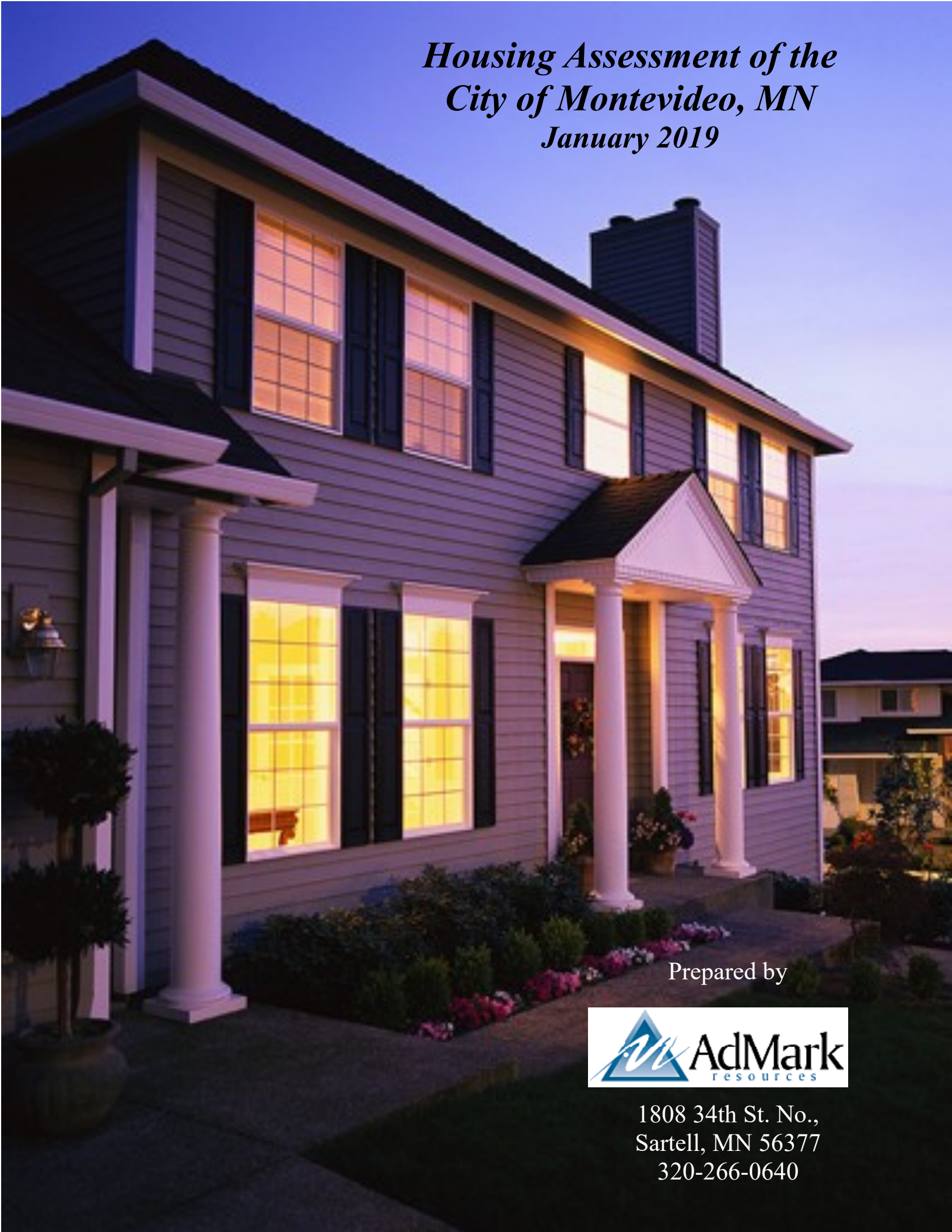


Housing Assessment of the City of Montevideo, MN

January 2019

Prepared by

AdMark resources

1808 34th St. No.,
Sartell, MN 56377
320-266-0640

HOUSING ASSESSMENT
OF THE CITY OF MONTEVIDEO, MN

Prepared for

The City of Montevideo

January 2019

by

ADMARK RESOURCES
1808 34th St N
Sartell, MN 56377
Phone (320) 251-1300
FAX (320) 230-7688

TABLE OF CONTENTS

EXECUTIVE SUMMARY

AdMark Resources was hired by the City of Montevideo to conduct a housing needs and conditions assessment of the City of Montevideo. Following is an executive summary of those findings.

Population and Household Data

Between 2010 and 2018 the population of the Study Area decreased by 2.0% but is projected to increase 0.5% by 2023. At the same time households decreased at a lesser rate of 1.3% (42 hh) between 2010 and 2018 but are projected to increase 0.78% (25hh) by 2023. Average household incomes are projecting to increase from $42,330 in 2000 to $66,214 by 2023 and there were 258 substandard and temporary housing units within the Study Area in 2016.

Employment

Area employment remains steady with projected controlled growth. The largest employer within the Study Area is the Montevideo School District with 500 employees. A survey of thirteen identified employers in Montevideo indicates two of the surveyed businesses grew over the past two years, with four projecting growth over the next two years. The 2017 unemployment rate for Chippewa County was 4.1%, with the State of Minnesota having a 3.6% unemployment rate. These are the lowest rates over the past ten years for both the County and the State. While the number of employed individuals is towards the highest level over the past ten years, the number of unemployed individuals is at the lowest level in the past 10 years.

Single Family Home Market

As of December 10, 2018, there were 46 single family homes for sale in the Montevideo zip code area as found on Realtor.com. The median price is approximately $140,950 with a range between $32,500 and $575,000. More precisely, there are 15 homes for sale below $100,000; 16 between $100,000 and $199,999; 9 between $200,000 and $299,999; 4 between $300,000 and $399,000 and 1at $575,000. The higher priced properties are typically located outside of the city and have water, larger acreage and/or out buildings.

Based on recent history with an average of 60-70 homes sold per year, it would appear that the 46 available homes located within the city of Montevideo represents about than an 8 month supply of homes. Realtors felt there is a shortage of inventory and homes correctly priced sell within two weeks. The majority of buyers are primarily repeat home buyers moving up or downsizing.

Rental Housing Market

Overall, the City of Montevideo has a shortage of quality rental properties, particularly in the higher price ranges. There currently are no existing apartments that are designed to attract young professionals or young families in need of a temporary housing option while they pursue purchasing or building a home, due to a shortage of three-bedroom units. There also are no newer apartments designed to meet the changing demographics and built with amenities to attract people to the community. And, there are few market rate rental options for empty nesters and seniors.

Demand

Projected population and household growth is continuing to increase slightly, identifying a combined projected need due to growth and unmet housing demand for additional home ownership units in the $150,000 to $200,000 price range. Just based on projected growth there is a need for 18 new housing units by 2023. Additionally, with the lack of buildable lots, the city of Montevideo needs to undertake expansion and creation of new building sites across the city.

Also, due to the low values of existing housing, home fix-up funds should be secured to improve the quality of existing housing and first-time home buyer and down payment assistance programs could be implemented for new and higher priced homes.

At a minimum, the city should work to attract a 24-32 unit apartment building with a mix of one, two and three-bedroom units; Four to six, two and three bedroom two-story townhomes with rents in the range of $800 to $1,200 would also provide a welcome option to the community.

Since the area is aging, the community may wish to attract additional senior-targeted twin homes and patio homes with a mix of the 6-10, one and two-bedroom one-story units with rents in the range of $900 to $1,200. These units as well as the townhomes could be built in phases.

The big unknown at this time is the impact the Opportunity Zone will have on building creation and expansion in the city. This may create an even greater demand for housing.

LOCATION AND MARKET AREA DEFINITION

STUDY AREA DEFINITION

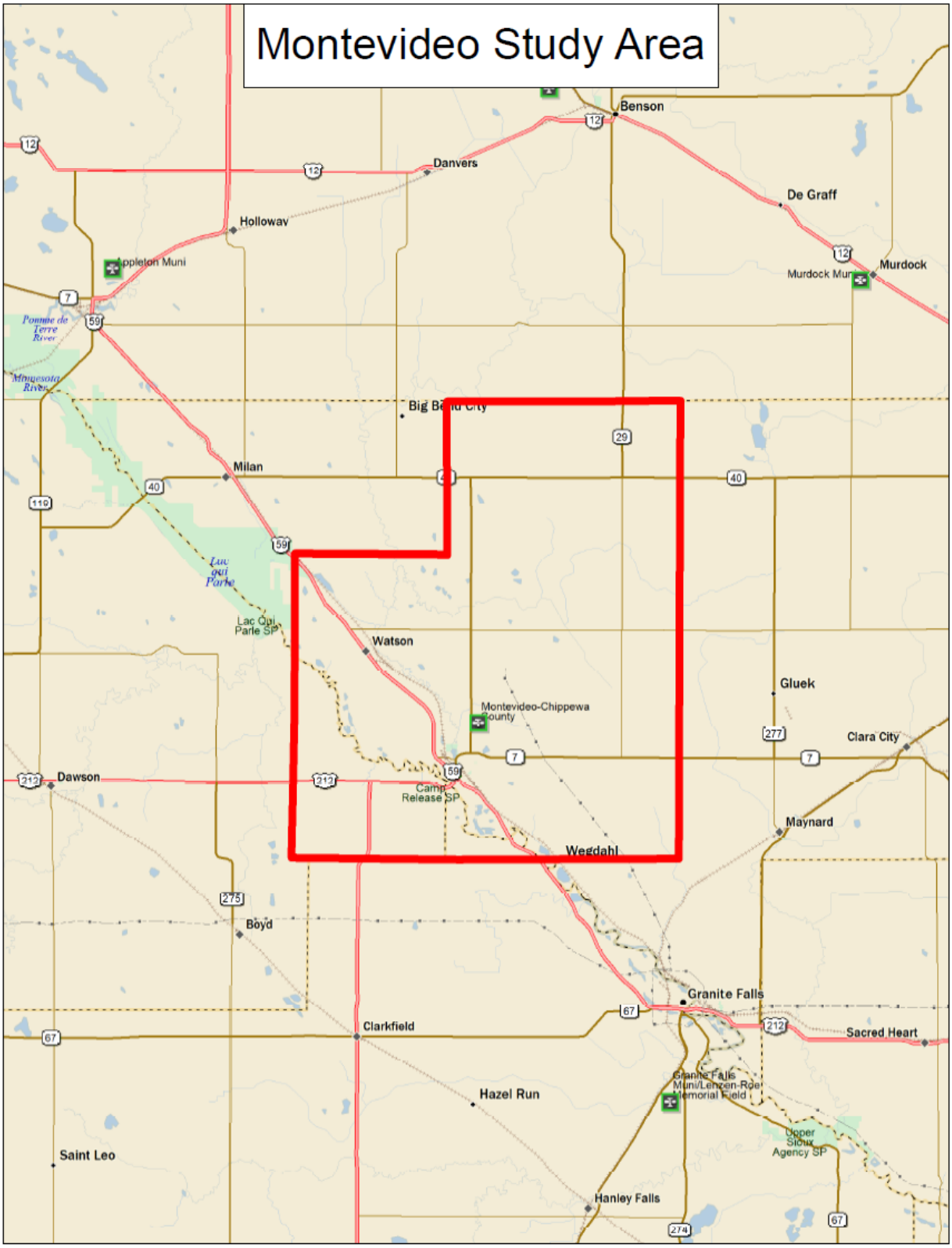
The Primary Study Area is an area comparable to that of the Montevideo School District boundaries. See maps on following pages.

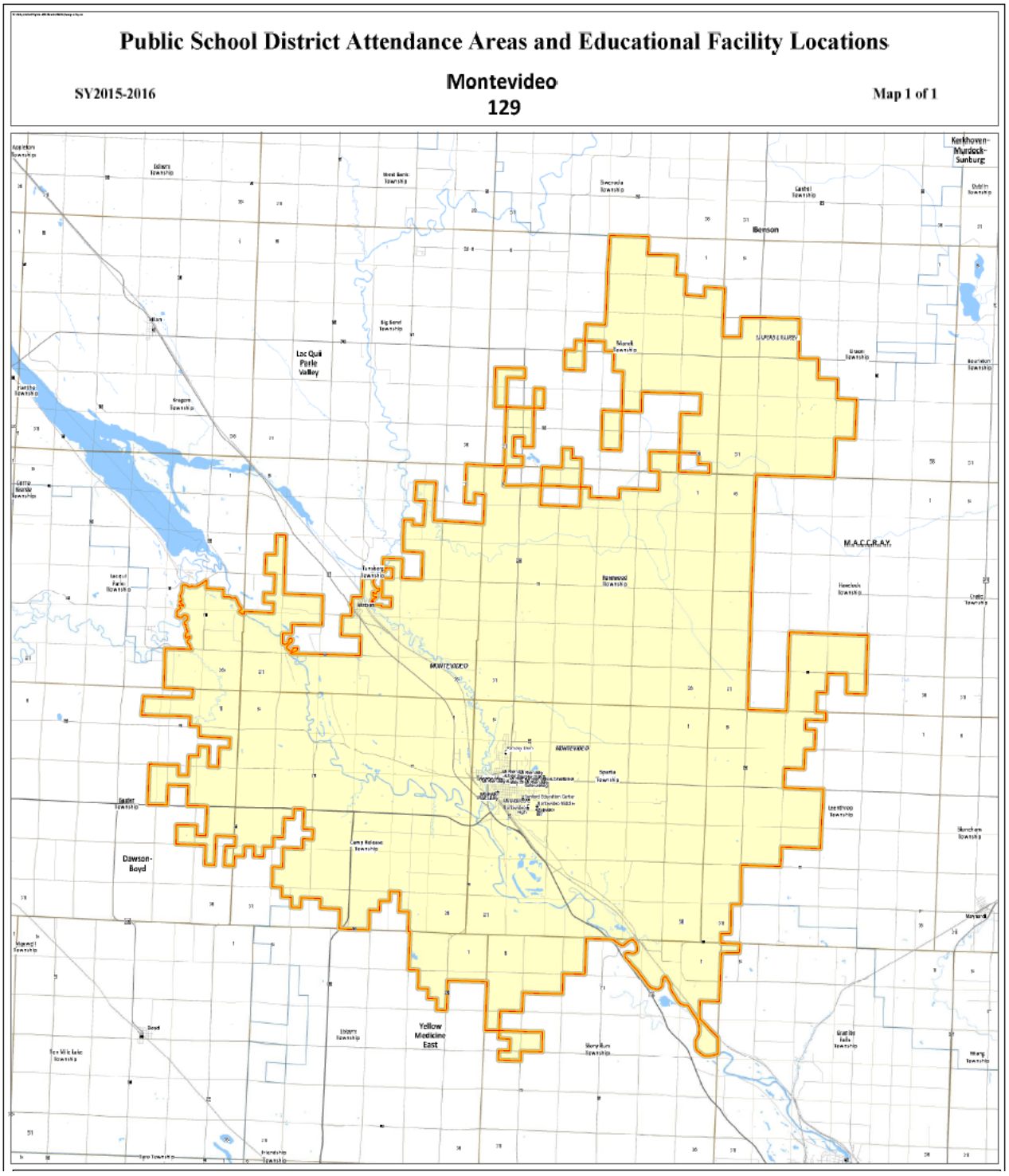
This draw area is based on the location of other standalone communities which are capable of supporting housing such as Dawson, Madison, Granite Falls, Clara City, Maynard, Clarkfield, Milan and Appleton. Montevideo should draw residents and workers from this area, but could potentially draw approximately 20% of its growth in population from outside this Study Area.

Montevideo is a mature and stable city located at the junction of U.S. Highways 59 and 212 and Minnesota Highways 7 and 29. It is the county seat of Chippewa County and a major hub for the area. The city is also bisected by the Minnesota and Chippewa Rivers which create beautiful river valleys just west of downtown.

Montevideo offers a variety of services including a strong downtown retail area as well as retail along the major roadways; financial, educational and healthcare. It serves as a regional retail center for southwestern Minnesota surrounded by extensive flat agricultural land for as far as the eye can see. Originally the city relied almost exclusively on agriculture and their related businesses for survival but over the years, the addition of several manufacturers and food processors in addition to the regional needs of the area, have created a more diverse economy.

Montevideo is part of the Montevideo School District which is building a new school over the next two years. A new VA Medical Center is also slated to be completed in 2021.


