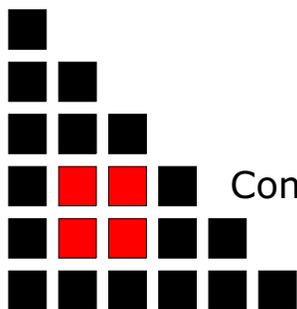


City of St. James HOUSING STUDY

August 2016

An analysis of the overall housing needs
of the City of St. James, MN



Community Partners Research, Inc.

Faribault, MN 55021

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Introduction

Overview

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in St. James are privately owned and were constructed with private funds. On an increasing scale, however, the public is demanding that public officials control what happens in this largely private housing market by eliminating blight, protecting individual investments, and generating new housing growth to meet economic development needs.

Community Partners Research, Inc., was hired by the St. James Economic Development Authority (EDA) to conduct a study of the housing needs and conditions in the City.

Goals

The multiple goals of the study include:

- ▶ Provide current demographic data
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the area can expect to address in the coming years
- ▶ Provide a market analysis for housing development
- ▶ Provide housing recommendations and findings

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from February to July, 2016. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Esri, Inc., a private data company
- Records and data from the City of St. James
- Records and data maintained by Watonwan County
- Minnesota State Demographer

- Interviews with City officials and staff, community leaders, housing stakeholders, etc.
- Local, Regional, State and Federal housing agencies
- Rental property owner/manager surveys
- Housing condition survey
- Mobile home condition survey

Limitations

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

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Demographic Data Overview

The following pages contain demographic data obtained from a variety of local, state and national sources for the City of St. James, Watonwan County and the St. James Market Area that includes the Cities of St. James, Butterfield, Darfur, La Salle, Odin and Ormsby and the Townships of Adrian, Butterfield, Long Lake, Nelson, Odin, Riverdale, Rosendale, St. James and South Branch in Watonwan County. The Market Area has the same jurisdictions that were included in the 2005 St. James Housing Study.

At the time that research was completed for this Study, the U.S. Census Bureau had released population estimates for 2015, while the Minnesota State Demographer's most recent demographic estimates were for the year 2014. These annual estimates are generally limited to basic counts, such as population and household levels.

For more detailed demographic variables, the 2010 Census is viewed as the most reliable data source. While the last Census is an accurate benchmark for demographic data, it was more limited in scope than in the past. As a result, some of the demographic variables, such as income and housing cost information, are not available. To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households.

The American Community Survey does provide detailed demographic characteristics. However, because the American Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate. The following tables incorporate the 2010 Census data, when available, or the American Community Survey data, when it is viewed as reliable.

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For the City of St. James and Watonwan County, the 2014 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between 2010 and 2014.

Additionally, Community Partners Research, Inc., has obtained information from Esri, a private company based in California that generates demographic and projection data. Esri estimates for 2015 and projections to 2020 are included. Esri estimates and projections are included for St. James, the Market Area, and for Watonwan County.

Population Data and Trends

Table 1 Population Trends - 1980 to 2015						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2015 Esri Estimate
St. James	4,364	4,695	7.6%	4,605	-1.9%	4,723
Market Area	8,227	8,332	1.3%	7,853	-5.7%	7,930
Watonwan Co.	11,682	11,876	1.7%	11,211	-5.6%	11,189

Source: U.S. Census; Esri

- ▶ According to the 2010 U.S. Census, the City of St. James experienced a loss of population from 2000 to 2010. The City’s population was 4,605 in 2010. This was a 90-person decrease from 2000, which was a population loss of 1.9%.
- ▶ The Market Area’s population was 7,853 in 2010. This was a 479-person decrease from 2000, which was a population loss 5.7%.
- ▶ Watonwan County’s population was 11,211 in 2010. This was a 665-person decrease from 2000, which was a population loss of 5.6%.
- ▶ In the 1990s, St. James, the Market Area and Watonwan County experienced population growth. The City’s population increased by 331 people, the Market Area’s population increased by 105 people and Watonwan County gained 194 people from 1990 to 2000.
- ▶ At the time of the 2010 Census, 81.8% of the City’s residents identified their race as White, the American Indian population was 0.9% of the City’s population, 0.7% were Black or African American and 0.6% were Asian. Additionally, 16.0% of the population identified themselves as some other race or two or more races.
- ▶ Approximately 31.0% of the City’s residents identified their ethnicity as Hispanic/Latino.
- ▶ The State Demographer, the Census Bureau and Esri have all released population estimates following the 2010 Census. There are differing opinions on recent population change in the City.
- ▶ The State Demographer’s estimate, effective on July 1, 2014, shows the population for St. James at 4,604 people, down one person from the 2010 Census.

- ▶ The U.S. Census population estimate for St. James in 2015 was 4,467, down 138 people from the 2010 Census.
- ▶ Esri's 2015 estimate for the City of St. James is 4,723, which is an increase of 118 people from 2010. It is not clear why Esri has a differing view of the recent population changes in St. James.
- ▶ The State Demographer's 2014 estimate for the Market Area is 7,761, a decrease of 92 people from 2010. The U.S. Census 2015 estimate for the Market Area is 7,588, which is a loss of 265 people from 2010.
- ▶ Esri's 2015 estimate for the Market Area is 7,930, which is much more optimistic than the State Demographer and U.S. Census and shows a gain of 77 people from 2010 to 2015. However, Esri would attribute all of the net growth for the Market Area to the City of St. James. Excluding St. James, Esri believes that the remainder of the Market Area has lost population after 2010.
- ▶ There are also differences in the County estimates. For all of Watonwan County, the State Demographer's 2014 estimate shows the population at 11,095, a decrease of 116 people from the 2010 Census. The U.S. Census 2015 estimate for Watonwan County is 10,952 people, down by 259 people since the 2010 Census.
- ▶ Esri's 2015 estimate for Watonwan County is 11,189, a decrease of only 22 people since 2010. The minor countywide population loss tracked by Esri is based on their belief that St. James has added residents in recent years, which has then offset population loss in the remainder of the County.

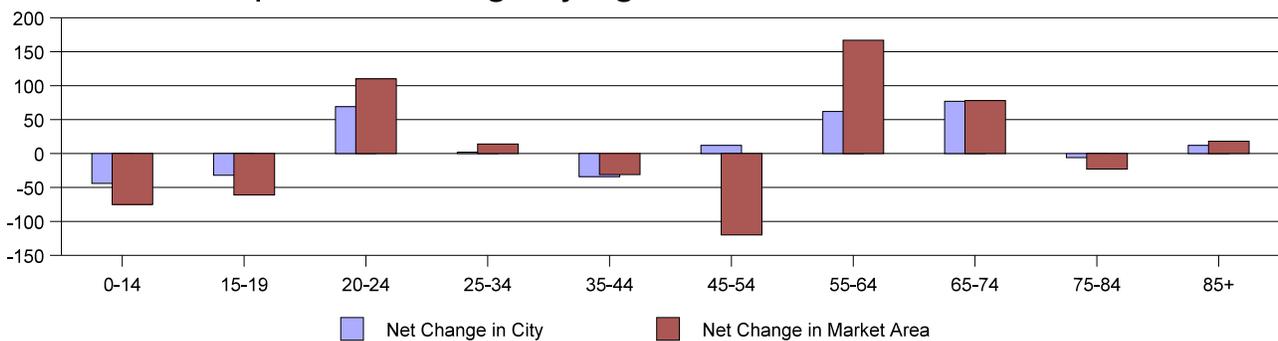
Population by Age Trends: 2010 to 2015

Esri has produced age-based population estimates for the year 2015. These can be compared to the age distribution patterns that were reported in the 2010 Census. The following table compares population by age changes for St. James and the St. James Market Area.

Table 2 Population by Age - 2010 to 2015						
Age	St. James			Market Area		
	2010	2015	Change	2010	2015	Change
0-14	1,049	1,005	-44	1,597	1,522	-75
15-19	347	315	-32	558	497	-61
20-24	220	289	69	360	470	110
25-34	537	539	2	838	852	14
35-44	549	515	-34	853	822	-31
45-54	576	588	12	1,134	1,014	-120
55-64	501	563	62	1,003	1,170	167
65-74	327	404	77	707	785	78
75-84	307	301	-6	532	509	-23
85+	192	204	12	271	289	18
Total	4,605	4,723	118	7,853	7,930	77

Source: U.S. Census, Esri

Population Change by Age Between 2010 and 2015



For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in St. James and Watonwan County.

Between 2010 and 2015, St. James had a gain of 139 people and the Market Area had a gain of 245 people in the age ranges between 55 and 74 years old. In 2015, most of the baby boomers were within these age ranges.

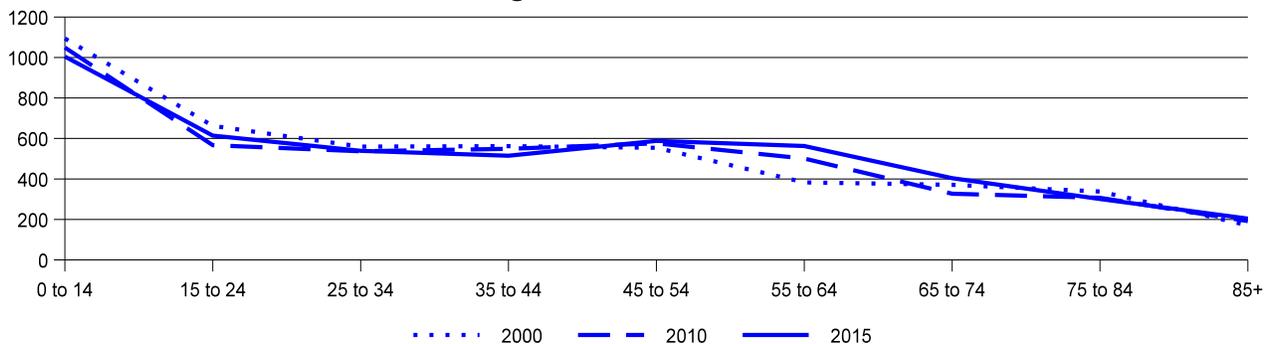
The City of St. James also had an increase of 71 people in the 20 to 34 age ranges, a gain of 12 people in the 45 to 54 age range and a gain of 12 people in the 85 and older age range. The City of St. James had a loss of 76 people in the 0 to 19 age ranges, a loss of 34 people in the 35 to 44 age range and a loss of six people in the 75 to 84 age range.

In addition to the population gains in the 55 to 74 age ranges, the Market Area added 124 people in the 20 to 34 age ranges and 18 people in the 85 and older age range.

The Market Area had a loss of 136 people in the 0 to 19 age ranges, 151 people in the 35 to 54 age ranges and 23 people in the 75 to 84 age range.

The aging trends present in 2015 can be traced back over the previous decades to see the movement of the City’s population over time.

St. James Age Distribution: 2000 to 2015



Population Projections

The following table presents population projections using two different sources. Esri has issued population projections for St. James, the Market Area and Watonwan County to the year 2020.

The other set of projections has been created by the Minnesota State Demographer and span the five-year period from 2015 to 2020. The State Demographer’s projections only exist for St. James and Watonwan County.

Table 3 Population Projections Through 2020				
	2010 Census	2015 Estimate Esri	2020 Projection Esri	2020 Projection State Demographer
St. James	4,605	4,723	4,785	4,582
Market Area	7,853	7,930	7,956	N/A
Watonwan County	11,211	11,189	11,150	11,152

Source: U.S. Census; Esri; State Demographer

- ▶ Esri projects a gain of 62 people in St. James from 2015 to 2020. Esri’s total population projection for St. James in 2020, at 4,785 people, is 203 people higher than the projection from the State Demographer’s Office, which expects the City to have 4,582 residents by the year 2020. As stated earlier, Esri believes that St. James has been adding population after 2010, while the Demographer believes that population loss has occurred. These patterns are trended forward in the respective forecasts to the year 2020.
- ▶ Esri projects that the St. James Market Area will add 26 people from 2015 to 2020, although all of this growth is attributable to the City of St. James.
- ▶ Esri’s population projections for Watonwan County forecast a loss of 39 people from 2015 to 2020. Excluding St. James, the remainder of the County is projected to lose 101 people.
- ▶ The State Demographer’s Office has released various projections for Watonwan County in the past few years. The most conservative projection shows the County’s population to be 11,152 people in 2020, which is only two people higher than the Esri forecast for 2020.

Household Data and Trends

Table 4 Household Trends - 1990 to 2015						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2015 Esri Estimate
St. James	1,760	1,845	4.8%	1,839	-0.3%	1,905
Market Area	3,211	3,267	1.7%	3,200	-2.1%	3,262
Watonwan Co.	4,530	4,627	2.1%	4,520	-2.3%	4,557

Source: U.S. Census; Esri

- ▶ As with population, the most recent estimates show some variation in the number of households in St. James.
- ▶ The State Demographer estimates that St. James had 1,850 households in 2014, an increase of 11 households from 2010.
- ▶ Esri’s 2015 household estimate for St. James is 1,905, up 66 households from 2010.
- ▶ In recent years, fewer than 20 new housing units have been constructed in St. James. Growth in the housing stock is better matched to the Demographer’s most recent estimate. However, St. James did have a number of vacant housing units at the time of the 2010 Census. For Esri’s estimate to be accurate, some of this vacant housing would have been occupied after 2010.
- ▶ The State Demographer’s 2014 household estimate for the Market Area is 3,185, a loss of 15 households from 2010 to 2014. Esri’s 2015 estimate for the Market Area is 3,262, a gain of 62 households from 2010. However, all of the Market Area growth according to Esri would be due to the City of St. James. Both sources show a minor loss of households in the Market Area jurisdictions outside of St. James.
- ▶ The State Demographer’s 2014 estimate for Watonwan County was 4,504 households, which is a decrease of 16 households from 2010. Esri’s 2015 estimate for Watonwan County is 4,557, a gain of 37 households from 2010. While there is some difference between these county-level estimates, there is also a one-year time difference in the effective dates.

- ▶ According to the 2010 U.S. Census, St. James, the Market Area and Watonwan County all had household decreases from 2000 to 2010. St. James had 1,839 households in 2010. This was a decrease of six households from 2000, which was a household loss of 0.3%.
- ▶ The Market Area had 3,200 households in 2010. This was a loss of 67 households from 2000, which was a household decrease of 2.1%.
- ▶ Watonwan County had 4,520 households in 2010. This was a loss of 107 households from 2000, which was a household decrease of 2.3%.
- ▶ St. James, the Market Area and Watonwan County all had household gains during the 1990s. St. James had an increase of 85 households, the Market Area gained 56 households and Watonwan County gained 97 households from 1990 to 2000.

Household by Age Trends: 2010 to 2015

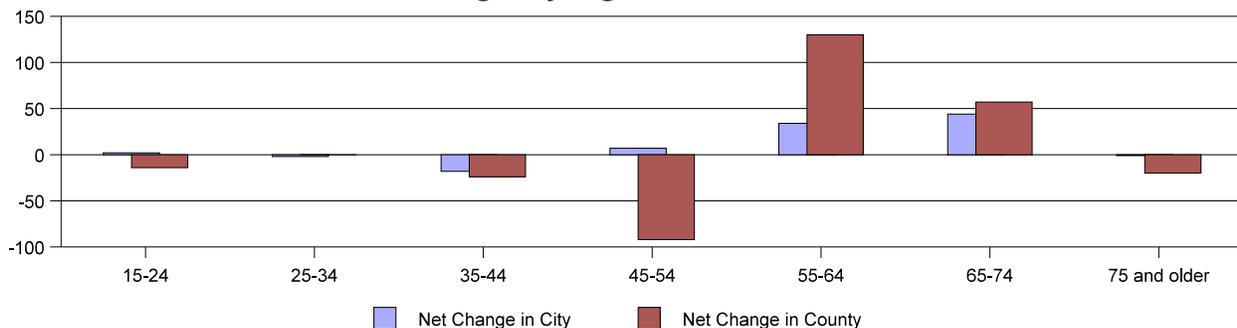
Age-based household estimates are available from Esri for the year 2015. The following table compares households by age of householder in 2010 and 2015 in St. James and Watonwan County, along with the numeric changes.

Table 5 Households by Age - 2010 to 2015						
Age	St. James			Watonwan County		
	2010	2015	Change	2010	2015	Change
15-24	77	79	2	176	162	-14
25-34	270	268	-2	592	592	0
35-44	292	274	-18	653	629	-24
45-54	327	334	7	880	788	-92
55-64	301	335	34	822	952	130
65-74	209	253	44	593	650	57
75+	363	362	-1	804	784	-20
Total	1,839	1,905	66	4,520	4,557	37

Source: U.S. Census

From 2010 to 2015, St. James had a loss of 20 households in the 25 to 44 age ranges and a loss of one household in the 75 and older age range. St. James had a gain of two households in the 15 to 24 age range, a gain of seven households in the 45 to 54 age range and a gain of 78 households in the 55 to 74 age ranges.

