supportive housing, including for the long-term homeless. As a result, only 34 of the units will be marketed to income-eligible renters under the tax credit limits. The supportive units will typically be filled through a referral process in coordination with service providers in the area.

Both Staples Square and Pine Crest have completed the initial 15-year compliance period and are now in the extended compliance phase. During extended compliance, all new tenants must still be certified as eligible under the income and occupancy limits.

Excluding the supportive units in Mill Townhomes, the inventory of tax credit moderate rent housing will have a total of 56 units by early 2021. These units will be subject to the income and occupancy restrictions of the tax credit program, and will have maximum rent limitations.

Unit Mix

Although Mill Townhomes is still under construction, the bedroom mix of the project is available. Adding Staples Square and Pine Crest, the tax credit inventory includes:

- ▶ One bedroom - 10 units
- ▶ Two bedroom - 29 units
- ▶ Three bedroom - 17 units

Occupancy/Vacancy

No contact information could be obtained for Pine Crest. Mill Townhomes was in the pre-leasing process when the survey was conducted.

The only project within this affordable housing segment that could be contacted was Staples Square. The 12 units in this project were fully occupied on the date of the survey and a waiting list was maintained.

Rental Rates

The federal tax credit program places maximum rent limitations on assisted units. For 2020, maximum gross rents for older existing units at 60% of median income were as follows. Since both the income and rent limits are set at the county level, there is a slight difference between Wadena and Todd County.

<u>Bedroom Size</u>	<u>Maximum Allowable Rent Wadena Co. / Todd Co.</u>
One Bedroom	\$817 / \$826
Two Bedroom	\$981 / \$991
Three Bedroom	\$1,133 / \$1,145

The actual gross unit rents being charges in Staples are well below the maximum limits. In general, the rent structure is at or below the federal limits set for units at 45% of median income.

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

The 2020 maximum rent limits are higher by \$9 to \$12 per unit in the Todd County portion of the City. While this maximum rent difference may be insignificant, there are also somewhat higher income limits that apply in Todd County. This gives a competitive advantage to developing in Todd County, as more people could potentially qualify to live in a tax credit project.

Subsidized Summary

Staples has four rental projects that provide subsidized housing opportunities. However, one of these, Staples Square, does not have any project-based rent assistance, and a moderate rent structure applies. As a result, Staples Square has been included in the tax credit moderate rent inventory that was analyzed on the previous pages.

Two of the projects, Frontier Townhomes with 20 units, and Staple Northside Apartments with 16 units, are designated as general occupancy housing.

The remaining project, Staples Hi-Rise with 60 units, provides an occupancy preference to seniors and/or disabled applicants.

Frontier Townhomes and Staples Hi-Rise are subsidized through HUD, while Staples Northside is subsidized through USDA Rural Development.

Unit Mix - General Occupancy

Since general occupancy projects are oriented to families, most units have two or more bedrooms.

- ▶ One-bedroom - 2 units
- ▶ Two-bedroom - 27 units
- ▶ Three-bedroom - 7 units

Unit Mix - Senior/Disabled Occupancy

All of the subsidized housing oriented to senior/disabled populations offers one bedroom apartments.

- ▶ One-bedroom - 60 units

Occupancy / Vacancy

At the time of the rental survey, one unit was unoccupied in the projects designated for general occupancy housing.

There were no vacancies reported in the senior/disabled project. There were some open units but these were in the process of being filled. The income certification process can cause short-term delays in filling any turnover units.

The general occupancy projects reported very short waiting lists. The senior/disabled project did maintain an active waiting list.

Rental Rates

All of the HUD-subsidized units in Staples H-Rise and Frontier Townhomes have access to project-based assistance or operating subsidies that allow eligible tenants to pay rent based on 30% of household income.

In Staples Northside Apartments, 14 of the 16 units have access to project-based rent assistance. The remaining two tenants must pay at least a basic rent amount set for their unit, even if it exceeds 30% of household income. Occupants of units without project-based assistance may be able to apply for tenant-based rent assistance Vouchers.

Subsidized Housing Gains/Losses

The subsidized unit inventory in Staples has remained stable for many years. The Minnesota Housing Finance Agency maintains a list of federally subsidized housing that may be at risk of leaving its subsidy program. No projects in Wadena County were identified in September 2020. There was one project listed in Todd County, Todd Apartments in Long Prairie.

Tenant-Based Rent Assistance Vouchers

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

Since Staples is located to two Counties, residents have access to either the Wadena County program or the Todd County program, depending on where they live in the City. The rent assistance is administered by either the Wadena HRA or the Todd County HRA.

In September 2020, there were seven households in Staples using Vouchers through the Wadena County program and 36 households in the Todd County program. 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.

In Wadena County, 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 139 households with access to some form of subsidy. This probably represents 20% or more of all renters in the City. If the income-restricted tax credit units are added, as many as 200 to 205 renter households have access to some form of income-restricted housing with a below-market rent structure.

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

Renter households in Staples may 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

Staples has four housing options for seniors requiring services with their housing. Two of these are located in the Wadena County portion of the City and two are in Todd County. One of these providers, A Daughter's Love Suites, is in the process of relocating outside of the Staples city limits and into a rural area near the City.

A Daughter's Love, which provides memory care housing, is a stand-alone facility. The other three projects, Lakewood Care Center, Lakewood Pines and Lakewood Manor are all part of the Lakewood Health Care System. However, all three facilities are not physically located in the same part of the City, although both the Care Center and Lakewood Pines are in the northern part of Staples in Wadena County.

Housing with Light Services

Lakewood Pines has a total of 41 apartments that can offer "flexible" care from largely independent to assisted living. Two of the 41 units are reserved for respite care. At the time of the rental survey, approximately 50% of the units in Lakewood Pines were occupied by tenants acquiring only limited services.

Lakewood Manor can also offer flexible levels of care, although most residents of this project are acquiring assisted living services. Lakewood Manor has 25 apartments, and at the time of the survey, approximately 20% of the units were utilized by more independent senior households.

Combined, Lakewood Pines and Lakewood Manor have approximately 25 units offer only limited services, although these residents can then "age in place" by adding more intensive services over time.

Assisted Living

Approximately 50% of the units in Lakewood Pines are occupied by people accessing higher levels of assisted living care. Approximately 80% of the units in Lakewood Manor are occupied by people accessing higher levels of assisted living care. Both facilities reported full occupancy with a waiting list.

Combined, approximately 40 units are available in Staples to serve the assisted living market segment.

Both of the Lakewood projects will accept County assistance programs, such as Elderly Waiver. This assistance helps lower income seniors acquire supportive services. Since these two projects are located in separate counties, assistance would come through both Wadena and Todd Counties.

Memory Care

There are two facilities dedicated memory care housing option in Staples. However, one of these is in the process of building a new facility outside of the city limits and will relocate to a rural area.

A Daughter's Love Suites has utilized two or three houses in Staples to provide memory care in a residential setting. Their new building in rural Staples will have capacity for 15 residents, up from 8 beds before relocating.

The Staples Care Center has a 16-bed dedicated wing as part of the skilled nursing home, which is licensed for 100 beds in 2020.

A Daughter's Love reported a high utilization rate pre-COVID, but will nearly double the number of available beds in their new facility.

Lakewood Care Center reported three open beds, but this facility has had positive COVID tests, and the openings may be due to the pandemic.

Skilled Nursing Home

Lake wood Care Center is a skilled nursing home that is licensed for 100 beds in 2020. There are 16 beds in a dedicated memory care wing. The remaining 84 beds are offered for either transitional care or long-term care.

Occupancy in this facility is being impacted by the pandemic. When surveyed, and approximate 77% utilization rate was reported, down from a rate of approximately 85% to 90% pre-pandemic.

Global Pandemic

As stated above, the global health pandemic has negatively impacted specialized senior housing demand in Staples. Tenant movement had been suppressed, and facilities with positive tests have been limited in their ability to fill open units/beds. Seniors may be attempting to delay any move, if that is a possible option. Utilization rates should be re-evaluated when the pandemic is under control.