Montevideo Study Area
Benson
Danvers
De Graff
Holloway
Appleton Muni
Murdock
Murdock Mun
Pomme de Terre River
Minnesota River
Big Bend City
Milan
Lac qui Parle
Lac Qui Parle SP
Watson
Montevideo-Chippewa County
Gluek
Clara City
Dawson
Camp Release SP
Maynard
Wegdahl
Boyd
Granite Falls
Clarkfield
Sacred Heart
Granite Falls Muni/Lenzen-Roe Memorial Field
Hazel Run
Upper Sioux Agency SP
Saint Leo
Hanley Falls


Public School District Attendance Areas and Educational Facility Locations
SY2015-2016
Montevideo
129
Map 1 of 1
Benson
Kerkhoven-Murdock-Sunburg
Lac Qui Parle Valley
M.A.C.C.R.A.Y.
MONTEVIDEO
Dawson-Boyd
Yellow Medicine East

POPULATION AND HOUSEHOLDS

POPULATION DATA

Population figures used throughout this report are gathered from several sources. These sources include the 2010 Census and estimates and projections from Claritas for 2018 and 2023 and the 2012-2016 American Community Survey 5 Year Average from the US Census Bureau and estimates and projections from the Minnesota Demographer. Claritas uses several sources in estimating and projecting demographic data. The following sources are included to determine Claritas' estimates.

City and regional planning agencies
First Data Solutions (formerly Donnelley Marketing)
Equifax
ADVO (residential mail delivery)
WEFA (an economic forecasting firm)
National Association of Realtors
National Center for Health Statistics
Defense Manpower Data Center
U.S. Bureau of the Census
U.S. Bureau of Labor Statistics
U.S. Bureau of Economic Analysis
U.S. Postal Service

Table 3-1 indicates the population changes in the Study Area since 2010. Population has decreased, losing 1.97% from 2010 to 2018 with a projected slight increase of 0.54% by the year 2023.

TABLE 3-1
2010-2023 Population Growth
Montevideo Study Area

Cohort	2010 Number	2018 Estimate	2010-18 % Change	2023 Projection	2018-23% Change
Total Population	7,803	7,649	-1.97%	7,690	0.54%

Claritas, November 2018

Table 3-2 identifies the changes in population and households in the City of Montevideo between 2008 and 2017 from the Minnesota Demographer's Office. Since data after 2010 is most accurate due to 2010 being a census year, the past eight years has seen the population decrease by 75 with households increasing by 3, an indication of an aging population base.

Table 3-2
2008-2017 Population and Households
City of Montevideo

Year	Pop.	HH.
2017	5,308	2,329
2016	5,337	2,328
2015	5,327	2,324
2014	5,327	2,323
2013	5,329	2,322
2012	5,343	2,322
2011	5,360	2,321
2010	5,383	2,326
2009	5,416	2,431
2008	5,436	2, 432

Minnesota State Demographer, November 2018

Table 3-3
Chippewa County Population Projections
2015-2050

Year	Population
2015	12,100
2020	11,907
2025	11,708
2030	11,549
2035	11,444
2040	11,376
2045	11,345
2050	11,360

Minnesota State Demographer, November 2018

Moving forward on a county-wide basis as seen in Table 3-3, the population trend for Chippewa County is indicating a steady decrease between 2015 and 2050. This is not atypical for rural agriculturally supported counties.

According to Table 3-4, the largest number and percentage of the population are in the age cohorts of 45 to 54 in 2010 with the 55 to 64 Age group being the largest in 2018 and 2023. This shows a community that is gradually aging, which is very typical of smaller rural communities all across America, where younger residents move away to larger population centers.

TABLE 3-4
2010 - 2023 Population by Age Group
Montevideo Study Area

Age	2010 No.	2010 %	2018 No.	2018%	2023 No.	2023 %
Total	7,803		7,649		7,690	
0 to 4	541	6.93%	476	6.23%	491	6.39%
5 to 9	459	5.88%	499	6.52%	469	6.10%
10 to 14	512	6.56%	508	6.64%	493	6.41%
15 to 17	323	4.14%	298	3.89%	316	4.11%
18 to 20	259	3.32%	277	3.62%	288	3.74%
21 to 24	332	4.26%	367	4.80%	384	4.99%
25 to 34	906	11.61%	876	11.46%	878	11.42%
35 to 44	844	10.82%	842	11.01%	869	11.31%
45 to 54	1,091	13.98%	861	11.26%	772	10.03%
55 to 64	1,051	13.47%	1,050	13.73%	992	12.89%
65 to 74	657	8.41%	818	10.70%	945	12.29%
75 to 84	549	7.03%	486	6.36%	492	6.40%
85+	279	3.57%	290	3.79%	300	3.91%
Median	41.74		41.22		41.04	

Claritas, November 2018

HOUSEHOLD DATA

According to Table 3-5, the number of households in the Montevideo Study Area has decreased by 1.26% between 2010 and 2018, a lesser pace than the population. This would indicate an aging population where one member of an elderly household dies and where grown children move away from home and start their own household. It is projected that the number of households will actually increase slightly by another 0.78% between 2018 and 2023. At the same time, the household size has continued to decrease, showing the aging trend in the population. This is very common for communities the size of Montevideo.

TABLE 3-5
2010-2023 Household Information
Montevideo Study Area

Households	2010 Actual	2018 Estimated	2010-18 % Chg.	2023 Projection	2018-23 % Chg.
Total Households	3,299	3,257	-1.26%	3,282	0.78%
Ave. Household Size	2.36	2.35	-0.04%	2.34	-0.04%

Claritas, November 2018

HOUSEHOLDS BY OWNER/RENTER

Figures compiled from Claritas for 2018 in Table 3-6 show that 70.6% of the occupied housing units in the Montevideo Study Area were owner-occupied, while 29.4% were rented. This is very comparable to the State of Minnesota rate of 28.4%. Since 2023 tenure data is not available, we extrapolated the 2018 rate to 2023 using the 2018 owner and renter occupancy rates from Claritas. Looking solely at the city of Montevideo, the home ownership rate is estimated to have increased slightly from 66.2%% in 2010 to 67.8% in 2018.

TABLE 3-6
Montevideo Study Area
Households by Tenure

Year	Total Households	Owner Occupied*	Percent	Renter Occupied*	Percent
2010 City	2,326	1,540	66.2%	786	33.8%
2018 City	2,297	1,557	67.8%	740	32.2%
2010 (SA)	3,299	2,329	70.6%	970	29.4%
2018 (SA)	3,257	2,300	70.6%	957	29.4%
2023 (SA)	3,282	2,317	70.6%	965	29.4%

Claritas, November 2018

*2018 and 2023 owner-occupied and renter-occupied estimates are based on 2018 Claritas Estimates for the Montevideo Study Area.

** City = City of Montevideo; SA= Study Area

The greatest percentage of households is in the Age 55 to 64 segments of the population in 2010 and 2018, with the 65 to 74 Age group being the largest in 2023.

TABLE 3-7
2010 - 2023 Households by Age of Householder
Montevideo Study Area

Age	2010 No.	2010 %	2018 No.	2018%	2023 No.	2023 %
Total	3,299		3,257		3,282	
Under 25	163	4.93%	165	5.06%	177	5.38%
25 to 34	454	13.77%	441	13.53%	438	13.36%
35 to 44	455	13.81%	455	13.98%	466	14.20%
45 to 54	593	17.98%	472	14.50%	422	12.84%
55 to 64	632	19.17%	635	19.51%	597	18.17%
65 to 74	420	12.74%	529	16.24%	611	18.60%
75 to 84	375	11.38%	337	10.34%	341	10.40%
85 & over	205	6.22%	223	6.83%	231	7.05%
Median	n/a		56.50		57.32	

Claritas, November 2018

According to Table 3-8, the greatest percentage of ownership householders in 2016 within the Montevideo Study Area was in the Age 45-54 segment of the population. The greatest percentage of renters was in the Age 35-44 age group, followed closely by the Age 85+ cohort.

TABLE 3-8
2016 Tenure by Age of Householder
Montevideo Study Area

	Owner Occupied	Percent	Renter Occupied	Percent
Age 15 to 24	32	1.4%	116	12.4%
Age 25 to 34	298	13.0%	133	14.2%
Age 35 to 44	261	11.4%	186	19.9%
Age 45 to 54	481	21.1%	100	10.7%
Age 55 to 59	222	9.7%	75	8.0%
Age 60 to 64	241	10.5%	40	4.3%
Age 65 to 74	400	17.5%	57	6.1%
Age 75 to 84	216	9.4%	48	5.1%
Age 85 and over	136	5.9%	181	19.3%
Total	2,287		936	

2012-2016, American Community Survey 5-year Average

Table 3-9 shows that in 2016, within the Montevideo Study Area, 2-bedroom units were the most common renter-occupied units followed by one-bedroom units. Owner occupied households found 3-bedroom units as the largest percentage followed by 2-bedroom units.

TABLE 3-9
2016 Bedroom Size by Tenure
Montevideo Study Area

	Owner Occupied	Percent	Renter Occupied	Percent
0-Bedroom	0	0.0%	41	4.4%
1-Bedroom	47	2.1%	233	24.9%
2-Bedroom	539	23.6%	429	45.8%
3-Bedroom	1,124	49.1%	185	19.8%
4-Bedroom	429	18.8%	39	4.2%
5+ Bedrooms	148	6.5%	9	1.0%
Total	2,287		936	

2012-2016, American Community Survey 5-year Average

Table 3-10 provides a breakdown of households by tenure based on the 2012-2016, American Community Survey 5-year Average for the Montevideo Study Area. Most renter-occupied households were one-person households, followed by two-person households, whereas owner-occupied households had the greatest percentage of two-person households, followed by one-person households. This again indicates an aging community.

TABLE 3-10
2012-16 Households by Household Size Average
Montevideo Study Area

	Owner Occupied	Percent	Renter Occupied	Percent
1-Person	603	26.4%	512	54.7%
2-Persons	1,007	44.0%	184	19.7%
3-Persons	326	14.3%	112	12.0%
4-Persons	225	9.8%	69	7.4%
5 Persons	95	4.2%	43	4.6%
6 Persons	19	8.3%	12	1.3%
7+ Persons	23	1.0%	2	0.2%
Total	2,287		936	

2012-2016, American Community Survey 5-year Average

HOUSEHOLDS BY INCOME GROUP

Table 3-11 provides a breakdown of household incomes for the Montevideo Study Area from 2000 to 2023. Of all the income brackets, the greatest percentage was found in the $15,000 to $24,999 in 2000 with the $50,000 to $74,999 range being the greatest for 2018 and 2023.

TABLE 3-11
Household Income Distribution
Montevideo Study Area

	2000*		2018		2023	
Household Income	**No.**	**%**	**No.**	**%**	**No.**	**%**
Total	3,342		3,257		3,282	
Less than $15,000	507	15.18%	366	11.25%	359	10.94%
$15,000 to $24,999	730	21.84%	409	12.56%	409	12.47%
$25,000 to $34,999	453	13.56%	298	9.15%	306	9.31%
$35,000 to $49,999	604	18.07%	537	16.47%	526	16.02%
$50,000 to $74,999	640	19.16%	619	19.02%	628	19.14%
$75,000 to $99,999	259	7.75%	450	13.82%	453	13.79%
$100,00 0 to $124,999	86	2.57%	223	6.86%	233	7.11%
$125,000 to $149,999	34	1.01%	135	4.14%	136	4.16%
$150,000 to $199,999	10	0.29%	145	4.45%	146	4.45%
$200,000 to $249,999	10	0.29%	45	1.37%	50	1.53%
$250,000 to $499,999	8	0.24%	24	0.74%	29	0.89%
$500,000 and more	1	0.03%	6	0.17%	6	0.20%
Average Household Income	$42,330		$65,072		$66,214	
Median Household Income	$34,564		$50,748		$51,643	

Claritas, November 2018

* Year 2000

Table 3-12 on the following page identifies that in 2016 the greatest percentage of owner-occupied households within the Study Area had incomes in the range of $50,000 to $74,999, with the greatest percentage of renters being in the $35,000 to $49,999 income bracket.

TABLE 3-12
2016 Household Income by Tenure
Montevideo Study Area

	Owner Occupied	Percent	Renter Occupied	Percent
Less than $5,000	33	1.4%	20	2.1%
$5,000 to $9,999	43	1.9%	7	0.7%
$10,000 to $14,999	64	2.8%	156	16.7%
$15,000 to $19,999	117	5.1%	72	7.7%
$20,000 to $24,999	194	8.5%	45	4.8%
$25,000 to $34,999	165	7.2%	191	20.4%
$35,000 to $49,999	197	8.6%	212	22.6%
$50,000 to $74,999	464	20.3%	128	13.7%
$75,000 to $99,999	437	19.1%	32	3.4%
$100,000 to $149,999	391	17.1%	49	5.2%
$150,000 or more	179	7.8%	26	2.8%+
Total	2,287		936	

2012-2016, American Community Survey 5-year Average

The Federal Government classifies 20% of any housing units constructed prior to 1939, those with incomplete plumbing and those with more than one person per room as substandard housing which should be replaced. Additionally, mobile homes are considered temporary housing. Table 3-12 identifies 178 owner-occupied and 80 renter occupied housing units as substandard and temporary housing units which should be replaced.

Table 3-13
2012-2016 Substandard Housing Units by Tenure
Montevideo Study Area

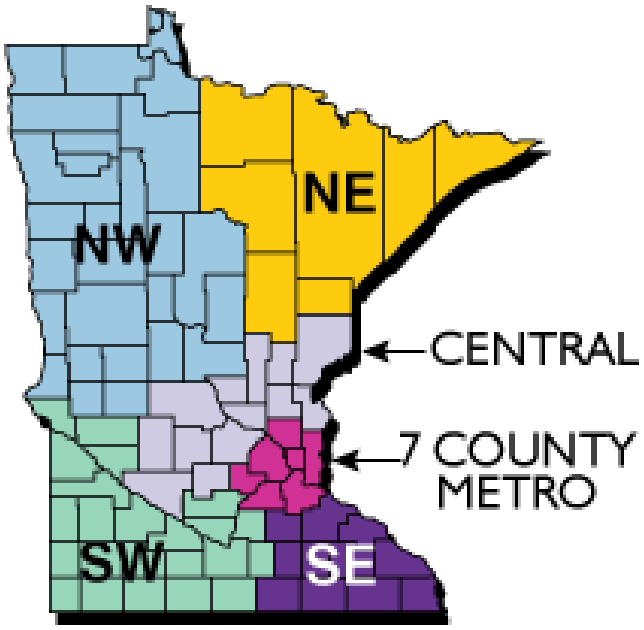
	20% Built prior to 1939	Incomplete Plumbing	More than One Occupant Per Room	Mobile Home or Trailer	Total
Owner	141	1	1	35	178
Renter	33	2	9	36	80

2012-2016, American Community Survey 5-year Average

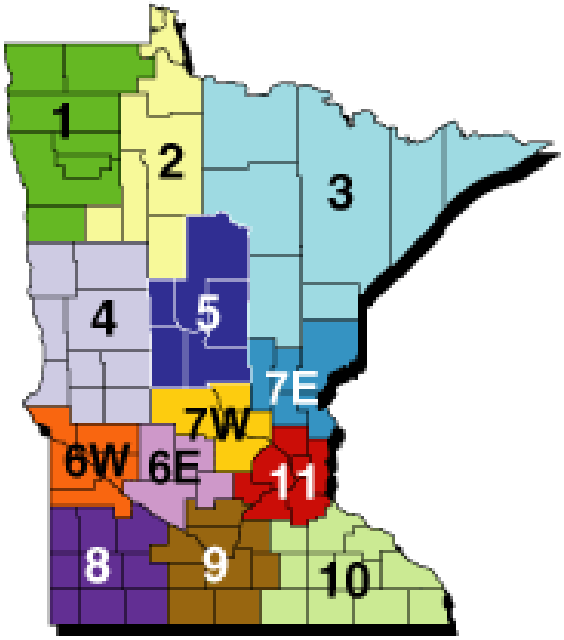
EMPLOYMENT AND ECONOMY

The Montevideo area has ten employers with 100 or more employees, with the school district having the most employees at 500. Based on travel patterns it is apparent that Montevideo is the major employment center for the region. Specific employment data on the City of Montevideo, Montevideo Study Area, Chippewa County, Region 6W EDR and the Southwest Planning Region can be found in the ensuing tables.