Household Change by Age Between 2010 and 2015



Watonwan County had a loss of 14 households in the 15 to 24 age ranges, a loss of 116 households in the 35 to 54 age ranges and a loss of 20 households in the 75 and older age ranges. Watonwan County had a gain of 187 households in the 55 to 74 age ranges.

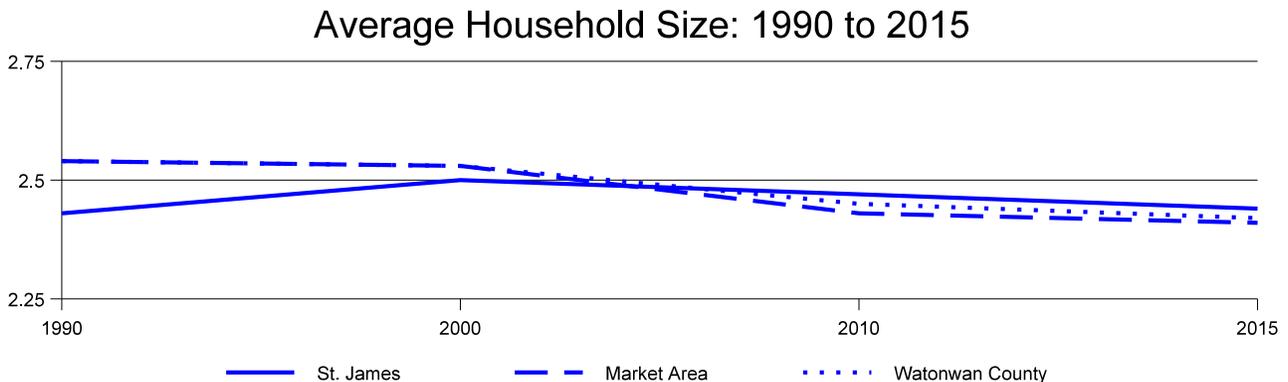
Average Household Size

The following table provides decennial Census information on average household size. The 2015 estimates are from Esri.

Table 6 Average Number of Persons Per Household: 1990 to 2015				
	1990 Census	2000 Census	2010 Census	2015 Estimate
St. James	2.43	2.50	2.47	2.44
Market Area	2.54	2.53	2.43	2.41
Watonwan Co.	2.54	2.53	2.45	2.42

Source: U.S. Census; Esri

Household formation has been occurring at a different rate than population change in recent decades due to a steady decrease in average household size. This has been caused by household composition changes, such as more single person and single parent families, fewer children per family, and more senior households due to longer life spans.



In most cities, there has been a pattern of smaller household sizes. However, the average household size in St. James has been stable over the past 25 years. The City’s average household size was 2.43 in 1990 and 2.44 in 2015.

The Market Area’s average household size decreased from 2.54 in 1990 to 2.41 in 2015.

Watonwan County’s average household size decreased from 2.54 in 1990 to 2.42 in 2015.

Household Projections

The following table presents Esri’s 2015 household estimates and 2020 household projections for St. James, the Market Area and Watonwan County. The table also provides projections from the Minnesota State Demographer’s Office for Watonwan County. Although the Demographer has not issued a projection for St. James, it is possible to convert the population projection into an approximate household forecast.

Table 7 Household Projections Through 2020					
	2010 Census	2015 Estimate Esri	2020 Projection Esri	Change 2015 to 2020	2020 Projection State Demographer
St. James	1,839	1,905	1,939	34	1,855*
Market Area	3,200	3,262	3,289	27	N/A
Watonwan Co.	4,520	4,557	4,559	2	4,581

Source: U.S. Census; Esri

*Extrapolated by Community Partners Research, Inc.

- ▶ The growth projections calculated by Esri expect household gains in St. James, the Market Area and Watonwan County from 2015 to 2020.
- ▶ Esri estimates that St. James had a gain of 66 households from 2010 to 2015 and will add an additional 34 households from 2015 to 2020.
- ▶ Esri estimates that the Market Area added 62 households from 2010 to 2015 and will gain 27 households from 2015 to 2020.
- ▶ Esri’s 2015 estimate for Watonwan County shows a gain of 37 households from 2010. Esri projects that Watonwan County will add an additional two households from 2015 to 2020.
- ▶ The extrapolated projection from the State Demographer data expects a gain of approximately 16 households in St. James from 2010 to 2020. However, through 2014, the City had already added 11 households according to the Demographer’s Office, so the 2020 projection now appears to be somewhat conservative.

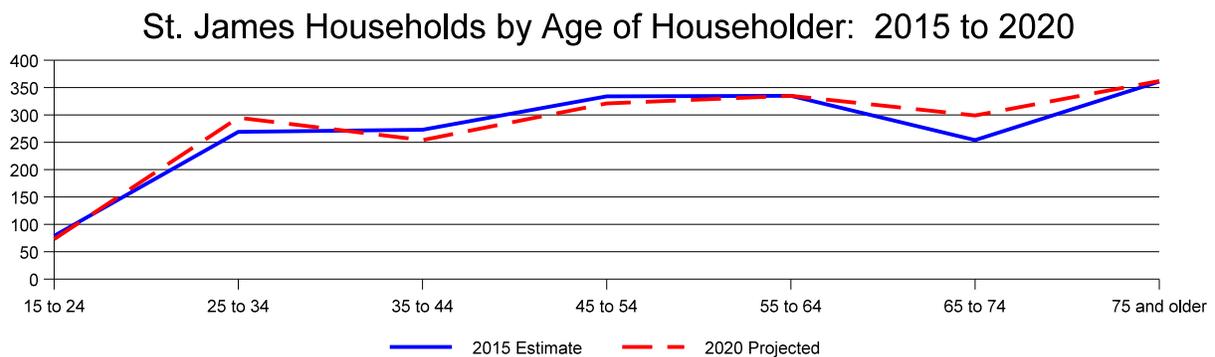
- ▶ The State Demographer projects that Watonwan County will have 4,581 households by 2020. This is 22 households higher than Esri's household projection of 4,559.
- ▶ Esri's household growth projections indicate that St. James will add households, but that the remainder of the Market Area and Watonwan County will experience household losses in the other jurisdictions outside of St. James.

St. James Household by Age Projections: 2015 to 2020

Esri has released household by age projections to the year 2020. The following table presents Esri’s 2015 estimates and 2020 projections for households by age for St. James, along with the projected change.

Table 8 St. James Projected Households by Age - 2015 to 2020			
	2015 Estimate	2020 Projection	Change from 2015
15-24	79	73	-6
25-34	269	295	26
35-44	273	254	-19
45-54	334	321	-13
55-64	335	335	0
65-74	254	299	45
75+	361	362	1
Total	1,905	1,939	34

Source: U.S. Census; Esri



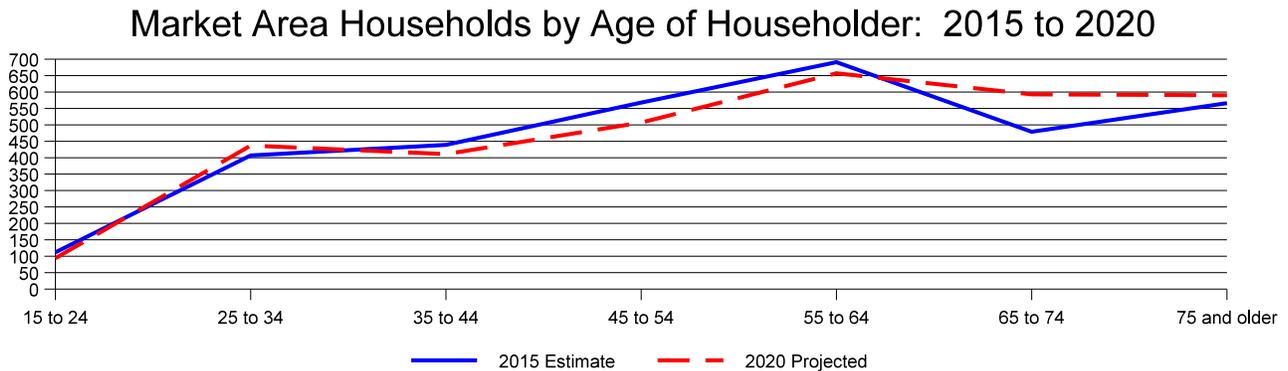
Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate most of the City of St. James growth in households in the age range between 65 and 74 years old. Esri’s projections expect a gain of 45 households in the 65 to 74 age range in St. James from 2015 to 2020. In addition to the household growth in the 65 to 74 age range, St. James is projected to add 26 households in the 25 to 34 age range and one household in the 75 and older age range. Esri projects a decrease of six households in the 15 to 24 age range and a decrease of 32 households in the 35 to 54 age ranges.

Market Area Household by Age Projections: 2015 to 2020

Esri has released household by age projections to the year 2020. The following table presents Esri’s 2015 estimates and 2020 projections for households by age for the Market Area, along with the projected change.

Table 9 Market Area Projected Households by Age - 2015 to 2020			
	2015 Estimate	2020 Projection	Change from 2015
15-24	112	94	-18
25-34	407	437	30
35-44	439	411	-28
45-54	568	507	-61
55-64	691	657	-34
65-74	479	593	114
75+	566	590	24
Total	3,262	3,289	27

Source: U.S. Census; Esri



Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate most of the Market Area growth in households in the age range between 65 and 74 years old. Esri’s projections expect a gain of 114 households in the 65 to 74 age range in the Market Area from 2015 to 2020. In addition to the household growth in the 65 to 74 age range, the Market Area is projected to add 30 households in the 25 to 34 age range and 24 households in the 75 and older age range. Esri projects a decrease of 18 households in the 15 to 24 age range and a decrease of 123 households in the 35 to 64 age ranges.

Households by Type

The 2010 Census can be compared to statistics from 2000 to examine changes in household composition. The following table looks at household trends within the City of St. James.

Table 10 St. James Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	423	351	-72
Single Parent with own children	170	202	32
Married Couple without own children	520	491	-29
Family Householder without spouse	74	101	27
Total Families	1,187	1,145	-42
Non-Family Households			
Single Person	591	614	23
Two or more persons	67	80	13
Total Non-Families	658	694	36

Source: U.S. Census

Between 2000 and 2010, St. James experienced a net loss of 42 family households. There was a gain of 32 single parent with children households and a gain of 27 family householders without spouses. There was a decrease of 72 married couple with children households and a loss of 29 married couple without children households.

The City had an increase of 36 “non-family” households. This was an increase of 13 households with unrelated individuals living together and an increase of 23 single person households.

Housing Tenure

The 2010 Census provided information on housing tenure patterns. The following tables examine overall tenure rates, along with the changes that have occurred since 2000 for the City of St. James and Watonwan County.

Table 11 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
St. James	1,275	69.3%	564	30.7%
Watonwan Co.	3,475	76.9%	1,045	23.1%
State	-	73.0%	-	27.0%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in the City of St. James was 69.3%. Watonwan County’s ownership rate was 76.9%. The City’s rental rate of 30.7% was higher than the State of Minnesota’s rental rate of 27.0%.

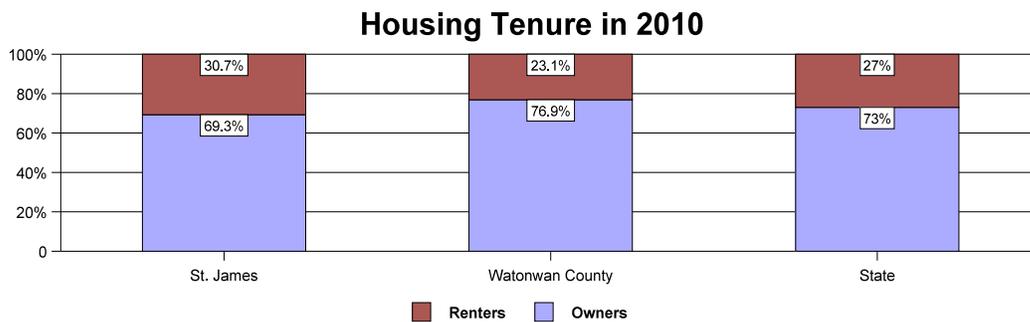


Table 12 Households by Housing Tenure - 2000 to 2010						
Tenure	St. James			Watonwan County		
	2000	2010	Change	2000	2010	Change
Owners	1,341/72.7%	1,275/69.3%	-66	3,566/77.1%	3,475/76.9%	-91
Renters	504/27.3%	564/30.7%	60	1,061/22.9%	1,045/23.1%	-16
Total	1,845	1,839	6	4,627	4,520	-107

Source: U.S. Census

The City’s ownership tenure rate decreased from 72.7% in 2000 to 69.3% in 2010. For Watonwan County, there was a slight decrease in the rate of owner-occupancy from 77.1% in 2000 to 76.9% in 2010.

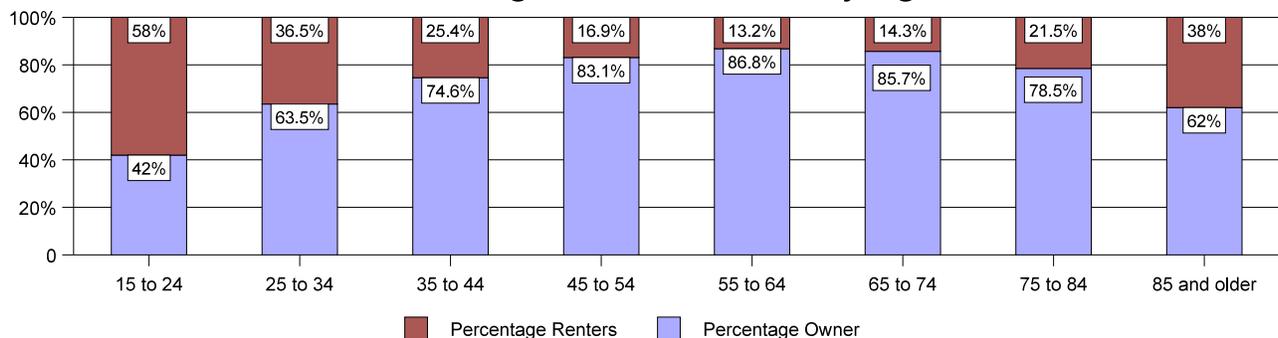
Tenure by Age of Householder

The 2010 Census provided information on the tenure distribution of households within each defined age range. The following table examines the number and percentage of renters and owners in each age group in the City of St. James.

Table 13 St. James Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	74	42.0%	102	58.0%
25-34	376	63.5%	216	36.5%
35-44	487	74.6%	166	25.4%
45-54	731	83.1%	149	16.9%
55-64	713	86.8%	108	13.2%
65-74	508	85.7%	85	14.3%
75-84	413	78.5%	113	21.5%
85+	173	62.0%	106	38.0%
Total	3,475	76.9%	1,045	23.1%

Source: U.S. Census

St. James Housing Tenure Patterns by Age in 2010



Within the defined age ranges, typical tenure patterns were present. Households at the lowest and highest ends of the age spectrum showed greater preference for rental housing than middle-aged adult households. In 2010, approximately 58% of households age 24 and younger, 37% of the households in the 25 to 34 age range and 38% of the households in the 85 and older age range rented their unit. Home ownership rates were 74% or higher for each of the 10-year age cohorts between the ages of 35 and 84.

Tenure by Household Size

The 2010 Census can be compared to 2000 Census information to better understand trends for housing unit needs. The following table provides household size information for St. James.

Table 14 St. James Tenure by Household Size - 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	314	320	6	277	294	17
2-Person	483	461	-22	110	111	1
3-Person	185	168	-17	41	54	13
4-Person	171	151	-20	30	55	25
5-Person	109	95	-14	24	28	4
6-Person	48	47	-1	11	13	2
7-Persons+	31	33	2	11	9	-2
Total	1,341	1,275	-66	504	564	60

Source: U.S. Census

- ▶ From 2000 to 2010, there was a loss of 66 owner households in St. James. There was a gain of six owner households with one person and a gain of two households with seven or more people. There was a loss of 74 owner households with two to six people.
- ▶ There was a gain of 60 St. James renter households from 2000 to 2010. There was a gain of 31 renter households with one to three people and a gain of 31 renter households with four to six households. There was a loss of two renter households with seven or more people.
- ▶ Approximately 72% of the renter households in St. James were one or two person households in 2010.

2014 Income Data

Income estimates are available at the City and County level through the 2014 American Community Survey. Household income represents all independent households, including people living alone and unrelated individuals together in a housing unit. Families are two or more related individuals living in a household.

Table 15 Median Income - 2010 to 2014			
	2010 Median	2014 Median	% Change
Households			
St. James	\$38,689	\$43,533	12.5%
Watonwan County	\$44,228	\$50,638	14.5%
Minnesota	\$57,243	\$60,828	6.3%
Families			
St. James	\$53,676	\$52,421	-2.3%
Watonwan County	\$55,104	\$61,897	12.3%
Minnesota	\$71,307	\$76,190	6.8%

Source: ACS 5-year survey

From 2010 to 2014, the City's median household income level increased by 12.5%, however, it is estimated that the median family income decreased by 2.3%. Watonwan County's median household income increased by 14.5% and the family median increased by 12.3% from 2010 to 2014.