Table 16 Staples Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Cardinal Pines 1720 Airport Rd Wadena County	14 - 1 bedroom 6 - 2 bdrm/1 bath 15 - 2 bdrm/2 bath <u>3 - 3 bedroom</u> 38 total units	\$795-\$895 \$1095-\$1195 \$1195 \$1295 +electric	2 vacant units 2 - 2 bdrm w/2 bath	Mix of tenants	Three-level apartment building that opened for occupancy in April 2019. Project achieved full occupancy in 2020. Rent includes heat, water, sewer and garbage, with tenant paying electric. Unit amenities include stove, refrigerator, dishwasher, microwave, AC, in-unit laundry, deck/patio and garage parking for \$60/month. Project amenities include controlled access, fitness center and grill area. One-bedrooms have 664 to 782 sq ft and 1 bathroom; 2-bedrooms have 921 to 1013 sq ft and 1 or 2 bathrooms; 3-bedrooms have 1230 sq ft and 2 bathrooms. Manager reported 2 vacant units on date of survey - higher priced 2-bedrooms. Mix of tenants reported including a few seniors and some students. A waiting list exists for 1-bedrooms and a short list for 3-bedroom units. Two future construction phases are possible, with 96 total units including phase 1.
Prairie View Apartments 102 Airview Dr Wadena County	4 - 1 bedroom 7 - 2 bdrm/1 bath 10 - 2 bdrm/2 bath <u>3 - 3 bedroom</u> 24 total units	\$655 \$740 \$755 \$820 +electric	No vacant units	Mix of tenants including students	Three-level apartment building. Rent includes heat, water sewer and garbage, with tenant paying electric. Amenities include detached garage parking and patio/deck. One-bedrooms have 658 sq ft; 3-bedrooms have 1410 sq ft. Some units have 2 bathrooms. Manager reported full occupancy and good demand. Mix of tenants reported including calls from students near start of term.

Table 16 Staples Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
The Pullman Townhomes 1121 6 th St NE Todd County	17 - 2 bedroom <u>17 - 3 bedroom</u> 34 total units	\$900 \$1100 +electric	No vacant units, waiting list	Primarily senior tenants	One-level town house-style units with attached 2-car garage constructed in 2016. Rent includes heat and garbage with tenant paying electric, hot water, sewer and water. Unit amenities include stove, refrigerator, dishwasher, microwave, AC, in-unit laundry and patio. Two-bedrooms have 1153 sq ft and 2 bathrooms; 3-bedrooms have 1448 sq ft and 2 bathrooms. Manager reported full occupancy with a waiting list and strong demand. Most tenants are seniors or older renters.
Ramsey Apartments 919 5 th St NE Todd County	<u>8 - 2 bedroom</u> 8 total units	\$535 +electric	No vacant units	Mostly younger tenants	Two-level walkup apartment building constructed in 1975. Rent includes heat, water, sewer and garbage, with tenant paying electric. Amenities include microwave, wall A/C, community laundry room and 5 garages for extra \$35/month. Building has been renovated in recent years with new roof, windows and kitchen improvements. Owner reported full occupancy and good demand. Most tenants are younger and work in Staples or Motley.
Wirth Apartments 6 th St NE and Autumn NE Todd County	<u>8 - 1 bedroom</u> 8 total units	\$650 +heat, electric	No vacant units	Mix of tenants	One-level town house-style units built in 2003. Rent includes water, sewer and garbage with tenant paying electric heat and electricity. Units offer amenities of single family living with in-unit laundry, wall A/C, gas fireplace and an attached 1-car garage. Owner reported full occupancy and good demand. Mis of tenants reported including some students.

Table 16 Staples Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Stapleton Apartments 825 4 th St NE Todd County	1 - 1 bedroom <u>23 - 2 bedroom</u> 24 total units	N/A +electric	N/A	N/A	Unable to contact - information presented is from secondary sources. Three-level walkup apartment building constructed in early 1970's. Rent includes heat, water, sewer and garbage with tenant paying electric. Amenities include wall AC, upper floor balcony and 10 detached garages for extra fee. One-bedroom has approx. 600 sq ft and 2-bedrooms have 750 sq ft; all units have 1 bathroom.
Student Oriented					
Staples Student Housing 500 Warner Rd Todd County	1 - 2 bedroom <u>11 - 4 bedroom</u> 12 total units	N/A +electric	N/A	Designed for student occupancy but may be offering general occupancy	Unable to contact - information presented is from secondary sources. Two 2-level student housing buildings constructed in 1991 - 1 building is still oriented to students and the other is available for general occupancy. Rent includes heat, water, sewer and garbage with tenant paying electric. Amenities include wall A/C and cable TV included in rent.

Table 16 Staples Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Tax Credit/Moderate Rent					
Mill Townhomes Michigan Ave NE Todd County	4 - 1 bedroom 23 - 2 bedroom <u>15 - 3 bedroom</u> 42 total units	\$722 \$735 \$849 includes utility allowance	Initial occupancy in Oct. 2020 pre-leasing underway	All units at 60% or less of median including 8 supportive housing units	Tax credit town house project that was awarded credits in 2019 - four buildings with first one scheduled to open in Oct. 2020. Town house units with attached garage. Eight units offer supportive housing including long-term homeless and can offer rent subsidy. Remaining units serve households at or below 60% of median income. Rents listed include allowance for tenant-paid utilities. Amenities include dishwasher, microwave, AC, in-unit laundry and playground. Applications for units in first building are being processed with remaining buildings scheduled to be available each subsequent month.
Pine Crest Townhomes 1702 8 th St NE Wadena County	7 - 2 bedroom <u>3 - 3 bedroom</u> 10 total units	N/A +heat, hot water, electric	N/A	All units at 60% or less of median income	Unable to contact - information presented is from secondary sources. Tax credit project constructed in 1999 - entered extended compliance in 2015. All units serve households at or below 60% of median at time of initial occupancy. Rent includes water, sewer and garbage, with tenant paying heat, hot water and electric. Unit amenities include stove, refrigerator, dishwasher, central AC, in-unit laundry hookup and attached garage. Two-bedrooms have 1080 sq ft and 3-bedrooms have 1386 sq ft; all units have 1.5 bathrooms. Although no direct occupancy information could be obtained, the previous property manager stated that this project has had a good occupancy history in the past.

Table 16 Staples Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Tax Credit/Moderate Rent					
Staples Square Apartments 205 Airview Dr Wadena County	10 - 1 bedroom <u>2 - 2 bedroom</u> 12 total units	\$567-\$735 \$677-\$840	No vacant units, waiting list	Senior and/or disabled occupancy	USDA Rural Development subsidized project constructed in 2004. Tax credits also used and project entered extended compliance in 2020. Project is designated for senior/disabled tenant occupancy. Use of tax credits requires all units to serve households at or below 60% of median income. No project-based rent assistance so all tenants pay rent on 30% of income but not less than basic or more than market rents listed. Some tenants have Vouchers. Units have dishwashers and a space in shared parking garage. Manager reported full occupancy with a waiting list.
Subsidized					
Frontier Townhomes (formerly Pine Avenue) 1403 3 rd St NE Wadena County	12 - 2 bedroom 1 - 2 bedroom Acc. <u>7 - 3 bedroom</u> 20 total units	\$845 \$830 \$915 30% of income	Open units in the process of being filled	General occupancy	HUD Section 8 subsidized project for general occupancy that was constructed in 1982. Acquired by the Central MN Housing Partnership in 2019. All units are 2-level town house-style units. Rent is based on 30% of income up to maximum rents listed. Unit amenities include stove, refrigerator, wall AC, in-unit laundry hookup, patio and 10 garage available for \$30/month. Three unoccupied units due to turnover are in process of being filled - income certification can result in short-term vacancy. Short waiting list exists with 2 names.