Economic Data as supplied by the Minnesota Department of Employment and Economic Development (DEED) provides a variety of employment data segregated by a number of geographic groupings. Such segmentation includes the Region 6W Economic Development Region of Southwest Minnesota which is comprised of Big Stone, Chippewa, Lac qui Parle, Swift and Yellow Medicine Counties. This planning region is part of a larger Economic Development Region representing all of Southwestern Minnesota represented by the counties of Big Stone, Blue Earth, Brown, Chippewa, Cottonwood, Faribault, Jackson, Lac qui Parle, Le Sueur, Lincoln, Lyon, Martin, Murray, Nicollet, Nobles, Pipestone, Redwood, Rock, Sibley, Swift, Waseca, Watonwan, Yellow Medicine. The following map identifies the Southwest Region location as well as the Economic Development Regions of which Chippewa County is represented in Region 6W.



Planning Areas



Economic Development Regions

2016 EMPLOYMENT DATA

Table 4-1 shows the number of employed individuals by occupation in the Montevideo Study Area in 2016. The major occupation is Production at 11.17% followed by Management at 10.19%. This is also supported by the make-up of the largest area employers.

TABLE 4-1
Montevideo Study Area
2018 Employment Data
Persons 16 Years and Over

Employed by Occupation	No.	%
Architect/Engineer	94	2.37%
Arts/Entertainment/Sports	17	0.44%
Building Grounds Maintenance	209	5.28%
Business/Financial Operations	189	4.76%
Community/Social Services	55	1.37%
Computer/Mathematical	25	0.63%
Construction/Extraction	276	6.95%
Education/Training/Library	153	3.85%
Farming/Fishing/Forestry	117	2.96%
Food Prep/Serving	253	6.38%
Healthcare Practitioner/Technician	206	5.18%
Healthcare Support	158	3.97%
Maintenance Repair	159	4.00%
Legal	2	0.04%
Life/Physical/Social Science	6	0.15%
Management	404	10.19%
Office/Admin. Support	325	8.19%
Production	443	11.17%
Protective Service	55	1.38%
Sales/Related	298	7.52%
Personal Care/Service	238	5.99%
Transportation/Moving	287	7.23%

Claritas, November 2018

Table 4-2 indicates that in 2018 approximately 62% of the work force traveled less than 15 minutes to work indicating only 38% of the Study Area population left the area for employment elsewhere with the Granite Falls and Dawson areas being the primary destinations. Table 4-3 on the following page shows where workers who live in Montevideo choose to work. As supported by the drive time, the majority of people that live in Montevideo also work in Montevideo. More Montevideo specific information is shown on the following page.

TABLE 4-2
2018 Employment Travel
Montevideo Study Area

Transport. to Work	No.	%	Travel time to Work	No.	%	Household Vehicles	No.	%
Drive alone	3,062	77.3	under 15 mins.	2,302	62.2	0 available	134	4.1
Car pool	400	10.2	15-29 mins.	915	24.7	1 available	1,012	31.1
Pub Trans	40	1.0	30-44 mins.	238	6.4	2 available	1,175	36.1
All other	438	11.1	45+ mins.	248	6.7	3+ available	936	28.7

Claritas, November 2018

COMMUTE SHED AND LABOR SHED

According to commuting data from the Census Bureau, Region 6W is a net labor exporter, having more workers than available jobs. In sum, 13,929 workers both lived and worked in Region 6W in 2015, while another 4,343 workers drove into the region from surrounding counties for work, compared to 8,093 workers who lived in the region but drove elsewhere for work. Home to Montevideo, Chippewa County is the largest job source in the region and was the biggest draw for workers, followed by Yellow Medicine, Swift, and Lac qui Parle County. Employers in the region both lose and draw workers from nearby regional centers like Willmar in Kandiyohi County, Marshall in Lyon County, and Redwood Falls in Redwood County, as well as Olivia in Renville County and Morris in Stevens County.

Tables 4-3 and 4-4 show specific worker migration for residents of the City of Montevideo.

Table 4-3
2015 Employee Migration

Where Workers Live Who Work in the City of Montevideo, 2015			Where Montevideo Residents Work, 2015		
cation	Count	Share	Location	Count	Share
All Places (Cities, CDPs, etc.)	3,883	100.0%	All Places (Cities, CDPs, etc.)	2,865	100.0%
Montevideo	1,586	40.8%	Montevideo	1,586	55.4%
Granite Falls	184	4.7%	Granite Falls	148	5.2%
Dawson	122	3.1%	Willmar	78	2.7%
Milan	66	1.7%	Marshall	45	1.6%
Madison	61	1.6%	Mankato	34	1.2%
Willmar	57	1.5%	Clara City	24	0.8%
Clara city	50	1.3%	Dawson	24	0.8%
Watson	39	1.0%	St. Paul	24	0.8%
Appleton	38	1.0%	Maynard	21	0.7%
Benson	35	0.9%	Redwood Falls	19	0.7%
All Other Locations	1,645	42.4%	All Other Locations	862	30.1%
Source: U.S. Census Bureau, On The Map, 2015					

Table 4-4 **City of Montevideo Inflow/Outflow Job Counts (All Jobs)**	**2015**	
	Count	**Share**
Employed in the Selection Area	3,883	100.0%
Employed in the Selection Area but Living Outside	2,297	59.2%
Employed and Living in the Selection Area	1,586	40.8%
Living in the Selection Area	2,865	100.0%
Living in the Selection Area but Employed Outside	1,279	44.6%
Living and Employed in the Selection Area	1,586	55.4%

MAJOR EMPLOYMENT DATA

In an effort to get an accurate picture of how the local businesses are doing, we contacted thirteen employers in Montevideo. All thirteen were willing to provide a view of their growth with some willing to share wage information. Of the surveyed businesses in Montevideo, two have grown over the past two years, nine have remained the same size over the past two years and two have downsized. Looking forward, four expect to grow, including the two that recently downsized, and the remaining nine expect to remain the same size.

When looking at the economic climate of the area, 8% feel the local economy is excellent, 46% feel the economic climate is good with the remaining 46% indicating it is fair. Fifty-four percent of the interviewed businesses feel that a lack of or shortage of housing has an impact on their business attracting employees. The lower paying businesses felt there was a need for more affordable housing options, while others felt there was a need for more upscale housing.

Six of the interviewed businesses shared wage information with an average hourly rate of $18.00 found across the businesses. The majority pay $15-$18 per hour.

TABLE 4-5
Area Major Employers

Company	Industry	Employees
Montevideo Schools	Education	500
Jenni-O	Turkey Processing	329
Logic PD	Electronics Manufacturing	240
Chippewa County Hospital	Healthcare	200
Lutheran Haven Home	Healthcare	180
Wal-Mart	Retail	175
Friendship Homes	Manufactured Homes	163
Chippewa County	Government	105
Kibble Equipment	John Deere Dealer and Service	100
J & D Construction	Grain Elevator Contractor	100
Chandler Industries	Metal Machining and Fabrication	75
Karian/Peterson LLC	Power Line Contractors	40
Avicenna Technologies	Laser Machining	30

AdMark Resources, November 2018

Table 4-6 on the following page, details the projected Southwest Minnesota Regional Occupational Outlook between the years 2014 and 2024. According to this table, the occupation with the

greatest projected growth in numbers and percent growth is Personal Care and Service with 1,116 new jobs representing an 11.4% increase. Office and Administrative Support is expected to be the largest loser of jobs, losing 875 positions which represents 3.4%.

Table 4-6
Southwest Minnesota Area Employment Projections by Occupation 2014-2024

Industry	2014 Estimated Employment	2024 Projected Employment	2014-2024 Percent Change	2014-2024 Numeric Change
Title	**Estimate Year Employment**	**Projected Year Employment**	**Percent Change**	**Total Change**
Architecture and Engineering	2,283	2,285	0	2
Arts, Design, Entertainment, Sports, and Media	3,092	3,034	-1.8	-58
Building and Grounds Cleaning and Maintenance	7,157	7,326	2.3	169
Business and Financial Operations	7,075	7,261	2.6	186
Community and Social Service	4,513	4,729	4.7	216
Computer and Mathematical	1,974	2,006	1.6	32
Construction and Extraction	8,751	9,222	5.3	471
Education, Training, and Library	11,965	11,641	-2.7	-324
Farming, Fishing, and Forestry	3,658	3,712	1.4	54
Food Preparation and Serving Related	15,322	15,273	-0.3	-49
Healthcare Practitioners and Technical	9,964	10,396	4.3	432
Healthcare Support	7,393	8,081	9.3	688
Installation, Maint. and Repair	8,833	9,440	6.8	607
Legal	811	816	0.6	5
Life, Physical, and Social Science	1,393	1,441	3.4	48
Management	23,411	22,563	-3.6	-848
Office and Administrative Support	25,342	24,467	-3.4	-875
Personal Care and Service	9,726	10,842	11.4	1,116
Production	21,004	20,890	-0.5	-114
Protective Service	2,661	2,703	1.5	42

Source: Minnesota Department of Employment and Economic Development
November 2018

Below is a listing of wages for representative occupations in Economic Development Region 6W as supplied by the Minnesota Department of Employment and Economic Development. Region 6W consists of Big Stone, Chippewa, Lac qui Parle, Swift and Yellow Medicine Counties.

Table 4-7
EDR Region 6E Representative Median Wages

Occupation or Job Title	Median Wage	Occupation or Job Title	Median Wage
Management	$36.65	Protective Services	$19.47
Life, Physical Science	$27.39	Food Preparation	$10.25
Computer	$25.19	Building and Grounds	$12.64
Architecture & Engineering	$26.27	Personal Care	$12.07
Business & Financial	$24.87	Sales	$13.75
Community and Social Services	$20.44	Office and Administrative Support	$16.82
Legal	$36.96	Farming & Forestry	$15.29
Education	$17.86	Construction	$23.01
Arts, Design, Entertain.	$18.32	Production	$15.54
Healthcare Practitioner	$25.04	Transportation	$17.74

Source: Minnesota Department of Employment and Economic Development
November 2018

EMPLOYMENT AND UNEMPLOYMENT DATA

The State of Minnesota only tracks employment and unemployment data for the larger cities across the region and state. Since Montevideo does not fall into that category, Table 4-8 shows employment and unemployment data for all of Chippewa County.

Following a peak in 2009, Chippewa County's average unemployment rate has dropped dramatically to the lowest level in a long time to 4.1%. Over the past ten years, the lowest number of unemployed occurred in 2017 with the highest number employed occurring in 2008. This would indicate an overall reduction in workers or people moved away for employment. The unemployment rate of Chippewa County has consistently been slightly higher than that of the State of Minnesota and consistently 1 to 3 percentage points lower than the U. S. rate.

TABLE 4-8
Employment and Unemployment Data
Chippewa County
2008-2017

Year	Chippewa County			State of MN % Unemp.	U.S. % Unemp.
	Number Employed	Number Unemployed	Percent Unemployed		
2017	6,711	287	4.1	3.6	4.4
2016	6,646	316	4.5	3.9	4.8
2015	6,589	304	4.4	3.7	5.3
2014	6,558	312	4.5	4.2	6.2
2013	6,581	356	5.1	5.0	7.4
2012	6,685	373	5.3	5.6	8.1
2011	6,730	453	6.3	6.5	8.9
2010	6,628	525	7.3	7.4	9.6
2009	6,733	565	7.7	7.8	9.3
2008	6,765	371	5.2	5.4	5.8

Source: Minnesota Department of Employment and Economic Development
November 2018

DISCUSSION OF ECONOMIC CONDITIONS

The city has an active Economic Development Authority, Community Development Corporation and Industrial Development Corporation that are all available to assist new businesses that want to relocate or start in Montevideo as well as help existing businesses expand or remodel. They work with other development agencies as well as regional, state and national governmental bodies to assist with a variety of grants and lending options including a revolving loan pool.

The city has multiple industrial parks where businesses are looking to expand, and there are a number of new developments that will be creating several jobs and require new households to move to town and thus the need for additional housing. While the construction of a new VA Medical Center and new school are exciting news, probably the greatest boon to business is the designation of the entire city as an Opportunity Zone. Development in an Opportunity Zone allows investors to defer federal taxes on recent capital gains until 2026, reduce tax payments by up to 15% and pay as little as zero if the investment is held for 10 years. This can be very attractive to potential investors.

Additionally the city has many retail businesses including day cares, restaurants and boutique businesses looking to expand primarily in the downtown area and along Highway 7.

SINGLE FAMILY HOME MARKET

For Chippewa County, the Minnesota Housing Finance Agency has determined $271,100 to be the new and existing housing cost limit for MHFA Mortgage Loan Programs such as the Minnesota Mortgage Program (MMP), Minnesota City Participation Program (MCPP) or First Time Home Buyer Program. According to Table 5-1, the average sale price of homes sold between 2013 and 2017 in Montevideo was well below the cost limits set by MHFA to qualify for their programs. We also find that all across the County, the number of sales have been steady across the county with Montevideo having a slight downturn in 2017. However, average home prices have been increasing annually for the past five years in Montevideo. This was probably due to a lower supply of homes and low interest rates creating a seller's market.

Table 5-1
2013-2017 County-wide Housing Sales

	Clara City	Granite Falls	Maynard	Milan	Montevideo	Watson
2013 Sales	16	8	3	1	**47**	2
Ave. Price	$85,803	$137,425	$35,033	$190,000	**$93,678**	$85,375
2014 Sales	17	9	1	7	**48**	2
Ave. Price	$89,800	$131,167	$120,000	$29,603	**$90,356**	$55,750
2015 Sales	19	9	1	3	**66**	2
Ave. Price	$100,081	$137,489	$25,000	$30,500	**$95,070**	$33,500
2016 Sales	13	9	4	1	**71**	0
Ave. Price	$90,123	$106,744	$35,750	$60,000	**$101,003**	$0
2017 Sales	20	15	4	4	**59**	1
Ave. Price	$82,515	$126,733	$41,438	$45,000	**$107,939**	$17,000

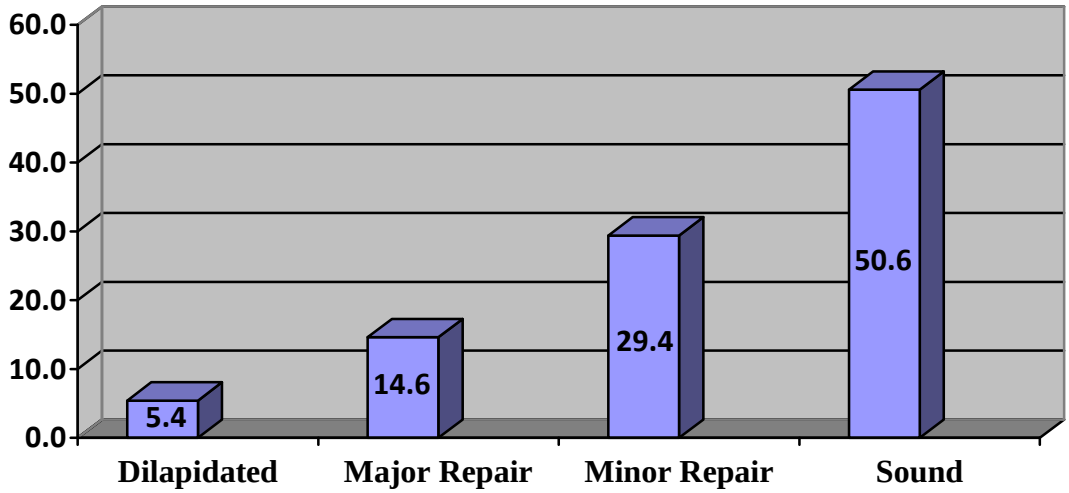
Source: Chippewa County Assessor's Office

The previous Table also shows that the average home sale price homes sold for in every community in Chippewa County was lower than the cost limits set by MHFA to qualify for their programs. On a county-wide comparison, Montevideo average home values were towards the higher end for the area with Granite Falls having the highest average sales prices the past five years. While that may be true, Montevideo by far has had the greatest number of home sales on an annual basis.

