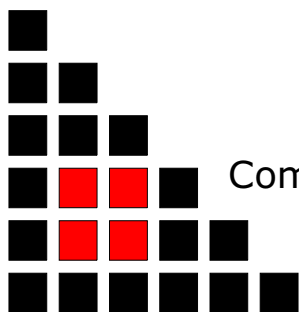


# WADENA COUNTY HOUSING STUDY

City of Verndale

December 2020

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



Community Partners Research, Inc.

Lake Elmo, MN

(651) 777-1813

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# Introduction

## Overview

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

## Methodology

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

- U.S. Census Bureau
- Minnesota State Demographer
- Esri, Inc., a private data reporting service
- Records and data from the City
- Records and data maintained by Wadena County
- Data from the MN Dept. of Employment and Economic Development
- Data provided by the Multiple Listing Service
- Interviews with elected officials and staff from the cities
- Interviews with community leaders
- Interviews with people familiar with the area's housing conditions
- Area housing agencies
- Rental property owner surveys

## Limitations

This document represents an analysis performed with the data available at the time of the research. Any findings are based upon current programs and the best available information on future trends and projections. Significant changes in the area's economy, employment growth, Federal or State tax policy or other related factors could change the conclusions contained in this Study.

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

This study was prepared by:  
**Community Partners Research, Inc.**  
**(651) 777-1813**

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# **Demographic and Projection Data**

## **Sources of Data**

A variety of data sources have been reviewed for this Study. One of the primary sources is the U.S. Census Bureau which produces annual population estimates and annual detailed reports through the American Community Survey. However, there is a data lag on the release and the most recent estimates from the American Community Survey are for 2018, based on surveys collected over a five-year period from 2014 to 2018.

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

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

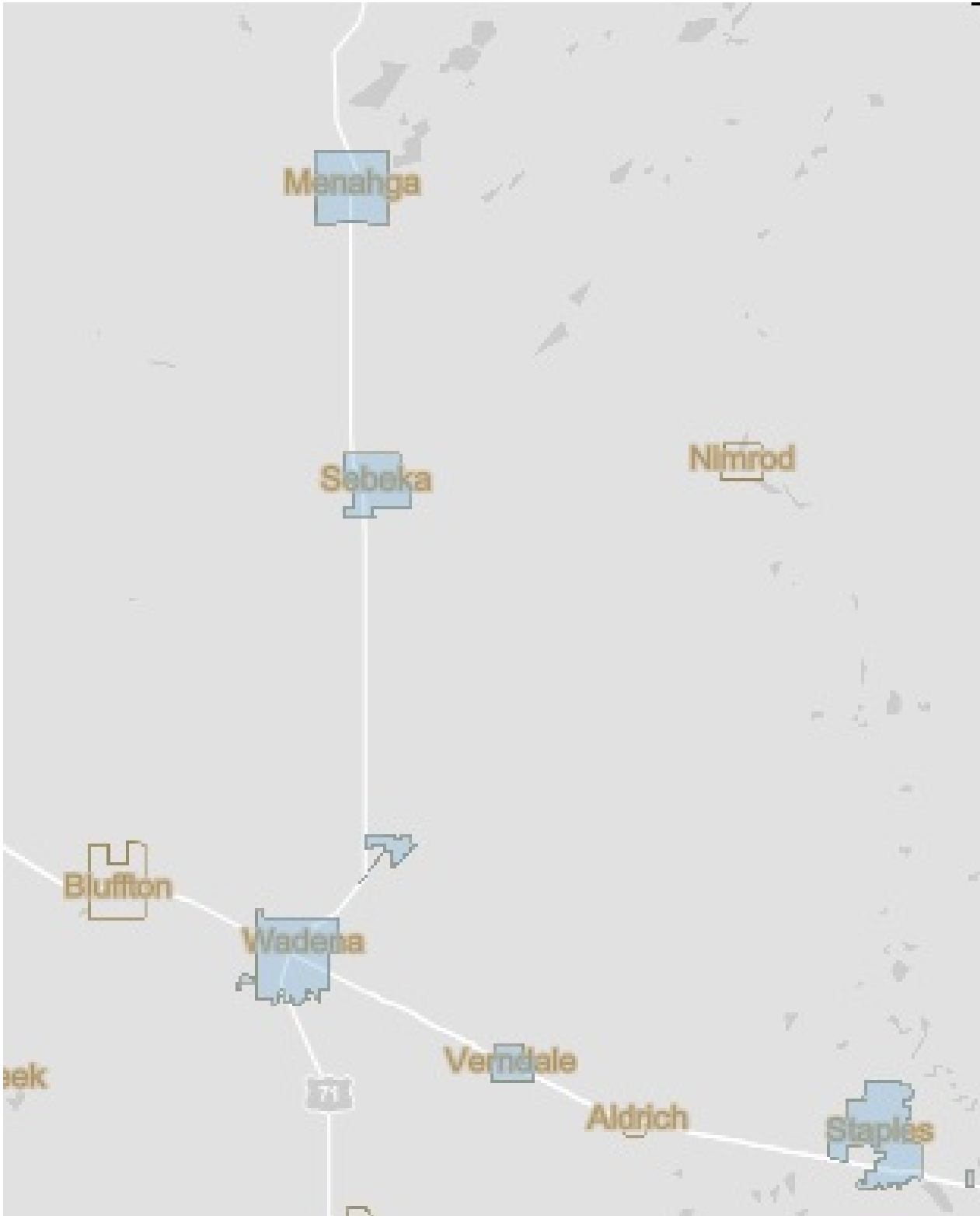
An additional data provider, Esri, Inc., has been used for the current-year, 2020 estimates. Esri is a private company that produces demographic data reports that are often used by financial institutions and the Minnesota Housing Finance Agency. Esri's 5-year projections extend to 2025.

## **Accuracy of Data**

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

## **Market Area Designation**

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



## Population Trends Analysis

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

<b>Table 1 Population Trends - 1990 to 2019</b>							
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 Estimate	% Change 2010-2019
Verndale	560	575	2.7%	602	4.7%	577	-4.2%
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 577 people living in Verndale. When compared to the 2010 Census benchmark, the City had lost 25 residents between 2010 and 2019.

A current-year estimate was obtained from Esri which shows 595 people living in the City of Verndale in 2020, down by 7 people from the level recorded in the 2010 Census.

A third source, the Census Bureau’s population estimates program, showed the City with 570 people in 2019, down by 32 residents from 2010.

Although some minor differences do exist between the recent estimates, all three sources show a minor loss of population since 2010. However, it is important to note that very limited change has occurred over time. Depending on the recent estimate used, Verndale’s long-term population pattern shows a difference of between +10 and +35 people when compared back to the 1990 Census total. Despite some decade-to-decades changes, the long-term pattern has been a relatively stable population level.

For all of Wadena County, the State Demographer’s 2019 estimate showed 13,744 people, 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 the County's population was 14,124 people, up by 281 people from 2010.

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

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

According to the 2018 estimate from the American Community Survey, nearly 94% of the Verndale's residents were White for race, and more than 99% were not of Hispanic/Latino ethnicity. Due to the limited diversity, no further demographic details have been provided by race/ethnicity.

### **Group Quarters Population**

In 2010, there were no people living in group quarters housing in Verndale. The 2019 estimate from the State Demographer still showed no people living in group quarters housing.



## Population Projections

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

<b>Table 2 Population Projections Through 2025</b>			
	2020 Estimate Esri	2025 Projection Esri	Change
Verndale	595	595	0 / 0%
Wadena County	14,124	14,327	203 / 1.4%

Source: Esri

Esri’s projection for Verndale expects no change in the number of permanent residents between 2020 and 2025. As stated previously, the City’s population has changed very little over the past 30 years, and this stability is being projected into the future.

Esri does expect some population growth Countywide, with the projected addition of 203 people over the five-year period. On an annual basis, this would average 40 to 41 people per year. This numeric gain would be above Esri’s estimated level of annual growth between 2010 and 2020.

## Household Trends Analysis

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

<b>Table 3 Household Trends - 1990 to 2019</b>							
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 Estimate	% Change 2010-2019
Verndale	238	234	-1.7%	239	2.1%	233	-2.5%
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 233 households in the City in 2019. When compared to the 2010 Census, six households had been lost.

Esri’s 2020 estimate for Verndale shows the City with 238 total households, down by only one household since 2010.

As will be discussed in greater detail later in this document, building permit issuance shows that the City has added only one new housing unit through new construction over the past decade. As a result, a limited change in the number of households would be expected.