Table 16 Staples Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Staples Hi-Rise 615 4 th St NE Todd County	<u>60 - 1 bedroom</u> 60 total units	\$550 30% of income	No vacant units, waiting list	General occupancy with preference for senior and/or disabled	HUD Public Housing project built in 1970 and remodeled over time including 2014. Originally constructed for senior/disabled occupancy but later HUD rule change made it available for general occupancy - preference in place for elderly/disable and approx. 73% of residents are senior, near-senior or disabled. All tenants can pay rent based on 30% of income up to maximum flat rent of \$550. Manager reported full occupancy and waiting list - any open units are due to processing time for new tenants.
Staples Northside Apartments 930-936 6 th St NE Todd County	<u>2 - 1 bedroom</u> <u>14 - 2 bedroom</u> 16 total units	\$430-\$485 \$445-\$515 30% of income	1 vacant unit 1 - 2 bdrm	General occupancy	USDA Rural Development subsidized apartment building constructed in the late 1970s. Units are designated for general occupancy. Fourteen tenants have access to project-based rent assistance that allows rent based on 30% of income; remainder pay 30% of income but not less than basic or more than market rents listed. New management in March 2020 - some units were vacant at that time but only 1 vacant unit at time of survey, but no waiting list.
Tenant-based HUD Housing Choice Vouchers	43 households in Staples	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, 37 households were participating in the Todd County program and 7 households in the Wadena County program. Waiting list exists in Wadena County with 140 households.

Table 16 Staples Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior Housing with Services					
Lakewood Health System 401 Prairie Ave NE Wadena County	100 licensed beds including 16-bed memory care wing	N/A	Approx. 77% occupancy, 3 open memory care beds	Skilled nursing home	Skilled nursing home that is licensed for 100 beds in 2020 and affiliated with Lakewood Pines and Manor senior housing. 16 beds are in memory care wing and 84 beds in LTC or TCU. Estimate that approx. 50% of beds are used by long-term care residents. Three memory care beds open at time of survey and approx. 77% occupancy in the other beds. Pandemic has impacted occupancy with an annual rate of 85% to 90% pre-COVID.
Lakewood Pines 1702 Airport Rd NW Wadena County	11 - 1 bedroom 18 - 1 bdrm deluxe 4 - 1 bdrm+den <u>8 - 2 bedroom</u> 41 total units 2 are respite care	\$1060 \$1115 \$1250 \$1366 +services	No vacant units, waiting list	Senior housing with services available	Senior apartment building that opened in 2000 and part of Lakewood Health System. Residents can move in acquiring limited services but full level of assisted living care can also be provided. Manager estimates that 50% of tenants are more independent and 50% with more services. Two units are used for respite care. Rent includes all utilities. 12 garages available for extra fee. One-bedrooms have 500 or 650 sq ft; 1-bedroom+den have 720 sq ft; and 2-bedrooms have 810 sq ft; all units have 1 bathroom. Full occupancy reported and waiting list. County assistance is accepted for lower income residents.

Table 16 Staples Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior Housing with Services					
Lakewood Manor 225 N 5 th St Todd County	6 - studio 7 - 1 bedroom 8 - 1 bdrm deluxe 4 - 2 bedroom 25 total units	\$960 \$1060 \$1115 \$1366 +services	No vacant units, waiting list	Senior housing with services available	Senior apartment buildings that are part of Lakewood Health System - older buildings that date to the 1920s. Residents can move in acquiring limited services but full level of assisted living care can also be provided. Manager estimates that 20% of tenants are more independent and 80% with more services. Rent includes all utilities. Studio units have 234 sq ft; 1-bedrooms have 518-579 sq ft; 2-bedrooms have 600 sq ft; all units have 1 bathroom. Full occupancy reported and waiting list. County assistance is accepted for lower income residents
A Daughter's Love Suites 510-512 4 th St NE Todd County	15 beds	N/A	High rate of occupancy pre-COVID	Memory care	Housing with services provider that primarily serves people with memory loss - currently located in 2 separate houses with 4 residents each but relocating into the rural area with a new 15 bed facility. Rooms will be private or shared with shared bathrooms. High rate of occupancy and a waiting list in the past but pandemic has impacted demand and willingness to move. New site would allow for expansion including other types of senior housing. County assistance programs are accepted for lower income residents.

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

Some of the largest employers based in the City of Staples are the following:

- ▶ Lakewood Health System
- ▶ Central Lakes College
- ▶ Staples-Motley Public Schools
- ▶ Sourcewell
- ▶ Stern Rubber
- ▶ 3M
- ▶ First International Bank and Trust

Source: Staples Comprehensive Plan 2018

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 17 Wadena County Labor Force and Employment: 2010-2020*						
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

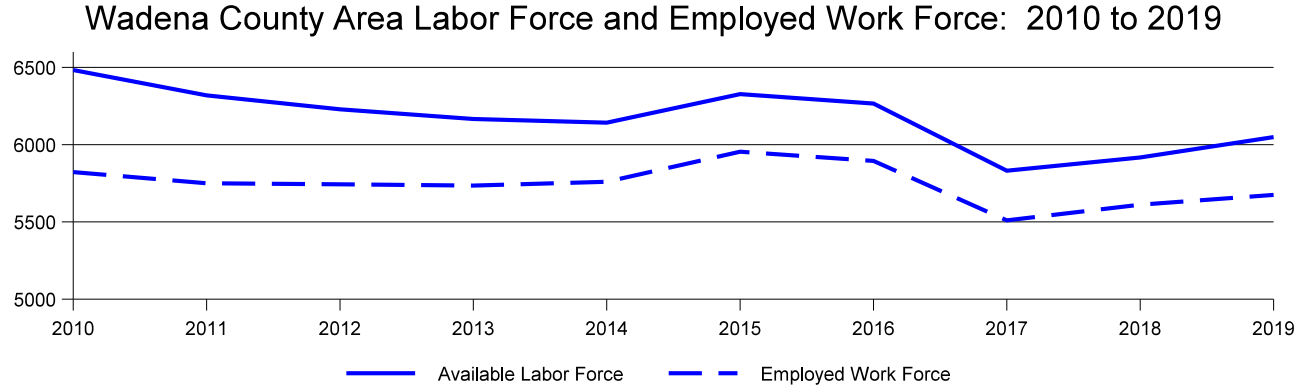
* 2020 is through October

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.

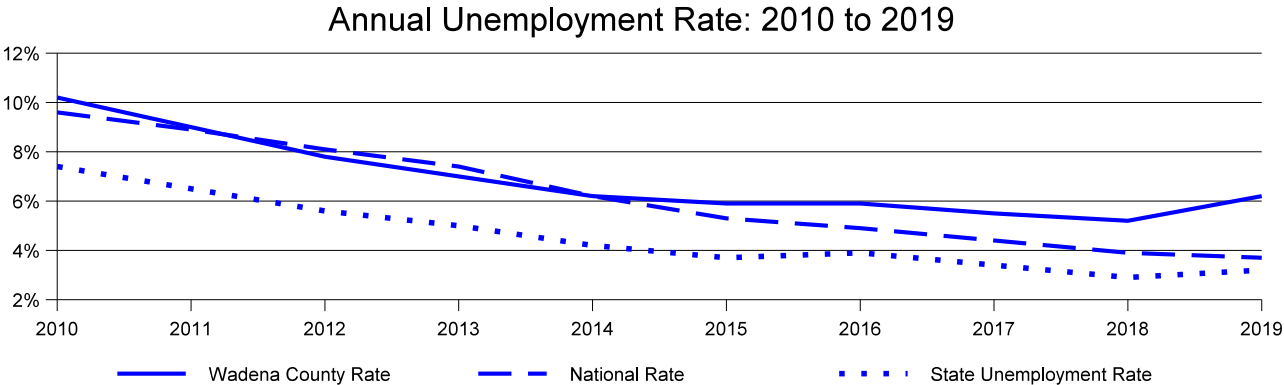
When viewed back to the year 2010, there has been some up and down movement in the size of the County’s available labor force. If 2019 is compared to 2010, the total resident labor force decreased by 434 people, or -6.7%. However, the low point for the decade was actually reached in 2017, and the size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

Generally similar patterns were 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.

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%.