The following tables identify the value of all homes in Montevideo in 2017. Based on the assessed valuation as prepared by the Chippewa County Assessor, we have made the following approximations based on the property values as determined by site visits of the Assessor. Keep in mind that we did not undertake a windshield survey, so the conditions are assumed based only on the structure's value. This information can be used to apply for Community Block Grants and Home Fix-up Funds.

Based solely on assessed valuation, it is assumed that all homes below $20,000 (91 or 5.4%) are dilapidated and should be replaced (many are most likely mobile homes); homes valued between $20,000 and $40,000 (248 or 14.6%) require major repairs; homes valued between $40,000 and $70,000 (517 or 29.4%) require minor repairs and those valued over $70,000 (1,008 or 50.6%) are considered sound.

Table 5-2
Montevideo Housing Condition Chart



On the following page in Table 5-3, is a breakdown of the specific housing values as supplied by the Chippewa County Assessor.

TABLE 5-3
2017 City of Montevideo
Housing Valuation and Condition

Value	City of Montevideo
Less than $20,000	91
$20,000-$29,999	102
$30,000-$39,999	146
$40,000-$49,000	168
$50,000 - $59,999	164
$60,000-$69,999	185
$70,000-$79,999	181
$80,000-$89,999	174
$90,000-$99,999	114
$100,000-$109,999	82
$110,000-$119,999	80
$120,000-$129,999	70
$130,000-139,999	64
$140,000-$149,999	45
$150,000-$159,999	55
$160,000-$169,999	38
$170,000-$179,999	19
$180,000-$189,999	13
$190,000-$199,999	16
$200,000-$219,999	18
$220,000-$239,999	14
$240,000-$249,999	3
$250,000-$299,999	13
$300,000 or more	9
Total	1,700

Chippewa County Assessor
November 2018

Local Perspective of the Housing Market

As of December 10, 2018, there were 46 single family homes for sale in the Montevideo zip code area as found on Realtor.com. The median price is approximately $140,950 with a range between $32,500 and $575,000. More precisely, there were 15 homes for sale below $100,000; 16 between $100,000 and $199,999; 9 between $200,000 and $299,999; 4 between $300,000 and $399,000 and 1 at $575,000. The majority of higher priced properties are located outside of the city by the golf course or have larger acreage and/or out buildings.

Based on recent history with an average of 60-70 homes sold per year, it would appear that the 46 available homes located within the city of Montevideo is about an 8 month supply of homes. Realtors felt there is a shortage of inventory particularly in the $150,000 range. As in any market, homes correctly priced sell quickly with the average time on the market being 90 to 120 days. Homes priced in excess of $300,000 are taking a longer time to sell. The majority of buyers are primarily repeat buyers moving up or downsizing. Realtors felt there is a need for new homes in the $150,000 to $200,000 range.

In 2017, the average sale price of homes in Montevideo was $107,939. There currently are only 16 homes for sale in the Montevideo area for less than that amount. The most popular price range is $55,000 to $70,000.

While residential building lots are available, they are very limited and found primarily up by Horizon Trails. Due to a limitation of locations, more homes are being built outside the city than in the city. Lots are priced from around $8,000 to $24,000. It was felt that the Lindsey Lane and area along 60th Street SW is the natural area for housing expansion. According to city staff, there are efforts in place to purchase tracts of land around the city to provide additional building lots for interested parties to purchase.

It also appears that other than rental properties and some ownership patio/townhomes north of the hospital, there is a shortage of senior ownership opportunities.

DEMAND FOR MARKET RATE SINGLE FAMILY HOMES TO PURCHASE

If we look at growth of single family units from the 2010 Census and 2018 and 2023 Claritas household estimates, and apply the 2018 Claritas owner-occupied rate to the estimates, we can estimate an annual growth rate. The owner-occupied rate for the Montevideo Study Area is applied to the estimated household growth to determine the number of additional owner-occupied households required. Unfortunately the Montevideo Study Area is projecting a decrease in households between 2010 and 2018 with a slight increase projected by 2023. Keep in mind these numbers do not take into consideration the business expansions taking place in town.

Based on these demographic projections, between now and 2023 there is a need for 17 additional owner occupied housing units to meet household growth since both population and households are projected to decrease in size. There is however also a need for additional housing to fill unmet demand and voids in the market for persons wanting to change their housing status or move into the community, but there is no inventory. Either the city and/or developers are going to have to step-up the development of new single family homes or the community will not only fail to attract new households but lose existing ones looking for new housing options, particularly the empty-nester and elderly segments.

TABLE 5-4
Market Rate Single Family Owner-Occupied Demand by Study Area
2010-2023

Study Area (Ownership rate)	2010 Owner-occupied	Estimated 2018 Owner-occupied	2010-2018 Change	Projected 2023 Owner-occupied	Projected Demand from 2018 to 2023
Montevideo Study Area (70.6%)	2,329	2,300	-29	2,317	+17

Source: Census of Population and Housing
Claritas, November 2018

Single Family First Time Home Buyer Housing Demand

Special notes pertaining to the following tables:

Income ranges are based upon 95% of County Median Income which equates to the following:

Household Size	Chippewa County Income Limit
1-2 persons	$84,200
3+ persons	$96,800

The maximum purchase price of the home can be $271,100. This represents more than 99% of the homes in the city of Montevideo based on assessed valuations by the County.

While some household's income qualifies for affordable housing, there are obstacles to affordability other than income. Some of these obstacles are:

Lifestyle choice with accumulated debt
Poor credit rating
Lack of down payment
Shortage of available units in price range

The 1995 Housing Affordability Study by the U.S. Census found families who could not afford a modestly priced house, could not afford the house because:

33.0% of families had a cash problem only
14.5% of families had an income problem only
55.7% of families had both a cash and income problem

Table 5-5 shows that in 2018 the Montevideo Study Area has 723 non-homeowner households that income qualify to live in a moderate single family home depending on how many would meet lender requirements. Keep in mind that the 25% is probably more realistic since they would also need a high enough income to make mortgage payments.

Table 5-5
2018 First-time Homebuyer Demand
Montevideo Study Area

	1-2 Person	**3+ Person**	
Income limit	$84,200	$96,800	
Households **under** income limit	2,395	2,621	**Total**
Times Household mix	71.5%	28.5%	
	1,712	747	
Minus Montevideo SA ownership rate (70.6%)	1,209	527	
Remaining eligible households	503	220	723
Assuming 50% meet lender requirements	252	110	362
Assuming 25% meet lender requirements	126	55	181

What we find relative to single family housing need is newer housing to attract new families to the area as well as meet the needs of area residents wishing to move-up in the market place.

Additionally, due to the aging of the community, additional senior housing options would be welcomed. We also found that there are a number of substandard and temporary housing units that should be replaced by new housing. Plus, it is assumed that a strong program for home upgrades and repairs would be appropriate.

EXISTING RENTAL HOUSING STOCK

BUILDING PERMITS

Studying the number of building permits for a given area can help identify the current building trends for that area. Table 6-1 details the number of new construction building permits issued in the City of Montevideo during the years 2008-2017. During those 10 years, only 41 homes have been built within the city limits of Montevideo and no multi-family units. In fact, the majority of multi-family housing units in Montevideo are 30-40 years old.

The 2018 renter occupancy rate for the City of Montevideo was 32.2% and the multi-family construction rate within the City of Montevideo was 0.0% over the past ten years as indicated below. The non-existent rental property vacancy rate shows the need for additional rental units as the Study Area has been lagging behind.

TABLE 6-1
Building Permits 2008-2017
City of Montevideo

	City of Montevideo		
Year	**Single Family Units**	**Multiple Family Units**	**Total Number of Units**
2008	4	0	4
2009	5	0	5
2010	1	0	1
2011	9	0	9
2012	1	0	1
2013	8	0	8
2014	6	0	6
2015	3	0	3
2016	2	0	2
2017	2	0	2
Total	41	0	41
An. Ave.	4	0	4

Source: City of Montevideo, November 2018

APARTMENTS

There is a mixed variety of apartment facilities in the Montevideo area, with a few being converted former retail buildings from the early to mid-1900s. The others were built over the years with the newest market rate rental property being the Paulson Park buildings which were built in 2004. The actual newest property is Brookside Senior Living which opened in 2017. There are also several government subsidized buildings utilizing Public Housing, HUD, USDA and Tax Credits.

We identified twenty-one rental properties in Montevideo where we were able to contact the owners or managers. Of the buildings surveyed, there were minimal vacancies with the largest number occurring at the Montevideo Mobile Home Park. Of the designated apartment buildings there were only three buildings with a total of 6 vacancies out of 453 units for a vacancy rate of 1.3%. Half of the vacancies were in market rate units and half in subsidized units. The vacancy rate of the eight properties that were not senior-housing-with-services or limited to persons with disabilities was 2.0%. A healthy rental market should have a 5% vacancy rate which allows residents a choice of amenities, location, rent, etc. Therefore there is a pent-up demand for additional rental units.

The only studio rental units in town which are not assisted living or memory care units were found at Hunt on Main and the only four-bedroom units were found at Tanglewood Townhomes. There are also a limited number of three-bedroom units other than at the Mobile Home park.

Following is detailed information on the 21 surveyed rental properties in Montevideo. Due to their uniqueness, Table 6-2 does not include data on the senior housing-with-services building.

As you will see in the detailed apartment listings, we have rents for most units but many do not have the unit sizes. The lack of square footages is primarily due to the age of the properties and the fact that ownership has transferred over the years and the current owners or managers do not have that information.

TABLE 6-2
Aggregate Analysis of Apartments

	Studio	1-bed	2-bed	3-bed	4-bed
Number of Units	13	122	173	60	4
Average Size (Sq. Ft.)	n/a	615 sf	877 sf	975 sf	n/a
Average Rent per Month	$400	$495	$614	$691	$695
Vacancies	0	1	5	10	0
LIHTC	0	0	0	20	4
Govt. Subsidized Units	0	87	86	9	0

* Government subsidized units include Group Residential Housing, Elderly Waivers, USDA Rural Development units, HUD units and Public Housing Units. LIHTC represents Low Income Housing Tax Credits where a tenant qualifies for a fixed rent based on a higher income than the subsidized units.

In the following table, subsidized properties are allowed to only charge their lower income tenants rent equal to 30% of their adjusted income. In some cases, if a subsidized property does not have enough lower income tenants to keep the building filled, they may charge non-income qualified tenants a market rent. All of the income-restricted properties are full with lower income residents, so they rarely use the market rate rents but we listed them anyway for comparative purposes.

TABLE 6-3
Average Market Rate Rents per Building

Name	Average Studio rent	Average 1-bd rent	Average 2-bd rent	Average 3-bd rent
Lincoln Apartments	---	$380	$515	$400
Windom I & II	---	$485	$550	---
Black Oak Apartments	---	$370	$570	---
Rhode Apartments	---	$475	$500	---
Paulson Park I	---	---	$724	$724
Paulson Park II	---	$748	$795	$839
Hunt on Main	$400	$490	$560	---
1st Street Rentals	---	$375	$475	---
215 So. 5th	---	$465	---	---
Monte Mobile Home Park	---	---	---	$725
Ashmore South TH	---	---	$656	---
Ashmore Place TH	---	---	$743	---

Although the Ashmore Townhomes are income restricted we listed them due to their higher market rate rents.

TABLE 6-4
Apartments in Montevideo

Name	No. of units/ Bed mix	Rent	Vacancy	Comments
MARKET RATE				
Lincoln Apartments	3 – 1 bed 14 – 2 bed 1 – 3 bed	$380 $480-$550 #400	none	Built in 1975-1977, this complex has three buildings and 12 garages.
Windom I & II	4 – 1 bed 32 – 2 bed	$485 $550	none	Built in 1972 this two building complex has limited garages.
Black Oak Apartments	3 – 1 bed 1 – 2 bed	$370 $570	none	Built in 1953 this smaller building includes heat in the rent.
Rhode Apartments	2 – 1 bed 14 – 2 bed	$475 $500	2 – 2 bed	Built in 1978 and 1980 this two building complex has limited garages.
Paulson Park I	8 – 2 bed 8 – 3 bed	$724 $724	none	Built in 2004, these townhomes include garages but the tenant pays all utilities.
Paulson Park II	10 – 2 bed 2 2- bed/den 3 3 - bed	$734-$762 $795 $105	none	Also built in 2004, garages are included by the tenant pays all utilities.
Hunt on Main	13 – studios 13 – 1 bed 5 – 2 bed	$400 $450-$530 $560	none	Built in 1950, this building has short–term rentals in addition to apartments. There are no garages.
1st Street Rentals	2 – 1 bed 1 – 2 bed	$375 $475	none	Built in 1921, there are no garages.
215 So. 5th	8 – 1 bed	$465	1 – 1 bed	Not sure of date it was built, but this building has no garages.
Monte Mobile Home Park	20 – 3 bed	$650-$800	10 – 3 bed	These are all 3 bed, two bath mobile homes. There are no garages.

Name	No. of units/ Bed mix	Rent	Vacancy	Comments
SUBSIDIZED				
Ashmore South TH	4 – 2 bed	$656	None	These townhome have income restrictions through the EDA. Utilities and garages are included.
Ashmore Place TH	18 – 2 bed	$743	none	These townhome have income restrictions through the EDA. Utilities and garages are included.
Eastgate TH (HUD)	38 – 2 bed 8 – 3 bed	$702 $732	3 – 2 bed	Built in the 1980s. Since these are HUD, the tenant only pays 30% of their income toward rent. Rents shown are market rate if no subsidy.
Burnsdale I (Eld) (HUD)	24 - 1 bed	$698	none	Built in 1979. Since these are HUD and USDA, the tenant only pays 30% of their income toward rent. Rents shown are market rate if no subsidy.
Burnsdale II (USDA)	16 – 1 bed	$549-$692	none	Built in 1990. Since these are HUD and USDA, the tenant only pays 30% of their income toward rent. Rents shown are market rate if no subsidy.
Burnsdale III (USDA)	12 - 1 bed 4 – 2 bed	$550-$661 $571-$668	none	Built in 1990. Since these are HUD and USDA, the tenant only pays 30% of their income toward rent. Rents shown are market rate if no subsidy.
Tanglewood TH (TC)	20 – 3 bed 4 – 4 bed	$655 $695	none	Built in 1993, these townhomes are income restricted by Section 42 Tax Credits. Tenants pay utilities but garages are included.
Parkview Towers (PH)	35 – 1 bed 22 – 2 bed 1 – 3 bed	$475 $605 $750	none	Built in 1971 this building has income restrictions through Public Housing. There are no garages but there is an elevator and the tenants pay all utilities.

Name	No. of units/ Bed mix	Rent	Vacancy	Comments
SENIOR HOUSING WITH SERVICES				
Brookside Senior Living (HUD)	8 MC studios 2 lg MC studios 22 - 1 bed 15 – 1 bed/den 10 – 2 bed	$4,000 $4,200 $2,025 $2,225- $2,300 $2,375	none	Built in 2017, 10 of the units are set aside for HUD income limits. The building features 10 memory care units and 47 independent/assisted living units.
Home Front First AL	Assisted living studios - 23	$3,560- $7,026	none	Fairly new but unknown as to year built, these feature sleeping rooms with private bath. There are no garages.
Copper Glen	Assisted Living one bedroom - 20	$2,585	none	Built in 1996, all utilities and meals are included. There are no garages and healthcare services are extra.

Following are detailed comparisons of each property with a photo, followed by a map of their locations.

Property 1

Name: Lincoln Apartments	
Address: 1501 Lincoln Ave., Montevideo, MN 56265	
Contact Person: Tom	Phone: 320-269-6970
Year Built: 1975-1977	
Development: General Occupancy	Serving Special Needs? No
Does the comparable receive any subsidies (rental or operating assistance)? No	
If so, please describe:	
Description of Development Amenities: Stove, refrigerator, dishwasher, through-wall air conditioning and coin laundry. Pays all utilities. There are 12 garages at $45 per month.	
Vacancies: none	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities*	Gross Rent	Parking
1 bed	3	n/a	$380	$80	$460	$45
2 bed	14	n/a	$480-$550	$100	$580-$650	$45
3 bed	1	n/a	$400	$120	$520	$45
Total	18					

* Utility amounts are estimates.