As stated previously in the analysis of population trends, the City of Verndale has maintained a stable demographic profile in recent decades. The State Demographer’s estimated number of households in 2019 was nearly identical to the 2000 Census count, and only five households lower than in 1990.

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

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

If viewed as an annual range, 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

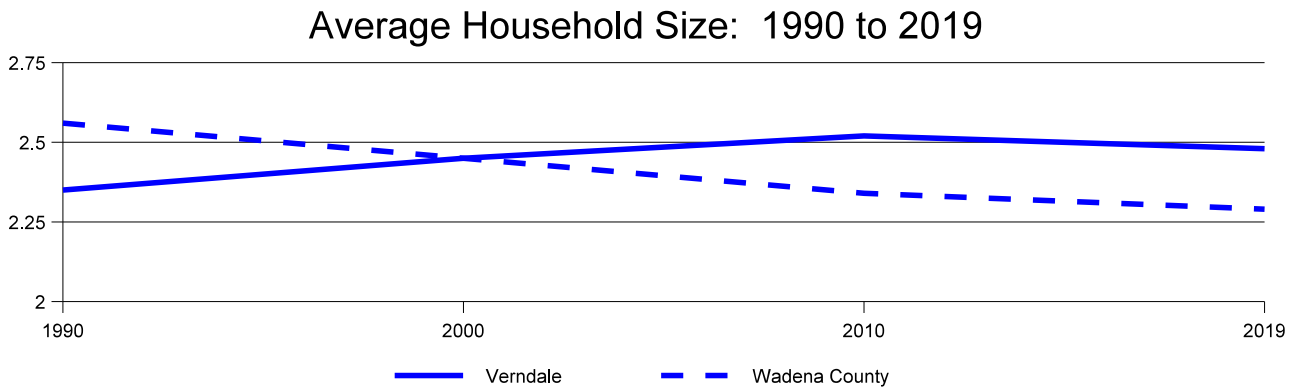
The following table provides decennial Census information on average household size dating back to 1990. The 2019 estimates from the State Demographer are also provided.

<b>Table 4 Average Number of Persons Per Household 1990 to 2019</b>				
	1990 Census	2000 Census	2010 Census	2019 Estimate
Verndale	2.35	2.45	2.52	2.48
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. However, Verndale has generally moved counter to this trend, as the City has had larger households over time.

The average household size in Verndale increased from 2.35 persons in 1990 to 2.52 persons in 2010. After 2010, there has been some decrease according to the State Demographer, but the City’s average household size was still well above the Countywide average.



An alternate estimate from Esri shows greater stability since 2010 with the City’s average household size at 2.50 persons in 2020.

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

**Household Characteristics: Age Trends**

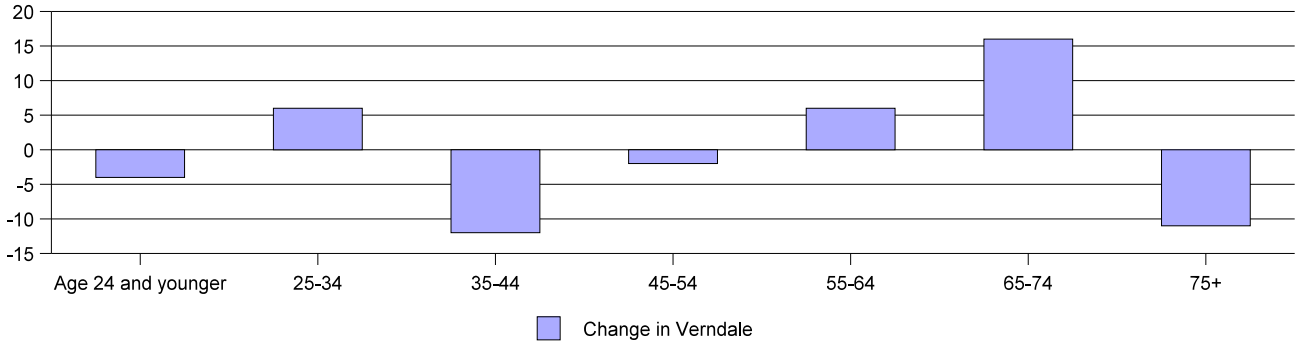
The following table examines the area’s changing age patterns. The 2020 age-based estimates from Esri are compared to the 2010 Census to track recent changes. This information has been analyzed is for the City of Verndale. While Esri shows more households in the City than the State Demographer, the difference in these estimates is less than 2.2%.

<b>Table 5 Households by Age - 2010 to 2020</b>			
Age	Verndale		
	2010	2020	Change
15-24	12	8	-4
25-34	27	33	+6
35-44	50	38	-12
45-54	43	41	-2
55-64	43	49	+6
65-74	23	39	+16
75+	41	30	-11
Total	239	238	-1

Source: U.S. Census; Esri

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

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

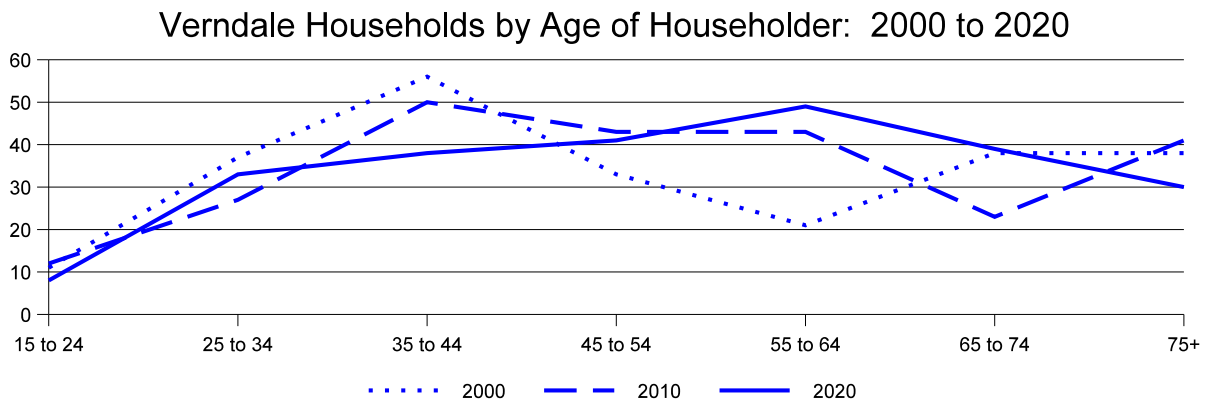


Much of the change occurred in the prime “baby boomer” age groups, between 55 and 74 years old, with especially strong growth among households age 65 to 74 years old.

With the exception of the 25 to 34 year old group, the other younger adult ranges decreased in size, although these changes were limited.

Overall, Esri estimates that there was a net loss of 12 households age 54 and younger, but an increase of 11 households age 55 and older over the last decade.

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



## Household Projections

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

<b>Table 6 Household Projections Through 2025</b>			
	2020 Estimate Esri	2025 Projection Esri	Projected Change
Verndale	238	238	0 / 0%
Wadena County	5,845	5,938	93 / 15.9%

Source: Esri

Esri’s projection for Verndale expects no change in the number of households over the next five years. This is very consistent with Esri’s recent estimate showing stability in the community 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 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.

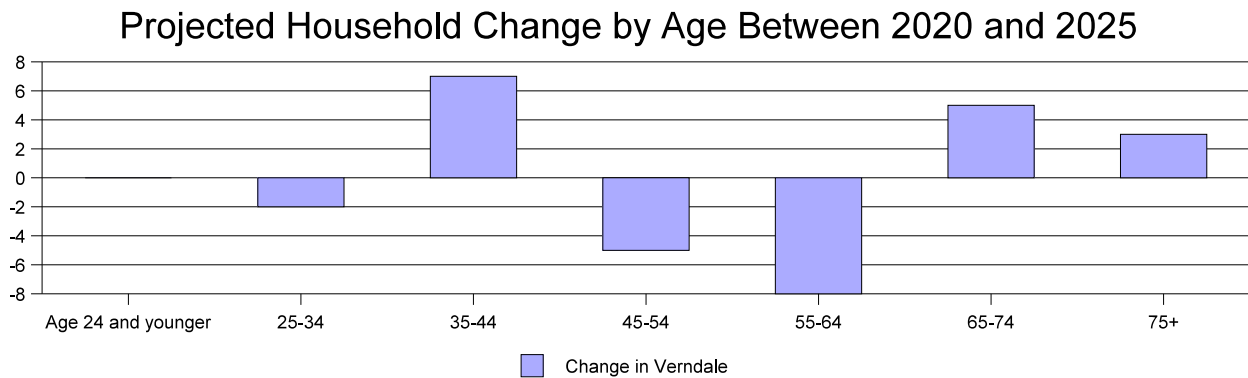
## Projected Households by Age

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 Verndale.