Family incomes tend to be higher than household incomes, as families have at least two household members, and potentially more income-earners.

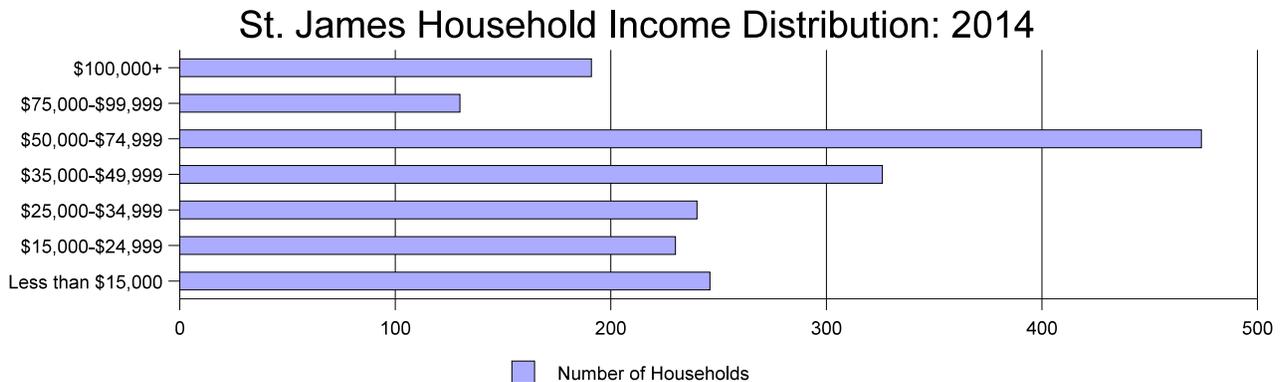
Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in St. James could afford approximately \$1,088 per month for ownership or rental housing in 2014. A family at the median income level for the City could afford approximately \$1,311 for housing costs.

St. James Household Income Distribution

The 2014 American Community Survey household income estimates for the City of St. James can be compared to the same distribution information from 2010 to examine changes that have occurred.

Household Income	Number of Households 2010	Number of Households in 2014	Change 2010 to 2014
\$0 - \$14,999	246	240	-6
\$15,000 - \$24,999	286	230	-56
\$25,000 - \$34,999	296	240	-56
\$35,000 - \$49,999	367	326	-41
\$50,000 - \$74,999	339	474	135
\$75,000 - \$99,999	162	130	-32
\$100,000+	187	191	4
Total	1,883	1,831	-52

Source: American Community Survey



The 2010 American Community Survey reported income data on 1,883 households and the 2014 American Community Survey reported income data on 1,831 St. James households. Therefore, the American Community Survey appears to have undercounted the number of households in St. James in 2014. However, the information is still a good indicator of income changes in St. James from 2010 to 2014.

According to income estimates contained in the 2014 American Community Survey, household incomes have improved in St. James. When compared to the 2010 ACS, there was a net increase of 107 households with an income of \$50,000, or more. There was a decrease of 159 households with incomes less than \$50,000. However, there were still 470 households in St. James that have an annual income below \$25,000. This was approximately 26% of all households.

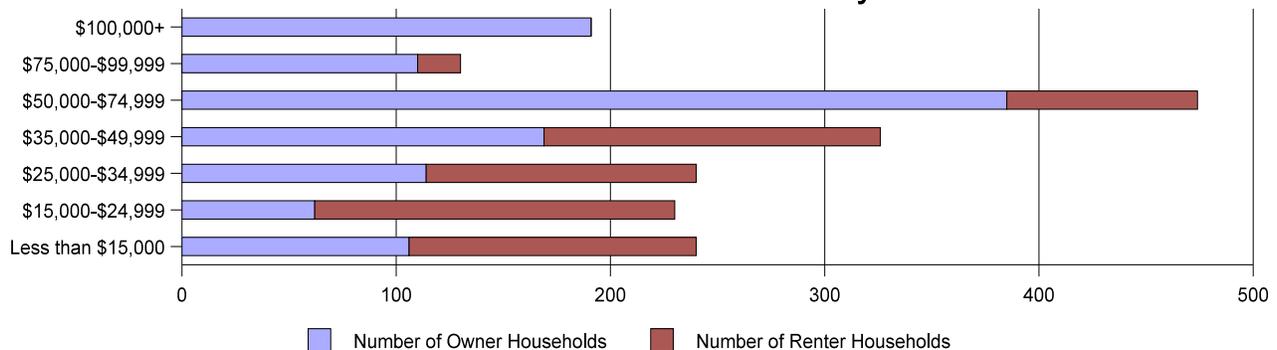
St. James Income Distribution by Housing Tenure

The 2014 American Community Survey provides an income estimate by owner and renter status. The following table examines income distribution within the City of St. James.

Table 17 St. James Income Distribution by Tenure - 2014			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	106/44.2%	134/55.8%	240
\$15,000 - \$24,999	62/27.0%	168/73.0%	230
\$25,000 - \$34,999	114/47.5%	126/52.5%	240
\$35,000 - \$49,999	169/51.8%	157/48.2%	326
\$50,000 - \$74,999	385/81.2%	89/18.8%	474
\$75,000 - \$99,999	110/84.6%	20/15.4%	130
\$100,000+	191/100%	0/0%	191
Total	1,137	694	1,831

Source: 2014 American Community Survey

St. James Household Income Distribution by Tenure in 2014



The American Community Survey reported income by tenure information on 1,831 households. The State Demographer estimates that there were 1,850 households in St. James in 2014. Therefore, it appears the American Community Survey slightly undercounted the number of households in St. James in 2014. However, the information is a good indicator of income by tenure information in St. James in 2014.

Income and housing tenure are linked for most households, with home owners generally having higher annual income levels, and renters having lower incomes. In 2014, approximately 62% of all renter households in St. James had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs.

The median income for all renter households was approximately \$26,585 in 2014. At 30% of income, a renter at the medial level could afford approximately \$665 per month or less for housing costs.

Approximately 60% of all owner households had an annual income of \$50,000 or more. At 30% of income, these owners could afford \$1,364 or more per month for housing costs.

The estimated median household income for all owners in 2014 was approximately \$55,938. At 30% of income, an owner at the median income level could afford approximately \$1,398 per month for housing costs.

2014 Estimated Income and Housing Costs - Renters

The American Community Survey also collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing in the City of St. James. The American Community Survey appears to have undercounted the number of renter households in St. James. However, the data is still a good indicator of the percentage of income that rental households are paying for rent.

Table 18 Gross Rent as a Percentage of Household Income - 2014			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	152	36	188/27.1%
20% to 29.9%	216	39	255/36.7%
30% to 34.9%	71	0	71/10.2%
35% or more	61	72	133/19.2%
Not Computed	29	18	47/6.8%
Total	529	165	694/100%

Source: 2014 American Community Survey

According to the American Community Survey, approximately 29% of all renters in the City were paying 30% or more of their income for rent. Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

Although a housing cost burden could be caused by either high housing costs or low household income, in St. James it was primarily due to low income levels for renters. A majority of the renter households with a housing cost burden had an annual household income below \$20,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$500 or less.

Senior citizen renters (age 65 and older) represented approximately 35% of all households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 65% of all households with a rental cost burden.

2014 Estimated Income and Housing Costs - Owners

The American Community Survey also provided housing cost estimates for owner-occupants. The following table provides estimates of the number of households in the City of St. James that are paying different percentages of their gross household income for housing costs. The American Community Survey has undercounted the number of owner households in St. James in 2014. However, the data is still a good indicator of the percentage of income that owner households are paying for housing costs.

Table 19 Ownership Costs as a Percentage of Income - St. James		
Percentage of Household Income for Housing Costs	Number of Owner Households 2014	Percent of All Owner Households 2014
0% to 19.9%	755	66.4%
20% to 29.9%	171	15.0%
30% to 34.9%	62	5.5%
35% or more	126	11.1%
Not Computed	23	2.0%
Total	1,137	100%

Source: 2014 ACS

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 17% of all home owners reported that they paid more than 30% of their income for housing. A majority of these households were actually paying more than 35% of income for housing costs.

As would be expected, most of the cost-burdened home owners had a mortgage on their home.

Building Permit Trends

The following table identifies the units that have been issued a building permit in St. James from 2000 to 2015.

Table 20 St. James Housing Unit Construction Activity: 2000 to 2015				
Year	Single Family Detached	Single Family Attached	Multifamily	Total Units
2015	0	0	0	0
2014	0	0	0	0
2013	1	0	0	1
2012	1	2	0	3
2011	2	2	0	4
2010	0	2	0	2
2009	5	4	0	9
2008	6	8	24	38
2007	8	0	0	8
2006	3	0	0	3
2005	6	8	0	14
2004	6	0	0	6
2003	12	2	0	14
2002	7	0	0	7
2001	9	0	0	9
2000	8	0	0	8
Total	74	28	24	126

Source: City of St. James; Community Partners Research, Inc.

Over the past 16 years, 126 new housing units have been constructed in St. James, based on building permit issuance. Of the 126 units, 74 units are single family homes, 28 units are in townhomes/twin homes and 24 units are in an assisted living/senior with services project.

During the 16-year period from 2000 to 2015, the City averaged approximately eight new housing units per year. From 2000 to 2008, the City averaged approximately 11 to 12 new housing units per year. However, from 2009 to 2015, the average decreased to approximately two to three new housing units per year.

Occupancy Status of Housing Units - 2010

Table 21 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
St. James	1,275	564	93	38	6	68
Watowan Co.	3,475	1,045	161	76	67	223

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 67 seasonal housing units in Watowan County, including six units in St. James.
- ▶ Excluding the seasonal use units, there were 460 other types of vacant housing units in Watowan County in 2010, including 199 vacant units in St. James. Many of the vacant units were listed as "other vacant" and the status of these units is not known.

Existing Home Sales

This section examines houses that have been sold from 2010 to 2016 (partial-year) in the City of St. James. Information was obtained from the Watonwan County Assessor's Office.

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

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

Information was available for each calendar year, from 2010 through 2015. The large majority of the recorded sales were listed as single family houses, but a few condominium sales were also included.

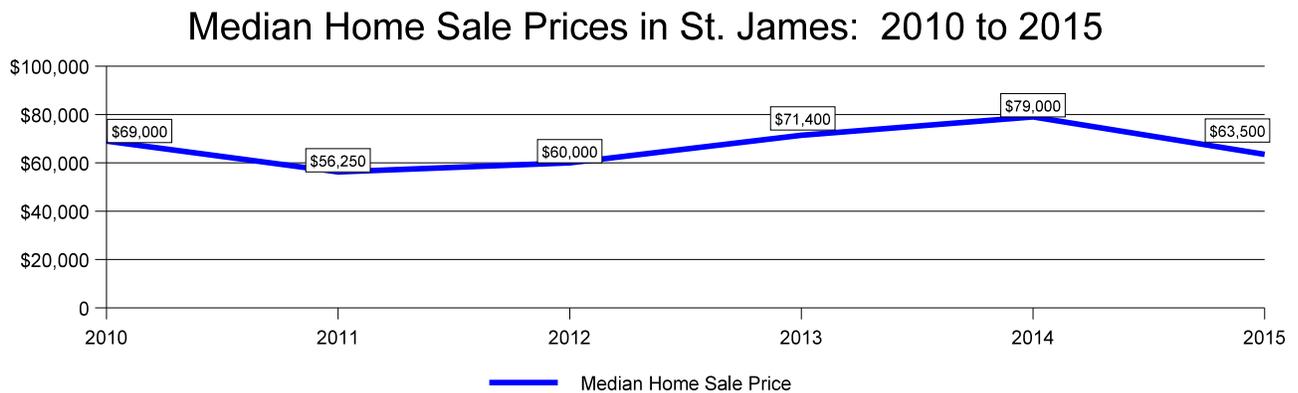
Table 22 St. James Residential Sales Activity - 2010 to 2016*				
Year	Number of Good Sales	Median Sale Price	Highest Sale	Lowest Sale
2016*	12	\$105,850	\$228,000	\$30,000
2015	44	\$63,500	\$175,000	\$16,000
2014	46	\$79,000	\$231,000	\$15,000
2013	31	\$71,400	\$300,000	\$30,000
2012	31	\$60,000	\$230,000	\$25,000
2011	34	\$56,250	\$267,500	\$20,000
2010	27	\$69,000	\$209,000	\$20,000

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

* 2016 is January-March

Due to the limited number of sales that can occur within any 12-month period, there has been some annual variation in the median sale prices. Over the period from 2010 to 2015 the median price has ranged from a low of \$56,250 in 2011, to a high of \$79,000 in 2014. The median is substantially higher in 2016, but only three months of sales had been recorded at the time of the research for this Study.

There has also been variation in the number of good sales that occur each year, from a low of only 27 sales in 2010, to a high of 46 sales in 2014. With a change in the sample size in any 12-month period, the median price may not always be reflective of true home values in the community.



In each of the years reviewed except for 2015, at least one house has been sold for more than \$200,000. At least one house has sold for \$30,000 in each of the years reviewed.

An alternate home value estimate exists in the 2014 American Community Survey. Based on the sampling of home owners, the estimated median value was \$79,400. This estimated value is very similar to the median amount derived from 2014 sales data.

Home Sales by Price Range

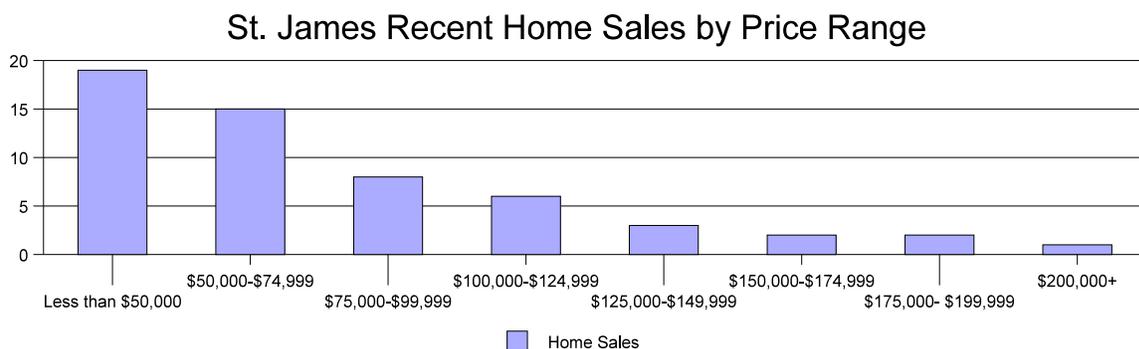
The following table looks at the 56 single family houses that sold in St. James from January 1, 2015 through March 31, 2016. This information is from Watonwan County's sales records.

Table 23 Recent Home Sales by Price Range		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	19	33.9%
\$50,000 - \$74,999	15	26.8%
\$75,000 - \$99,999	8	14.3%
\$100,000 - \$124,999	6	10.7%
\$125,000 - \$149,999	3	5.4%
\$150,000 - \$174,999	2	3.6%
\$175,000 - \$199,999	2	3.6%
\$200,000+	1	1.8%
Total	56	100%

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

Most of the sales activity in past 15 months occurred within the low and moderate price ranges, as 75% of the sales were in the ranges below \$100,000.

There were only five houses that sold for \$150,000 or more, and only one of these was for more than \$200,000.



Active Residential Listings

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in St. James. On May 20, 2016, there were nine single family homes that were listed for sale in the City limits of St. James. There were also two additional listings for units in the Homestead Cooperative project.

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

Asking Price	Number of Listings	Percent of Listings
Less than \$50,000	2	18.2%
\$50,000 - \$74,999	1	9.1%
\$75,000 - \$99,999	4	36.4%
\$100,000 - \$124,999	1	9.1%
\$125,000 - \$149,999	0	0%
\$150,000 - \$174,999	1	9.1%
\$175,000 - \$199,999	1	9.1%
\$200,000+	1	9.1%
Total	11	100%

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

Based on the listings on Realtor.com, most of the houses being offered for sale were priced below \$100,000. Overall, nearly 74% of active listings in May 2016, were priced below \$100,000. This includes two senior units in a cooperatively-owned project. Only four of the listings were priced at \$100,000 or more.

Watonwan County Home Foreclosure Activity

Starting in 2006, many national reports began to surface about the growing number of home foreclosures. Initially linked to the popularity of adjustable rate mortgages and the expansion of sub-prime mortgage lending, as many housing markets cooled and the national economy moved into a period of recession, the foreclosure crisis spread to broader segments of the housing market.

HousingLink and the Greater Minnesota Housing Fund tracked mortgage foreclosure activity across the State for many years. They produced annual foreclosure reports from 2007 to 2013. Their reports provide details on foreclosure activity at the County level back to the year 2005, as well as a comparison with other Counties in the State.