Property 2

Name: Windom I & II Apartments						
Address: 101 Miawakon Ave., Montevideo, MN 56265						
Contact Person: Neil			Phone: 320-269-7048			
Year Built: 1972						
Development: General Occupancy			Serving Special Needs? No			
Does the comparable receive any subsidies (rental or operating assistance)? No						
If so, please describe:						
Description of Development Amenities: Stove, refrigerator, dishwasher and through-wall air conditioning. There are no garages. Tenant pays electricity.						
Vacancies: none						
Wait list: none						
# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities*	Gross Rent	Parking
1 bed	4	689 sf	$485	$45	$530	$45
2 bed	32	963 sf	$550	$60	$610	$45
Total	36					

* Utility amounts are estimates.

Property 3

Name: Black Oak Apartments	
Address: 1426 Black Oak Ave., Montevideo, MN 56265	
Contact Person: James	Phone: 320-269-7789 x 15
Year Built: 1953	
Development: General Occupancy	Serving Special Needs? No
Does the comparable receive any subsidies (rental or operating assistance)? No	
If so, please describe:	
Description of Development Amenities: Stove, refrigerator, through-wall air conditioning, coin laundry. Heat is included in the rent.	
Vacancies: none	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities*	Gross Rent	Parking
1 bed	3	n/a	$370	$45	$415	street
2 bed	1	n/a	$570	$55	$625	street
Total	4					

* Utility amounts are estimates.

Property 4

Name: Rhode Apartments	
Address:, Montevideo, MN 56265	
Contact Person: Owner	Phone: 320-847-3643
Year Built: 1978-1980	
Development: General Occupancy	Serving Special Needs? No
Does the comparable receive any subsidies (rental or operating assistance)? No	
If so, please describe:	
Description of Development Amenities: Stove, refrigerator, dishwasher, through-wall air conditioning coin laundry and 12 garages for $25 per month. Tenant pays all utilities.	
Vacancies: 2 – two-bedroom units	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities*	Gross Rent	Parking
1 bed	2	n/a	$475	$65	$540	$25
2 bed	14	n/a	$500	$80	$580	$25
Total	16	n/a				

* Utility amounts are estimates.

Property 5

Name: Paulson Park I	
Address: 1706 Lincoln Ave., Montevideo, MN 56265	
Contact Person: Jack	Phone: 320-269-7789 x15
Year Built: 2004	
Development: General Occupancy	Serving Special Needs? No
Does the comparable receive any subsidies (rental or operating assistance)? No	
If so, please describe:	
Description of Development Amenities: Stove, refrigerator, washer/dryer hook-ups, dishwasher and central air conditioning. Garages are included in the rent but the tenant pays all utilities.	
Vacancies: none	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities*	Gross Rent	Parking
2 bed	8	n/a	$724	$75	$799	Inc
3 bed	8	n/a	$724	$90	$814	inc
Total	16					

Property 6

Name: Paulson Park II	
Address: 1709 Sheridan Ave., Montevideo, MN 56265	
Contact Person: Jack	Phone: 320-269-7789 x15
Year Built: 2004	
Development: General Occupancy	Serving Special Needs? No
Does the comparable receive any subsidies (rental or operating assistance)? No	
If so, please describe:	
Description of Development Amenities: Stove, refrigerator, washer/dryer hook-ups, dishwasher and central air conditioning. Garages are included in the rent but the tenant pays all utilities.	
Vacancies: none	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities*	Gross Rent	Parking
2 bed	10	n/a	$734-$762	$75	$809-$837	inc
2 bed/den	2	n/a	$795	$90	$885	inc
3 bed	2	n/a	$839	$105	$944	inc
Total	14					

* Utility amounts are an estimate.

Property 7

Name: Hunt on Main	
Address: 207 N 1st St., Montevideo, MN 56265	
Contact Person: Jack	Phone: 320-269-7789 x15
Year Built: 1950	
Development: General Occupancy	Serving Special Needs? No
Does the comparable receive any subsidies (rental or operating assistance)? No	
If so, please describe:	
Description of Development Amenities: Stove, refrigerator, central air conditioning and coin laundry. Utilities are included in the rent in the studios; tenant pays all utilities in larger units. No garages.	
Vacancies: none	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities*	Gross Rent	Parking
studio	13	Vary	$400	Inc	$400	lot
1 bed	13	Vary	$450 - $530	$50	$500 - $580	lot
2 bed	5	vary	$560	$65	$625	lot
Total	31					

* Utility amounts are an estimate.

Property 8

Name: 1st Street Rentals	
Address: 318 North First Street., Montevideo, MN 56265	
Contact Person: James	Phone: 320-269-7789 x15
Year Built: 1921	
Development: General Occupancy	Serving Special Needs? No
Does the comparable receive any subsidies (rental or operating assistance)? No	
If so, please describe:	
Description of Development Amenities: Stove, refrigerator, through-wall air conditioning and coin laundry. Tenant pays electric. No garages.	
Vacancies: none	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities*	Gross Rent	Parking
1 bed	2	n/a	$375	$45	$420	lot
2 bed	1	n/a	$475	$55	$530	lot
Total	3					

* Utility amounts are an estimate.

Property 9

Name: 215 S. 5th	
Address: 215 S 5th ., Montevideo, MN 56265	
Contact Person: n/a	Phone: 320-321-2057
Year Built: n/a	
Development: General Occupancy	Serving Special Needs? No
Does the comparable receive any subsidies (rental or operating assistance)? No	
If so, please describe:	
Description of Development Amenities: Stove, refrigerator, air conditioning and coin laundry. Utilities are included in the rent. No garages.	
Vacancies: 1 one-bedroom	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities	Gross Rent	Parking
1 bed	8	n/a	$465	Inc.	$465	lot
Total	8					

Property 10

Name: Monte Mobile Home Park	
Address: 1709 Sheridan Ave., Montevideo, MN 56265	
Contact Person: Manager	Phone: 320-316-9606
Year Built: varies	
Development: General Occupancy	Serving Special Needs? No
Does the comparable receive any subsidies (rental or operating assistance)? No	
If so, please describe:	
Description of Development Amenities: Stove, refrigerator, central air conditioning. Tenant pays all utilities. No garages.	
Vacancies: 10 unusually high; a few just moved out in the past two weeks	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities*	Gross Rent	Parking
3 bed/2 ba	20	varies	$650-$800	$100	$750-$900	lot
Total	20					

* Utility amounts are an estimate.

Property 11

Name: Ashmore South Townhomes	
Address: 822 16th St., Montevideo, MN 56265	
Contact Person: James	Phone: 320-269-7789 x 15
Year Built: n/a	
Development: General Occupancy	Serving Special Needs? No
Does the comparable receive any subsidies (rental or operating assistance)? Yes	
If so, please describe: Income restricted through the EDA	
Description of Development Amenities: Stove, refrigerator, dishwasher, washer/dryer hook-up, central air conditioning and a patio. Utilities are included in the rent and garages are attached.	
Vacancies: none	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities	Gross Rent	Parking
2 bed	4	n/a	$656	Inc.	$656	attached
Total	4					

Property 12

Name: Ashmore Place Townhomes	
Address: 1604 Ashmore Ave., Montevideo, MN 56265	
Contact Person: James	Phone: 320-269-7789 x15
Year Built: n/a	
Development: General Occupancy	Serving Special Needs? No
Does the comparable receive any subsidies (rental or operating assistance)? Yes	
If so, please describe: Income restricted through the EDA	
Description of Development Amenities: Stove, refrigerator, dishwasher, garbage disposal, central air conditioning, washer and dryer hook-ups, patio and attached garages. Utilities are included in the rent.	
Vacancies: none	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities	Gross Rent	Parking
2 bed	18	n/a	$743	Inc.	$743	attached
Total	18					

Property 13

Name: Eastgate Townhomes	
Address: 1011 N 11th St., Montevideo, MN 56265	
Contact Person: Rick	Phone: 320-269-9331
Year Built: 1980s	
Development: General Occupancy	Serving Special Needs? Yes
Does the comparable receive any subsidies (rental or operating assistance)? Yes	
If so, please describe: HUD	
Description of Development Amenities: Stove, refrigerator, washer/dryer hook-ups, central air conditioning and a playground. Tenant pays all utilities. Garages are available for $35.	
Vacancies: 3 two-bedroom units	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities*	Gross Rent	Parking
2 bed	38	790	$702	$75	$777	$35
3 bed	8	975	$732	$90	$822	$35
Total	46					

* Utility amounts are an estimate.

Property 14

Name: Burnsdale I	
Address: 1318 Black Oak Ave., Montevideo, MN 56265	
Contact Person: James	Phone: 320-269-7789 x15
Year Built: 1979	
Development: Elderly	Serving Special Needs? Yes
Does the comparable receive any subsidies (rental or operating assistance)? Yes	
If so, please describe: USDA Rural Development and HUD	
Description of Development Amenities: Stove, refrigerator, through-wall air conditioning and coin laundry. Utilities are included in the rent. No garages.	
Vacancies: none	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities*	Gross Rent	Parking
1 bed	24	665 sf	$698	inc	$698	lot
Total						

Property 15

Name: Burnsdale II	
Address: 1318 Black Oak Ave., Montevideo, MN 56265	
Contact Person: Jack	Phone: 320-269-7789 x 15
Year Built: 1990	
Development: Elderly	Serving Special Needs? Yes
Does the comparable receive any subsidies (rental or operating assistance)? Yes	
If so, please describe: USDA Rural Development & HUD	
Description of Development Amenities: Stove, refrigerator, through-wall air conditioning and coin laundry. Utilities are included in the rent. No garages.	
Vacancies: 1 two-bedroom (in transition)	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities	Gross Rent	Parking
1 bed	16	552 sf	$549-$692	Inc	$549-$692	lot
Total	16					

Property 16

Name: Burnsdale III	
Address: 1418 Black Oak Ave., Montevideo, MN 56265	
Contact Person: Jack	Phone: 320-269-7789 x 15
Year Built: 1990	
Development: Elderly	Serving Special Needs? Yes
Does the comparable receive any subsidies (rental or operating assistance)? Yes	
If so, please describe: USDA Rural Development & HUD	
Description of Development Amenities: Stove, refrigerator, through-wall air conditioning and coin laundry. Utilities are included in the rent. No garages.	
Vacancies: none	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities	Gross Rent	Parking
1 bed	12	552 sf	$550-$661	Inc	$549-$692	lot
2 bed	4	n/a	$571-$668	Inc	$571-$668	lot
Total	16					

Property 17

Name: Tanglewood Townhomes	
Address: 924 Tanglewood Drive, Montevideo, MN 56265	
Contact Person: Jennifer	Phone: 320-321-2504
Year Built: 1993	
Development: General Occupancy	Serving Special Needs? No
Does the comparable receive any subsidies (rental or operating assistance)? Yes	
If so, please describe: Section 42 Tax Credit	
Description of Development Amenities: Stove, refrigerator, garbage disposal, washer/dryer hook-ups, central air conditioning and a patio. Tenant pays all utilities but garages are included.	
Vacancies: none	
Wait list: small	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities*	Gross Rent	Parking
3 bed	20	n/a	$655	$90	$745	$45
4 bed	4	n/a	$695	$110	$805	$45
Total	24					

* Utility amounts are an estimate.

Property 18

Name: Brookside Senior Living	
Address: 804 Benson Rd., Montevideo, MN 56265	
Contact Person: Kari	Phone: 320-269-6506
Year Built: 2017	
Development: Elderly IL, AL & MC	Serving Special Needs? Yes
Does the comparable receive any subsidies (rental or operating assistance)? Yes	
If so, please describe: 10 HUD units and GRH and Elderly Waiver	
Description of Development Amenities: Stove, refrigerator and central air conditioning. The rent includes all utilities, laundry, meals, housekeeping, activities and 24 hour staffing.	
Vacancies: none	
Wait list: small	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities	Gross Rent	Parking
studios	8 MC	356 sf	$4,000	Inc	$4,000	n/a
Lg studios	2 MC	480 sf	$4,200	Inc	$4,200	n/a
1 bed	22	651	$2,025	Inc	$2,025	$45
1 bed den	15	772-856 sf	$2,225-$2,300	Inc	$2,225-$2,300	$45
2 bed	10	960 sf	$2,375	Inc	$2,375	$45
Total	57					

Property 19

Name: Parkview Towers	
Address: 501 N 1st St., Montevideo, MN 56265	
Contact Person: Carmen	Phone: 320-269-6868
Year Built: 1971	
Development: Adults only	Serving Special Needs? Yes
Does the comparable receive any subsidies (rental or operating assistance)? Yes	
If so, please describe: Public Housing	
Description of Development Amenities: Stove, refrigerator, through-wall air conditioning hook-ups and coin laundry. Tenant pays all utilities. Building has an elevator but no garages.	
Vacancies: none	
Wait list: small	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities*	Gross Rent	Parking
1 bed	35	n/a	$475	Inc	$475	Lot
2 bed	22	n/a	$605	Inc	$605	Lot
3 bed	1	n/a	$750	inc	$750	Lot
Total	58					

* Utility amounts are an estimate.

Property 20

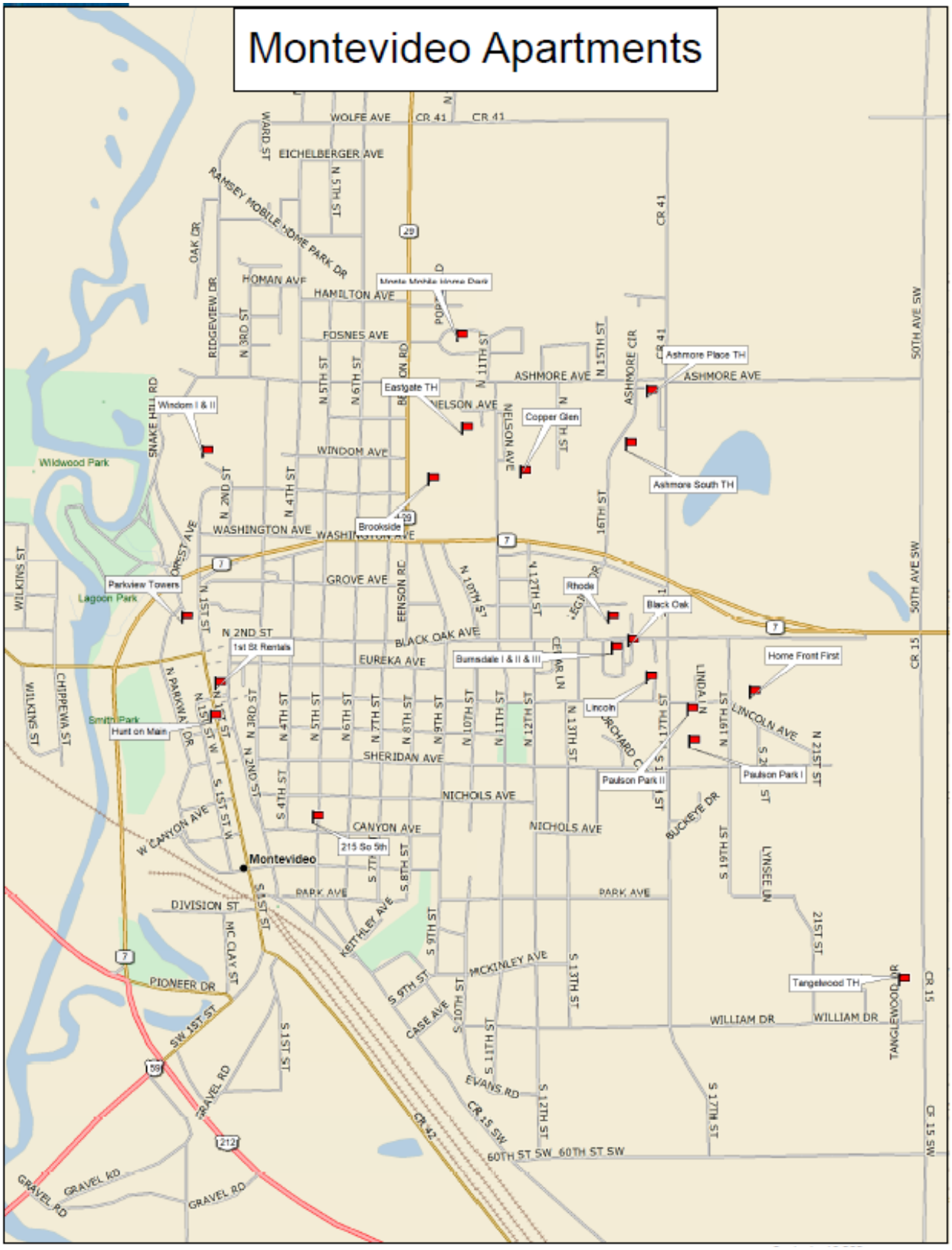
Name: Home Front First Assisted Living	
Address: 224 N 19th St., Montevideo, MN 56265	
Contact Person:	Phone: 320-269-2930
Year Built: n/a	
Development: Elderly Assisted Living	Serving Special Needs? Yes
Does the comparable receive any subsidies (rental or operating assistance)? Yes	
If so, please describe: GRH and Elderly Waiver	
Description of Development Amenities: Sleeping rooms with private bathroom. All utilities are included in the rent except telephone. Meals, laundry, housekeeping, activities and 24 hour staffing are included.	
Vacancies: none	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities	Gross Rent	Parking
AL studios	23	n/a	$3560-$7026	Inc.	varies	n/a
Total	23					