<b>Table 7 Verndale Projected Households by Age: 2020 to 2025</b>			
Age Range	2020 Estimate	2025 Projection	Change
15-24	8	8	0
25-34	33	31	-2
35-44	38	45	+7
45-54	41	36	-5
55-64	49	41	-8
65-74	39	44	+5
75+	30	33	+3
<b>Total</b>	<b>238</b>	<b>238</b>	<b>0</b>

Source: Esri

The age-based projections to 2025 expect very limited change in Verndale over the next five years. Most of the net increase should occur from households age 65 and older, and from households age 35 to 44 years old. All of the other age ranges are projected to stay stable or to decrease in size.



## 2018 Median Income Data

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

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

<b>Table 8 Median Household Income - 2010 to 2018</b>			
	2010 Median	2018 Median	% Change
Households			
Verndale	\$30,395	\$37,232	22.5%
Wadena County	\$34,686	\$45,860	32.2%
Minnesota	\$57,243	\$68,411	19.5%
Families			
Verndale	\$48,438	\$45,625	-5.8%
Wadena County	\$47,898	\$69,996	46.1%
Minnesota	\$71,307	\$86,204	20.9%

Source: ACS

Information contained in the 2018 American Community Survey showed that the City's median household income had been increasing rapidly over the decade, while the median family income had decreased slightly. It is important to note that limited sampling in small communities can result in data flaws. But is also possible that the median family income could have decreased over the decade, especially if a number of households moved from earned income to fixed retirement incomes.

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



A general standard is that 30% of income can be applied to housing costs. At this level, a median income household in Verndale could apply approximately \$930 per month and a median income family could apply approximately \$1,140 per month.

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

## Household Income Distribution by Tenure: 2018

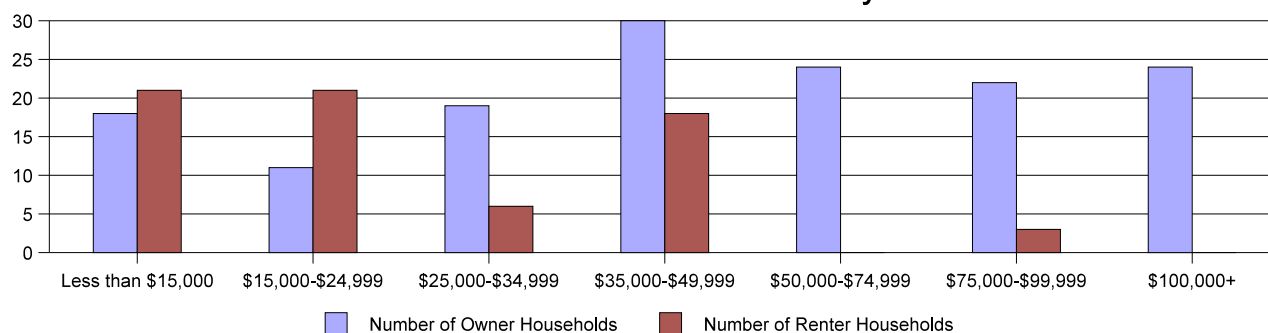
The American Community Survey also contains household income distribution estimates. This information is available by ownership or renter status. When compared to other data sources, the American Community Survey has underestimated the number of households, but the distribution of income is still the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

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	18	21	39
\$15,000 - \$24,999	11	21	32
\$25,000 - \$34,999	19	6	25
\$35,000 - \$49,999	30	18	48
\$50,000 - \$74,999	24	0	24
\$75,000 - \$99,999	22	3	25
\$100,000+	24	0	24
Total	148	69	217

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 96%, with approximately 4% of these households renting their unit.

Verndale 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 50%. For low income households below \$25,000 for annual income the rental rate was above 59%.

For all renter households in the City the estimated median income level in 2018 was \$21,458. Based on renter household income levels in other communities in Wadena County, it is possible that the estimate for Verndale is somewhat low and impacted by limited sampling.

For all home owners, the estimated median income was \$48,00.

## Renter Housing Cost Burden

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

The following table examines the percentage of income required by renter households for monthly housing costs in Verndale.

<b>Table 10 Verndale Renter Household Cost Burden - 2018</b>		
Percent of Income for Housing	Number of Households	Percentage
Less than 20%	5	7.2%
20% to 29.9%	28	40.6%
30% to 34.9%	0	0%
35% or more	25	36.2%
Not Computed	11	15.9%
Total	69	100%

Source: American Community Survey

Using a standard that 30% of income for housing defines a cost burden, most renter households in Verndale did not have a cost burden for rental housing in 2018. Overall, approximately 36% 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.

Cost burden was generally the result of a lower household income. All of the households that were paying 30% or more of their income for housing had a household income that was below \$35,000 per year in 2018.

## 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 Verndale owner households for monthly housing costs. Information is provided for owner households with and without a mortgage on their home.

<b>Table 11 Verndale Owner Household Cost Burden - 2018</b>			
Percent of Income for Housing	Households with a Mortgage	Households without a Mortgage	Total
Less than 20%	48	37	85
20% to 29.9%	26	4	30
30% or more	19	14	33
Not Computed	0	0	0
Total	93	55	148

Source: American Community Survey

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

Approximately 22% of all home owners reported that they paid more than 30% of their income for housing. This included home owners both with and without a mortgage on their home. Nearly all of the home owners with a cost burden had an annual income below \$35,000.

## **Building Permit Trends**

Based on annual reporting to the Census Bureau, Verndale has had only one new house constructed over the past 10 years. This unit total was verified with City staff. A single family house was permitted in 2018.

## **Lots and Land**

City staff indicated that only one vacant lot may be available in Verndale. There was one lot listed on the Multiple Listing Service with an asking price of \$6,000.

Based on interviews with City officials, Verndale is somewhat “land locked”, although one potential development parcel may exist.

## **Existing Home Sales**

This section examines houses that have been sold within recent years in the City of Verndale. 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 12 Verndale Residential Sales Activity - 2010 to 2020\***

Year	Number of Good Sales	Median Sale Price	Highest Sale	Lowest Sale
2020*	3	\$103,603	\$164,500	\$40,000
2019	12	\$86,075	\$208,000	\$45,000
2018	7	\$79,439	\$138,500	\$63,720
2017	5	\$62,808	\$97,100	\$12,700
2016	4	\$50,388	\$120,008	\$14,380
2015	5	\$70,000	\$135,900	\$54,760
2014	6	\$60,850	\$144,800	\$13,600
2013	10	\$51,604	\$92,000	\$15,000
2012	4	\$75,525	\$122,200	\$30,250
2011	3	\$72,150	\$187,400	\$43,250
2010	4	\$70,675	\$87,930	\$61,800

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 Verndale since 2010.

In 2019, the last full year, there were 12 good sales that were recorded. The median price was \$86,075. If the 22 sales between 2018 and 2020 (partial) are aggregated, the median was also \$86,075.

In each of the years reviewed, there was at least one house sale for less than \$64,000. Over the entire time period, only one house has been sold for more than \$200,000, when a \$208,000 sale occurred in 2018.

An alternate home value estimate is available from the 2018 American Community Survey. This source places the midpoint owner-occupied house value at \$83,900. This amount was generally similar to the median price for the aggregated sales from 2018 through 2020.



## **Active Residential Listings**

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Verndale. On August 30, 2020, there were only three single family home that was listed for sale that appeared to be located in the city limits of Verndale. This houses, were listed for \$89,900, \$149,900 and \$219,900. The two higher-priced homes were identified as a “pending” or “contingent” sales.

## 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 Verndale, the City was divided into two neighborhoods, as follows:

#1 Houses north of Highway 10

#2 Houses south of Highway 10

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.

<b>Table 13 Windshield Survey Condition Estimate - 2020</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
North of Hwy 10	24 / 38.1%	24 / 38.1%	11 / 17.5%	4 / 6.3%	63
South of Hwy 10	54 / 47.0%	45 / 39.1%	12 / 10.4%	4 / 3.5%	115
Total	78 / 43.8%	69 / 38.8%	23 / 12.9%	8 / 4.5%	178

Source: Community Partners Research, Inc.

In general, the housing stock in Verndale is in good condition, with nearly 83% of the houses rated in one of the two highest condition categories.