In addition to collecting information on the number of foreclosures, based on Sheriff's Sale data, HousingLink has also attempted to calculate a rate of foreclosure, by comparing the annual total to the number of residential parcels in each County. While this rate calculation does not yield a perfect number, it does allow for a standardized comparison measure among all of the Counties in the State. The following table presents the actual number of foreclosures, followed by the calculated rate of foreclosure, as calculated by HousingLink.

Table 25 Watonwan County Home Foreclosures - 2005 to 2013									
Foreclosures	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number	12	26	20	33	24	42	24	17	24
Rate	0.28%	0.60%	0.46%	0.75%	0.55%	0.95%	0.55%	0.39%	0.55%

Source: HousingLink; Community Partners Research

Based on the HousingLink data, Watonwan County was not significantly impacted by home foreclosures, although the number did spike in 2010. After 2010, the number of annual foreclosures was less than 25 per year.

HousingLink also attempts to put the rate of foreclosure in perspective, by comparing the number of foreclosures to the total number of residential parcels in the County. For comparative purposes, Meeker County had the 34th highest rate of foreclosure among Minnesota's 87 Counties in 2013, the last full year of data.

St. James Housing Condition

Community Partners Research, Inc., representatives conducted a visual 'windshield' survey of 267 single family/duplex houses in three of the City's oldest neighborhoods. The three neighborhoods are the same neighborhoods that were surveyed in the 2005 Housing Study.

The boundaries of the neighborhoods are as follows:

- ▶ East Neighborhood: 1st Ave. between 8th and 15th Streets, homes on north side of 2nd Ave. between 10th and 11th Streets and all homes east of 11th Street on Stauffer and 2nd Aves.

- ▶ Southwest Neighborhood: North - 7th Ave.
South - 1st Ave.
East - Armstrong Boulevard
West - 1st Street

- ▶ Northwest Neighborhood: North - 5th Ave.
South - Railroad tracks
East - Armstrong Boulevard
West - County Road 55

Houses that appeared to contain three or more residential units were excluded from the survey. Houses were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated as defined below. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition is assumed to be a reasonable indicator of the structure's interior quality.

Dilapidated was the lowest rating used. These houses need major renovation to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and may be candidates for demolition and clearance.

Major Rehabilitation is defined as a house needing multiple major improvements such as roof, windows, sidings, structural/foundation, etc. Houses in this condition category may or may not be economically feasible to rehabilitate.

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

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

Table 26 Windshield Survey Condition Estimate - 2016					
Neighborhood	Sound	Minor Repair	Major Repair	Dilapidated	Total
East	18/23.7%	31/40.8%	20/26.3%	7/9.2%	76
Southwest	42/39.6%	39/36.8%	23/21.7%	2/1.9%	106
Northwest	26/30.6%	27/31.8%	24/28.2%	8/9.4%	85
Total	86/32.2%	97/36.3%	67/25.1%	17/6.4%	267

Source: Community Partners Research, Inc.

- ▶ Approximately 36% of the houses in three of the City's oldest neighborhoods need minor repair and 25% need major repair.
- ▶ Approximately 32% are sound, with no required improvements.
- ▶ Seventeen houses are dilapidated and possibly beyond repair.
- ▶ In 2005, the housing condition survey results for the three neighborhoods was:
 - ▶ Sound - 51/19.1%
 - ▶ Minor Repair - 106/39.7%
 - ▶ Major Repair - 101/37.8%
 - ▶ Dilapidated - 9/3.4%

St. James Mobile Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the 44 mobile homes located in St. James Place Mobile Home Park.

Mobile homes were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated as defined below. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition is assumed to be a reasonable indicator of the structure's interior quality.

Dilapidated was the lowest rating used. Dilapidated mobile homes need major renovation to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and candidates for demolition and clearance.

Major Rehabilitation is defined as a mobile home needing multiple major improvements such as roof, windows, sidings, structural/foundation, etc. Houses and mobile homes in this condition category may or may not be economically feasible to rehabilitate.

Minor Repair mobile homes are judged to be generally in good condition and require less extensive repair, such as one major improvement. Mobile homes in this condition category may be good candidates for rehabilitation programs because they are in a sellable price range and are economically feasible to repair.

Sound mobile homes are judged to be in good, 'move-in' condition. Mobile homes may contain minor code violations and still be considered Sound.

Table 27 Windshield Survey Condition Estimate - 2016					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile Homes	7/15.9%	13/29.5%	16/36.4%	8/18.2%	44

Source: Community Partners Research, Inc.

- ▶ Approximately 30% of the mobile homes in St. James Place need minor repair and 36% need major repair. Approximately 16% are sound, with no required improvements.
- ▶ Eight mobile homes were dilapidated and possibly beyond repair.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 564 occupied rental units and 93 unoccupied rental units in St. James, for a total estimated rental inventory of 657 units. The City's rental tenure rate was 30.7% in 2010, above the Statewide rental rate of 27.0%.

At the time of the 2000 Census, St. James had 504 occupied rental units, and 84 vacant rental units, for a total estimated rental inventory of 588 units. The rental tenure rate in 2000 was 27.3%.

Based on a Census comparison, the City gained 60 renter-occupancy households, and approximately 69 rental units from 2000 to 2010. The rental tenure rate increased from 27.3% in 2000 to 30.7% in 2010. During the decade, approximately 24 town home and twin home rental units were constructed. Also, a 24-unit assisted living project was constructed in 2008. Much of the remaining gain may have occurred from conversions, as owner-occupied houses changed to rental use.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in the City of St. James. The survey was conducted in April and May, 2016. Emphasis was placed on contacting properties that have six or more units, although some small rental projects were also surveyed. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential.

Information was tallied separately for different types of rental housing, including conventional market rate, subsidized, and senior housing with services.

There were 384 rental housing units of all types that were contacted in the survey. We also surveyed the 55-bed nursing home. Based on our research, all of the income-based subsidized and senior with services rental projects and a significant percentage of the market rate multifamily projects in St. James were surveyed.

The units that were successfully contacted include:

- ▶ 155 market rate units
- ▶ 177 federally subsidized units
- ▶ 107 senior with services units/beds

Market Rate Summary

Information was obtained on 155 market rate rental units. The rental units surveyed are in apartment buildings, mixed-use buildings, town homes, twin homes and single family homes.

Unit Mix

We obtained bedroom mix information on all 155 market rate units. The bedroom mix of these units is:

- ▶ Efficiency - 1 (0.6%)
- ▶ One-bedroom - 31 (20.0%)
- ▶ Two-bedroom - 104 (67.1%)
- ▶ Three-bedroom - 16 (10.3%)
- ▶ Four-bedroom - 3 (2.0%)
- ▶ Total - 155

Occupancy / Vacancy

Within the market rate multifamily segment, the managers and owners reported that there were eight vacant units in the 155 units surveyed. This represents a vacancy rate of 5.2%. One rental project, Star Apartments, had four of the eight vacancies. Four rental projects had one vacancy and seven projects had no vacancies. The vacancy rate of the market rate projects, excluding Star Apartments, is 2.6%.

Rental Rates

Rental units may include the primary utility payments within the contract rent, or the tenant may be required to pay some utilities separately, in addition to the contract rent. In the following summary, Community Partners Research, Inc., has attempted to estimate the gross rents being charged, inclusive of an estimate for tenant-paid utilities.

The following median gross rent range has been identified based on information from the telephone survey.

<u>Unit Type</u>	<u>Gross Rent Range</u>
Efficiency	\$375
One-bedroom	\$300-\$615
Two-bedroom	\$300-\$1,100
Three-bedroom	\$700-\$930
Four-bedroom	\$800-\$950

The survey found only one efficiency unit and three four-bedroom units in the market rate projects, thus, the gross rents for these unit sizes are based on a very small sample.

Market Rate Rental Construction from 2000 to 2015

Approximately 28 town home/twin home market rental units were constructed in St. James from 2000 to 2015. Also, some houses were converted from owner to renter occupancy.

Subsidized Summary

The research completed for this Study surveyed six income-restricted projects providing rental opportunities for lower income households. These projects have a combined 177 units. All of the projects are general occupancy housing. No projects are designated only for senior/disabled occupancy, although several projects were developed for senior/disabled occupancy and have converted to general occupancy. The subsidized projects were developed with HUD and USDA Rural Development funds.

The six subsidized rental projects in St. James include:

- ▶ **Somerset South** - Somerset South is a 24-unit USDA Rural Development general occupancy project constructed in 1982. The 24 units include 10 one-bedroom, 10 two-bedroom and four three-bedroom units.
- ▶ **Somerset North** - Somerset North is a 32-unit USDA Rural Development general occupancy project constructed in 1979. The 32 units include 16 one-bedroom, 12 two-bedroom and four three-bedroom units.
- ▶ **Bell Apartments** - Bell Apartments is a 24-unit USDA Rural Development general occupancy project constructed in 1989. The 24 units include 16 one-bedroom and eight two-bedroom units.

- ▶ **Jamestown Apartments** - Jamestown Apartments is a 20-unit USDA Rural Development general occupancy project constructed in 1985. The 20 units include 18 one-bedroom and two two-bedroom units.
- ▶ **Park Apartments** - Park Apartments is a 69-unit general occupancy Public Housing project constructed in 1969. The 69 units include 63 one-bedroom and six two-bedroom units.
- ▶ **Public Housing Single Family Homes** - The HUD Public Housing Single Family Homes were constructed in 1985 and include six three-bedroom units and two four-bedroom units.

Rental Rates

A majority of the subsidized units have access to project-based rent assistance. These units charge rent based on 30% of the tenant's household income. The subsidized projects have a market rent and tenants do not pay more than the market rent.

Unit Mix

The bedroom mix breakdown for subsidized housing in St. James is as follows:

▶ One-bedroom -	123 (69.5%)
▶ Two-bedroom -	38 (21.5%)
▶ Three-bedroom -	14 (7.9%)
▶ Four-bedroom -	<u>2 (1.1%)</u>
▶ Total -	177

Occupancy / Vacancy

There were four vacant units identified in the subsidized projects, which is a 2.3% vacancy rate. All four vacancies were in Park Apartments. The other five subsidized projects were fully occupied.

Subsidized Housing Gains/Losses

Federal subsidy sources for low income rental housing have been very limited for the past few decades. Most subsidized projects were constructed in the 1970s and 1980s. Some of the older projects around the State of Minnesota have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing.

Over the past 15 years, one 16-unit subsidized project in St. James has opted out of its subsidized program. In 2003, Somerset Green with two one-bedroom units and 14 two-bedroom, converted to market rate rental housing.

Additionally, the Minnesota Affordable and Accessible Housing Corporation owned 12 subsidized single family homes and one subsidized duplex in St. James. The majority of these 14 units have three bedrooms. Several years ago, these units were sold for owner-occupancy. Therefore, since 2000, St. James has lost a total of 30 subsidized rental units.

Housing Choice Vouchers

In addition to subsidized rental projects, St. James households have access to the Housing Choice Voucher Program. The South Central Minnesota Multi-County HRA administers the Housing Voucher Program in St. James and Watonwan County.

The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income households. The program requires participating households to contribute from 30% to 40% of their adjusted income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community, provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community.

Currently, 15 Watonwan County households are receiving assistance through the Housing Voucher Program, including 10 households in St. James.

Senior Housing with Services Summary

St. James had three senior with services facilities. These facilities include:

- ▶ **Prairie View Apartments** - Prairie View Apartments is a 28-unit light services senior project constructed in 1998. Prairie View Apartments is part of the Good Samaritan senior campus. The 28 units include 22 one-bedroom and six two-bedroom units. Tenants receive light senior services including one daily meal and weekly housekeeping.
- ▶ **Brandt Ridge** - Brandt Ridge is a 24-unit assisted living project constructed in 2008. Brandt Ridge is part of the Good Samaritan senior campus. The 24 units include 18 one-bedroom and six two-bedroom units. Services include 24-hour staffing, meals, laundry services, housekeeping, medication management, etc.
- ▶ **Pleasant View Nursing Home** - Pleasant View Nursing Home is a nursing home with 55 skilled nursing beds. The facility was constructed in the 1967. The facility is part of the Good Samaritan senior campus.

Occupancy / Vacancy

At the time of the survey, Prairie View Apartments had one vacant unit and Brandt Ridge had one vacant unit. The Administrator of the Pleasant View Nursing Home reported that the facility is usually at full occupancy.

Table 28 St. James Area Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
EDA Townhomes	16 - 2 bedroom 4 - 3 bedroom 20 total units	\$625 \$660	No vacant units, waiting list	General Occupancy	The EDA Townhomes include 16 two-bedroom units and four three-bedroom units in five four-plexes. The townhomes are owned and managed by the St. James EDA. The project was constructed utilizing essential function bonds. Tenants pay all utilities in addition to the rent. The project has no income or age restrictions. The EDA reports no vacancies and a waiting list.
Colonial Apartments	3 - 1 bedroom 21 - 2 bedroom 24 total units	\$380 \$425	1 vacant unit	General Occupancy	Colonial Apartments includes three buildings constructed in 1970, 1973 and 1975. The project originally was a USDA Rural Development Project, but opted out of the RD Program and converted to a market rate project many years ago. Rent includes water, sewer, garbage and heat. Tenants pay electricity. Garages are an additional \$40 per month. The manager reports one vacant one-bedroom unit at the time of the survey. There may be additional vacancies at the end of May.
Willow Vue Townhomes	22 - 2 bedroom 22 total units	\$725 to \$925	No vacant units, waiting list	General Occupancy	The Willow Vue Townhomes include 22 units in four-plexes and duplexes. All of the units are two-bedroom. The units were constructed in phases from the mid-2000s to 2011. The rents range from \$725 to \$925 plus utilities. Eighteen units have attached two care garages and four units have attached single car garages. Most of the tenants are seniors. There are no vacancies and there is a waiting list.
Frietag Four-plex	4 - 2 bedroom 4 total units	\$880	No vacant units	General Occupancy	Four-plex with attached garages. All of the units are two-bedroom. Rent is \$880 plus utilities. There are no vacancies.

Table 28 St. James Area Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Amberfield Place	10 - 1 bedroom 10 - 2 bedroom <u>8 - 3 bedroom</u> 28 total units	\$539 \$687 \$777	No vacant units, waiting list	General occupancy, mostly singles and couples	Amberfield Place includes 28 units constructed in 1994 utilizing Essential Function Bonds. Rent includes gas, water, sewer and garbage. Tenants pay heat and electricity in addition to rent. Garages are available for \$30 per month. The manager reports no vacancies and a waiting list.
Somerset Green	2 - 1 bedroom <u>14 - 2 bedroom</u> 16 total units	\$380 \$425	1 vacant unit 1 - 2 bdrm	General occupancy	Somerset Green is a 16-unit market rate general occupancy project constructed in 1977. The project was a USDA Rural Development Project, but the owner opted out of the Rural Development Program in 2003. The 16 units include two one-bedroom and 14 two-bedroom units. The rent is \$380 for a one-bedroom unit and \$425 for a two-bedroom unit. Rent includes water, sewer and garbage. Tenants pay heat. Garages are available for \$40 per month. The owner reported one vacancy at the time of the survey.
Carlson Properties	7 - three and four- <u>bedroom homes</u> 7 total units	\$500 to \$700	1 vacant unit 1 - 4 bdrm	General occupancy	Carlson Properties includes seven three and four-bedroom homes. Tenants pay utilities in addition to rent. The rent ranges from \$500 to \$700. The owner reports one vacant four-bedroom home.
Star Apartments	3 - 1 bedroom <u>4 - 2 bedroom</u> 7 total units	\$400 to \$600	4 vacant units	General occupancy	Star Apartments is a converted hotel that includes seven units. Three units are one-bedroom and four units are two-bedroom. The rent is \$400 to \$600 and includes all utilities. The owner reports four vacant units
313/315 Armstrong Blvd N	1 - 1 bedroom <u>7 - 2 bedroom</u> 8 total units	\$300 \$300-\$325	1 vacant unit 1 - 1 bdrm	General occupancy	Eight units located on the main and second floors of two mixed-use buildings. There is one one-bedroom unit and seven two-bedroom units. Rent includes all utilities. The owner reports one vacant one-bedroom unit.

Table 28 St. James Area Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
422 1 st Ave S	4 - 1 bedroom <u>1 - 2 bedroom</u> 5 total units	\$275-\$450	No vacant units	General occupancy	Five units on the upper floor of a mixed-use building. Tenants pay electricity in addition to rent. The owner reports that the units are fully occupied.
317 Armstrong Blvd N	3 - 1 bedroom <u>12 - 2 bedroom</u> 5 total units	\$375 \$400	No vacant units	General occupancy	Five units in a mixed-use building. There are three one-bedroom and two two-bedroom units. The rent includes all utilities. The owner reports no vacancies.
600 1 st Ave S St. James Apartments	1 - efficiency 5 - 1 bedroom <u>3 - 2 bedroom</u> 9 total units	\$300-\$475	No vacant units	General occupancy	St. James Apartments is a downtown building with nine units. The nine units include one efficiency, five one-bedroom and three two-bedroom units. Rent ranges from \$300 to \$475 and includes water, sewer and garbage. Tenants pay heat and electricity. The manager reports no vacancies.