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 Staples. 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 18 Staples Average Annual Wages by Industry - 2019		
Industry	Employment	Average Weekly Wage
Total All Industry	2,204	\$838
Manufacturing	234	\$959
Trade, Transportation, Utilities	231	\$463
Financial Activities	86	\$908
Professional and Business Services	9	\$945
Education and Health Services	1,389	\$950
Leisure and Hospitality	127	\$244
Other Services	17	\$428
Public Administration	79	\$561

Source: MN Department of Employment and Economic Development

For all industry, the average weekly wage was \$838 in 2019. At full-time employment for 52 weeks this would equate to an average annual wage of \$43,576.

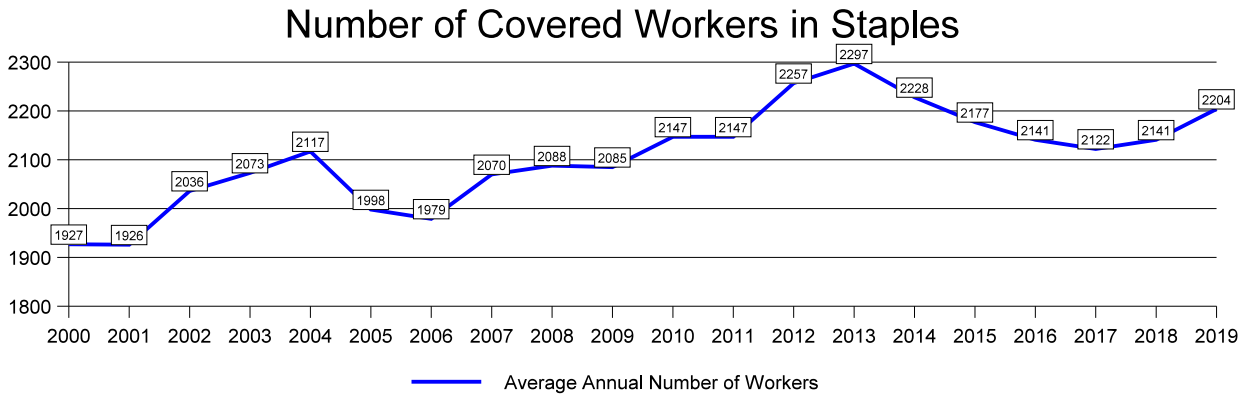
The dominant industry sector for total employment in Staples was Education and Health Services. More than 63% of all reported jobs in Staples were in this sector. The average weekly wage was \$950, above the overall average wage. At full-time employment this was \$49,400.

Annual Covered Employment

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

Table 19 Staples Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	1,927	2010	2,147
2001	1,926	2011	2,147
2002	2,036	2012	2,257
2003	2,073	2013	2,297
2004	2,117	2014	2,228
2005	1,998	2015	2,177
2006	1,979	2016	2,141
2007	2,070	2017	2,122
2008	2,088	2018	2,141
2009	2,085	2019	2,204

Source: QCEW - MN Department of Employment and Economic Development



When viewed over a longer time period, back to the year 2000, there has been a gradual increase in the number of covered jobs in Staples. However, the recent employment peak was reached in 2013, and the number of covered jobs in 2019 was slightly lower, but showing an increase once again.

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 20 Commuting Times for Staples Residents - 2018		
Travel Time	Number	Percent
Less than 10 minute	497	38.1%
10 to 19 minutes	290	22.2%
20 to 29 minutes	107	8.2%
30 minutes +	412	31.6%
Total	1,306	100%

Source: American Community Survey

A majority of Staples’s residents were working in the immediate area in 2018. Overall, more than 60% had a commute time of 19 minutes or less. However, nearly 36% of the employed residents of the City were traveling 30 minutes or more for their primary job.

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

Table 21 Commuting Times for Staples Employees - 2018		
Travel Time	Number	Percent
Less than 10 minutes	569	31.9%
10 to 19 minutes	428	24.0%
20 to 29 minutes	291	16.3%
30 minutes+	495	27.8%
Total	1,783	100%

Source: American Community Survey

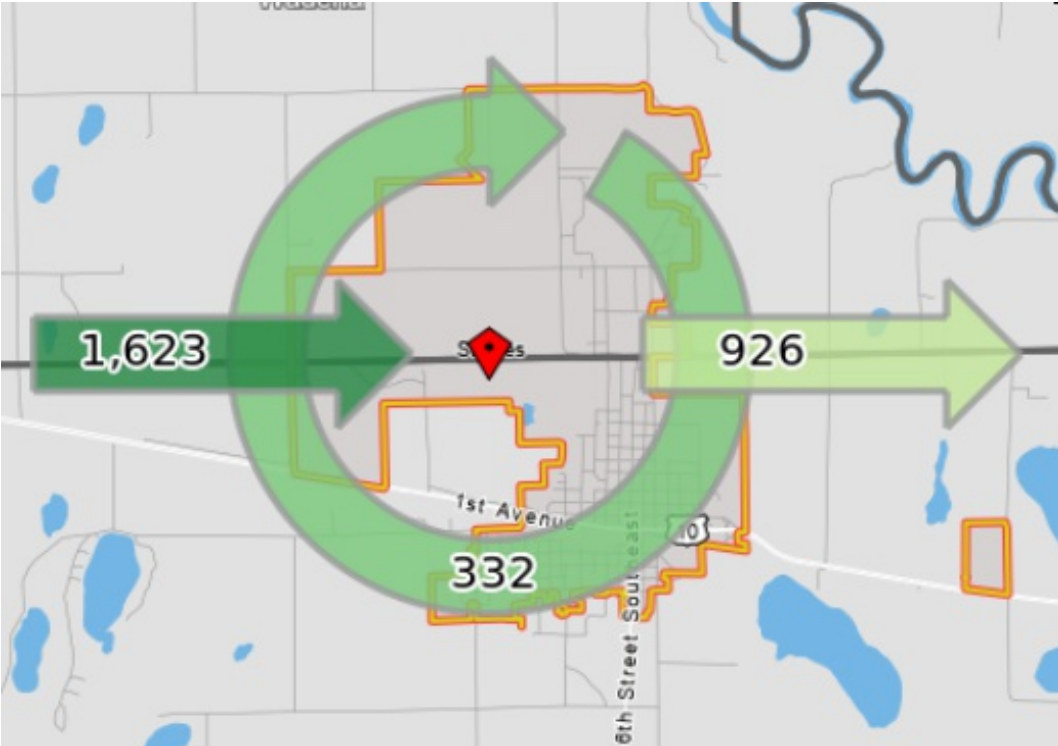
Most people that worked in Staples were traveling less than 20 minutes in 2018. Overall, nearly 56% of the jobs were filled by people traveling 19 minutes or less, including the people that both live and work within Staples. However, nearly 28% of workers in the City were traveling 30 minutes or more.

Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is also based on reports for the year 2017, and provides a further breakdown of worker movement patterns.

According to the report for Staples, there were 1,955 people that were employed within the city limits in 2017. Only 17% of these Staples-based employees also lived within the City, with approximately 1,625 employees commuting in to work. The primary identified jurisdictions supplying workers to the City were Villard Township, Staples Township, Wadena, Baxter, Sebeka, Thomastown Township, Sylvan Township and Brainerd.

Nearly 74% of the City’s residents left their home community to work elsewhere. The primary locations listed for outbound commuters were Wadena, Motley, Brainerd, Baxter and Little Falls.



Findings and Recommendations

Summary of Key Findings for Staples

Past Growth Patterns

Over the past few decades, the City of Staples has generally been adding households and population. From 2000 to 2010, the City did experience a minor reduction in both population and households, but this pattern has reversed after 2010.

In 2019, there were an estimated 1,292 resident households living in the City. When compared to the 2010 Census, the City had added 70 households over the decade. However, when compared to the 1990 Census, Staples had added only 181 households, for a longer-term average of approximately six households per year.

The 2019 population estimate for the City showed 50 residents being added since 2010. The estimated population in 2019 was up by 277 people from the 1990 Census count.

Projected Growth

Projections are often based on past patterns, which are then trended forward. For Staples, 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 five households per year, and nearly 12 people per year, through 2025.