However, there were 23 houses rated in the Major Repair category and eight houses rated as Dilapidated and possibly beyond repair.

### **Mobile Home Condition**

Mobile homes in Verndale were also viewed and rated. There is one mobile home park in the City with 18 units. There were also 13 mobile homes viewed in scattered locations in neighborhoods around the community. All of the mobile homes were aggregated in the ratings.

<b>Table 14 Windshield Survey Condition Estimate - 2020</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile homes	3 / 9.7%	10 / 32.3%	9 / 29.0%	9 / 29.0%	31

Source: Community Partners Research, Inc.

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

Only three of the mobile homes were rated as Sound, with 10 viewed as needing Minor Repair.

## **Age of Housing**

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

For owner-occupancy units in Verndale, the estimated median year of construction is 1958. Nearly 53% of the owner-occupancy stock was constructed before 1960.

For rental housing, the estimated median year of construction was listed as 1969. Approximately 35% of the rental inventory was constructed prior to 1960.

## **Mobile Home Data**

The American Community Survey also provides some details on the mobile homes in the City. According to this source, there were 53 mobile homes in Verndale. However, only 32 of these were occupied, with 21 either vacant or intended for seasonal/recreational use.

The estimate from the American Community Survey estimated that nine of the mobile homes were owner-occupied in 2018, and 23 were renter-occupied units.

All of the occupied mobile homes in the City were manufactured before the year 2000. The American Community Survey did not include an estimated value information for mobile homes.

A visual inspection of the City by Community Partners Research staff found 31 mobile homes in the City. The City has a mobile home park with 18 units, and 13 additional mobile homes were on scattered sites around the community. While this count is lower than the estimate contained in the American Community Survey, it is very similar to the occupied unit count from that source.

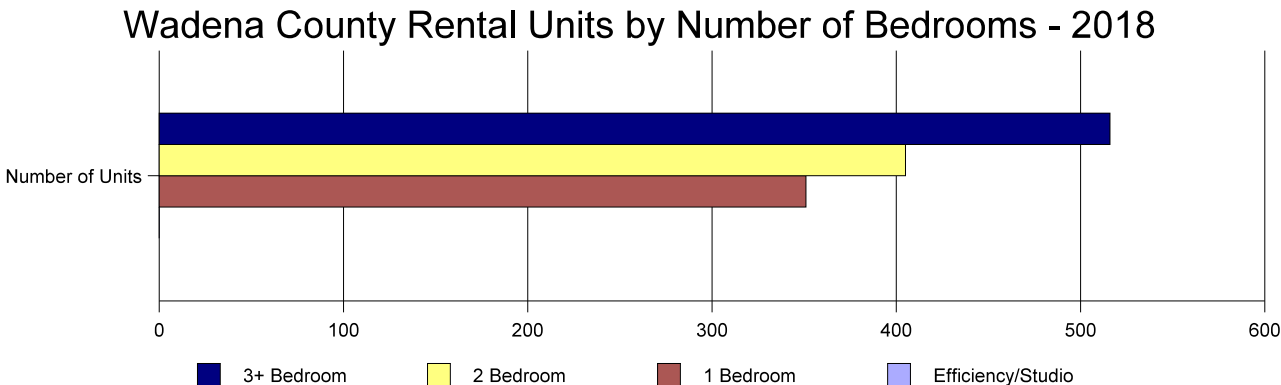
## American Community Survey Rental Data

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 Verndale.

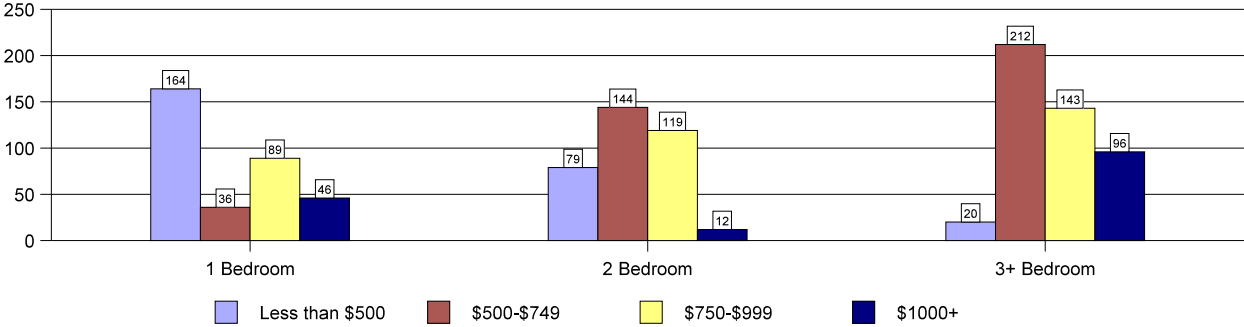
Unit Size	Rent less than \$500	Rent \$500 to \$749	Rent \$750 to \$999	Rent \$1,000+	No cash rent	Total Units
Efficiency/Studio	0	0	0	0	0	0
1 Bedroom	164	36	89	46	16	351
2 Bedroom	79	144	119	12	51	405
3+ Bedroom	20	212	143	96	45	516
Total	263	392	351	154	112	1,272

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

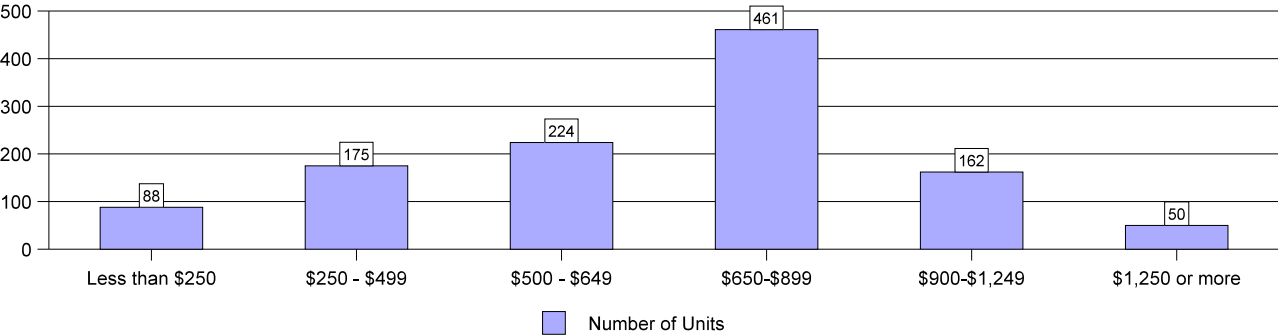


The American Community Survey includes an estimate of the median gross rent, for all units and by bedroom size. Overall, the median gross rent level was \$692 in 2018. Gross rent would include tenant-paid utilities.

- ▶ 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.

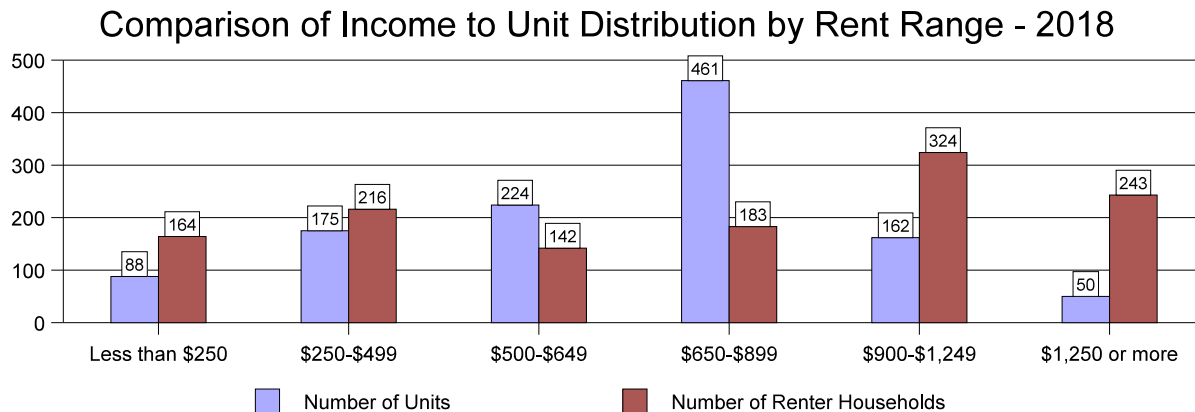
Wadena County Rental Unit Distribution by Rent Range - 2018



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 under \$500.