Table 28 St. James Area Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Somerset South	10 - 1 bedroom 10 - 2 bedroom <u>4 - 3 bedroom</u> 24 total units	\$375-\$397 \$405-\$427 \$440-\$460 30% of income	No vacant units	General occupancy	Somerset South is a 24-unit USDA Rural Development Project constructed in 1982. Fourteen units have rent assistance. Tenants with rent assistance pay 30% of their income up to the maximum rent, but not less than the minimum rent. Water, sewer and garbage are included in the rent. Tenants pay electricity. Garages are available for \$40 per month. The owner reports no vacancies.
Park Apartments	63 - 1 bedroom <u>6 - 2 bedroom</u> 69 total units	\$50-\$400 \$50-\$520 30% of income	4 vacant units	General occupancy	Park Apartments is a 69-unit Public Housing Project constructed in 1969. Many improvements have been made to the building, the units and the common areas over the past several years. Several one-bedroom units have been converted into two-bedroom units. Tenants pay 30% of their income up to a maximum rent but not less than the minimum rent of \$50. The maximum rent for the one-bedroom units is \$350 or \$400 based on the size of the unit. Currently, there are four vacancies, however, the owner reports there are usually fewer vacancies. At the time of the survey, there were only five senior tenants.
Bell Apartments	16 - 1 bedroom <u>8 - 2 bedroom</u> 24 total units	\$405-\$461 \$445-\$501 30% of income	No vacant units	General occupancy	Bell Apartments is a 24-unit USDA Rural Development Project constructed in 1989. Water, sewer and garbage are included in the rent. The tenants pay heat and electricity. Garages are available for \$40 per month. Seventeen units have rent assistance. Tenants with rent assistance pay 30% of their income up to the maximum rent. Tenants without rent assistance pay 30% of their income up to the maximum rent. The owner reports no vacancies. Most of the tenants in Bell Apartments are seniors.

Table 28 St. James Area Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Somerset North	16 - 1 bedroom 12 - 2 bedroom <u>4 - 3 bedroom</u> 32 total units	\$355-\$375 \$380-\$400 \$410-\$430 30% of income	No vacant units	General occupancy	Somerset North is a 32-unit USDA Rural Development Project constructed in 1979. Sixteen units have rent assistance. Tenants with rent assistance pay 30% of their income up to a maximum rent. Tenants without rent assistance pay 30% of their income up to the maximum rent, but not less than the minimum rent. Water, sewer and garbage are included in the rent. Tenants pay for heat. Garages are available for \$40 per month. The owner reports no vacancies.
Public Housing Single Family Homes	6 - 3 bedroom <u>2 - 4 bedroom</u> 8 total units	\$770 \$775 30% of income	No vacant units	General occupancy, families	The St. James HRA purchased eight existing single family homes in 1985 utilizing HUD Public Housing funds. The eight units include six three-bedroom and two four-bedroom units. Tenants pay 30% of their income up to a maximum rent. The manager reports that the units are fully occupied and there is a waiting list.
Jamestown Apartments	18 - 1 bedroom <u>2 - 2 bedroom</u> 20 total units	\$380-\$410 \$440-\$465 30% of income	No vacant units	General occupancy	Jamestown Apartments is a 20-unit USDA Rural Development General Occupancy project constructed in 1985. Approximately seven units have rent assistance. Tenants with rent assistance pay 30% of their income up to the maximum rent, but not less than the minimum rent. Water, sewer and garbage are included in the rent. Tenants pay electricity. Garages are available for \$40 per month. The owner reports no vacancies.

Table 28 St. James Area Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Section 8 Housing Choice Voucher Program	Approximately 691 Vouchers for a five- county area including Watonwan County	30% of income	6-month waiting list	General Occupancy	The South Central Multi-County Housing and Redevelopment Authority administers the Housing Choice Voucher Program in St. James and Watonwan County. The program currently has approximately 691 Vouchers for a five-county area that includes Watonwan County. There currently is a six-month waiting list. Currently, 15 Watonwan County households have a Housing Choice Voucher, 10 of which are St. James households.

Table 28 St. James Area Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior with Services					
Prairie View Apartments - light senior services	22 - 1 bedroom <u>6 - 2 bedroom</u> 28 total units	\$1,360 \$1,625	1 vacancy	Seniors	Prairie View Apartments is a 28-unit light services senior project. The project is 18 years old. The project is part of the Good Samaritan campus. The 28 units include 22 one-bedroom and six two-bedroom units. Rent is \$1,360 for a one-bedroom unit and \$1,625 for a two-bedroom unit. The rent includes one daily meal and weekly housekeeping. Garages are available for \$35 per month. The manager reports one vacancy and the project has high ongoing occupancy rates.
Brandt Ridge - Assisted Living	18 - 1 bedroom <u>6 - 2 bedroom</u> 24 total units	\$1,900 \$2,100- \$2,170 plus services	1 vacancy	Seniors	Brandt Ridge is a 24-unit assisted living project constructed in 2008. The 24 units include 18 one-bedroom and six two-bedroom. Brandt Ridge is part of the Good Samaritan campus. Tenants pay the base rent plus a service package. The basic package is \$975 per month. Brandt Ridge offers the full array of services including meals, housekeeping, laundry, medication management, bathing, etc. The manager reports one vacancy at the time of the survey and project has high ongoing occupancy rates.
Pleasant View Nursing Home	55 skilled <u>nursing beds</u> 55 total beds	Varies based on services	Usually at full capacity	Seniors	The Pleasant View Nursing Home has 55 skilled nursing beds. The facility was constructed in 1967, but has undertaken many improvements and renovations over the years. The facility is currently constructing an addition for rehab beds and will be developing new private rooms to replace double rooms. The administrator reported that the facility operates at a very high occupancy rate.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends Analysis

While many factors influence the need for housing, employment opportunities represent a predominant demand generator. Without jobs and corresponding wages, the means to afford housing is severely limited.

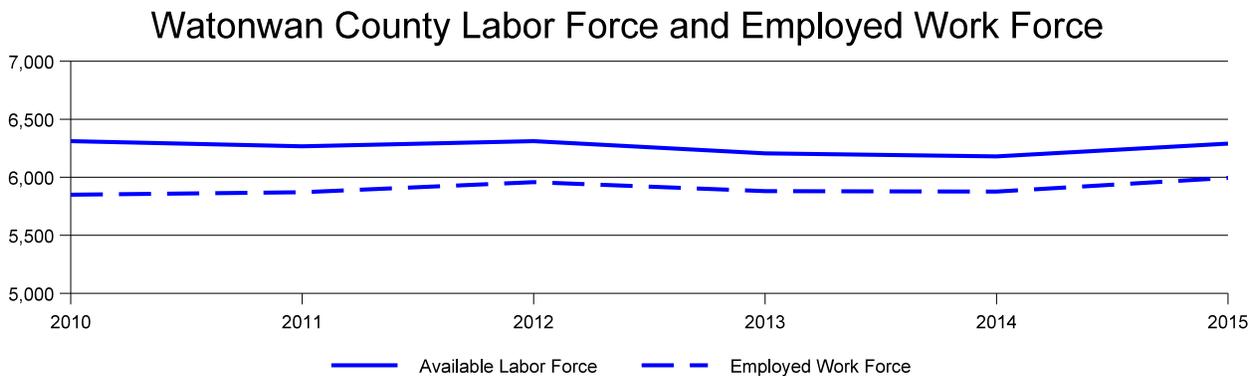
Employment opportunities may be provided by a broad range of private and public business sectors. Jobs may be available in manufacturing, commercial services, agriculture, public administration, and other industries. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what level of affordability.

Work Force and Unemployment Rates

Employment information is available for all of Watonwan County. Data in the following tables have been obtained from the Minnesota Department of Employment and Economic Development.

Table 29 Watonwan County Labor Statistics 2010 to 2015						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2010	6,311	5,850	461	7.3%	7.4%	9.6%
2011	6,267	5,871	396	6.3%	6.5%	8.9%
2012	6,311	5,958	353	5.6%	5.6%	8.1%
2013	6,206	5,881	325	5.2%	4.9%	7.4%
2014	6,180	5,877	303	4.9%	4.2%	6.2%
2015	6,290	5,995	295	4.7%	3.7%	5.3%

Source: MN Department of Employment and Economic Development - Not Seasonally Adjusted



Labor statistics for Watonwan County have been relatively stable in recent years. The County’s available resident labor force decreased by 21 people between 2010 and 2015, or 0.3%.

During this same time, the employed resident work force increased. When 2015 is compared to 2010, there were 145 more County residents that were employed, or an increase of 2.5%. With the number of employed people increasing while the overall labor force decreased, the County’s unemployment rate has dropped. In 2010, the unemployment rate in Watonwan County was at 7.3%. By 2015, it had dropped to 4.7%.

Employment and Wages by Industry

The following table shows the average wages by major employment sector for the first three quarters of 2015, the most recent data. It is important to note that the major employment sectors listed do not represent all employment in the City.

Table 30 St. James Employment and Wages by Industry: 2015*		
Industry	2015 Employment	2015 Average Annual Wage
Total All Industry	2,296	\$31,980
Natural Resources and Mining	21	\$28,045
Construction	99	\$37,683
Manufacturing	623	\$36,296
Trade, Transportation, Utilities	466	\$28,843
Financial Activities	81	\$36,313
Professional and Business Services	89	\$24,683
Education and Health Services	429	\$37,977
Leisure and Hospitality	165	\$10,140
Public Administration	227	\$36,903

Source: Minnesota Department of Employment and Economic Development

The average annual wage for all industry for the first three quarters of 2015 in St. James was \$31,980, assuming that workers were employed for 52 weeks. All of the industry sectors had an annual wage below \$38,000.

The City’s lowest wage sector, Leisure and Hospitality, had an average annual wage that was below \$10,200.

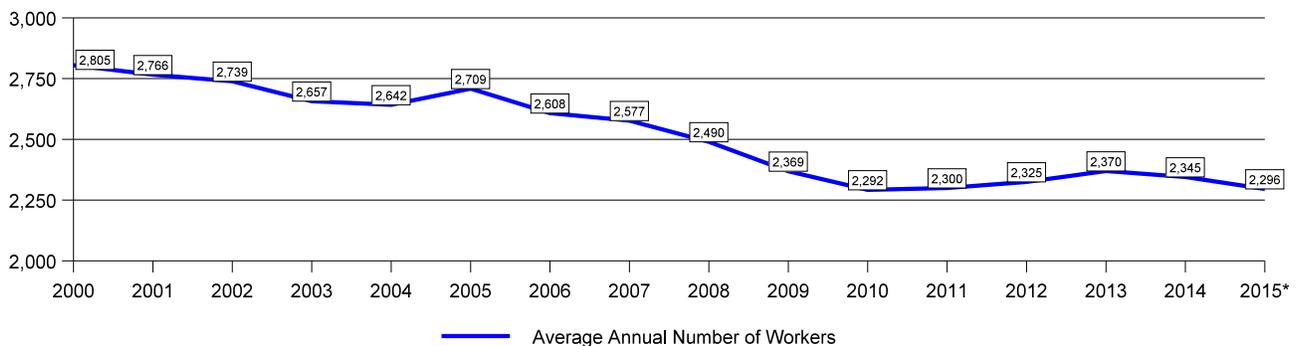
St. James Annual Covered Employment

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

Table 31 St. James Average Annual Employment: 2000 to 2015*			
Year	Total Covered Employment	Year	Total Covered Employment
2000	2,805	2008	2,490
2001	2,766	2009	2,369
2002	2,739	2010	2,292
2003	2,657	2011	2,300
2004	2,642	2012	2,325
2005	2,709	2013	2,370
2006	2,608	2014	2,345
2007	2,577	2015*	2,296

Source: QCEW - MN Department of Employment and Economic Development
 *2015 is through September

Number of Covered Workers in St. James



Over the past 16 years there has been a significant reduction in the number of covered workers reported in St. James. If 2014 (the last full year of data) is compared to 2000, there has been a decrease of 460 reported workers, or a reduction of more than 16%.

Much of this reduction in covered workers occurred between 2005 and 2010. Since 2010, the number of workers in St. James has remained relatively stable.

Commuting Patterns of Area Workers

Information is available on workers that commute for employment. The 2014 American Community Survey has been examined for the City of St. James. The first table only examines people living in St. James that traveled to work and excludes people that work at home.

Table 32 Travel Times for St. James Residents - 2014		
Travel Time	Number	Percent
Less than 10 minutes	1,007	45.5%
10 to 19 minutes	421	19.0%
20 to 29 minutes	249	11.2%
30 minutes or more	538	24.3%
Total	2,215	100%

Source: 2014 American Community Survey 5-year estimates

According to the American Community Survey, a majority of St. James residents were commuting 19 minutes or less for employment in 2014. More than 64% of residents were commuting less than 20 minutes to their primary job. However, more than 24% of residents did have a longer commute of 30 minutes or more.

The American Community Survey also identifies travel time by location of employment. For people that worked in St. James, the following travel times were identified.

Table 33 Commuting Times for St. James-based Employees - 2014		
Travel Time	Number	Percent
Less than 10 minutes	1,025	48.1%
10 to 19 minutes	579	27.2%
20 to 29 minutes	214	10.1%
30 minutes +	311	14.6%
Total	2,129	100%

Source: 2014 American Community Survey 5-year estimates

The American Community Survey estimated that slightly fewer people were working in St. James in 2014, when compared to the covered worker data presented previously.

For people that worked in St. James, more than 75% traveled less than 20 minutes. This included people that both lived and worked within the City. Overall, fewer than 15% of city-based employees traveled 30 minutes or more to their job in St. James.

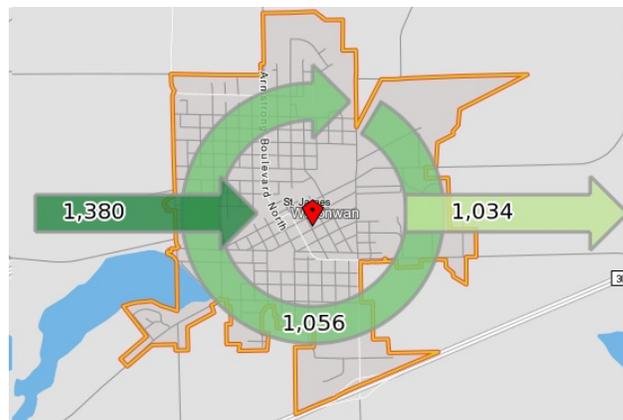
Worker Inflow/Outflow Patterns

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2014 and provides a further breakdown of worker movement patterns.

According to this source, there were 2,436 people that were employed within the city limits in 2014. Of the St. James-based employees, only 1,056, or 43.3%, also lived within the City. The remaining 1,380 employees lived outside the city limits and commuted in for employment.

In addition to defining residents that work within the City, the Census data can also be used to determine worker outflow, measuring residents that leave their home city to work elsewhere.

Consistent with the American Community survey data presented earlier, many St. James residents also worked outside of the community in 2014. Just over 50% of working residents were actually employed within St. James, while 49.5% commuted elsewhere.



Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for the City of St. James, the St. James Market Area and Watonwan County over the past few decades. These historic growth trends have then been used as a basis for projecting future demographic changes in the area.

St. James, the St. James Market Area and Watonwan County's population decreased from 2000 to 2010. The City's population decreased by 90 people, the Market Area's population decreased by 479 people and Watonwan County's population decreased by 665 people.

There are conflicting opinions about recent patterns after 2010. The State Demographer's Office estimates that St. James had a loss of only one person from 2010 to 2014, but the Census Bureau shows a loss of 81 people during the same time period. Another source used in this Study, Esri, estimates that the City gained 118 people from 2010 to 2015. The State Demographer and U.S. Census both estimate that the Market Area had population losses from 2010 to 2014. However, Esri estimates that the Market Area gained 77 people from 2010 to 2015. The State Demographer estimates that Watonwan County had a loss of 116 people and the U.S. Census estimates that the County had a loss of 128 people from 2010 to 2014. Esri estimates that Watonwan County had a loss of only 22 people from 2010 to 2015.

St. James, the Market Area and Watonwan County also had household losses from 2000 to 2010. The City of St. James had a loss of six households, the Market Area lost 67 households and Watonwan County had a loss of 107 households during that decade.

The 2015 Esri estimate shows St. James gaining 66 households, the Market Area adding 62 households and Watonwan County gaining 37 households from 2010 to 2015.

Findings on Projected Growth

Esri projects that St. James will gain 62 people and 34 households from 2015 to 2020. The St. James Market Area is projected to gain 26 people and 27 households between 2015 and 2020, according to Esri. Esri projects that Watonwan County will lose 39 people and gain two households from 2015 to 2020.