In the opinion of the analysts, Esri's projections are overly conservative. A better indicator of the City's growth potential is to examine the success of recent housing unit construction. Over the 11-year period spanning 2010 through 2020, the best available records indicate that the City had a net gain of between 120 and 130 total housing units.

Although the newest rental project, Mill Townhomes, is still in its initial occupancy phase, the occupancy rates in the other recently 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.

Part of the growth potential for Staples is the City's attraction as a 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 in Staples, 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 Staples will add 50 to 65 households over the next five years.

Housing Construction/Availability

For the growth projections to be achieved, Staples 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.

Although both owner and renter housing options have been constructed in Staples since 2010, the large majority of added units are for renters. Based on the available building permit reports, the City has been averaging approximately one single family home annually, but an average of more than 10 new rental units per year. The recently constructed rental projects have served both the conventional market rate segment, as well as moderate rent housing that has income and occupancy restrictions.

Housing Tenure Patterns

Staples has historically had an above-average distribution of renter-occupancy housing options. At the time of the 2010 Census, more than 38% of households in Staples were renters. The construction patterns since 2010 would point to an even higher rental tenure rate in 2020, which is probably above 40%.

Household Income

According to the 2018 American Community Survey, the median household income in Staples was approximately \$40,700, more than \$5,000 lower than the median for all of Wadena County. The City's median family income was \$52,875, and more than \$17,000 lower than the comparable Countywide level.

The lower income levels in Staples are impacted in part by the high rate of renter-occupancy in the City. For all renter households, the estimated median income level in 2018 was \$25,741. For all home owners, the estimated median income was \$47,596.

It should be noted that the medians identified are for the entire City, and not just the Wadena County portion. For both home owners and renters in the Wadena County part of Staples, the income levels tend to be higher than in the Todd County portion.

Housing Costs

Housing costs in Staples were generally in a moderate range. The estimated median value for an existing single house is probably around \$100,000. However, home values in the Wadena County portion of the City are higher, and lower in the Todd County portion.

The estimated median gross rent in 2018 was \$629 per month. However, this was also impacted by location, as the median gross rent in the Wadena County portion of the City was substantially higher than in the Todd County portion.

With relatively moderate housing costs Citywide, most households in Staples 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 21% of home owners were also paying 30% or more of household income to housing costs.

Employment and Commuting

Staples is an employment center for the surrounding area. There are more jobs based in Staples than the size of the City's resident labor force. With a large number of local jobs, the best information on commuting patterns indicates that most City residents are able to work locally. In 2018, more than 60% of the City's employed residents were traveling less than 20 minutes to work. However, many of the job opportunities in Staples were 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 Staples, there has generally been a longer-term pattern of employment growth, although a peak was reached in 2013, and the number of jobs in 2019 was lower than in 2013, and only slightly higher than the level in 2010.

Wadena County Portion of Staples

Staples is primarily located in Todd County, but the northern portion of the community extends into Wadena County. This Housing Study was sponsored by Wadena County, and a recognition of the differences between the two portions of the City can help County officials with an analysis of housing and demographic needs. Some of the highlights that have been identified include:

- ▶ Nearly 78% of all households in Staples live in the Todd County portion of the City.
- ▶ The Wadena County part of the City had been growing rapidly in the past, with the number of households nearly tripling between 1990 and 2010. But since 2010, there has been very little growth in the Wadena County portion. This may be due to land availability for residential development.
- ▶ Residents of the Wadena County portion of the City tend to be older. The estimates contained in the 2018 American Community Survey showed a median age of 43.9 years in the Wadena County portion, compared to 32.3 years in the Todd County portion.
- ▶ Both parts of Staples tend to have a high rental tenure rate, but the Wadena County portion has a newer rental housing stock. The estimated median year of construction for rental units is 1991, compared to 1966 in the Todd County portion.
- ▶ The newer rental stock may be reflected in rental rates. The estimated median gross rent in the Wadena County portion was \$798 in 2018, compared to \$607 in the Todd County portion.
- ▶ The age of housing difference also extends to owner-occupancy units. The estimated median year of construction in the Wadena County portion is 1980, compared to 1951 in the Todd County portion.
- ▶ With a single family housing stock that is much newer, home values are higher in the Wadena County portion. According to the American Community Survey estimates, the median home value in the Wadena County portion is \$145,000, twice the estimated median of \$77,500 in the Todd County part of the community.
- ▶ Income levels in the Wadena County portion of the City are somewhat higher, with an estimated median household income of \$43,808, compared to \$39,762 in the Todd County portion.

Findings and Recommendations Overview

The following summary is provided of the specific recommendations being made in this Study. Later in this section, the specific findings that lead to these recommendations have been presented in detail.

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.	Promote the Development/Conversion of at Least 16 to 20 Affordable Market Rate Rental Housing Units
12.	Monitor the Supply and Demand for Income-Restricted Rental Housing
13.	Monitor Demand for Specialized Senior Housing/Promote the Development of Housing with Services
Housing Rehabilitation and Preservation	
14.	Continue to Offer Rental Housing Rehabilitation Programs
15.	Continue to Offer Owner-occupied Housing Rehabilitation
16.	Continue to Demolish Dilapidated Structures
17.	Consider Programs to Improve the Condition and Quality of Mobile Homes
18.	Strategies for Downtown Housing and Redevelopment
Other Initiatives	
19.	Create a Housing Plan and Coordination Among Housing Agencies
20.	Develop Community Marketing Programs and Strategies

Home Ownership Recommendations

Overview: Based on building permit reports, only 12 single family houses have been constructed in Staples in the past 11 years. Over this time, the City did not have more than two new houses permitted in any single year.

Prior to the national housing market collapse of the late 2000s, Staples had been somewhat more successful in achieving a higher level of new home construction. From 2000 through 2007, the City was averaging approximately seven single family detached housing starts per year. There may have been some additional single family units created in twin homes. But starting in 2008, the annual construction level dropped, and for the next 13 years the City averaged just over one new house per year.

Staples has had much greater success with rental housing construction over the past decade. In 2010, the City's rental tenure rate was above 38.5%. With more rental housing constructed after 2010, it is probable that the rental rate is above 40% in 2020.

Although some of the low single family construction volume can be linked to demand, the City also has a very limited supply of buildable single family lots. According to City staff, there may be only seven single family lots available. There are more twin home lots, but this development area went through tax forfeiture due to a lack of sales.

A large share of the households in the Staples and Wadena County are age 55 and older in 2020. In the City, approximately 48% of all households are age 55 and older, according to the best available estimates. This is projected to increase to more than 50% of households by 2025.

Empty-nester and senior households will often begin to move to low/no maintenance housing options, which can include age-appropriate new construction. Some of the recent rental production in Staples has been oriented to senior renters, including the Pullman Townhomes project. Single family-style rental units have been very successful, and may have reduced the demand that could have existed for senior-oriented home ownership housing options.

Existing home values in the community are in a moderate price range, but many of the more affordable houses are in the Todd County portion of the City. The Wadena County portion tends to have newer homes, with higher values. Citywide, the estimated home value is approximately \$100,000.

The “value gap” that can exist between lower values for existing homes and costs associated with new construction can serve as a deterrent to home building.

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

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

Findings: Despite some decade-to-decade variation, the City of Staples does have a long-term pattern of household growth. Since 2010, the City has been averaging annual growth of approximately seven to eight households per year. Since 1990, the City has averaged nearly six additional households per year. While these patterns indicate moderate future growth potential, the City has continued to need 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 Staples. Although most households own their unit, the recent production patterns have been heavily oriented toward rental housing.

Applying a projection that approximately 30% to 35% of the near-term demand will be for owner-occupancy units, Wadena should need approximately 15 to 23 additional single family units. With some additional allowance for other factors, including unit replacement, a realistic forecast would indicate the creation of between 20 and 25 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. The City has averaged approximately one single family housing start per year since 2008. However, in the early and mid-2000s, the City had been averaging seven or more single family units per year. Going forward to the year 2025, an achievable forecast would point to approximately four to five single family housing starts per year in a typical year.