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

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

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

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

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

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



## **Rental Housing Data**

### **Census Bureau Inventory**

At the time of the 2010 Census, there were 70 occupied rental units in Verndale, and at least 3 unoccupied rental units, for a total estimated rental inventory of 73 units. The City's rental tenure rate, was 29.3%, based on renter-occupancy households, above the Statewide rate in 2010 of 27% rental.

There is no accurate tenure count available since 2010, but the American Community Survey for 2018 did contain an estimate. According to that source, there were 69 occupied rental units in the City. There were also 22 unoccupied rental units, for a total estimated inventory of 91 total units. If accurate, this source showed a gain of 19 rental housing units in the City between 2010 and 2018, although these added units were largely listed as vacant.

### **Rental Construction After 2010**

After the 2010 Census was completed, no additional rental housing projects have been developed in Verndale. Any change in the rental inventory would be due to the possible upward or downward changes from tenure conversion.

It is probable that the rental housing tenure rate in 2020 is very similar to the rate of 29.3% as reported in the 2010 Census.

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

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

## **Rental Housing Survey**

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

In Verndale, only one multifamily rental project was identified. Village Green Apartments is a 9-unit project subsidized through USDA Rural Development. This was the only building contacted.

## **Market Rate Summary**

Nearly all of the market rate rental housing in Verndale exists in single family houses or in mobile homes. No multifamily rental buildings offering conventional market rate housing could be identified in the City.

## **Subsidized Summary**

Verndale has one rental project that provides subsidized housing opportunities. Village Green Apartments is subsidized through USDA Rural Development and has nine units. This project is designated for senior and/or disabled tenant occupancy.

### **Unit Mix**

All of the units in Village Green have one bedroom. There are no subsidized units for larger families.

### **Occupancy / Vacancy**

At the time of the rental survey, all of the units in Village Green were occupied. However, the project did not have a waiting list and the manager indicated that vacancies can occur.

### **Rental Rates**

All of the tenants in Village Green have access to project-based rent subsidy which allows rent based on 30% of income. The maximum rent is \$785 for a one-bedroom apartment.

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

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

In September 2020, there are three households in Verndale using Vouchers. Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month.

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

When tenant-based rent assistance is combined with the project-based housing, there are 12 households with access to some form of subsidized housing. This probably represents 17% to 20% of all renter households in the City.

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

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

<b>Table 16 Verndale Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units/ Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Subsidized</b>					
Village Green Apartments 101 S Thompson St	<u>9 - 1 bedroom</u> 9 total units	\$785 30% of income	No vacant units	Senior/Disabled occupancy	USDA Rural Development one-level apartment building for senior/disabled tenant occupancy that was constructed in 1985. All tenants have access to project-based rent assistance that allows rent based on 30% of income up to market rent listed. Manager reported full occupancy on date of survey but no waiting list - vacancies can occur from time to time.
Tenant-based HUD Housing Choice Vouchers	3 households in Verndale	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, 3 households in Verndale were participating in the Wadena County program. Program typically has 65 to 69 Vouchers in use Countywide with most of these in Wadena. Waiting list exists with 140 households.

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.

### **Largest Employers**

The largest employers in Verndale include:

- ▶ Verndale Public Schools
- ▶ Verndale Custom Homes

Source: LakesnWoods.com

## Labor Force, Work Force and Unemployment

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

<b>Table 17 County Labor Force and Employment: 2010 to 2020*</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2010	6,483	5,822	661	10.2%	7.4%	9.6%
2011	6,319	5,750	569	9.0%	6.5%	8.9%
2012	6,229	5,743	486	7.8%	5.6%	8.1%
2013	6,166	5,735	431	7.0%	5.0%	7.4%
2014	6,142	5,760	382	6.2%	4.2%	6.2%
2015	6,327	5,954	373	5.9%	3.7%	5.3%
2016	6,266	5,895	371	5.9%	3.9%	4.9%
2017	5,831	5,510	321	5.5%	3.4%	4.4%
2018	5,917	5,611	306	5.2%	2.9%	3.9%
2019	6,049	5,675	374	6.2%	3.2%	3.7%
2020*	6,073	5,626	447	7.4%	6.1%	8.4%

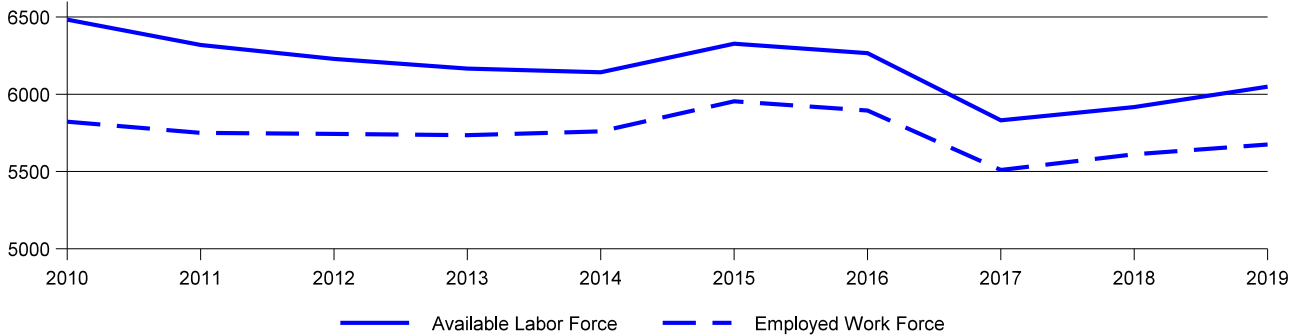
Source: MN Department of Employment and Economic Development  
 \*2020 is through October

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

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

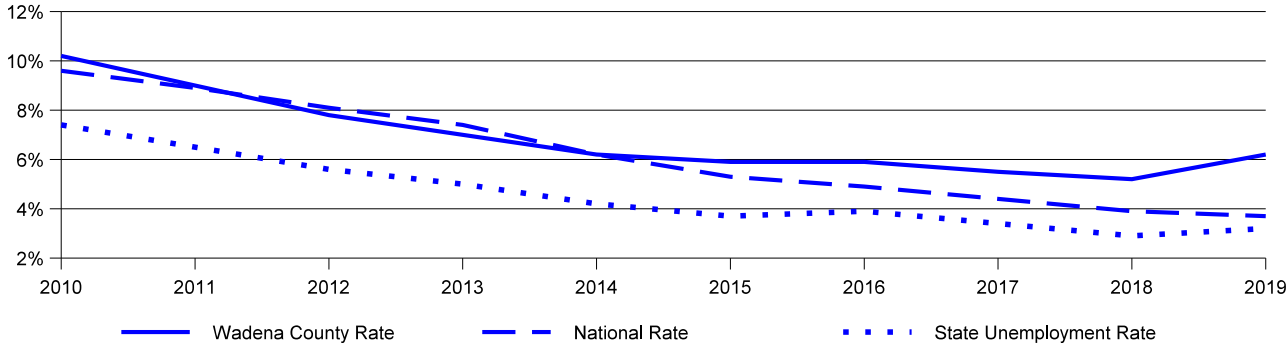
Wadena County Area Labor Force and Employed Work Force: 2010 to 2019



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

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.

Annual Unemployment Rate: 2010 to 2019



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 Verndale. The previous table, which provided information on the County’s labor force, represents the location of the worker by their home residence. The following table, represents the location of the job.

<b>Table 18 Verndale Average Annual Wages by Industry - 2019</b>		
Industry	Employment	Average Weekly Wage
Total All Industry	163	\$613

Source: MN Department of Employment and Economic Development

Based on the small size of the community, there was limited information available on employment by industry sector in Verndale.

For all industry, the average weekly wage was \$613 in 2019. At full-time employment for 52 weeks this would equate to an average annual wage of \$31,876.