Summary of the St. James Projections by Age - 2015 to 2020

The Demographic section of this Study presented projection information on anticipated changes in St. James from 2015 to 2020. This information can be informative in determining the housing changes that may be needed due to age patterns of the area population.

The age-based projections from 2015 to 2020 in St. James expect a loss of six households in the 15 to 24 age range and a loss of 32 households in the 35 to 54 age ranges. There is a projected gain of 26 households in the 25 to 34 age range and a gain of 46 households in the 65 and older age ranges.

The following forecast shows the expected net change in the number of St. James households in each 10-year age cohort between 2015 and 2020.

<u>Age Range</u>	<u>Projected Change in Households 2015 to 2020</u>
15 to 24	-6
25 to 34	26
35 to 44	-19
45 to 54	-13
55 to 64	0
65 to 74	45
75 and Older	<u>1</u>
Total	34

Findings on Unit Demand by Type of Housing

Based on the household by age projections presented earlier, the changing age composition of St. James households from 2015 to 2020 will have an impact on demand for housing.

Age 24 and Younger - The projection used for this Study expects a slight decrease of approximately six households in the 15 to 24 age range from 2015 to 2020. Past tenure patterns indicate that approximately 58% of the households in this younger range in the City will rent their housing. The limited decrease in the number of households in this age range should mean that rental demand from younger households will remain relatively stable during the projection period.

25 to 34 Years Old - The projection shows a gain of 26 households in this age cohort by 2020. Within this age range, households often move from rental to ownership housing. A gain in the number of households within this age range will result in more demand for both first-time home buyer and rental opportunities.

35 to 44 Years Old - This 10-year age cohort has a projected loss of 19 households between 2015 and 2020 in St. James. In the past, this age group has had a high rate of home ownership in the City of more than 74%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house. Household losses in this age cohort would result in a decrease in overall demand for owner-occupied housing.

45 to 54 Years Old - By 2020, this age cohort will represent the front-end of the “baby bust” generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For the City, the projection shows a decrease of 13 households in this range. This age group historically has had a high rate of home ownership and will often look for trade-up housing opportunities. With a household decrease in this age group, the demand for trade-up housing from this age range will decrease through the year 2020.

55 to 64 Years Old - The projection shows no change in the number of households in this 10-year age range by the year 2020 in the City. This age range has traditionally had a high rate of home ownership at approximately 87%. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - Most of the baby boom generation will be in this age range in 2020. Strong growth of 45 households is expected in the City within this age range by the year 2020. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 86% of households in this age range owned their housing in the City. Preferences for age-appropriate units should increase from household growth within this age cohort.

75 Years and Older - There is a projected gain of one household in the City in this age range between 2015 and 2020. In the past, households age 75 and older, have had a rate of home ownership that is significantly lower than the younger age ranges. An expansion of other housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

These demographic trends will be incorporated into the recommendations that follow later in this section.

St. James - Strengths and Barriers for Housing Development

Strengths for Housing Development

The following strengths of the community were identified through statistical data, local interviews, research, an on-site review of the local housing stock and a review of strengths identified in the 2005 Housing Study.

- ▶ **St. James serves as a small regional center** - St. James provides employment opportunities, retail/service options, health and professional services, governmental services and recreational facilities for a geographical area that surrounds St. James.
- ▶ **Affordable priced housing stock** - The City has a large stock of affordable, existing houses. Our analysis shows that the City's median home value based on recent sales is generally less than \$80,000, although partial-year activity points to rising values in 2016. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Increasingly diverse housing stock** - The City has a mix of housing options, including a large number of rental housing units for various household types, owner-occupied homes at various values and senior with services housing options.
- ▶ **Adequate land for development** - The City has adequate land available for both residential and commercial/industrial development, however, some of this land needs to be serviced with infrastructure improvements.
- ▶ **Desirable location for seniors and retirees** - St. James is an attraction for the Market Area's seniors as a retirement location. As a provider of health, retail and government services, the City has amenities that are attractive for seniors as they age.
- ▶ **Active housing builders and developers in the City** - In the past, St. James has had active housing builders that are willing to invest in housing projects in the community, including rental housing, attached ownership housing and single family development.
- ▶ **State, Federal, Non-Profit Funds** - The City has leveraged local funds for housing activities over the years with other resources including State, Federal and Non-Profit Funds. This experience in obtaining funds and the City's track record in appropriately utilizing the funds will continue to serve the City well when seeking funds in the future.

- ▶ **Proactive City involvement** - The City, the EDA and the HRA have a track record of being proactive in developing housing opportunities, including rental housing and subdivision development.
- ▶ **Educational Facilities** - The City has a public K-12 school system and a parochial elementary school.
- ▶ **Health facilities** - The City has excellent health facilities including a clinic, hospital, nursing home and senior with service projects.
- ▶ **Infrastructure** - The City's water and sewer infrastructure can accommodate future expansion. The water system has recently been upgraded and the sewer system is 13 years old. Although some future upgrades are needed, the systems can support growth.
- ▶ **Economic Development Authority** - The City has an Economic Development Authority that is active in addressing the City's economic development and housing needs.
- ▶ **Ethnic and Cultural Diversity** - Over the past 25 years, the City of St. James has become very diversified with many immigrants locating in the community.
- ▶ **Commercial Development** - The City's commercial district is adequate to meet daily needs.
- ▶ **Lot Incentives** - The St. James Economic Development Authority has implemented incentives to purchase lots in the Mayberry Hills Addition.
- ▶ **School Bond Issue Passage** - The St. James citizens voted to pass a \$24 million school bond issue to make school building expansions and renovations.
- ▶ **Industrial Development** - A local industry is currently undertaking a building expansion and will add jobs.
- ▶ **Industrial land** - The City has industrial land available for industrial development.

Barriers or Limitation to Housing Activities

Our research also identified the following barriers or limitations that hinder or prevent certain housing activities in the City of St. James.

- ▶ **Age and condition of the housing stock** - While the existing stock is very affordable, some of the housing is in need of substantial improvements to meet expectations of potential buyers.
- ▶ **Lower incomes limit housing choices** - Household and family incomes for St. James and the surrounding market area are lower than the Statewide medians. While this income level matches up well with prices for existing ownership and rental housing in the City, it is not as well matched to the prices for new housing construction.
- ▶ **Lower paying jobs** - Some jobs in St. James are at the lower end of the pay scale and the employees with these jobs have limited housing choices.
- ▶ **Distance from a major regional center** - Many households desire to be near a major regional center because of the many amenities and jobs it can offer its residents. St. James is 38 miles from Mankato and some households consider it too far for commuting on a regular basis.
- ▶ **Value gap deters new owner-occupied construction** - Based on market values for recent residential sales, we estimate that the median priced home in St. James is valued below \$80,000. This is below the comparable cost for new housing construction, which will generally be above \$175,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building and can also deter customized construction, unless the owner is willing to accept a potential loss on their investments.
- ▶ **Low rent structure** - The City's rent structure is low, which makes it difficult to construct new rental housing.
- ▶ **Job losses** - Although there is industrial development being undertaken in St. James, several of the City's largest employers have closed or reduced their work force.

- ▶ **New Housing Construction** - Over the past four years, only four housing units have been constructed in St. James.
- ▶ **Population and Household Losses** - The City of St. James had population and household losses from 2000 to 2010, although, Esri estimates that St. James has gained population and households from 2010 to 2015.

St. James - Recommendations and Opportunities

Recommendations, Strategies and Housing Market Opportunities

Based on the research contained in this Study and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for St. James. They are based on the following strategies:

- ▶ **Focus heavily on the preservation, maintenance and improvement of the housing stock that already exists** - While significant housing construction will occur in coming years, most of the housing opportunities will continue to be provided by the housing stock that is already on the ground. This is especially important for affordable housing opportunities, as it will almost always be less expensive to offer an affordable unit through rehabilitation versus new construction. Units that are lost due to deterioration and obsolescence cannot be replaced for a similar price. Evidence suggests that the majority of the existing stock is generally being well maintained, however, a significant percentage of housing needs repair. Emphasis on continued improvement will be important to meet future housing needs.
- ▶ **Develop life cycle housing** - It is vital for a self-contained community to provide housing opportunities for all ages and household types. These housing opportunities enable a community to thrive, and allow households to live in the community throughout their lives.
- ▶ **Promote new construction** - New construction provides housing opportunities, stimulates the economy and upgrades the community's housing stock. Both new owner-occupied single family homes and rental units are needed to provide households in St. James with housing options and to assure a healthy housing stock into the future.
- ▶ **Promote home ownership** - Home ownership is the preferred option for most households. Home ownership assists in creating community stability and commitment to the community. There are many younger families that are renting their housing. These households may be interested in home ownership, if an affordable opportunity is available.
- ▶ **Prioritize community housing goals** - Many of the recommendations in the Study will require staff-intensive efforts. The City should prioritize its housing goals and establish a plan to achieve its goals.

It is very difficult to meet all of the objectives as the balance of the objectives are very sensitive. An overly aggressive or overly passive approach to any of the objectives can cause problems in achieving the other objectives. For example, overbuilding new rental housing units could lead to vacancy problems in older, less marketable units in the community, causing these units to deteriorate in quality. The recommendations of this section attempt to provide a balanced approach to addressing the housing needs of St. James.

Summary of Findings/Recommendations

The findings/recommendations for the City of St. James have been formulated through the analysis of the information provided in the previous sections and include a total of 28 recommendations divided into the following five categories:

- ▶ **Rental Housing Development**
- ▶ **Home Ownership**
- ▶ **Single Family New Construction**
- ▶ **Housing Rehabilitation**
- ▶ **Other Housing Initiatives**

The findings/recommendations for each category are as follows:

Findings and Recommendations for the City of St. James	
Rental Housing Development	
1.	Develop 18 to 22 general occupancy market rate rental units
2.	Promote the development/conversion of six to eight affordable market rate rental housing units
3.	Develop 12 to 14 additional subsidized rental housing units
4.	Preserve the existing supply of subsidized housing
5.	Develop 10 to 12 senior designated market rate rental units
6.	Consider the future development of 8 to 10 senior with services memory care units
7.	Develop a mixed-use commercial/housing project
8.	Continue to utilize the Housing Choice Voucher Program
Home Ownership	
9.	Utilize and promote all programs that assist with home ownership
10.	Consider the development of a purchase/rehabilitation program
11.	Develop a local downpayment assistance program

Findings and Recommendations for the City of St. James	
New Construction	
12.	Lot availability and lot development
13.	Strategies to encourage residential lot sales and new home construction
14.	Promote town house and twin home development
15.	Coordinate with agencies/nonprofits that develop affordable housing
16.	Consider the development of lots for affordable new modular homes
Housing Rehabilitation	
17.	Promote rental housing rehabilitation programs
18.	Promote owner-occupied housing rehabilitation programs
19.	Develop a Rental Housing Inspection Program
Other Housing Initiatives	
20.	Encourage employer involvement in housing programs
21.	Acquire and demolish dilapidated structures
22.	Continue to promote commercial rehabilitation and development
23.	Strategies for downtown redevelopment
24.	Create a plan and continue coordination among housing agencies
25.	Develop home ownership and new construction marketing programs and strategies
26.	St. James Place Mobile Home Park Recommendations
27.	The 'Old Hospital' Site
28.	Racial and Ethnic Minority Housing Issues

St. James - Recommendations Rental Housing Development

Rental Housing Development

Overview: In recent decades it has been difficult to produce new rental housing units that are viewed as “affordable” when compared to existing rental housing. A number of factors, including federal tax policy, state property tax rates, high construction costs and a low rent structure, have all contributed to the difficulty in developing rental housing in most Minnesota communities.

From 2000 to 2015, based on City data, approximately 28 market rate units were constructed in St. James. These units are all town homes and twin homes. Also, a 24-unit senior assisted living project was constructed in 2008. Additionally, based on U.S. Census information, it is estimated that some single family homes were converted from owner-occupied to rental use between 2000 and 2015.

No subsidized rental units were constructed in St. James from 2000 to 2015. The number of subsidized units in St. James has actually decreased from 2000 to 2015. In 2003, Somerset Green, a 16-unit USDA Rural Development Project, converted to market rate. Also, approximately five years ago, the Minnesota Affordable and Accessible Housing Corporation sold 14 low rent units for owner occupancy. Most of these units had three bedrooms.

Demand for new rental housing is typically generated from three factors:

- ▶ Growth from new households
- ▶ Replacement of lost units
- ▶ Pent-up demand from existing households

Esri’s household projections expect household gains in St. James. From 2015 to 2020, it is projected that there will be approximately a 34-household gain in St. James. Therefore, we are projecting demand for rental housing due to household growth over the next five years. We are estimating that approximately 35% of the new households in St. James will be rental households, thus, there will be growth-generated demand for approximately 12 additional rental units over the next five years.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that St. James will lose approximately three to four rental units per year. As a result, approximately 15 to 20 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition. In other cases, this replacement is due to the deteriorating condition of older, substandard rental housing that is removed from the occupied stock. Also, it is projected that some of the single family homes that converted to rentals during the recession will convert back to owner-occupied homes.

As part of this study, a rental survey of rental units in St. James was conducted. In total, 384 rental units were contacted and surveyed. The survey found a 5.2% vacancy rate in the general occupancy market rate units, a 2.3% vacancy rate in subsidized units, and two vacancies in the senior with services projects. One market rental project has 50% of the market rate vacancies. If this project is not included in the survey, the market rate vacancy rate is 2.6%.

Based on the vacancy findings, we have identified pent-up demand for new high quality, affordable market rate rental units, senior designated market rate units and senior memory care units.

These three demand generators, after factoring current vacancy rates, show a demand potential for 54 to 66 rental units over the projection period. Based on the factors stated above, we recommend the development of the following new rental units over the next five years, from 2016 to 2021.

▶ General Occupancy Market Rate	18-22 units
▶ Affordable/Conversions	6-8 units
▶ Subsidized	12-14 units
▶ Senior Market Rate	10-12 units
▶ Senior with Services (memory care)	<u>8-10 units</u>
Total	54-66 units

1. Develop 18 to 22 general occupancy market rate rental units

Findings: Approximately 65% of the rental housing in the City of St. James can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

The entire rental inventory in the City included approximately 657 total units in 2010. We believe that approximately 428 of these units are best described as market rate rental housing.

Of the market rate rental units we surveyed in St. James, we found only eight vacant units, four of which were in one rental project. Most owners of rental housing reported excellent occupancy rates. Eight of the 14 market rate projects surveyed had no vacancies and several projects had waiting lists.

More than 1,300 employees are commuting into St. James daily for work. Some of these employees would potentially move to St. James if additional housing was available.

There is a fairly wide variation in rental rates in the market rate segment in the City of St. James. The gross rents range from approximately \$375 for a one-bedroom unit up to \$1,100 for some high quality two-bedroom options.

From 2000 to 2015, approximately 28 market rate rental units were developed in St. James. All of these units were in town homes or twin homes. Also, some single family homes have converted from owner-occupied to rental units partially due to the downturn in the economy.

St. James is projected to gain 34 households from 2015 to 2020.

Housing stakeholders that were interviewed for the study stated that there is a significant need for additional high quality rental housing.

Recommendation: As stated earlier in this section, rental housing demand is based on household growth, pent-up demand, replacement of housing units that have been demolished or converted.

Based on this combination of demand generators, we believe that it is reasonable to plan for production of 18 to 22 market rate general occupancy rental units over the next five years, from 2016 to 2021.

Based on our research, there is a need for rental units of all sizes, thus, the new units constructed over the next five years should include one, two, three and four-bedroom units.

Town home-style units or high quality apartment buildings are both options in addressing the need for market rate units. The projects, to be successful, should have 'state of the art' amenities. Also, we recommend that the new units be constructed in smaller project phases. This strategy has been successful in the past in St. James and allows the new units to be absorbed into the market.

There are two market rate rental segments in St. James. One segment is seeking a high quality unit and can afford a higher rent. The second segment is seeking work force housing and a more modest rent. This segment may not qualify for subsidized or tax credit rental units, but affordability is still an issue.

There is a need to construct both types of market rate rental housing, thus, there is a relatively wide rent range in the following table reflecting the two segments. To construct the workforce housing and charge affordable rents, land donations, financial assistance, tax increment financing, tax abatement and other resources may be needed.

The first option to develop market rate rental housing would be to encourage private developers to construct market rate rental housing. Private developers have been successful in developing market rate rental housing in St. James. If private developers do not proceed, the St. James EDA, the St. James HRA or a regional housing agency could potentially utilize essential function bonds or similar funding sources to construct market rate rental housing. The St. James EDA has successfully developed market rate rental housing in the past.