Property 21

Name: Copper Glen Senior Living	
Address: 801 13th St N., Montevideo, MN 56265	
Contact Person: Joslin	Phone: 320-321-8312
Year Built: 1996	
Development: Elderly Assisted Living	Serving Special Needs? No
Does the comparable receive any subsidies (rental or operating assistance)? No	
If so, please describe:	
Description of Development Amenities: mini-fridge, microwave and central air conditioning and coin laundry. All utilities are included and residents receive meals, activities, housekeeping, free laundry and 24 hours staffing. No garages. Healthcare services are extra.	
Vacancies: none	
Wait list: none	

# of Bedrooms	# of Units	Size (Sq. Ft.)	Rent per Month	Utilities	Gross Rent	Parking
1 bed	20	n/a	$2,585+	Inc	$2,585	lot
Total	20					


Montevideo Apartments
WOLFE AVE
CR 41
EICHELBERGER AVE
RAMSEY MOBILE HOME PARK DR
HOMAN AVE
HAMILTON AVE
FOSNES AVE
ASHMORE AVE
Ashmore Place TH
Eastgate TH
Windom I & II
Copper Glen
Ashmore South TH
WINDOM AVE
Wildwood Park
WASHINGTON AVE
Brookside
GROVE AVE
Parkview Towers
Lagoon Park
Rhode
Black Oak
BLACK OAK AVE
1st St Rentals
EUREKA AVE
Burnsdale I & II & III
Home Front First
Lincoln
LINCOLN AVE
Smith Park
Hunt on Main
SHERIDAN AVE
Paulson Park I
Paulson Park II
NICHOLS AVE
CANYON AVE
215 So 5th
Montevideo
PARK AVE
DIVISION ST
PIONEER DR
MCKINLEY AVE
Tanglewood TH
WILLIAM DR
CASE AVE
EVANS RD
60TH ST SW
GRAVEL RD
CR 15
50TH AVE SW

Following is a table that details the contract rents paid in the Study Area in 2016. These rents will be used later in the demand assessment to determine where rental voids currently exist.

Table 5-6
Montevideo Study Area
Contract Rents

Total	934
With Cash Rent	861
Less than $199	3
$200 to $249	52
$250 to $299	92
$300 to $349	104
$350 to $399	96
$400 to $449	58
$450 to $499	38
$500 to $549	99
$550 to $599	72
$600 to $649	26
$650 to $699	1
$700 to $749	75
$750 to $799	3
$800 to $899	56
$900 to $999	0
$1000 to $1249	0
$1250 to $1499	0
$1500 or more	88
No cash rent	72

2012-2016, American Community Survey 5-year Average

HOUSING DEMAND

A 5.0% rental vacancy rate is considered normal for a healthy rental market. The 2017 American Community Survey identified a 6.2% rental vacancy rate in the city of Montevideo in 2017. We didn't find that kind of vacancy rate in the buildings we surveyed. In fact, the vacancy rate of all surveyed properties in our study excluding the mobile home park was 1.3% upon surveying the market. (six units out of 453 rental units)

Movership is another factor to consider when looking at potential demand for a project. According to the American Housing Survey for the United States: 2010 conducted by the U.S. Census Bureau, 15.0% of all households moved in the previous year.

DEMAND FOR RENTAL HOUSING

If we look at growth of rental units from the 2010 Census and 2018 and 2023 Claritas household estimates and apply the 2016 American Community Survey 5-year Average owner-occupied rate to the estimates, we can estimate an annual growth rate. However, since the city and Study Area are projecting the loss of households, there is minimal need based on growth (8 units), but more so based on pent-up demand and housing voids which should be filled to attract new residents and keep those you already have.

Additionally a healthy rental market has a 5% vacancy rate to allow prospective renters options based on location, rent, amenities and more. Since most rental properties located within Montevideo are currently full, the city of Montevideo Study Area could support at a minimum, an additional 17 rental units just to meet pent-up demand.

TABLE 7-1
Market Rate Renter-Occupied Demand by Study Area
2010-2023

Study Area (Rental rate)	2010 Renter-occupied	Estimated 2018 Renter-occupied	2010-2018 Change	Projected 2023 Renter-occupied	Projected Demand from 2018 to 2023
Montevideo Study Area (29.4%)	970	957	-1.4%	965	0.8%

Source: Census of Population and Housing
Claritas, November 2018

The following section depicts the housing demand for the following housing types:

Fair Market Rents (Workforce Housing)
General Occupancy Extremely Low-income Rental
Age 55+ Extremely Low-income Rental
General Occupancy Very Low-income Rental
Age 55+ Very Low-income Rental
General Occupancy Low-income Rental
Age 55+ Low-income Rental
General Occupancy Moderate Income Rental
Age 55+ Moderate Income Rental
Single Family First Time Home buyers
Single Family Moderate Income
Congregate Housing
Assisted Living Housing
Memory Care Housing

The different sections of housing demand is broken down by various income levels such as HUD identified Fair Market Rents; those with less than 30% of area median income, 30% to 50% of area median income, 50% to 80% of area median income, and over 80% of area median income. These ranges were chosen because they best reflect income ranges used by HUD and other state and federal funding programs. Not every program falls exactly within these income ranges but the demand tables are useful to provide an educated guess as to what demand is for a particular income range. While these demand tables are a useful tool in analyzing housing demand for an area, recommendations are not based solely on the demand table results. Other factors such as recent building trends, vacancy rates, unit conditions and amenities, housing voids and employment are all analyzed to determine what can be supported in terms of housing.

Bedroom mix is based on the 2018 Claritas Estimates. Housing demand is given for the Year 2018. We are utilizing the 2018 Study Area rental rate in the following demand tables.

The first demand section is based on Fair Market Rents or those identified by the National Low Income Housing Coalition as the "Housing Wage". This is the amount a worker needs to earn in order to be able to afford an apartment at the Fair Housing Market Rent level by bedroom mix. Identified rents range from $593 to $1,064 per month for Chippewa County in 2018. As a reminder the average income from Montevideo Employers was in the range of $18.00 per hour ($37,440) or $3,120 per month. If a household spends no more than 30% of their income for housing as is suggested by the federal government, this would equate to $936 being available for rent. This falls into the higher end of the Fair Housing Market Rents. Keep in mind this is also based on only <u>one</u> household income.

MULTI-FAMILY RENTAL HOUSING DEMAND

TABLE 7-2
Montevideo Study Area
2019 General Occupancy Fair Market Rental Housing Demand

	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Total
Chippewa Co. Fair Market Rents	$593	$700	$1,004	$1,064	
Required minimum income	$23,720	$28,000	$40,160	$42,560	
Households over the income limit	2,534	2,393	1,999	1,913	
Times bedroom mix	*8.7%*	*30.0%*	*40.6%*	*14.5%*	
	220	718	812	277	
2018 Study Area rental rate (29.4%)	**65**	**211**	**239**	**82**	**597**
Minus existing rental units	614	641	775	775	
Times rental bedroom mix	*24.9%*	*45.8%*	*19.8%*	*4.2%*	
Existing units within rent range	**153**	**294**	**153**	**33**	633
Total demand	0	0	86	49	135

What the previous table identifies is that there is a shortage of fair market three and four bedroom rental housing units in the Montevideo Study Area. However, at rents in excess of $1,000, most households could afford to purchase a single family home in Montevideo based on the low housing values.

General Occupancy Extra Low Income Rental Housing:

Special notes pertaining to the following tables:

Extra Low income is based on 30% of County Median Income or less.

Income ranges are based upon 1.5 persons per bedroom using HUD Income Guidelines.

Income necessary to afford rent is based on 30% of household income.

The bedroom mix is applied to the number of income eligible households in the Study Area.

We will be utilizing the 2018 rental rate for the Montevideo Study Area as found in the 2018 Census (29.4%) in the following demand tables. This rate is then applied to the number of income eligible households.

The 30% of median income limits are as follows for Chippewa County:

1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
$15,650	$20,780	$27,260	$33,740

Table 7-3 helps illustrate the very low subsidized housing demand.

TABLE 7-3
Montevideo Study Area
General Occupancy Extra Low Income Rental Housing Demand

	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	
30% of county median income rent	$391	$520	$682	$844	
30% of county median income	$15,650	$20,780	$27,260	$33,740	
Households under income limit	393	602	842	1,035	**Total**
Times bedroom mix	*8.7%*	*30.0%*	*40.6%*	*14.5%*	
	34	181	342	150	
2018 Study Area rental rate (29.4%)	**10**	**53**	**101**	**44**	**208**
Minus existing housing units under rent level	341	483	641	744	
Multiplied by rental bedroom mix	*24.9%*	*45.8%*	*19.8%*	*4.2%*	
Existing units by bedroom size	**85**	**221**	**127**	**31**	**464**
Total demand	**0**	**0**	**0**	**13**	**13**

According to Table 7-3, the Montevideo Study Area has 464 rental units with rents low enough to cover those households with incomes at or below 30% of the Chippewa County median income depending on household size. However, there is still a shortage of four-bedroom units.

According to the 2012-2016 American Community Survey 5-year Average, the Study Area had 341 households that paid rent below $391 with another 142 paying rents between $403 and $520 for a total of 483. That number of households alone covers all the identified demand for extra low income rental units. We also found 261 households that paid between $520 and $844 for rent.

Since we are uncertain as to which bedroom-type actually realized the benefits of the low rents, we are unable to predict an exact number of units required to meet the market demand. However, due to a lack of government programs currently in place to create new rental units directed toward those households that fall within the Extra Low Income guidelines, the data in Table 7-3 shows us that the rental needs of rental households in that income range are fairly well being accommodated.

It should also be noted that there are 72 households within the Montevideo Study Area that receive free rent. That combined with the numbers previously shown should take care of the rental needs of this income grouping. As stated earlier, it is unfortunate that while we have access to the rents paid within the Study Area, we do not know the type of rental units by bedroom mix that are associated with those rents.

Age 55+ Extra Low Income Rental Housing:

Special notes pertaining to the following tables:

Very Low income is based on 30% of County Median Income or less.

Income ranges are based upon 1.5 persons per bedroom using HUD Income Guidelines.

Income necessary to afford rent is based on 30% of household income.

Income eligible households are Age 55+ households with incomes at or below 30% of the County Median Income. The bedroom mix is applied to the number of income eligible households in each Study Area.

46.2% of households over age 55 are renters; Study Area Age 55+ rental rate is 31.2%

50.1% of all households are over age 55 and 42.8% of all renters are over age 55.

The Study Area's rental rate is then applied to the number of income eligible households.

Finally, the existing elderly subsidized units and those apartments with lower rents are subtracted from the subtotal demand.

Once again we will be utilizing Chippewa County's HUD income limits for this estimate. The 30% of median income limits are as follows for Chippewa County:

1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
$15,650	$20,780	$27,260	$33,740

Table 7-4 helps illustrate the extra low subsidized housing demand.

TABLE 7-4
Montevideo Study Area
Age 55+ Extra Low Income Rental Housing Demand

	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	
30% of county median income rent	$391	$520	$682	$844	
30% of county median income	$15,650	$20,780	$27,260	$33,740	
Households Age 55+ under income limit	235	364	510	625	**Total**
Times bedroom mix	*8.7%*	*30.0%*	*40.6%*	*14.5%*	
	20	109	207	91	
Age 55+ rental rate (31.2%)	**6**	**34**	**65**	**28**	**133**
Minus existing housing units under rent level	341	483	641	744	
Multiplied by rental bedroom mix	*24.9%*	*45.8%*	*19.8%*	*4.2%*	
Existing units by bedroom size	**85**	**221**	**127**	**31**	**464**
Times Percentage of Renters Age 55+ (46.2%)	**39**	**102**	**59**	**14**	**214**
Total demand	**0**	**0**	**6**	**14**	**20**

Table 7-4 shows that the Montevideo Study Area has no shortage of extra low income Age 55+ rental units.

It must be noted that these numbers represent the number of renter-occupied households that would qualify for subsidized housing and not necessarily the number of households that would move into such a facility. While there is a realized demand for additional three and four-bedroom extra low income units for households over age 55, reality dictates that very few households over age 55 want a three or four bedroom rental unit.

There are many factors that have a bearing on how these figures are analyzed. For instance, just because people are living in substandard housing, as defined by Rural Development, does not mean they will move out of it if new units are constructed. Another factor that must be considered is that substandard housing built before 1939 does not take into account the number of homes that

have been remodeled since that time. Also, this formula takes into account the number of households with rent overburden, defined as paying more than 30% of their income for rent. However, due to high construction costs, more and more households are paying over 30% of their income for housing and are getting by. All of these factors must be taken into consideration when determining the number of units to be built.

VERY LOW INCOME HOUSING DEMAND

General Occupancy Very Low Income Rental Housing Demand

Special notes pertaining to the following tables:

Very Low income is based on 30% to 50% of County Median Income.

Income ranges are based upon 1.5 persons per bedroom using HUD Income Guidelines.

Income necessary to afford rent is based on 30% of household income.

The bedroom mix is applied to the number of income eligible households in each Study Area

The Study Area's rental rate is then applied to the number of income eligible households.

The income limits are as follows for Chippewa County:

	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
30% CMI	$15,650	$20,780	$27,260	$33,740
50% CMI	$26,075	$31,300	$36,150	$40,350

TABLE 7-5
Montevideo Study Area
General Occupancy Very Low Income Rental Housing Demand

	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Total
30% of county median income rent	$391	$520	$682	$844	$391-$844
30% of county median income	$15,650	$20,780	$27,260	$33,740	$15,650-$33,740
50% of county median income rent	$652	$783	$904	$1,009	$652-$1,009
50% of county median income	$26,075	$31,300	$36,150	$40,350	$26,075-$40,350
Households within income levels ($15,650- $40,350)					871
Multiplied by the 2018 Study Area rental rate (29.4%)					256
256 multiplied by rental bedroom mix	*24.9%*	*45.8%*	*19.8%*	*4.2%*	
	64	**117**	**51**	**11**	**243**
Minus existing units within rent levels	**309**	**236**	**37**	**31**	
Total demand	**0**	**0**	**14**	**0**	**14**

While we do not know the bedroom mix of units by their rent, it is apparent there is a minor shortage of rental units with rents around $682. Part of this may be due to the limited rental market where there are few vacancies and renters are taking whatever units are available even if they can afford to pay higher rents or just a shortage of rental units within this rent range.

<u>Age 55+ Very Low Income Rental Housing:</u> Special notes pertaining to the following tables

Very Low income is based on 30% to 50% of County Median Income.

Income ranges are based upon 1.5 persons per bedroom using HUD Income Guidelines and the income necessary to afford rent is based on 30% of household income.

Income eligible households are Age 55+ households with incomes between 30% and 50% of the County Median Income. The bedroom mix is applied to the number of income eligible households in each Study Area.

The Study Area's rental rate is then applied to the number of income eligible households.

Finally, the existing elderly subsidized units are subtracted from the subtotal demand.

46.2% of households over age 55 are renters; Study Area Age 55+ rental rate is 31.2%

50.1% of all households are over age 55 and 42.8% of all renters are over age 55.