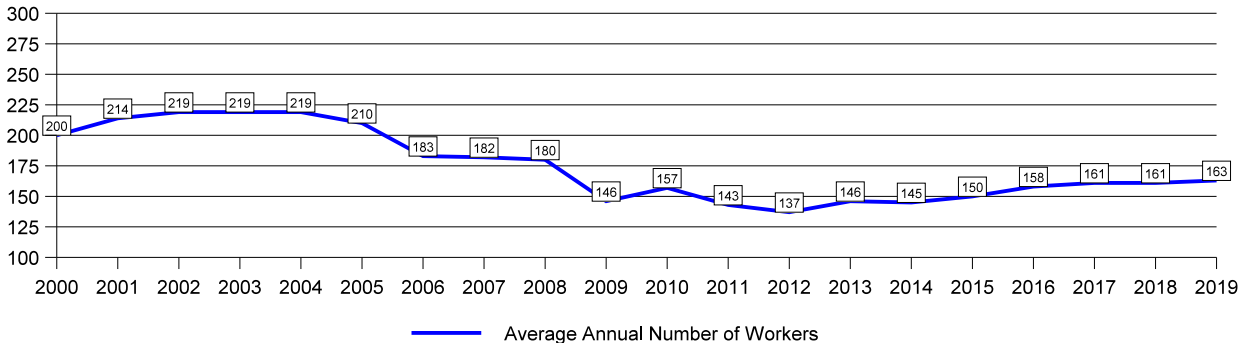
## Annual Covered Employment

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

<b>Table 19 Verndale Average Annual Employment</b>			
Year	Total Covered Employment	Year	Total Covered Employment
2000	200	2010	157
2001	214	2011	143
2002	219	2012	137
2003	219	2013	146
2004	219	2014	145
2005	210	2015	150
2006	183	2016	158
2007	182	2017	161
2008	180	2018	161
2009	146	2019	163

Source: QCEW - MN Department of Employment and Economic Development

### Number of Covered Workers in Verndale



When viewed over a longer time period, back to the year 2000, there has been a gradual loss of covered jobs in Verndale. Most of this decrease occurred in the mid-2000s. Since 2010 the employment level has remained relatively stable.

## Commuting Patterns of Area Workers

Information on commuting patterns is from the 2018 American Community Survey and has been examined for the City. The first table looks at travel time for City residents, excluding people that work at home.

<b>Table 20 Commuting Times for Verndale Residents - 2018</b>		
Travel Time	Number	Percent
Less than 10 minute	54	24.4%
10 to 19 minutes	79	35.7%
20 to 29 minutes	16	7.2%
30 minutes +	72	32.6%
Total	221	100%

Source: American Community Survey

A majority of Verndale’s residents were working in the immediate area in 2018. Overall, more than 60% had a commute time of less than 20 minutes. However, nearly 33% of residents were traveling 30 minutes or more for their primary job.

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

<b>Table 21 Commuting Times for Verndale Employees - 2018</b>		
Travel Time	Number	Percent
Less than 10 minutes	89	31.3%
10 to 19 minutes	112	39.4%
20 to 29 minutes	32	11.3%
30 minutes+	51	18.0%
Total	284	100%

Source: American Community Survey

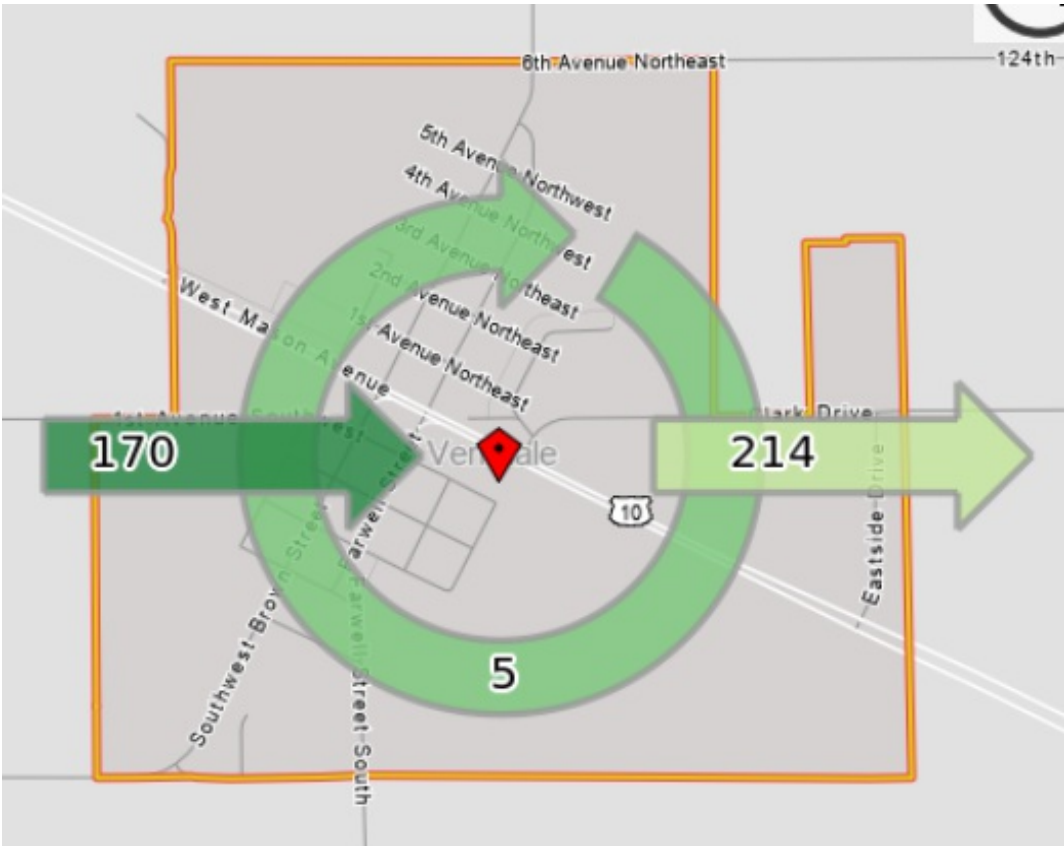
Most people that worked in Verndale were traveling less than 20 minutes in 2018. Overall, nearly 71% of the jobs were filled by people traveling 19 minutes or less, including the people that both live and work within Verndale. However, 18% of workers in the City were traveling 30 minutes or more.

### **Census On the Map**

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

According to the report for Verndale, there were 175 people that were employed within the city limits in 2017. Only a small percentage of these Verndale-based employees also lived within the City, with approximately 170 employees commuting in to work. The primary identified jurisdictions supplying workers to the City were Thomastown Township, Wadena and Staples.

Most Verndale residents left their home community to work elsewhere. The primary locations listed for outbound commuters were Wadena, Staples and Sebeka.



# **Findings and Recommendations**

## **Summary of Key Findings for Verndale**

### **Past Growth Patterns**

Over the past few decades, the City of Verndale has maintained a relatively stable demographic profile, with very little change in the number of households living in the community. There have been some minor upward and downward movement from decade to decade, but when viewed over a longer time period, these changes have been limited.

In 2019, there were an estimated 233 resident households living in the City. While this was down slightly from the 239 households counted in the 2010 Census, it was nearly identical to the 234 households at the time of the 2000 Census. In general terms, the City has been experiencing an average change of less than one household (plus/minus) per year over the past 30 years.

### **Projected Growth**

Projections for smaller communities are often based on past patterns, which are then trended forward. For Verndale, the relative stability in recent decades yields an expectation of limited change over the next five years. The projection obtained from Esri expects the City to remain stable, with no real change in the number of people or households through 2025.

However, the aging patterns of the existing residents should result in a growing number of households in the senior ranges, age 65 and older. While some growth is possible in specific younger age groups, overall there is a projected reduction in the number of households age 64 and younger in Verndale through the year 2025.

### **Housing Construction/Availability**

There is some possibility for Verndale to add households in the future without new housing construction, due to some vacant/underutilized older units that may exist in the community. But in general, the City will need to add housing to add households. Any unoccupied units that are present in the City may not be attractive for potential households, due to condition, quality or features.

Since 2010, only one new house has been built in Verndale. Although specific building permit reports were not obtained for the years prior to 2010, the American Community Survey estimates show that the City has added fewer than 20 new housing units over the past 20 years.

## **Housing Tenure Patterns**

Verndale has historically had a relatively average distribution of owner and renter-occupancy housing options. At the time of the 2010 Census, nearly 71% of households were home owners. This has probably changed very little over the past 10 years.

The City has few multifamily rental options, and the largest project offers income-restricted subsidized housing. There are no identified rental developments that have been built in the City over the past 20 years.

## **Household Income and Housing Costs**

According to the 2018 American Community Survey, the median household income in Verndale was \$37,232, more than \$8,000 lower than the median for all of Wadena County. The City's median family income was more than \$24,000 lower than the comparable Countywide level.

These lower income levels were even more pronounced by housing tenure. For all renter households in the City, the estimated median income level in 2018 was \$21,458. For all home owners, the estimated median income was \$48,000.

Housing costs in Verndale were generally in a moderate range. The estimated median value for an existing single house is probably less than \$90,000. The estimated median gross rent in 2018 was only \$569 per month.