**Recommended unit mix, sizes and rents for the St. James
Market Rate Housing Units:**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	2-3	700 - 850	\$650 - \$775
Two Bedroom	10-11	900 - 1,000	\$750 - \$1,050
Three Bedroom	4-5	1,100 - 1,200	\$800 - \$1,150
Four Bedroom	2-3	1,350 - 1,450	\$900 - \$1,300
Total	18-22		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2016 dollars.

It would be advantageous to have the rents for some of the units at or less than the payment standards for the Housing Choice Voucher Program, thus, the units would be affordable for more households. The payment standards currently are:

- ▶ 1 bedroom - \$523
- ▶ 2 bedroom - \$683
- ▶ 3 bedroom - \$948
- ▶ 4 bedroom - \$1,094

2. Promote the development/conversion of six to eight affordable market rate rental housing units

Findings: The previous recommendation addressed the market potential to develop high quality rental units in St. James. Unfortunately, these units would tend to be beyond the financial capability of many St. James renter households. Many of the City's renter households have an annual income below \$25,000. These households would need a rental unit at \$650 per month or less.

There is evidence that St. James has lost some rental housing over the years and will continue to lose units due to deterioration, demolition, or from units converting from renter to owner-occupancy. Therefore there is a need for additional rental units in St. James to provide for unit replacement. Unfortunately, most of the lost units are probably affordable, and new construction will not replace these units in a similar price range.

There are still some programs for affordable housing creation for moderate income renters. The federal low income housing tax credit program is one available resource. However, competition for tax credits is very difficult, and few awards have been made recently to small cities for small rental projects.

Recommendation: We would encourage the City of St. James and the St. James EDA to promote the development/conversion of more affordable units. A goal of six to eight units over the next five years would help to replace affordable housing that has been lost.

It is difficult to create units through new construction. It is often more practical to work on building renovation or conversion projects that can create housing. This opportunity often arises in commercial/mixed-use buildings or vacant homes.

Our experience in other cities has indicated that there is a demand for downtown rental housing.

It is our recommendation that gross rents for the converted units should be below \$650 per month, which would help to expand the choices available to many of the City's renter households. However, some high quality units could be offered at a higher rent.

It is probable that the proposed rent structure for the units could only be obtained with financial commitments from other sources such as tax increment financing or tax abatement from the City and other financial resources from funding agencies such as the Minnesota Housing Finance Agency (MHFA), the Greater Minnesota Housing Fund and Minnesota Small Cities Development Program (SCDP) funds. Also, financial assistance would expand the number of buildings that would be financially feasible to convert to rental units.

3. Develop 12 to 14 subsidized general occupancy rental housing units

Findings: There are six federally subsidized rental projects in St. James. Combined, these projects have 177 units of subsidized housing. All of the projects are general occupancy.

The six subsidized projects are as follows:

- ▶ **Somerset South** - Somerset South is a 24-unit USDA Rural Development general occupancy project constructed in 1982. The 24 units include 10 one-bedroom, 10 two-bedroom and four three-bedroom units.
- ▶ **Somerset North** - Somerset North is a 32-unit USDA Rural Development general occupancy project constructed in 1979. The 32 units include 16 one-bedroom, 12 two-bedroom and four three-bedroom units.
- ▶ **Bell Apartments** - Bell Apartments is a 24-unit USDA Rural Development general occupancy project constructed in 1989. The 24 units include 16 one-bedroom and eight two-bedroom units.
- ▶ **Jamestown Apartments** - Jamestown Apartments is a 20-unit USDA Rural Development general occupancy project constructed in 1985. The 20 units include 18 one-bedroom and two two-bedroom units.

- ▶ **Park Apartments** - Park Apartments is a 69-unit general occupancy Public Housing project constructed in 1969. The 69 units include 63 one-bedroom and six two-bedroom units.
- ▶ **Public Housing Single Family Homes** - The HUD Public Housing Single Family Homes were constructed in 1985 and include six three-bedroom units and two four-bedroom units.

Only four vacant units were identified in the six subsidized projects at the time of the survey. This is a vacancy rate of 2.3%. All four vacancies were in Park Apartments. The other five projects were fully occupied.

The subsidized projects in St. James have rent assistance available for the majority of tenants, so lower income households pay rent based on 30% of income.

In addition to the project-based subsidized housing, St. James also has approximately 10 households being assisted with HUD Housing Choice Vouchers (formerly Section 8 Existing Program).

St. James has lost 30 subsidized housing units since 2000. Somerset Green with 16 units, converted to market rate housing in 2003. Also, 14 subsidized rental units in 12 single family homes and one duplex owned by the Minnesota Affordable and Accessible Housing Corporation were sold for owner occupancy.

Despite the subsidized housing offerings in the City, there does appear to be unmet demand for rental housing for lower income people. At the time of the 2010 Census, more than 200 renter households reported that 30% or more of their income was required to pay housing costs. This represented approximately 29% of all renters that were surveyed. At that time, most of these households had annual incomes of less than \$25,000, and needed a very affordable unit to avoid a housing cost burden. Also, the Voucher Program has a waiting list time of more than six months. Additionally, only 16 (9.0%) of the subsidized units have three or more bedrooms.

Recommendation: We recommend that the City look for opportunities to expand the supply of very affordable rental housing. Although the need is greater, a realistic goal would be the construction of 12 to 14 general occupancy subsidized units over the next five years. Vacancy rates remain low for general occupancy subsidized housing. The Housing Choice Voucher Program, which provides tenant-based rent assistance, also maintains a waiting list for participation and the number of vouchers has been reduced due to

budget cuts. Also, the subsidized units in St. James are more than 25 years old. Additionally, the City's subsidized rental inventory has decreased by 30 units since 2000.

The need for additional subsidized rental housing could increase even more significantly if more of the existing subsidized units are lost. In the recommendation that follows, we have discussed the need to preserve the existing project-based subsidized housing in the community.

The large subsidized housing production programs of the past are no longer available, and it remains very difficult to produce new units for very low income renters. The best available options are to layer various subsidies together in an attempt to produce some very affordable units.

The majority of the new rental units should be three and four-bedroom.

A regional housing agency such as the Southwest Minnesota Housing Partnership or the Minnesota Valley Action Council (MVAC) may have the staff resources to assist the City of St. James with developing a new subsidized rental project.

4. Preserve the existing supply of subsidized housing

Findings: The City of St. James has six "deep subsidy" rental housing projects that allow tenants to pay rent based on 30% of income. These projects were constructed in the 1960s, 1970s or 1980s when the federal government was actively involved in producing low income housing.

The subsidized housing represents the most affordable option available to lower income households. Since most of these units charge rent based on income, even extremely low income households can afford their housing.

Four of the six "deep subsidy" rental housing projects are privately owned. In some communities, privately owned subsidized housing has been lost as owners have the ability to opt-out of subsidy contracts after their original obligations have been met. Subsidized housing that is lost cannot be cost-effectively replaced with the low income housing production resources that are available today. A 16-unit USDA Rural Development project converted from subsidized to market rate in St. James in 2003.

Recommendation: The Minnesota Housing Finance Agency tracks subsidized housing in Minnesota that is at risk of being lost. Owners of subsidized housing that are considering the option to drop their subsidy contract must notify MHFA and the tenants prior to taking any action. At the time of this Study, no St. James subsidized projects were on the MHFA list.

Local and regional housing agencies should check with MHFA on an ongoing basis to determine if any St. James subsidized housing projects are considering the option to drop their subsidy contract. In some communities, public or nonprofit agencies have been able to purchase projects that are at risk of being lost, to preserve their affordable housing resources.

5. Develop 10 to 12 senior designated market rate rental units

Findings: The City of St. James has no senior designated market rate rental projects. However, a significant number of seniors are renting the town home/twin home units that have been constructed over the past 15 years.

It is our opinion that a 10 to 12 unit senior designated market rate rental project would address a gap that currently exists in the St. James rental inventory.

According to Esri estimates in 2015, the City of St. James had 950 households and the St. James Market Area had 1,736 households age 55 and over. Esri also projects that the 55 and older population will increase by 46 households in St. James and by 104 households in the Market Area over the next five years.

Recommendation: We recommend the construction of a 10 to 12 unit market rate project for households 55 and older with 'state of the art' amenities over the next five years.

Unit features should include ample closet space since prospective tenants will have numerous belongings they will be moving from single family homes. At a minimum, a walk-in closet should be included with each unit. If possible, a separate storage room should also be incorporated into each unit. Washers and dryers should be provided in each unit. Other standard design features for senior units should be included such as raised outlets, lever door handles and lowered kitchen cabinets. Expansive window area is an asset for senior units since many seniors spend a significant portion of their time in their units and enjoy ample daylight and views to the outdoors. Patios for each unit are also strongly recommended.

The location of the project should be close to services as the project will be primarily occupied by seniors. A high amenity location would be ideal for a senior project.

We recommend the following unit type, number of units, size and rent structure:

Senior Market Rate Units:

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	2-3	850-900	\$800-\$875
Two Bedroom	8-9	1,000-1,100	\$900-\$1,100
Total	10-12		

Note: Rents are quoted in 2016 dollars and include all utilities.

6. Consider the future development of eight to 10 senior housing with services memory care units

Findings: St. James has three specialized senior housing, serving residents as they move through the aging cycle. All three projects are part of the Good Samaritan senior campus. The three existing senior housing with services options are:

- ▶ **Prairie View Apartments** - Prairie View Apartments is a 28-unit light services senior project constructed in 1998. Prairie View Apartments is part of the Good Samaritan senior campus. The 28 units include 22 one-bedroom and six two-bedroom units. Tenants receive light senior services including one daily meal and weekly housekeeping.
- ▶ **Brandt Ridge** - Brandt Ridge is a 24-unit assisted living project constructed in 2008. Brandt Ridge is part of the Good Samaritan senior campus. The 24 units include 18 one-bedroom and six two-bedroom units. Services include 24-hour staffing, meals, laundry services, housekeeping, medication management, etc.
- ▶ **Pleasant View Nursing Home** - Pleasant View Nursing Home is a nursing home with 55 skilled nursing beds. The facility was constructed in the 1967. The facility is part of the Good Samaritan senior campus.

We have defined a St. James Market Area that includes six cities and nine townships that surround the City of St. James. While the defined Market Area may not be a perfect indicator of overall demand, it does provide an informative look at planning for specialized senior housing. Based on 2015 estimates from Esri, there are 798 older senior citizens, age 75 and above, residing in the Market Area jurisdictions. This population of older seniors has been stable since 2010.

Although the older senior population in the Market Area has been stable from 2010 to 2015, the projections contained in this Study anticipate limited growth in the number of older seniors from 2015 to 2020. For the Market Area aggregation, the age-based forecasts from Esri point to an increase of approximately 50 to 55 older senior citizens, age 75 and above, from 2015 to 2020.

Older seniors tend to represent the primary target market for specialized senior housing. There is larger-scale growth expected within the younger senior ranges, age 65 to 74, indicating growing demand for specialized housing after the year 2020.

Using the current estimates for senior population, the current estimated capture rates for the existing providers are as follows.

Skilled Nursing Beds - When compared to the older senior population in the Market Area, the total supply of longer-term nursing home beds in the Pleasant View Nursing Home would require a capture rate of approximately 6.9% of the total population of older seniors (age 75+).

Assisted Living - There are approximately 743 older senior households, age 75 and above, in the St. James Market Area in 2015. There are 24 assisted living units and 30 available beds in Brandt Ridge. In 2015, a capture rate of approximately 3.2% is required to maintain full occupancy in the units and a 4.0% capture rate to fully occupy the beds.

Light Services - There are 28 light services units in Prairie View Apartments, which include 22 one-bedroom and six two-bedroom units. Based on an average of 1.5 people per unit, a capture rate of 5.7% is required to maintain full occupancy.

Memory Care - Although the Pleasant View Nursing Home and Brandt Ridge provide housing and services for residents in the early stages of dementia, St. James does not have a provider of housing specifically designed for people with memory care needs.

Recommendation: Based on the research completed for this Study, we would recommend development of memory care units in St. James through the year 2020. There are no units in St. James specifically designed for people with advanced memory care housing needs.

Because the size of the Market Area is not viewed as overly large, the scale of recommended development is limited, and the best opportunity may be to plan for an expansion of an existing senior facility, rather than proceed with a stand-alone project.

Skilled Nursing Home - The research for this Study points to a decreasing reliance on nursing homes as a long-term residence option for older senior citizens. Over time, the nursing homes have tended to use more beds for rehab/recovery stays, or other specialized uses. There has also been a long-standing moratorium that limits expansion in most cases. No recommendations are offered for this type of specialized housing. St. James has a well-established provider, Pleasant View Nursing Home, that serves this section of the market.

Assisted Living - With 24 units and 30 beds currently available in Brandt Ridge, no expansion is recommended to the year 2020 based on the limited projected growth within the target market of older senior citizens.

Light Services/Congregate Housing - Prairie View Apartments has 28 light services units for more independent seniors that would look to have light services available with their housing. Lighter services would typically include a daily meal, weekly light house keeping and an emergency call system. Based on the size of the older senior population residing in the St. James Market Area, we are not recommending any additional light services in St. James through 2020.

Memory Care Housing - St. James does not have any current provider of housing specifically designed for people with memory care needs. The Pleasant View Nursing Home and Brandt Ridge do serve people in the early stages of dementia. A specific memory care project could be justified based on the size of the primary target population. To serve locally-generated demand, the development of a memory care facility with approximately eight to 10 beds would be recommended.

The purpose of this recommendation is to provide general guidance to potential developers. A developer or existing senior with services facility planning a specific project should have a project-specific study conducted.

7. Develop a Mixed-Use Commercial/Housing Project

Findings: The City of St. James has undertaken projects and programs in the Downtown Business District to revitalize the downtown and to develop a more active and vibrant commercial area. The development of a new mixed-use rental housing/commercial project would complement these redevelopment efforts.

New mixed use projects have been developed in several Minnesota cities. Some of these projects were developed because of market demand, while others were developed to enhance the downtown, to introduce a new product to the market or to serve as a catalyst for redevelopment.

Recommendation: We recommend the development of a mixed-use building in St. James. We recommend commercial space on the first floor and rental units on the second floor. Prior to construction, a portion of the commercial space should be leased to an anchor tenant that would complement the existing commercial businesses.

The rental units should be primarily market rate units, but could be mixed-income, with some moderate income units. The units should be primarily one and two-bedroom units. Please note that these units are not in addition to the units recommended in the first and second recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

Ideally, a private developer would construct and own the building. The City may have a role in the project by providing tax increment financing (TIF), tax abatement or other local funds and land at a reduced price.

8. Continue to utilize the Housing Choice Voucher Program

Findings: The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income renter households. The program requires participating households to contribute from 30% to 40% of their adjusted income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community, provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community. Although the federal government provides almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades.

The Housing Choice Voucher Program is a popular form of subsidized housing. Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of subsidized housing that are project-based, and can only be accessed by living in a specific rental development.

The Housing Choice Voucher Program in St. James is administered by the South Central Minnesota Multi-County HRA. Currently, the South Central Minnesota Multi-County HRA has funding for approximately 691 Vouchers for a five-county area. Of the total 691 Vouchers, 15 Vouchers are being utilized by Watonwan County households, 10 of which are St. James households. At the time of the 2005 St. James Housing Study, 40 Watonwan County households were utilizing a Housing Choice Voucher, 29 of which were St. James households. Currently, approximately 200 St. James renter households are paying more than 30% of their income for rent, which is considered a housing cost burden. There is a waiting time of approximately six months for a Voucher.

Recommendation: From a practical standpoint, the Housing Choice Voucher Program is the single best way that St. James can provide affordable housing. HUD does not make new incremental assistance available every year, but when new allocations are authorized, the South Central Minnesota Multi-County HRA should be encouraged to apply for additional Vouchers.

Also, the St. James HRA and EDA should continue to publicize the Housing Choice Voucher Program in St. James to assure that St. James households have access to and are aware of the Program.

St. James - Home Ownership Recommendations

Home Ownership Recommendations

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base.

The median owner-occupied home value in St. James, based on recent sales, is estimated to be approximately less than \$80,000. With approximately 50% of the homes in St. James valued less than \$80,000, St. James has a market for first time home buyers and households seeking moderately priced homes.

Also, it is estimated that up to 40 single family homes have converted from owner-occupancy to renter-occupancy use since 2000. Potentially, some of these homes could be sold and converted back to home ownership.

Households that have not been able to achieve the goal of home ownership, may need the assistance of special programs to help them purchase their first home. These households may be seeking affordable houses in St. James.

To assist in promoting the goal of home ownership, the following activities are recommended.

9. Utilize and promote all programs that assist with home ownership

Findings: Home ownership is generally the preferred housing option for most households and most communities. The demographic make-up of St. James is conducive to the promotion of home ownership opportunities. There are a number of strategies and programs that can be used to promote home ownership in St. James. The area's housing agencies and financial institutions can assist with this effort.