Once again we will be utilizing Chippewa County's HUD income limits for this estimate. The income limits are as follows for Chippewa County:

	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
30% CMI	$15,650	$20,780	$27,260	$33,740
50% CMI	$26,075	$31,300	$36,150	$40,350

TABLE 7-6
Montevideo Study Area
Age 55+ Very Low Income Rental Housing Demand

	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Total
30% of county median income rent	$391	$520	$682	$844	$391-$844
30% of county median income	$15,650	$20,780	$27,260	$33,740	$15,650-$33,740
50% of county median income rent	$652	$783	$904	$1,009	$652-$1,009
50% of county median income	$26,075	$31,300	$36,150	$40,350	$26,075-$40,350
Households Age 55+ within income levels ($15,650- $40,350)					528
Multiplied by the Study Area Age 55+ rental rate (31.2%)					165
165 multiplied by bedroom mix	*24.9%*	*45.8%*	*19.8%*	*4.2%*	
	41	**76**	**33**	**7**	**157**
Minus existing units in rent range	309	236	37	31	
Times Percentage of Renters Age 55+ (46.2%)	**143**	**109**	**17**	**14**	**283**
Total demand	**0**	**0**	**16**	**0**	**16**

While the demand table shows a need for additional rental units across three and four bedroom types, it is highly unlikely that householders over Age 55 are seeking three and four-bedroom rental units. Therefore the overall demand for Age 55+ very low income housing units is directed more to the one and two-bedroom units where there are more than enough units in the market.

LOW INCOME RENTAL HOUSING DEMAND

General Occupancy Low Income Rental Housing Demand

Special notes pertaining to the following tables:

Low income is defined as those incomes ranging from 50% to 80% of the County median income.

Income ranges are based upon 1.5 persons per bedroom using HUD Income Guidelines.

Income necessary to afford rent is based on 30% of household income.

Rental only households are based upon the rental rate times all income eligible households.

It should be noted, that as we approach rent levels over $700, with the current low mortgage rates, combined with low housing values, many households are doing whatever they can to purchase their own home rather than rent.

The following table identifies a shortage of moderate rental apartments in the larger units.

Once again we will be utilizing Chippewa County's HUD income limits for this estimate. The income limits are as follows for Chippewa County:

	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
50% CMI	$26,075	$31,300	$36,150	$40,350
80% CMI	$41,725	$50,050	$57,825	$64,500

TABLE 7-7
Montevideo Study Area
General Occupancy Low Income Rental Housing Demand

	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Total
50% of county median income rent	$652	$783	$904	$1,009	$652-$1,009
50% of county median income	$26,075	$31,300	$36,150	$40,350	$26,075-$40,350
80% of county median income rent	$1,043	$1,251	$1,446	$1,613	$1,043-$1,613
80% of county median income	$41,725	$50,050	$57,825	$64,500	$41,725 - $64,500
Households within income levels ($26,075- $64,500)					1,163
Multiplied by the 2018 Study Area rental rate (29.4%)					342
342 multiplied by bedroom mix	*24.9%*	*45.8%*	*19.8%*	*4.2%*	
	85	**157**	**68**	**14**	**324**
Minus existing units within rent levels	135	57	0	0	
Total demand	**0**	**100**	**68**	**14**	**182**

As can be seen in Table 7-7 above and Table 7-8 on the following page, there is a shortage of moderate income rental housing units across the larger bedroom types. As rents increase, renters seek more building amenities and there are no special amenities in the rental units currently available within the Study Area.

TABLE 7-8
Montevideo Study Area
Age 55+ Low Income Rental Housing Demand

	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Total
50% of county median income rent	$652	$783	$904	$1,009	$652-$1,009
50% of county median income	$26,075	$31,300	$36,150	$40,350	$26,075-$40,350
80% of county median income rent	$1,043	$1,251	$1,446	$1,613	$1,043-$1,613
80% of county median income	$41,725	$50,050	$57,825	$64,500	$41,725 - $64,500
Households Age 55+ within income levels ($26,075- $64,500)					587
Multiplied by the Study Area Age 55+ rental rate (31.2%)					183
183 multiplied by bedroom mix	*24.9%*	*45.8%*	*19.8%*	*4.2%*	
	46	**84**	**36**	**8**	**174**
Minus existing units within rent levels	135	57	0	0	
Times Percentage of Renters Age 55+ (46.2%)	**62**	**26**	**0**	**0**	88
Total demand	**0**	**58**	**36**	**8**	**102**

Again, since most elderly households prefer one and two-bedroom rental units, there really is only a shortage of two-bedroom units for the Age 55+ low income market. It is also important to remember that as the rents get higher, more people may be considering home ownership but seniors tend to want to down-size and move into maintenance free living as found in apartment buildings and townhomes.

Tables 7-9 and 7-10 illustrate that in the Montevideo Study Area, the only high-end rental properties are senior housing-with-services buildings. Again we must note that as rents increase, tenants make every attempt possible to purchase a private home unless there are extenuating circumstances related to the inability to obtain financing, choice of a maintenance free lifestyle, or a preference to travel.

TABLE 7-9
Montevideo Study Area
General Occupancy High End Rental Housing Demand

	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Total
80% of county median income rent	$1,043	$1,251	$1,446	$1,613	
80% of county median income	$41,725	$50,050	$57,825	$64,500	
Households over income limit	1,943	1,646	1,463	1,2587	
Times bedroom mix	*8.7%*	*30.0%*	*40.6%*	*14.5%*	
	169	494	594	187	
2018 Study Area rental rate (29.4%)	**50**	**145**	**175**	**55**	**425**
Minus existing housing units over rent level	88	0	0	0	
Multiplied by rental bedroom mix	*24.9%*	*45.8%*	*19.8%*	*4.2%*	
	88	**0**	**0**	**0**	**88**
Total demand	**0**	**145**	**175**	**55**	**375**

It's important to note that the only apartments in Montevideo with rents greater than $1,000 per month are senior-housing-with-services buildings.

TABLE 7-10
Montevideo Study Area
Age 55+ High End Rental Housing Demand

	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Total
80% of county median income rent	$1,043	$1,251	$1,446	$1,613	
80% of county median income	$41,725	$50,050	$57,825	$64,500	
Households over Age 55+ over the income limit	945	780	694	609	
Times bedroom mix	*24.9%*	*45.8%*	*19.8%*	*4.2%*	
	235	357	137	26	
Age 55+ rental rate (31.2%)	**73**	**111**	**43**	**8**	**235**
Minus existing housing units over rent level	88	0	0	0	
Total demand	**15**	**111**	**43**	**8**	**177**

Here again there is a shortage of high-end rental housing based on incomes, but not based on amenities, location or choice.

Keep in mind that with the low valuation of single family homes in the market, as rents increase, many renters may seek ownership unless they have other issues keeping them from obtaining lending. With average housing sales around $108,000 last year, with 10% down and a 30 year mortgage, monthly payments are only $492 per month at 4.5%.

However, some people are unable to purchase due to a poor credit history, or they may prefer a maintenance-free lifestyle found in an apartment or townhome.

CONGREGATE PENETRATION RATE DEMAND MODELS

1. Historically, we've found that 1.5% of persons between the ages of 65 and 75 with annual incomes in excess of $20,000 live in senior housing. We also found that 9% of persons over age 75 with incomes in excess of $20,000 live in senior housing. Senior housing is defined as housing for older adults only and does not include nursing homes or other institutional settings.

2. In addition, it has been identified that a senior must have an annual income in excess of $20,000 to be able to afford to live in market rate senior housing with rents starting at $1000 per month. The 2023 rate will be $23,000.

This assumes that the housing covers 60% of their living expense which includes all utilities except cable and telephone, activities, socialization, transportation and 24-hour supervision. Taking these assumptions into consideration, we find the following:

Independent/Congregate Demand		
	Montevideo Study Area	
	2018	**2023**
Households Age 65-74	529	611
Income Eligible[1]	426	465
Utilization (1.5%)[2]	**6**	**7**
Households Age 75+	560	572
Income Eligible[1]	397	372
Utilization (9.0%)[2]	**36**	**33**
Subtotal	**42**	**40**
Move into area (30%)	**18**	**17**
Subtotal	**60**	**57**
Minus 95% of existing units[3]	0	0
TOTAL	**60**	**57**

Table Qualifiers

[1] Income Qualified Households at $20,000 ($23,000) or greater plus home ownership rates of 78.3% with incomes between $15,000 and $20,000 ($18,000 and $23,000)

[2] Senior Housing Study by the Wilder Foundation

[3] Existing and planned congregate units at a 5% vacancy rate.

The previous table indicates the market can support up to 57 independent senior apartments. There are independent senior apartments in town but they all have rents comparable to assisted living so we are not considering them as competition for any new building.

ESTIMATED ASSISTED LIVING DEMAND

Assisted living can be categorized as either a care service package or a type of housing facility and is normally directed toward persons with three or more daily living limitations. An actual assisted living facility varies from most congregate housing buildings in that often times the actual living quarters are smaller in the form of efficiency style units or one-bedroom apartments. The service package also varies in that typically two or three meals are provided as part of the rent and the building is staffed 24-hours per day, 7 days a week. Health care services are provided by the on-site staff.

In estimating demand for assisted living, this report will deal with a penetration rate model approach based on the number of persons with one to six ADLs. (ADLs are defined as Activities of Daily Living and include assistance with such things as bathing, dressing, grooming, eating, bed mobility, transferring, toileting, and walking.) Based upon our experience we have formulated a model based upon several factors including nursing home utilization rates, percentage of population over age 75 requiring assistance with daily living tasks and income guidelines. Utilizing the results of the analysis, some estimates of demand for this type of project can be developed. The following assumptions are utilized:

1. The population projections, as presented earlier are assumed to be accurate for the purpose of this estimate.

2. The proportion of persons over age 75 in the Montevideo Study Area continues to grow.

3. We have determined that overall, 28.0% of the population over age 75 has limitations with daily living tasks that would qualify them for assisted living housing.

4. Income eligibility was determined to be households with annual incomes greater than $35,000. It is assumed that this income level would be required to rent a one bedroom unit with rent covering 90% of a resident's needs. The 2023 rate will be $40,000.

5. A conservative estimate is that 30% of the eligible candidates for assisted living will select an assisted living environment for their home.

6. Due to the nature of the area, another 30% of the total demand will come from persons outside the market area.

7. 82.9% of the households with incomes between $25,000 and $35,000 in 2018 and $30,000 to $40,000 in 2023, who own homes and require care (28%), would also be candidates to live in this facility.

The following estimates, made utilizing the above assumptions, estimate demand only for supervised assisted living units for individuals. It does not estimate the demand for certain types of amenities and services to be offered if such a complex is constructed.

ASSISTED LIVING DEMAND ANALYSIS MODEL		
	Montevideo Study Area	
	2018	**2023**
Individuals over age 75.	560	572
Incomes of $35,000 ($40,000) or greater or have an income between $25,000 ($30,000) and $35,000 ($40,000) and own a home. (54.8%) (49.5%)	307	283
28.0% of population over age 75 with mobility or care limitations.[1]	86	79
Percent living alone (50%)[2].	43	40
Percent of additional demand from couples (12%)[3].	10	10
Subtotal	**53**	**50**
40% penetration utilization rate - 40% of the eligible candidates requiring care will choose an assisted living environment for their home.	21	20
Additional 30% will move in from outside the market area.	9	9
Subtotal	**30**	**29**
Additional 30% subsidized residents, veterans and those with insurance.	**13**	**12**
Total	**43**	**41**
Minus 95% of existing units.[4]	85	85
Total number of units necessary to meet demand.	**0**	**0**

The previous table indicates the market can support up to no additional assisted living units. Keep in mind that the true draw are for assisted living units would be slightly larger than the overall housing Study Area we selected.

Table Qualifiers

[1] U. S. Census Bureau, Americans with Disabilities: 2002

[2] A Profile of Older Americans: 2009, Administration on Aging - U.S. Department of Health and Human Services

[3] The 2009 Overview of Assisted Living

[4] Existing and planned assisted living units at a 5% vacancy rate.

ALZHEIMER DEMAND ESTIMATE

In most instances these units are private studio rooms with private baths. In addition to the sleeping rooms, each residential living complex incorporates a kitchen/dining area and a living room/lounge area. A mix of health care providers usually performs staffing, but the heaviest load is borne by certified nursing assistants or universal workers, with an RN utilized on an as-needed basis.

Residents receive three meals each day plus snacks as well as linen and laundry service. The facility is staffed 24 hours each day. Market conditions have placed increasing demand toward a greater number of private rooms. With the changing demographics of potential clients, it November be wise to construct all private rooms in order to meet future needs.

Alzheimer Demand Analysis Model	Montevideo Study Area	
	2018	**2023**
Individuals Age 65 to 74	529	611
Percentage with Alzheimer's (1.5%)[1]	8	9
Income qualified at $45,000 (57.1%) $50,000 (52.5%)[2]	5	5
Penetration rate of 35%[3]	**2**	**2**
Individuals Age 75 to 84	337	341
Percentage with Alzheimer's (19%)[1]	64	65
Income qualified at $45,000 (43.9%) $50,000 (38.1%)[2]	28	25
Penetration rate of 35%[3]	**10**	**9**
Individuals Age 85+	223	231
Percentage with Alzheimer's (47%)[1]	105	109
Income qualified at $45,000 (35.4%) $50,000 (33.8%)[2]	37	37
Penetration rate of 35%[3]	**13**	**13**
Subtotal	**25**	**24**
Additional 20% from outside the area	**6**	**6**
Subtotal	**31**	**30**
Additional 20% subsidized and those with insurance	**8**	**8**
Total	**39**	**38**
Minus number of existing and planned units[4]	10	10
Grand Total	**29**	**28**

Table Qualifiers

[1] Alzheimer Association: 2011 Alzheimer's Disease Facts and Figures

[2] Income Qualified Households at $45,000 in 2018 and $50,000 in 2023 or greater plus 65.2

% (ownership rate) of households with incomes between $35,000 and $45,000 in 2018 and $40,000 and $50,000 in 2023.

[3] Percentage of people with Alzheimer's disease that reside within a healthcare environment.

[4] Existing and planned memory care units at a 5% vacancy rate.

The previous table identifies a need for up to 28 additional memory care units.

Senior-Housing-with-Services Findings and Recommendations

The study has identified a need for up to 57 independent units, 0 assisted living units, and 28 memory care units. With a 40% capture rate, the market can comfortably support up to 23 independent units, 0 additional assisted living units and 12 additional memory care units. Typical senior independent units have rents starting in the $1,000 to $1,400 range, roughly half of the ones found at Brookside. Therefore there is a demand for lower priced senior independent units below what currently exists in Montevideo. Additionally there is demand for more than the 10 existing memory care units at Brookside with some of the need being met at the local nursing home. However, the rate at the nursing home are likely in the range of $2,000 higher per month than a dedicated memory care facility.

ANALYSIS AND RECOMMENDATIONS

The Montevideo Study Area is indicating only slight population and household increases between 2018 and 2023 following a decline between 2010 and 2018. Therefore rather than address housing needs based just on growth, we need to address the current housing voids both necessary to attract new residents and also to keep existing residents.

With projections for increased employment across the city and Study Area, it is safe to assume that some of those new employees will require housing. With nearly 60% of the people who currently work in Montevideo living outside of the city, if proper housing were constructed, more of the workers employed in Montevideo may elect to live in Montevideo. With the designation of the city as an Opportunity Zone, the community has just become more marketable for business development purposes. This too could lead to an increased need for housing.

Because existing housing units are fairly full, there is no housing available for new employees or new families who would like to move into the area to work or live. As a result some people choose to live in substandard housing because they have a local job and there is no better housing for them to move in to.

Single Family Home Market

At the present time there are few single family home lots or town home lots available for building within the borders of Montevideo, and although there are buildable lots available just outside of the city limits, the cost is prohibitive to many homeowners and some prefer the availability of city sewer and water rather than septic and well situation. As a result of this need for additional building lots, the city has been discussing the creation of new housing developments. The most logical areas would be in the southeast part of town just south of the Middle School and the northeast part of town north of Ashford Ave. and south of the airport. The river bluffs and valley, as well as the golf course location to the west, make any development in that direction less desirable and undoubtedly more expensive for the extension of utilities.

The City of Montevideo may also want to consider offering development incentives for private developers such as tax abatement, deferred assessments or a reduction in city fees such as sewer and water accessibility charges, park dedication fees, or any other city fees. If the city wants to retain current residents and attract others, there needs to be new housing introduced into the market.