Due to relatively low housing costs, most households in Verndale have been able to acquire housing that is viewed as affordable. Approximately 36% of the City's renter households reported a housing cost burden in 2018. Approximately 22% of home owners were paying 30% or more of household income to housing costs.

While costs for existing housing are relatively low in Verndale, the costs associated with new construction are substantially higher. This is probably a primary factor in the lack of new unit construction over the past two decades.

## **Employment and Commuting**

There are employment opportunities in the Verndale and the City is located close to Wadena and Staples. The best information on commuting patterns indicates that most residents are able to work locally for their primary job. In 2018, more than 60% of the City's employed residents were traveling 19 minutes or less to work. However, nearly one-third of residents were traveling 30 minutes or more from their home

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 Verndale, there has been a gradual decrease of employment in the City over the past 20 years, although the number of covered jobs has increased slightly between 2010 and 2019.

Most of the employment opportunities based in Verndale are filled by non-residents but these inbound employees also tend to be local, as nearly 71% of the people working in the City traveled less than 20 minutes to work in 2018.

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

## Findings and Recommendations Overview

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

<b>Findings and Recommendations</b>	
<b>Home Ownership Recommendations</b>	
1.	Projected Demand for One Owner-occupancy Unit Annually
2.	Look for Small-Scale Land Development Options in the City
3.	Consider the Creation of Housing Construction Incentives
4.	Explore Options for Affordable New Construction Partnerships
5.	Promote the Affordable Existing Housing Stock in the City
6.	Utilize and Promote all Programs that Assist with Home Ownership
7.	Consider the Development of a Purchase/Rehabilitation Program
<b>Rental Housing Recommendations</b>	
8.	Promote the Production of 10 to 12 Units of Market Rate Rental Housing
9.	Monitor the Supply and Demand for Income-Restricted Rental Housing
<b>Housing Rehabilitation and Preservation</b>	
10.	Promote Rental Housing Rehabilitation Programs
11.	Continue to Promote Owner-occupied Housing Rehabilitation
12.	Demolish Dilapidated Structures
13.	Consider Programs to Improve the Condition and Quality of Mobile Homes
<b>Other Initiatives</b>	
14.	Create a Housing Plan and Coordination Among Housing Agencies
15.	Develop Community Marketing Programs and Strategies



## **Home Ownership Recommendations**

**Overview:** The City of Verndale has had very little new home construction in recent decades. Annual reports from 2010 forward show only one new single family house built in the City. Between 2000 and 2009 there were 10 new houses built, according to Census Bureau records. But nine of these were before 2006, at a time when regional and national housing construction markets were very active.

The low volume of new home construction over the past 15 years may be due in part to shortage of residential lots. City officials indicated that only one lot may be available in 2020. The City may be “land locked” as no parcels with development potential are readily available.

It should be stated that limited demand may also have impacted the private sectors interest in subdivision development in Verndale. Some of the other smaller communities in the County including Sebeka and Menahga do have lots available, sometimes at a low price, but sales have been very slow. Single family housing starts in Staples and Wadena (excluding tornado impact) have also been low over the past decade. As a result, a residential subdivision developer would need to plan for an extended lot absorption period.

Existing home values in the community are in a lower price range. If all home sales since 2018 are aggregated, the median sale price was \$86,075. In 2020, it is probable that the median home value is still less than \$90,000, well below the costs associated with new construction.

In 2020, a large share of the households in Verndale and Wadena County were age 55 and older. In the City of Verndale, approximately 50% of all households were age 55 and older. Countywide, more than 55% of all households have a householder age 55 or older in 2020.

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

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

## **1. Projected Annual Demand for One Owner-occupancy Unit Annually**

**Findings:** The City of Verndale has had a long-term pattern of relative stability. The most recent patterns, since 2010, show the City gradually losing population and households. But these trends have varied from decade to decade, and since the year 1990, the average annual change in the number of households has been very limited.

Going forward, the household projections from Esri that are used for this Study would expect no change in the number of households living in the City.

In the opinion of the analysts, the addition of some high quality housing options in the City could result in some minor growth in the future. The net addition of one or possibly more owner-occupancy households per year is achievable, provided some new houses are constructed.

**Recommendation:** Most households living in Verndale are home owners. While some additional rental housing could be built, the most realistic plan is to construct some new single family homes in the City. Over the next five years a goal of one new house annually should be pursued. To help achieve this level of annual production, some proactive efforts may be needed, as will be discussed in some of the recommendations that follow.

## **2. Look for Small-Scale Land Development Options in the City**

**Findings:** Based on information obtained from the City, there may be only one vacant lot available in 2020. A listing on Realtor.com showed a lot for sale for \$6,000. It is possible that some additional building sites may also exist, including infill parcels or redevelopment properties.

Despite the low asking price for the listed lot, there has not been a new home built in Verndale since 2018. This is similar to conditions in other cities, including Sebeka, where lots in a city-owned subdivision are free provided new home construction begins within one year of transfer. Despite this offer, only one or two new houses have been built in Sebeka in the past 11 years.

The recent experience in Sebeka is not substantially different than other cities in the County. In Menahga, Wadena and Staples, the annual average for single family housing starts has tended to be low. While its possible that Verndale would have had some new home construction if more lots were present, the overall demand for new single family homes has been limited Countywide.

**Recommendation:** The City of Verndale would benefit from having some vacant land and lots for future residential construction and should actively look for small-scale development options. But with probable demand for only one or two lots per year, the number of improved lots created and the total project development costs would need to be closely evaluated. A residential subdivision would need to plan for an extended lot absorption period.

In some small communities, redevelopment projects have been used for housing development. Cleared land that is underutilized, or where substandard buildings have been removed may create a suitable site for small-scale development.

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

**Findings:** If some new residential land does become available in the future there may be proactive efforts needed to help generate new construction activity.

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

**Recommendation:** The City would benefit from new housing construction to help promote community growth to replace older homes that may be lost over time. The City may wish to consider additional incentives that could be offered to accelerate home building. Home ownership promotes community stability. While costly, financial incentives could provide the City with a competitive advantage over other housing opportunities available in the region.

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

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

**Findings:** In an effort to generate more affordable new home construction, some communities have teamed with nonprofit groups to build new homes. In Verndale, this could be appropriate if some infill sites are used or if a redevelopment project is initiated.

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

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

Despite the cost-cutting efforts being applied, these homes had a higher development cost than could be charged to the end buyer, based on a property appraisal. The houses needed a cost write-down of \$48,000 each, which came from supplemental grants. 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.

Other communities have worked with Habitat for Humanity. Sebeka is currently working with this organization to get a new home built on a city-owned lot.

**Recommendation:** The projections used for this Study do expect some demand for affordable home construction, but this demand will probably be for only one or two homes over the 5-year projection period. MMCDC is an established partner in working within the region to address this most affordable market segment.

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

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

## **5. Promote the Affordable Existing Housing Stock in the City**

**Findings:** While lower values for existing homes can serve as a deterrent to new construction, older homes do offer a very affordable ownership option. This Study tracked the sales activity in Verndale 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 since 2018, the estimated median sale price has been \$86,075. A reasonable estimate is that the median value in the City in 2020 would be below \$90,000 for the average existing house.

Comparative home value information from the American Community Survey indicates that prices in Verndale tend to be lower than larger nearby cities. According to the American Community Survey, the median value for an owner-occupied home in Verndale was approximately \$83,900 in 2018. This was below the estimated medians of \$100,300 in Wadena or \$92,900 in Staples. The estimated median for all of Wadena County was \$123,700. Lower-valued existing homes can represent a very attractive ownership option for potential home buyers in the larger region.

**Recommendation:** Verndale has job opportunities within the City, and residents can also easily commute to nearby employment centers including Wadena and Staples. 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. Verndale does have a potential competitive advantage in attracting home buyers, with lower average values for single family houses than in the area's larger regional centers.

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

As will be discussed later in this section, programs and assistance can be offered to improve the quality and condition of older houses that will make this affordable stock more appealing to potential buyers. There have been efforts in the past by housing agencies to offer special financing options that combined the home mortgage and rehabilitation assistance into a single loan. Borrowers can use these types of programs to purchase a house in need of repair and make the necessary improvements with the rehabilitation component.

## **6. Utilize and Promote all Programs that Assist with Home Ownership**

**Findings:** Home ownership is generally the preferred housing option for most households and most communities. The best available information indicates that approximately 71% of all households living in Verndale 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. The City's median home value is probably below \$90,000 and there are many 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.