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

2. Promote Attached Single Family Housing Construction

Findings: Prior to the housing market retreat of the late 2000s, attached single family housing, primarily in the form of twin homes, had been adding market share in most communities. Although specific details of the permit issuance in Staples were not available, it is possible that a few twin homes were built between 2000 and 2004. 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. When people became concerned about owning or investing in 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 Staples more than a decade. A subdivision that had been platted for twin homes went through the tax forfeiture process and is now City-owned. A rental project with town house-style units was built in 2016 and has been very successful.

The age-based projections show overall household growth between 2020 and 2025, primarily within the 65 and older age ranges. The 2025 projections indicate that more than 50% of all households living in Staples 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 20 to 25 units over the 5-year period, attached single family construction should reach four to six total units.

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

We would expect most of the attached unit construction to occur in more moderate price ranges. In 2020, there are lots available for twin homes.

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

Findings: Based on information obtained from the City, there is a limited vacant lot supply for detached single family home construction. The Valley View Subdivision has an estimated inventory of only seven lots in 2020. There may also be some remnant lots, infill parcels and redevelopment sites that would be suitable for home construction.

Despite the limited supply, annual absorption of lots has been low. The City has not had more than two single family housing starts in a year since 2007. The remaining lots in Valley View may be at risk of going through tax forfeiture due to the slow pace of sales.

There is also an area near Valley View that was platted for twin homes. Ten lots exist (20 units), but no homes were ever built. This development area is now in City ownership through the tax forfeiture process. The City has considered re-platting this subdivision into single family lots, but action would need to be taken on the outstanding special assessment balances against the current twin home lots.

There has not generally been a strong home building market in the cities in Wadena County for many years. Wadena and Menahga have only averaged approximately two single family housing starts per year over the past decade, although Menahga has had increased activity in 2019 and 2020. Like Staples, both of these communities had also 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, with the exception of post-tornado activity in Wadena in 2010.

The vacant lots in Valley View may be priced as high as \$30,000. In Wadena, many of the vacant lots are city-owned, and are priced at \$5,000, provided home construction begins within one year. Even with this price offer, lot absorption has been slow, and in the past year, many of the remaining lots in Wadena were sold to MMCDC, an area nonprofit.

Recommendation: We generally apply a standard that a 2 ½ year supply of lots should exist to allow for new home construction. If the projected goal of four to five single family housing starts per year is achieved, this would result in the need for up to 13 vacant lots to meet near-term demand. The current inventory in 2020 is not adequate to meet this possible demand, and some additional lot development may need to begin by 2021.

However, given the experience of the recent past, and the slow lot absorption in Staples, it is doubtful that a private developer will proceed. Instead, it may be appropriate to look for other options, including the use of City-owned twin home lots. Potentially this area could be re-platted for some detached houses, while retaining a few lots for attached single family units.

To help achieve a higher level of construction and lot absorption, some additional incentives or initiatives should be considered, as will be discussed in the following recommendations.

4. Consider the Creation of Housing Construction Incentives

Findings: Since 2008 the City has been averaging approximately one new single family housing starts per year. One single family house was permitted in 2020 and appears to be speculative construction. During the time of the research for this Study the house was still listed for sale on the Multiple Listing Service. It had once been listed at approximately \$270,000, but this asking price was then lowered to approximately \$260,000.

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 four to five 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 a property tax abatement or tax increment financing programs to pay for improvement costs. Others have used a direct cash incentive, such as a down payment assistance program.

A few years after the 2010 tornado, the City of Wadena had offered a 10-year tax abatement for new house construction. Based on available reports, at least five houses were added in 2015 or 2016 under the abatement program. That incentive program 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. According to City representatives, Staples has been actively discussing some types of new construction incentives.

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

5. Promote Affordable New Construction Partnerships

Findings: The City owns a twin subdivision that was acquired through the tax forfeiture process. There is also a possibility that additional single family detached lots may go through tax forfeiture in the future.

Other communities in the region have worked with nonprofit housing groups on affordable projects. In Wadena, ten vacant lots in a city-owned 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 to home building, depending on the outside resources that are available. In Wadena, it is probable that moderately-priced houses will be built, with an end sale price of \$250,000 or more.

In the City of Frazee, a cost write-down approach was used by MMCDC to construct four houses on a redevelopment parcel. Starting in 2016, two houses were constructed and successfully sold. In 2018 and 2019, two additional houses were built and sold.

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

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

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

Staples should monitor the activity planned for Wadena, where a market rate approach will be used. If this effort is successful in building and selling moderately-priced houses, it could potentially be replicated in Staples, especially on any city-owned lots that could be offered at a discounted price.

Staples has also been successful in the past in working 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.

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

Findings: Although we believe that the potential exists for Staples to see increased home building over the next five years, this has not been happening in the recent past. The Valley View Subdivision may be at risk due to slow sales, and the City already owns a twin home development area acquired through tax forfeiture. 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.
- ▶ ***Competitive pricing*** - To stay competitive, lots in Staples will need to be offered at a very competitive price.
- ▶ ***Promote 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.
- ▶ ***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 options 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 home values in the Wadena County portion of Staples are generally less affordable than the Todd County part of the City. According to the American Community Survey estimates, the median home value in the Wadena County portion is \$145,000, twice the estimated median of \$77,500 in the Todd County part of the community.

This Study tracked the sales activity in Wadena County portion of Staples back to the year 2010. Given the limited annual sales activity, the midpoint sale for any 12-month period may not be an accurate indicator of overall values. But in recent years, an annual median above \$145,000 is probable.

Although home values in the Wadena County part of the City are high by comparative standards, existing homes still represent an affordable option compared to new construction. For example, the spec home that was built in Staples in 2020 has an asking price of approximately \$270,000.

Lower-valued existing homes can represent a very attractive ownership option for potential home buyers in the larger region.

Recommendation: Staples 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. Staples does have a potential competitive advantage in attracting home buyers, with relatively affordable average values for existing single family houses, especially in the Todd County portion of the community.

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 Programs that Assist with Home Ownership

Findings: Home ownership is generally the preferred housing option for most households and most communities. The best available information indicates that approximately 60% of all households living in Staples 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 at or above \$100,000, there are lower valued houses in the community that are very affordable for first time buyers. A local down payment assistance program could be explored through regional housing agencies. The Federal Home Loan Bank may have funding for closing cost and down payment assistance.

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

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

Recommendation: The City, area financial institutions and regional housing agencies should utilize all available assistance programs to promote home ownership. The community could explore the possibility of obtaining specific program set-asides for use in the community. Funding sources for home ownership programs may include MHFA, USDA Rural Development, the Greater Minnesota Housing Fund and the Small Cities Development Program.

The City has an established working relationship with the Central MN Housing Partnership (CMHP), a regional nonprofit dedicated to affordable housing. CMHP can assist with affordable home ownership program delivery.

9. Consider the Development of a Purchase/ Rehabilitation Program

Findings: Staples has a stock of older homes, some of which may need repairs. Citywide, the estimated median year of construction for all owner-occupancy houses in the City is 1962. As some of the lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of maintenance and repair work that is required.

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

MURL accomplished many community goals, including the promotion of home ownership for lower income people, and the repair of substandard housing units. The MURL Program was successfully used in Staples in the past, but MHFA is no longer providing new MURL funding.

Recommendation: We recommend that Staples 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 re-sell 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 re-selling homes.

The Minnesota Housing Finance Agency (MHFA), the SCDP Program, and the Federal Home Loan Bank may be 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: Staples serves as a rental center for the surrounding area. At the time of the 2010 Census, more than 38% of all households in the City were renting their housing. After 2010, Staples has added substantially more rental housing than owner-occupancy units, and it is probable that the City's rental tenure rate will reach or exceed 40% by 2021.

The City has a diverse mix of rental units by both market segment and structure type. The rental construction since 2010 has served both the conventional market rate segment and the affordable rental segment with income-restricted housing.