Average home values of houses sold, were towards the higher end of the group when compared to all cities within Chippewa County. According to local Realtors, home sales within the city are strong with properly price homes selling quickly. But, there is a need for additional inventory.

Although a shortage of buyers doesn't seem to be an issue, in an effort to attract new housing into the community you may also wish to consider pursuing a down payment assistance program and/or first time homebuyer program to help individuals qualify to purchase homes.
In an effort to improve the existing housing market and to increase property values, especially with 78% or 1,325 homes valued at less than $100,000, the city should also pursue home fix-up funds and create training workshops so local residents know how to access those funds.

Single Family Recommendations

With 91 homes classified as dilapidated, 248 requiring major repair and 517 requiring minor repair, the best solution to improving housing may be to seek rehabilitation funding. This is usually targeted toward a specific neighborhood in order to eliminate blight, but if there is a grouping of homes in need of major repair, it might be possible to receive some funding.

The primary funding source for concentrated neighborhood rehabilitation programs is the Small Cities Development Program (SCDP), administered by the MN Department of Employment and Economic Development (DEED).

For homes requiring less rehabilitation, a home fix-up fund may be the option for providing home owners with low interest loans. The best place to start would be discussions with the Southwest Minnesota Housing Partnership and the Minnesota Housing Finance Agency. These resources should be aware of any potential programs you or your residents will be able to access.

As for attracting new housing stock into the market, you should concentrate your efforts towards attracting moderately priced mid-range housing. The primary target should be homes in the $150,000 to $200,000. The higher-end market will most likely gravitate toward building sites with acreage which probably will not be located within the city limits.

With a 10% down payment and interest at 4.5% the monthly payment on a $150,000 home would be $684 and on a $200,000 home would be $912. These would require an annual household income of $27,360 to $36,480 if a householder would spend no more than 30% of their income on their mortgage. Keep in mind that could be a combined income of two homeowners. In reality, more and more households are spending in excess of 30% of their income on housing. In the City of Montevideo in 2017, 2.5% of homeowners spent between 30% and 35% of their income on housing with 14.8% spending more than 35% of their income on housing. This shows they are willing to spend more to get better housing.

In addition to reduced pricing for lots, the City may seek out buyer assistance in the form of loans/deferred loans through the Greater Minnesota Housing Fund (GMHF).

With the aging of the population, anything you can do to keep your current residents in the community is important. While there will be discussion in the next section relative to rental patio homes, it is also essential that you work to attract a developer to build affordable patio homes, twin homes or townhomes

for empty nesters and seniors similar to the ones along Ashmore Ave. If this does not occur, you will be losing your elderly housing segment to other communities. Twin homes and town houses generally represent a cost advantage in land, construction and infrastructure costs compared to detached houses. A second advantage of attached single family housing is lifestyle-related. A growing number of empty-nesters and younger seniors want age-appropriate housing that provides amenities for older adult buyers and offers a "no maintenance" option of ownership. This type of housing is often created with a homeowners association where mowing, snow removal and garbage services are part of a monthly or annual homeowner association fee.

Following are descriptions of single family home programs available through the Minnesota Housing Finance Agency that you may wish to pursue.

MHFA Single Family Program Descriptions

Homeownership Programs

Start Up First-time Homebuyer Loan
Start Up loans for first-time homebuyers offer affordable interest rates and down payment and closing cost assistance for eligible borrowers. The loans are originated by participating first mortgage lenders throughout the state.

Mortgage Credit Certificate (MCC)
The Mortgage Credit Certificate makes owning more affordable by allowing first-time homebuyers to claim 35% of the mortgage interest they pay each year as a federal income tax credit, reducing their taxes by up to $2,000 per year. The program also provides access to an affordable, fixed-rate home mortgage and the Minnesota Housing Monthly Payment Loan for down payment/closing costs.

Step Up Repeat & Refinance Homebuyer Loan
Step Up loans help existing homeowners refinance or purchase a new home. It offers affordable interest rates through a statewide network of approved lenders.

Monthly Payment Loan
The Monthly Payment Loan provides a loan of up to 5% of the purchase price or $5,000 (whichever is greater) to cover down payment and/or closing costs. The loan has a ten-year term with low monthly payments. The loan is available to borrowers accessing the Start Up, MCC or Step Up programs.

Deferred Payment Loan
The Deferred Payment Loan provides a loan of up to a $4,500 loan to cover down payment and/or closing costs. There are no monthly payments and repayment is required at the time of sale or refinance. Income limits and other eligibility requirements apply. This option is only available through the Start Up program.

HOME Homeowner Entry Loan Program (HOME HELP)
HOME HELP is interest-free deferred funding to assist eligible homebuyers with down payment and closing costs. Assistance is available to first-time buyers under Minnesota Housing's Start Up program.

Single Family Housing Direct Home Loans
Also known as the Section 502 Direct Loan Program, this program assists low- and very-low-income applicants obtain decent, safe and sanitary housing in eligible rural areas by providing payment assistance to increase an applicant's repayment ability. Payment assistance is a type of subsidy that reduces the mortgage payment for a short time. The amount of assistance is determined by the adjusted family income.

Mutual Self-Help Housing Technical Assistance Grants
Provides grants to qualified organizations to help them carry out local self-help housing construction projects. Grant recipients supervise groups of very-low- and low-income individuals and families as they construct their own homes in rural areas. The group members provide most of the construction labor on each other's homes, with technical assistance from the organization overseeing the project.

Rural Housing Site Loans
Section 523 loans are used to acquire and develop sites only for housing to be constructed by the Self-Help method. Refer to RD Instruction 1944-I for more information about the Self-Help program.

Section 524 loans are made to acquire and develop sites for low- or moderate-income families, with no restriction as to the method of construction. Low-income is defined as between 50-80% of the area median income (AMI); the upper limit for moderate income is $5,500 above the low-income limit.

Home Improvement Programs

Fix Up Loan Program (Fix Up)
The Fix Up Loan Program finances below-market interest rate, fully-amortizing home improvement loans to low- and moderate-income homeowners to improve the livability and energy efficiency of their homes.

Rehabilitation Loan Program
The Rehabilitation Loan Program provides deferred loans at no interest to low-income homeowners to fund repairs directly affecting the safety, habitability, energy efficiency or accessibility of their homes. The program is administered by local agencies.

Small Cities Development Program (SCDP)
The Southwest Minnesota Housing Partnership, Inc. administers the Small Cities Development Program (SCDP) which provides funding assistance for low to moderate income home owners (below 80% of area median income) to complete needed repairs to their homes in a specific designated area of the community. SCDP funding typically covers 85-90% of construction costs up to $20,000. The loan terms are 0% interest, seven year forgivable loans.

Community Development Programs

Community Homeownership Impact Fund (Impact Fund)
The Community Homeownership Impact Fund (formerly known as the Community Revitalization Fund or CRV) provides funding for developers and administrators of single-family, owner-occupied affordable housing activity throughout the state. Resources can be accessed through a competitive "Request for Proposal" process described on the Minnesota Housing website. The Impact Fund is offered once a year in the spring.

Emergency Homeowners' Loan Program (EHLP)
The EHLP is a federal program which provides funds for counseling and mortgage payment relief for up to 24 months to eligible homeowners. As of the end of 2011, all eligibility determinations had been made. In accordance with federal law, the program is no longer accepting new applications.

Habitat for Humanity Initiatives
Minnesota Housing has provided funding to Habitat for Humanity to help provide loans at no interest to qualifying low-income homebuyers through Habitat affiliates in the state.

Homeownership Education, Counseling, and Training (HECAT)
HECAT provides financial support to eligible nonprofit organizations or public agencies offering pre-purchase education and counseling, foreclosure counseling and reverse mortgage counseling. Foreclosure counseling services are also federally funded through the National Foreclosure Mitigation Counseling program and the Making Home Affordable Outreach and Intake Project.

Neighborhood Stabilization Program (NSP)

The U.S. Department of Housing and Urban Development's Neighborhood Stabilization Program (NSP) provides funds to states and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight. Minnesota Housing, as the HUD State Grantee, awarded its NSP1 and NSP3 funds to Minnesota cities and counties.

Below is information on a number of rental housing programs from MHFA and the Southwestern Minnesota Housing Partnership.

Minnesota Housing Finance Agency (MHFA)

Workforce Housing Development Program

Overview

The Workforce Housing Development Program targets communities in Greater Minnesota where a shortage of housing makes it difficult for businesses to attract the workers they need.

This competitive grant program offers financial assistance to build market-rate residential rental properties for workers. Units of local government, nonprofits or the benefiting businesses must contribute $1 for every $2 provided by the program. Program grants provide up to 25 percent of the total project costs of a rental housing development.

Eligibility

Cities located outside of the metro area with a population exceeding 500 residents or communities with a combined population of 1,500 residents located within 15 miles of a city or an area served by a joint county-city economic development authority (defined as Laws 1988, Chapter 516, section 1) are eligible to apply. Additional eligibility requirements include:

- A vacancy rate of 5 percent or lower for at least the prior two years
- One or more businesses located in the project area (or within 25 miles of the area) that employ 20 full time equivalent employees
- A statement from participating businesses that a lack of housing makes it difficult to recruit and hire workers
- The development must serve employees of the businesses in the project area

Projects are selected on the basis of need, statewide economic impact, project financial plan and project readiness. Preference is given to areas with fewer than 18,000 people.

Workforce Housing

While affordability is not the issue, a shortage of units is a big issue that must be addressed. Even with the identified rents necessary for a developer to afford to build a new apartment ,most local employees could afford those required rents.

When looking at the Workforce Housing Development Program requirements, Montevideo has a population size that would qualify.

Other Options

The rehabilitation of older units can be one of the most cost-effective ways to maintain a supply of decent, safe and sanitary affordable housing. In addition to the SCDP-funded activities, other resources have recently become available for rental rehab. In 2011, the Minnesota Housing Finance Agency (MHFA) announced a new rental rehabilitation program for use in Greater Minnesota.

You may wish to partner with the Southwest Minnesota Housing Partnership in Slayton. Over the years, they have ventured into partnerships in surrounding communities. You may also wish to pursue contacting developers from neighboring communities as well as local housing agencies.

Rental Rehabilitation Deferred Loan Program (RRDL)

The Rental Rehabilitation Deferred Loan Program is a Minnesota Housing Finance Agency funded program providing 0%, deferred loans up to $25,000 per unit with a maximum of $300,000, to assist in the rehabilitation of small and medium sized affordable rental properties in greater Minnesota. Typical rehabilitation items include, but are not limited to, roofing, siding, windows, doors, HVAC, interior upgrades, energy efficiency, and health and safety items. The program is available in the entire SWMHP service area.

Rental Housing Market

Montevideo has a good mix of market rate and income restricted rental properties. Unfortunately a majority of the rental properties are 30-40 years old and in need of upgrades. Despite this, almost all apartment buildings are full with waiting lists.

Overall, the City of Montevideo has a shortage of quality rental properties, particularly in the higher price ranges. With nearly 60% of the Montevideo workforce living outside the community, there currently are no newer sizable apartments with the amenities to attract young professionals or young families in need of a temporary housing option while they pursue purchasing or building a home, due to a shortage of three-bedroom units; there are no independent senior apartments; and there are no market rate twin homes or patio homes for seniors.

There is pent-up demand of 19 units just to meet the threshold of a 5% vacancy rate to provide potential renters with options. There is also an identified need for 7 units to meet the projected growth, which we already identified might be on the low side with the identified business expansion in town. Additionally, there are also a number of voids in the market.

The existing apartments are more of a fallback option to provide an affordable housing option for people who need to live in Montevideo.

When looking at demand tables, there are plenty of lower income rental options and with housing values as low as they are, there are plenty of affordable ownership options. However, if you look at the higher-end demand tables, there is a definite void of upscale rental options for both the general public and senior households that want a nice rental property. They have the incomes to afford to rent high-end quality properties, but none exist. As such, they have to leave the community to seek that type of housing in other communities; taking with them their expendable income. Keeping the seniors in town and freeing up their single family homes for others that want to relocate to Montevideo is a win-win for everyone.

The city needs to focus its attention toward quality market rate rental housing, both for young families and the elderly. This could be in the form of apartments with a mix of one, two and three bedroom units to two and three-bedroom townhomes for families and one and two-bedroom patio homes or twin homes for seniors. With projections of building expansions, these units can help attract families and keep both families and seniors in the community. It will also provide a source of future homeowners.

If we looked solely at projected household growth we would recommend minimal additional rental units in Montevideo. However, due to the age and condition of most market rate units, current low vacancy rates, voids of certain types of rental units, comments from employers and the projected growth of area businesses, the city of Montevideo needs additional rental units.

Rental Housing Recommendations:

At a minimum the city should work to attract a 24-32 unit market rate rental property with a mix of one, two and three bedroom units. Rents should be in the range of $700-$750 for a one-bedroom unit, $800-$850 for a two-bedroom unit and $950-$1000 for a three-bedroom unit which will provide the amenities necessary to attract renters to Montevideo. This building should have a community room, fitness center and an elevator and may incorporate underground parking. The units should have stainless steel appliances, dishwashers, washers and dryers, kitchen islands with pendent lighting, decks and some could have fireplaces.

Two and three-bedroom, two-story townhomes with rents in the range of $800 to $1,200 would also provide a welcome option to the community.

Since the area is aging, the community may wish to attract additional senior-targeted twin homes or patio homes with a mix of one and two bedroom one-story units with rents in the range of $900 to $1,200. These units as well as the townhomes could be built in phases.

Additionally, there are no affordable independent senior-housing-with-services options in Montevideo. The only building marketing independent senior apartments is Brookside but they charge assisted living rents for independent housing. A true independent senior building should have rents starting around $1,000 to $1,200. If no healthcare provider in town wants to address the needs of independent seniors, quality twin homes and patio homes might be the option.

The rehabilitation of older units can be one of the most cost-effective ways to maintain a supply of decent, safe and sanitary affordable housing. In addition to the SCDP-funded activities, other resources have recently become available for rental rehab. In 2011, the Minnesota Housing Finance Agency (MHFA) announced a new rental rehabilitation program for use in Greater Minnesota.

You may also wish to partner with the Southwest Minnesota Housing Partnership in Slayton. Over the years, they have ventured into partnerships in surrounding communities.

STATEMENT OF QUALIFICATIONS

AdMark Resources is a housing market research firm located in Sartell, MN. Since 1986, we have been involved in the analysis of well over 400 communities across the United States. Cities, Counties, HRAs, nursing homes, hospitals, EDAs and private developers have benefited from the professional services offered by our organization. All of our studies have been accepted by lending institutions and governmental agencies as evidence of need for mortgage purposes. This includes such financing options as conventional financing, tax exempt mortgages, general obligation bonds, industrial revenue bonds, essential function bonds, Section 42 Tax Credits, USDA Rural Development financing and HUD financing as funneled through sixteen different states.

In addition to the numerous individual housing studies we have conducted, we prepared a 15 city, 3 county analyses of housing issues across northwestern Wisconsin, a 14 county analysis of Central Minnesota for the Central Minnesota Initiative Fund, and we served as consultants for a state-wide housing study for the Blandin Foundation.

Specific staff that was involved in this analysis includes:

Mike Schoenecker is president and founder of AdMark Resources. He has been involved in the preparation of over 500 housing studies in the past thirty-one years. In addition, he has been involved with the marketing and management of over 80 senior housing projects. He has spoken on housing market research to such groups as the Minnesota Chapter of the National Association of Housing and Redevelopment Officials, the Minnesota Association of Homes for The Aging, the Minnesota Multi-Housing Association, the Wisconsin Assisted Living Association the Northern Lakes Health Care Consortium and at the Minnesota Department of Trade and Economic Development Conference. He has also been a presenter in three private state-wide housing presentations to hospital and nursing home administrators across Iowa as well as a recent regional housing conference conducted by Congressman Colin Peterson.

Mike served on the Central Minnesota Regional Housing Advisory Board for the Minnesota Housing Finance Agency, is past board chair of the Good Shepherd Nursing Home Foundation and is a past executive board member of the Minnesota Board on Aging and a member of the Central Minnesota Affordable Housing Task Force.

1808 34th Street North ▲ Sartell, MN 56377
(320) 251-1300 ▲ Fax: (320) 230-7688