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

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

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

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

## **7. Consider the Development of a Purchase/Rehabilitation Program**

**Findings:** Verndale has a stock of older homes, some of which may need repairs. The estimated median year of construction for all owner-occupancy houses in the City is 1958. Approximately 53% of the single family homes in the City are more than 60 years old. As some of the lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of maintenance and repair work that is required.

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

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

**Recommendation:** We recommend that Verndale 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 are potential funding sources.

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

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

## **Rental Housing Recommendations**

**Overview:** Most households living in Verndale own their housing, but the City also has a relatively average level of rental housing. At the time of the 2010 Census, more than 29% of all households in the City were renters. This percentage has probably remained largely unchanged since 2010, as very little new housing has been constructed in the City in the past 10 years.

There are very few multifamily rental structures in Verndale. The largest multifamily project, Village Green Apartments, serves the income-restricted affordable market segment. There were no other projects with more than four units that were identified in the City. Single family houses and mobile homes represent most of the conventional market rate segment.

The growth potential for the City to the year 2025 does not indicate any substantial growth-generated demand for rental housing. However, in the opinion of the analysts, the City does have some potential to add rental units, due in part to the absence of any better quality market rate options in multifamily buildings. Neighboring communities including Wadena and Staples have had recent success with newer market rate rental development, and a modest-scale project in Verndale could help the City to attract or retain households and people.

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



## **8. Promote the Production of 10 to 12 Units of Market Rate Rental Housing**

**Findings:** As stated earlier, the City has only one multifamily project with more than four units. Village Green Apartments was constructed in 1985. Although the year of construction for other rental housing is not known, the American Community Survey estimates show that all of the rental units in Verndale pre-date the year 2000. The estimated median year of construction is 1969 for all units in the City.

There has been more recent rental development in a number of nearby communities, including Wadena, Staples and Menahga. In each of these cities, high quality rental housing has been built, often in town house-style units with an attached garage. These rentals have proven to be very popular with senior households. The single family-style unit design can serve as a transitional step for seniors that elect to sell their single family house as they move into more age-appropriate housing.

Estimated gross rents for a two-bedroom option in these various comparable projects have generally ranged from approximately \$950 to \$1,250, depending on specific size and features. Reported occupancy rates are very high, with waiting lists often reported for these units.

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

Fewer than half of all existing renter households in the County can afford the rates being charged in the newer market rate projects that have been constructed in recent years. In Verndale, this percentage would be even lower, as the estimated median household income is below the Countywide level.

**Recommendation:** To help expand the high quality housing options in Verndale, the construction of 10 to 12 market rate rental units is recommended over the next five years. Although different rental styles could be used to meet this goal, including a small apartment project, the success of past town house-style projects in neighboring communities would support this type of future development in Verndale. An advantage of this construction style is that units could also be added in smaller four to eight unit increments.

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

As an alternate plan, a small-scale apartment building could probably achieve a lower rent structure. Gross rents of \$800 or less may be possible for one-bedroom units, and below \$900 for two-bedrooms.

As stated previously, the age-based projections for Verndale expect that approximately 50% of all households will be age 55 or older by the year 2025. Regardless of actual construction type, any new rental housing in Verndale should contain amenities and features that would appeal to this older adult segment of the market.

The first option to developing market rate rental housing would be to encourage the private sector to construct this housing. Each of the neighboring communities identified above were able to proceed with private developers. But if private-sector activity does not occur, the City or a regional housing agency could utilize essential function bonds or similar funding sources to construct market rate rental housing in Verndale.

Another model that could be considered is a joint public-private approach. In 2017, the City of Villard in Pope County partnered with a private developer on a redevelopment project that resulted in the construction of four high quality rental housing units. The land was acquired and cleared as a public project, and then the parcel was sold to the developer at a low cost. Without the public involvement, it is doubtful that this project would have been constructed.

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

**Findings:** There is only one rental project in Verndale that provides affordable housing and has income restrictions for tenants. Village Green Apartments has nine one-bedroom units and is designated for senior/disabled tenant occupancy. The project was developed using USDA Rural Development subsidies and all tenants have access to project-based rent assistance, allowing rent based on 30% of income.

Verndale does not have any subsidized housing for general occupancy that can serve families needing two or more bedrooms.

In addition to the subsidized project, there are also three tenant-based rent assistance Vouchers being used in Verndale. When these resources are combined, there are 12 households in Verndale that have access to some form of assisted housing in 2020. This may represent up to 17% or more of all rental opportunities in the City.

When compared to most of the other cities in Wadena County, Verndale has a below-average percentage of subsidized resources. However, most renters in the City have been able to find affordable housing. The 2018 American Community Survey reported that fewer approximately 36% of all renter households were applying 30% or more of their income for housing. These households also tended to have lower incomes, and would generally be eligible for subsidized housing.

**Recommendation:** In recent decades there have been very few resources for the development of new “deep subsidy” housing, similar to Village Green Apartments. There have been some resources for “shallow subsidy” projects, such as federal low income housing tax credits, but these are general awarded for projects in larger employment centers. While the City could benefit from some additional “deep subsidy” units, it is highly unlikely that funding could be secured in the future.

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

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

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

## **Housing Rehabilitation**

**Findings:** The City of Verndale 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.

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

**Findings:** Nearly all of the conventional market rate rental stock in Verndale exists in smaller structures, primarily single family houses and mobile homes offered for rental use. Most of the rental houses are older units, with the estimated median year of construction in 1969 for all rental housing in the City.

Based on American Community Survey estimates, approximately 35% of all rental units in the City were constructed prior to 1960. This may include older, lower-valued houses may have been acquired by investors over time, and then converted to rental use.

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

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

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

**Findings:** A housing condition survey completed in 2020 found some houses in need of repair in Verndale. In total, 178 houses were viewed and rated for condition.

Most of the houses in the City are generally in good condition, with nearly 83% rated in the sound or minor repair categories. However, there were 23 houses rated as needing major repair, and 8 houses rated as dilapidated. Dilapidated structures may be beyond the point of economically feasible repair. These structures may need to be cleared, with a plan to re-use the lot.

Verndale does have an older housing stock. According to the American Community Survey, the median year of construction for owner-occupancy units is 1958. Nearly 53% of the City's owner houses were constructed before 1960.

Other cities in the County have had recent success in securing grant funds for housing rehabilitation. Both Menahga and Wadena have secured Small Cities Development Program (SCDP) grants with a housing component. Sebeka has obtained funds through the Rural Housing Preservation Grant program through USDA Rural Development to rehabilitate owner-occupancy houses.

Other possible funding sources include programs from the Minnesota Housing Finance Agency and the Weatherization Program.

**Recommendation:** We would recommend that the City continue to prioritize the rehabilitation of the older housing stock in the community. The Small Cities Development Program is the best funding source that can be used for a larger-scale rehabilitation effort. The City has not participated in an SCDP housing rehab grant since about 2014. Future grant applications are encouraged, along with promotion of other programs and funding sources to assist with the repair of single family homes.

## **12. Demolish Dilapidated Structures**

**Findings:** The housing condition survey found eight single family houses and 9 mobile homes in the City that are dilapidated and possibly too deteriorated to rehabilitate. While it is probable that some houses have been demolished and cleared in recent years, a substantial number of substandard structures remain.

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

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

**Findings:** The housing condition survey also viewed and rate mobile homes in Verndale. There are 18 mobile homes in a park and 13 located in scattered sites around the community.

Most of the mobile homes were rated in one of the two lowest condition categories, including 9 units rated as dilapidated. Only three of the 31 total mobile homes in the City received the highest condition rating of sound.

According to the American Community Survey, all of the mobile homes have a date of construction prior to 2000. 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 cities have rehabilitated older units, but this is difficult to accomplish because of the type of construction of mobile homes, and it is rarely cost effective. Some communities have established programs that provide for the purchase and removal of substandard mobile home units, provided a newer unit is purchased to replace the acquired dwelling. While this approach can work well in upgrading the stock, it can be expensive, especially if there are a large number of homes in poor condition.

## **Other Initiatives**

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

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

The City does have access to County and regional agencies, including the Wadena Housing and Redevelopment Authority, Midwest Minnesota Community Development Corporation (MMCDC), Central MN Housing Partnership (CMHP), and Mahube-Otwa Community Action. There are also State-level resources, including the Minnesota Housing Finance Agency (MHFA), USDA Rural Development and the Greater MN Housing Fund. All of these agencies and organizations have experience with housing and community development programs and funding.

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

It will also be important for Verndale 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.

### **15. 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 Verndale 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
- ▶ 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, and single family houses
- ▶ Develop incentives and strategies to encourage new home construction
- ▶ 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