The conventional market rate units have been in town house or cottage-style housing and in a traditional multi-level apartment project. The City also has rental housing options in specialized senior projects that offer care to people needing services with their housing, although all of these projects pre-date 2010.

In 2020, construction started on a 42-unit affordable rental project known as Mill Townhomes. This project involves federal low income housing credits along with other assistance, including some project-based rent assistance Vouchers. In addition to providing 34 affordable housing units for general occupancy, the project also contains eight supportive housing units for targeted populations. Initial occupancy was beginning in October 2020.

While the City has many multifamily projects serving a range of market segments, much of the conventional market rate inventory exists in single family houses offered as rentals and other small structures with four or fewer units. According to the American Community Survey estimates, more than 66% of all rental options in Staples are in structures with four or fewer units. Most of these are single family houses used for rental.

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 65% to 70% of these units could be oriented to renter households. With some additional allowance for unit replacement and unmet demand, a target of 40 to 50 additional rental housing units should be developed in the City over the 5-year projection period.

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

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

Findings: High quality market rate rental housing production has been successful in Staples. In the past five years, two new projects have been constructed, the Pullman Townhomes in 2016 and Cardinal Pines Apartments in 2018. Pullman offers town house-style units while Cardinal Pines is a multi-level apartment building.

The town house-style units are modeled on single family living, with private exterior entrances, attached garage and one-level living. This project reported full occupancy and unmet demand, with most tenants being retirees.

Cardinal Pines did not achieve full initial occupancy for more than one year after opening. It had two open units when surveyed as part of the research for this Study. A general mix of tenants was reported, including some seniors and some students.

The telephone survey completed in September found a high rate of occupancy in market rate rental housing, with an estimated vacancy rate below 2%. This was consistent with a vacancy calculation included in a 2016 housing study that found a vacancy rate below 1%.

While most of the multifamily projects have high rates of occupancy, it is possible that some of the City's older rental inventory has some vacancies. A large share of the market rate segment exists in single family houses, which were not surveyed. Both the 2010 Census and the 2018 American Community Survey reported a number of vacant rental units in Staples, and these may have been found in single family rentals.

The best information on overall rental rates in Staples show a moderate rent structure, excluding the two projects built in the past five years. According to the American Community Survey estimate for 2018, the median gross rent for all units was \$629. But a wide variation in monthly rents exists in 2020, depending on the age, features, amenities and condition of units.

The newer town house-style units in Pullman Townhomes offer one-level living, an attached garage and features of single family living. They have an estimated gross two-bedroom rent of approximately \$950. The newest apartment units in Cardinal Pines have a higher rent structure with two-bedrooms ranging from approximately \$1,125 to \$1,225.

According to the American Community Survey, renter household income levels in Staples are relatively low, with an estimated median renter household income of approximately \$25,750 in 2018. At this income level, a household could afford a monthly gross rent payment of approximately \$645. Nearly 65% 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. This would represent approximately 60% of the overall projected demand for rental housing in Staples over the next five years.

Different rental styles could be used to meet this goal. The success of past town house-style projects, such as Pullman Townhomes, would support this type of future development in Staples. With the large population of empty-nesters and seniors living in Staples, 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.

Another apartment building could also be developed, similar to Cardinal Pines Apartments. While Cardinal Pines offers a number of amenities, including large floor plans, in-unit laundry and optional garage parking, a future apartment could instead focus some units on a lower, more basic price range. Cardinal Apartments did require a long initial occupancy period and had some open units when surveyed as part of this Study. A waiting list exists for one-bedroom apartments in Cardinal Pines, which are the least expensive unit options.

As stated previously, the age-based projections for the City expect that more than 50% of all households will be age 55 or older by the year 2025.

Regardless of actual construction type, any new rental housing in Staples should contain amenities and features that would appeal to this older adult segment of the market.

In both Staples and Wadena, private developers have been active in rental housing construction, and it is probable that this will continue in the future. Staples does have some land that is City-owned, when a twin home subdivision reverted through tax forfeiture. This parcel could potentially be used for a town house or twin home style rental project.

11. Promote the Development/Conversion of at Least 16 to 20 Affordable Market Rate Rental Housing Units

Findings: The previous recommendation addressed the market potential to develop high quality rental units in Staples. Unfortunately, due to the costs associated with new construction, these units would typically be beyond the financial capability of many area renters.

The estimated median household income for renters in Staples was only \$25,741 in 2018. According to the American Community Survey, nearly 65% of all renter households had an annual income below \$35,000, and needed a unit priced below \$875 per month to avoid a housing cost burden.

In addition to creating additional affordable housing, it is probable that some ongoing level of unit replacement is needed in the older rental housing stock. The estimated median year of construction for all rental housing in Staples is 1967. Over time, it is probable that some of these older units will be removed from the usable inventory due to deterioration or quality. Most of the lost units are assumed to be very affordable, and new construction will not replace these units in a similar price range.

The City has achieved recent success securing competitive resources for the construction of affordable, income-restricted housing in the Mill Townhomes project. However, the requirements attached to the funding do require both income and occupancy restrictions on tenants, and this housing may not be available to all renters in Staples, including full-time students.

Recommendation: In addition to the market rate new construction recommended earlier, we also encourage the City to promote the development/conversion of more affordable rental units. A goal of at least 16 to 20 units over the next five years would help to add to the affordable rental stock and would potentially replace older rental housing that may be lost.

It would be difficult to create very affordable conventional rental units through new construction. Instead, it may be more practical to work on building renovation or conversion projects that can create housing. This opportunity may arise in downtown buildings, or through the purchase and rehabilitation of existing structures.

The Staples HRA has identified a potential project that would involve the acquisition of a former motel building to create “micro” apartments. While a large part of the target market could be student renters, affordable studio-style apartments could also appeal to other single renters in the local work force who are looking for affordable rental housing. As planned, 34 units could be created through this conversion project. This single project could exceed the stated goal for this type of housing, but very affordable units in good condition would be successful in the local market.

Additional creation/conversion options could also be pursued, especially if units with two or more bedrooms were added. The estimated median gross rent for all rental housing in Staples was only \$629 in 2018. Additional unit creation at or near the prevailing rent range would benefit the large percentage of low and moderate income renter households in Staples.

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

Findings: Staples has six different rental projects that provide affordable housing but have income restrictions for tenants. Three of these are “deep subsidy” housing that can generally offer project-based rent assistance to serve even very low income renters. The other three projects have a more “shallow subsidy” and provide housing with a more moderate rent structure.

The “deep subsidy” projects are Frontier Townhomes with 20 units, Staples Northside Apartments with 16 units, and Staples Hi-Rise with 60 units. Frontier Townhomes and Staples Northside are designated as general occupancy housing. Staples Hi-Rise provides an occupancy preference to seniors and/or disabled applicants.

Frontier Townhomes and Staples Hi-Rise are subsidized through HUD, while Staples Northside is subsidized through USDA Rural Development.

The remaining income-based projects were all developed using federal low income housing tax credits. Other funding sources may also have been used, but the use of tax credits caps tenant incomes at 60% of median income. Rent restrictions and occupancy limitations apply. Pine Crest Townhomes with 10 units, Staples Square Apartments with 12 units, and the new Mill Townhomes project with 42 units, all offer moderate rent, tax credit housing. Eight of the units in Mill Townhomes are designated as supportive housing for targeted populations. After removing these units, there are 56 units for general occupancy.

In addition to these income-restricted projects, there are also 43 tenant-based rent assistance Vouchers being used in Staples. It is possible that some of these Vouchers may be in use in Pine Crest or Staples Square, projects that cannot offer project-based rent assistance to all tenants. It is also possible that tenant-based Vouchers will be used in Mill Townhomes, in addition to the special Vouchers that will be project-based for the supportive units.

When all of these various resources are combined, there are potentially more than 200 households in Staples that will have access to some form of assisted housing in 2021. This may represent up to 28% of all rental opportunities in the City.

As stated previously, the estimated median household income level for renters in Staples was relatively low in 2018, at approximately \$27,750. However, the estimated median gross rent was also only \$629. As a result, most renters were able to secure affordable housing. The 2018 American Community Survey reported that approximately 34% of all renter households in Staples 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 the 1980s when Frontier Townhomes were built.

Although new deep subsidy projects are rare, the City does have a new moderate rent project under construction in 2020. Mill Townhomes will have 34 units of moderate rent housing for general occupancy and eight supportive units, including some serving long-term homelessness.

Mill Townhomes represents a significant increase in the affordable options in Staples, and more than doubles the supply of moderate rent tax credit units. In the opinion of the analysts, this will probably have some impact on the older income-restricted projects in the community. Income-qualified households living in older projects may elect to move into the newly built housing, causing both turnover and potentially vacancies in existing projects.

We would recommend that the demand for additional moderate rent housing be monitored until a stable occupancy history is achieved in Mill Townhomes.

Although the City could benefit from some additional “deep subsidy” units, it is highly unlikely that funding could be secured in the future. A more realistic approach to expanding very affordable housing options 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.

Another important strategy is to preserve the existing subsidized options. Any very affordable housing that is lost is unlikely to be replaced.

13. Monitor Demand for Specialized Senior Housing with Services

Findings: Staples 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 housing with services providers that include assisted living providers, and two facilities with specialized memory care beds.

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 Staples, specialized forms of senior housing exist in Menahga, Sebeka and Wadena. It is also important for readers to note that Staples has specialized senior housing options located in the Todd County portion of the City, which are in addition to the Wadena County projects summarized in the Countywide analysis.

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. Staples has two existing projects serving both of these identified segments, and is the only City in Wadena County that can offer this broad range of specialized care options.

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 Staples and Menahga. This type of housing is not present in Wadena, the largest city in Wadena County. A reasonable estimate is that between 35 and 40 total units currently serve this housing segment, split almost equally between Staples and Menahga. In Staples, additional units are present in the Todd County portion of the City. 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, although Wadena would be a logical location, as this community is not currently served by this housing type.

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

Memory Care - This very specialized form of housing serves people in the advanced stages of memory loss that cannot live successfully in other types of senior housing. Memory care options exist in Staples and Wadena. A reasonable estimate is that capacity currently exists for approximately 46 people in this housing segment. Approximately 65% of Wadena County's bed capacity is located in the City of Wadena. However, another project does exist in rural Staples (Todd County) that will have 15 beds for memory care, and future expansions are possible at their site. With this added, Staples has capacity for more than 30 people with specialized needs related to memory loss.

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

Skilled Nursing Homes/Long-Term Care - Skilled nursing homes are present in Staples, Wadena and Menahga. 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, with approximately 33% of these beds in Staples. 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 Wadena County in order to maintain a bed utilization rate of 95%. The actual utilization rate in 2020 is well below this level, but this segment is being directly impacted by the pandemic, with some beds temporarily changing focus to create COVID wards.

Recommendation: It is important to state that the global pandemic underway in 2020 has the potential to significantly impact specialized housing options for seniors. In Minnesota, more than 70% of the COVID deaths have been in residents of congregate care facilities. The recommendations are made with the assumption that the pandemic will soon be contained.

In 2016, the Staples EDA had commissioned a study by AdMark Resources that had examined senior housing needs. That Study had recommended the development of 14 additional units of assisted living by the year 2020. However, that had been based on an assumption that only 28 assisted living units were available in Lakewood Pines and Lakewood Manor, the existing providers. Our research in 2020 would instead indicate that the two Lakewood projects contain closer to 40 units of assisted living, effectively eliminating the unmet need that AdMark believed was present.

The AdMark study had also stated that 8 to 10 memory care housing should be added to the Lakewood Pines project, to create an option outside of the dedicated wing of the skilled nursing home. However, AdMark had not included A Daughter's Love in its calculations, a residential facility which currently has capacity for 8 residents in Staples, but will expand to 15 beds when it relocates to a rural area outside of the City.

Based on the research completed in 2020, we believe that residents of Staples are well-served by senior housing options. The City has an existing inventory of light services housing, assisted living, specialized memory care and skilled nursing beds. Most of this inventory is part of the Lakewood Health Systems.

It is important to state that this Study has not examined competitive positioning. For-profit housing with 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 Staples has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the City's affordable housing opportunities. As the existing housing stock ages, more maintenance and repair will be required. Without rehabilitation assistance, the affordable stock will shrink, creating an even more difficult affordability situation.

Existing units generally sell at a discount to their replacement value. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock. Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities.

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

14. Continue to Offer Rental Housing Rehabilitation Programs

Findings: Much of the conventional market rate rental stock in Staples exists in smaller structures, including single family houses offered for rental use. Many of these small structures are older housing.

Based on American Community Survey estimates, the median year of construction for all rental housing Citywide is 1967. 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 the past in securing grant funds through the Minnesota Small Cities Development Program (SCDP), although the last grant award with a housing activity was in 2013 and may not have included rental rehabilitation. The City has worked with the Central MN Housing Partnership on that program. SCDP grants are only available within a defined target area neighborhood.

Recommendation: In 2019, Staples adopted a rental housing licensing program that includes a property maintenance code and an inspection requirement. This has created the framework to monitor the condition and quality of rental units in the City.

To complement the licensing program, Staples should continue to prioritize housing rehabilitation of older housing, including rental units. In the future, SCDP applications should be submitted for targeted older neighborhoods. Other regional housing agencies and funding sources may also be able to assist with this rental housing rehabilitation effort.

15. Continue to Offer Owner-occupied Housing Rehabilitation

Findings: A housing condition survey completed in 2020 found a significant number of houses in need of repair in an older neighborhood in Staples. This neighborhood is in the Todd County portion of the City, south of Highway 10. The Wadena County portion tends to contain newer, higher valued homes that are in better condition.

In total, 333 houses were viewed and rated. Most of the houses in this neighborhood are generally in good condition, with nearly 69% rated in the sound or minor repair categories. However, most of these houses were rated as needing minor repair, with only 25% of the houses in this area of the City rated as sound.

There were 70 houses rated as needing major repair, and 34 houses rated as dilapidated. Dilapidated structures may be beyond the point of economically feasible repair. These structures may need to be cleared, with a plan to re-use the lot.

Although houses in the Wadena County portion are generally newer, citywide the estimated median year of construction is 1962, according to the American Community Survey.

The City has been successful in the past in securing funds through the MN Small Cities Development Program (SCDP), although the last housing rehab grant was in 2013. Past grants have been administered by the Central MN Housing Partnership.

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

Other communities have also been able to obtain other funding. In Sebeka, the Rural Housing Preservation Grant program through USDA Rural Development has been used to rehabilitate 11 owner-occupancy houses. Other funding sources, including programs from the Minnesota Housing Finance Agency and the Weatherization Program may also in use in Wadena County.

16. Demolish Dilapidated Structures

Findings: In the neighborhood south of Highway 10, there were 34 houses rated as dilapidate, and possibly too deteriorated to rehabilitate. In comparative terms with other communities, this represents a large number of substandard units.

The housing condition survey completed in Staples was in the Todd County portion of the City. In general, houses in the Wadena County portion are newer and have higher values, and it is believed that few dilapidated homes are present in this part of the City.

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. Within this portion of the City, it may be possible to aggregate multiple parcels for an affordable housing redevelopment effort.

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 mobile home parks that may exist in Staples. Mobile homes in the neighborhood south of Highway 10 were viewed and were generally in poor condition. These homes were on scattered sites and assumed to be real property parcels.

Secondary data sources would indicate that some of the mobile homes in the City, including personal property mobile homes in parks, are in need of improvement. According to the American Community Survey, all of the mobile homes have a date of construction prior to the year 2000, and many were constructed before 1980. Older mobile homes may 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. Cities have also 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.

18. Strategies for Downtown Housing and Redevelopment

Findings: Downtown Staples 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.

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 recommending the following actions for downtown Staples:

- ▶ 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

19. Create a Housing Plan and Coordination Among Housing Agencies

Findings: Staples 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 Staples 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 Staples 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.

20. 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 Staples 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.