First time home buyer assistance, down payment assistance, low interest loans, gap financing and home ownership training programs help to address affordable housing issues. With the City's median home value at less than \$80,000, most of the homes in the existing housing stock in St. James are valued under purchase price limits for first-time home buyer assistance programs. Also, there has been a growing number of single family homes in the St. James rental market. Many of these homes could be converted to owner-occupied homes. Conversely, home ownership programs may prevent owner-occupied homes from being converted to rentals.

Home ownership counseling and training programs can also play a significant role in helping marginal buyers achieve home ownership. To become homeowners and/or to remain homeowners, many households need financial counseling to improve their credit score, to save for a down payment, and to properly budget household income.

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

Recommendation: The City of St. James, the St. James EDA, the St. James HRA and agencies such as MVAC and the Southwest Minnesota Housing Partnership should utilize all available home ownership assistance programs to promote home ownership.

The City, in coordination with other Watonwan County Cities, could also explore the possibility of obtaining specific program set-asides for home ownership programs from the Minnesota Housing Finance Agency (MHFA). Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher participation limits for income and purchase price, and the flexibility for more local design and control. Mortgage programs should also be developed that include all households and not just first time home buyers to encourage trade-up housing activity.

The City should coordinate with the area's housing agencies to develop programs that provide financial assistance for households to purchase a home and to assure the City is receiving its share of resources that are available in the region. The local financial institutions should also continue to have a significant role in assisting households with purchasing a home.

Funding sources for home ownership programs include USDA Rural Development, the Minnesota Housing Finance Agency (MHFA), the Federal Home Loan Bank, the Greater Minnesota Housing Fund and Minnesota Small Cities Development Program (SCDP) funds.

10. Consider the development of a Purchase/ Rehabilitation Program

Findings: St. James has a stock of older, lower valued homes, some of which need repairs. Based on recent sales, approximately 50% of the homes in St. James are valued less than \$80,000. As some of the lower valued and vacant homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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

In the past, the Minnesota Housing Finance Agency (MHFA) has provided funding for the Minnesota Urban Homestead Program (MURL). Under the program, a City could purchase an existing home that needed rehabilitation, rehabilitated the home, sold the home to a low income family and provided a mortgage and a monthly payment that are affordable for the family. The MURL Program accomplished many community goals, including the promotion of home ownership for lower income people, and the repair of substandard housing units. However, MHFA is no longer providing funding for the MURL Program.

Recommendation: We recommend that the City of St. James or an area housing agency consider the creation of a rehab/purchase program for existing houses that is similar to the previous MURL Program. Regional housing agencies and financial institutions could assist by offering some rehabilitation assistance in conjunction with first-time buyer programs to make the City's older housing a more attractive option for potential home buyers. MHFA, through its other programs, and the SCDP Program are other potential funding sources.

Also, a program could be developed to provide mortgage funds directly to households for the purchase and rehabilitation of existing substandard homes. USDA Rural Development provides mortgage funds to purchase a home and to make repairs to the unit.

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

11. Develop a local down payment assistance program

Findings: One of the largest identifiable barriers preventing low and moderate income households from owning a home is the inability to save money for down payment and closing costs. This is especially true if lending institutions have tightened their lending criteria. There are several examples of cities providing down payment assistance to assist home owners with a down payment. For example, the City of Faribault developed a program that provided a maximum of \$4,000 in local funds to households for down payment assistance. Twenty-four local households utilized this program to purchase a home over a nine-month period.

Recommendation: The City of St. James should consider the development of a local Down payment Assistance Program.

The City of St. James, the St. James EDA, the St. James HRA, major local employers, the Federal Home Loan Bank, MHFA and SCDP funds may be sources that could contribute to the fund.

St. James - New Housing Construction

New Housing Construction

Findings: St. James has experienced some single family owner-occupied housing construction over the past 16 years. According to City and U.S. Census records, from 2000 to 2015, approximately 74 single family owner-occupied units were constructed in St. James.

During the nine-year period from 2000 to 2008, approximately 65 owner-occupancy homes were constructed, which is an average of seven to eight homes annually. During the past seven years, from 2009 to 2015, only nine single family owner-occupied homes were constructed, which is an average of one to two homes per year.

The attractiveness of the area, available jobs, high amenity lots, lot purchase incentives and efforts by local stakeholders, should result in the construction of new homes over the next several years. However, attractive residential lot options must continue to be available for new home construction.

The growth of 138 households is anticipated in the St. James Market Area through 2020 among households in the age ranges 65 and older. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced, trade-up housing and low maintenance housing such as town homes and twin homes.

The number of St. James Market Area households in the 25 to 34 year old range is also projected to increase by approximately 30 households through the year 2020. Many of the households in this age range are seeking entry level homes.

It is our opinion that if the City of St. James, the St. James EDA, developers and builders, and local and regional housing agencies are proactive, an average of six to nine owner-occupied housing units could be constructed in St. James annually from 2016 to 2021 to address demand. This is a total of 30 to 45 housing units over the five-year period. Our projection for owner occupied single family housing starts includes homes built in new subdivisions and on infill lots, and includes single family attached housing units, such as twin homes and town houses. The breakdown of our projection of six to nine new owner-occupied housing units annually is as follows:

▶ Higher & median price homes	2-3 homes
▶ Affordable homes	2-3 homes
▶ Twin homes/town homes	<u>2-3 units</u>
Total	6-9 homes/ units

12. Lot availability and lot development

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of St. James. Currently, there are approximately 18 lots available in two St. James subdivisions. Fourteen of the lots are for sale in the Mayberry Hills Sixth Addition. There are also approximately four vacant lots in the Mathews Subdivision. Lot prices in the Mayberry Hills are \$10,000 and \$15,000. We do not know the availability and prices of the lots in the Mathews Subdivision.

There are also miscellaneous infill lots scattered around the city that we did not attempt to count. We do not know the availability of some of these infill lots. Also, there are dilapidated homes in the City. If these homes are demolished, some of the cleared lots may be sites for new construction.

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that six to nine new owner-occupied housing units could be constructed per year, the City should have approximately 15 to 23 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With approximately 18 available buildable lots, plus infill lots, the City currently has an adequate supply of lots for the next 2 ½ years. However, with the projections that six to nine new owner occupied housing units will be constructed annually, there may be a need for additional lots after 2 ½ years. Therefore, we recommend that the City, the EDA and developers monitor lot sales and new home construction and plan to develop additional lots within the next three years, if new construction projections come to fruition. There is land available in St. James for future development. Also, the hospital site may be available for new owner-occupied construction.

We would recommend the development of 14 to 16 lots, when the market need is identified, based on the number of houses that are actually constructed.

Future lot development should be subject to the following considerations:

- ▶ Lots should be developed in small phases, based on actual demand.
- ▶ The lots must include as many high quality amenities as is financially feasible.
- ▶ The lots should have covenants that assure high quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ Some lots should be developed that expand the market by providing an attractive, affordable product.
- ▶ Future lot development should accommodate a variety of home designs and home prices.
- ▶ A cluster of lots should be available for twin home/town home development.
- ▶ Future lot development will need the cooperation of financial institutions, employers, developers, home builders, realtors, the City of St. James, and the St. James EDA. Financial assistance such as tax increment financing and tax abatement may be necessary to make the development of lots feasible.

13. Strategies to encourage residential lot sales and new home construction in St. James

Findings: Prior to the housing market retreat of the late 2000s, a significant number of lots were developed and 65 homes were constructed in St. James from 2000 to 2008. However, over the past seven years, only nine owner-occupied homes have been constructed in the City.

Recommendation: We recommend that the City of St. James, the St. James EDA, developers, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

The St. James EDA, which owns the 14 lots in Mayberry Hills Sixth Addition, has recently implemented the following incentives to promote lot sales and new home construction:

- ▶ Smaller lot prices reduced from \$28,000 to \$10,000 (must build in 18 months)
- ▶ Larger lot prices reduced from \$37,330 to \$15,000 (must build in 18 months)
- ▶ Five-year payment plan for smaller lots
- ▶ Lots purchased for spec homes do not have to pay for the lot until the home is sold
- ▶ Two years to build and sell the spec home
- ▶ Special construction financing available

Our recommendations to promote lots sales and housing development include:

- ▶ ***Continue competitive pricing*** - There are lots available in communities throughout the region, some have changed ownership due to tax forfeiture or financial distress. Some of these lots are being offered for substantially less than their original asking price. To stay competitive, St. James should continue to offer lots at a competitive price.
- ▶ ***Plan for long-term absorption*** - The research completed for this Study expects limited annual absorption of lots in St. James. We are projecting the construction of six to nine housing units per year. It is necessary to view lot sales and housing development as a long-term plan.
- ▶ ***User-Friendly*** - The lot purchase and home building process must be 'user friendly.' This includes the construction of spec homes, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction.
- ▶ ***Consider developing an exclusive builder(s) relationship*** - A block of lots could be sold to a builder(s). Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. Builders are more willing to enter a market when the lots are attractive and very affordable. Selling a block of lots available to an exclusive builder or developer should be explored. The new incentives being implemented in the Mayberry Hills subdivision may provide the momentum for a builder to buy multiple lots.

- ▶ ***Continue to promote spec home construction*** - Spec houses could potentially attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy. The St. James EDA has recently implemented incentives to promote spec home construction in Mayberry Hills.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for a twin home/town home development.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivisions. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities could be marketed for affordable homes.
- ▶ ***Continue to provide incentives*** - The City of St. James, the St. James EDA and area businesses, should continue to provide incentives for households to buy lots and construct homes including reduced hookup and permit fees, reduced lot prices, discounts at area businesses, tax abatements, construction financing, etc.
- ▶ ***Marketing*** - The City of St. James, the St. James EDA and the St. James Chamber of Commerce will need to develop a comprehensive marketing strategy to sell available lots. All stakeholders including developers, realtors, financial institutions, builders, employers, etc. should be included in marketing strategies. In addition to marketing the lots, the City of St. James and its amenities should be marketed.

14. Promote town house and twin home development

Findings: St. James has experienced very limited owner-occupied attached housing development from 2000 to 2015. Many communities over the past two decades have seen attached housing take an increasingly large share of new construction. In cities the size of St. James, 20% to 25% of the housing starts are typically twin homes/town homes. Over the past 15 years, 28 twin homes/town home units have been constructed in St. James. However, almost all of these units were constructed for rental occupancy.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family homes available for families. In 2015, based on Esri estimates, there were 1,170 households in the St. James Market Area with a head of household in the 55 to 74 year old age ranges and it is estimated that the 55 to 74 age ranges will increase by 80 households in the Market Area from 2015 to 2020. It is estimated that St. James had 589 households in the 55 to 74 age range in 2015 and the households in the 55 to 74 age ranges will increase by 45 households from 2015 to 2020.

It is important for the City to offer a range of life-cycle housing options as many of these households will be seeking to downsize into low maintenance housing options.

Recommendation: It is our projection that two to three new twin homes or town houses could be built per over the next five years, which is a total of 10 to 15 units during the five-year period.

We recommend a twin home/town home development and for the development to be successful, the following should be considered:

- ▶ Senior friendly home designs
- ▶ Maintenance, lawn care, snow removal, etc. all covered by an Association
- ▶ Cluster development of a significant number of homes which provides security
- ▶ Homes at a price that is acceptable to the market

The public sector's role in any owner-occupancy attached housing development may be limited, as the private sector can often meet this housing need if a demand exists. The city's role should include assuring that adequate land is available for development and that zoning allows for attached housing development.

It may be advantageous to meet with a group of empty nesters and seniors who are interested in purchasing a twin home or town home to solicit their ideas.

A corporation was developed in Arlington, MN, to construct twin homes that included local contractors, the local bank and local investors. They have been very successful.

15. Coordinate with agencies/nonprofits that develop affordable housing

Findings: With the difficulty of producing new housing units that are affordable to lower income people, it is important to take advantage of opportunities presented by housing agencies and nonprofit groups such as Habitat for Humanity and the Southwest Minnesota Housing Partnership. These sources can help generate new homes for moderate income families in St. James.

Recommendation: We recommend that the City coordinate with housing agencies, nonprofit groups and private sector builders to produce housing units for moderate income ownership. The City may be able to contribute to the project through land donations, TIF, tax abatement, or project coordination activities.

If dilapidated homes are demolished, some of the cleared lots may be suitable for redevelopment and these in-fill lots may be good sites for this type of new construction activity.

16. Consider the development of lots for affordable new modular homes

Findings: Affordable new construction ownership options in St. James are a critical housing need in St. James. The City's median household income matches up fairly well with the price of the existing housing stock, however, households at or near the median income level do not have the financial ability to afford the costs associated with new housing construction. Our analysis indicates that a family at the median income level, using a 30-year fixed rate mortgage, could afford to purchase a house of approximately \$130,000 or less. This leaves a significant gap between affordability and the costs associated with new ownership housing construction, which will generally be more than \$175,000.

Recommendation: We recommend the development of a 12 to 16 affordable lots for modular homes. It is our opinion that two homes will be constructed annually, which would be an absorption period of six to eight years to fill the lots.

A local builder has a home design/plan that may be \$130,000 or less. There may also be other modular home designs/plans that are in the \$130,000 or lower price range.

- ▶ The City of St. James could support the project through TIF financing, tax abatement and/or land donations, and could also endorse the developers' applications to agencies for funding. The City and local housing agencies should also consider a local down payment assistance program to assist the project.
- ▶ In developing the lots, the following should be considered:
 - ▶ The lots must be as aesthetically acceptable as possible and could be in more than one location and on in-fill lots.
 - ▶ To keep development costs as low as possible, sites with easy access to existing infrastructure should be utilized.
 - ▶ If possible, the site(s) should have land available for future lot development phases.
 - ▶ Total home prices must be affordable for moderate income households. (preferably under \$150,000)
 - ▶ Other financing programs for households should be provided such as down payment assistance and low interest mortgage programs.
 - ▶ The project should be adequately publicized and advertised. The project must assist in creating a new housing market by providing an attractive, affordable product.
 - ▶ The home building process must be user-friendly, and should be as streamlined as possible for the buyers.
 - ▶ There should be a variety of home designs.
 - ▶ The homes must have permanent foundations.
 - ▶ Major employers should be involved in financing and publicity.
 - ▶ The homes must meet codes that assure a quality product, but regulations should not be so restrictive that they eliminate the target market's ability to purchase the home.

St. James - Housing Rehabilitation

Housing Rehabilitation

Findings: The City of St. James has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the affordable housing opportunities. Existing units generally sell at a discount to their replacement value. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock. Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities.

Housing options for households will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair are required. Without rehabilitation assistance, the affordable stock will shrink, creating an even more difficult affordability situation.

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

17. Promote rental housing rehabilitation programs

Findings: Based on 2010 U.S. Census data, the City of St. James has approximately 657 rental units. The rental units are in multi-family buildings, small rental buildings, mixed-use buildings, town homes, twin homes, single family houses and mobile homes. Many of the City's rental units could benefit from rehabilitation as most of the rental structures are more than 30 years old and some rental units are in poor condition.

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

Recommendation: The City of St. James and area housing agencies should seek funds to rehabilitate rental units. For a rental rehabilitation program to be workable and successful, the funds should to the extent possible, allow for program design flexibility.

Potential funding sources include Minnesota Small Cities Development Program (SCDP) funds, the Federal Home Loan Bank, the Minnesota Housing Finance Agency (MHFA) and local funds. MHFA has initiated a program known as the Rental Rehabilitation Loan Program (RRLP). The Southwest Minnesota Housing Partnership is administering this program in Watonwan County.

Also, housing agencies such as the Southwest Minnesota Housing Partnership, have purchased older market rate and subsidized rental projects in several cities and utilized funds from a variety of sources to rehabilitate and preserve these projects.

18. Promote owner-occupied housing rehabilitation programs

Findings: The affordability of the existing housing stock in St. James will continue to be the major attraction for families that are seeking housing in the area. Investment in owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities.

Our housing condition survey of 267 homes in three of the City's oldest neighborhoods found 97 homes that need minor repairs and 67 homes that need major repairs.

The Minnesota Valley Action Council (MVAC) administers housing rehabilitation programs in the City of St. James. The housing rehabilitation programs include the Fix-Up Fund, the Single Family Rehabilitation Loan Program and the Weatherization Program.

The City of St. James has also received and utilized SCDP funds in the past for owner-occupied housing rehabilitation programs.

Recommendation: We recommend that the City of St. James and the MVAC continue to utilize available funding sources to rehabilitate homes in St. James. USDA Rural Development, the Minnesota Housing Finance Agency (MHFA), the Greater Minnesota Housing Fund, the Federal Home Loan Bank and the Minnesota Small Cities Development Program (SCDP) are all potential funding sources.

We encourage the City of St. James to continue to apply for SCDP funds to rehabilitate houses.

19. Continue the Rental Housing Inspection Program

Findings: The Rental Housing Inspection Program is a valuable tool in improving the quality of the City's rental housing. It is estimated that there are approximately 657 rental units in the City of St. James, most of which are more than 30 years old. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Housing Inspection program is successfully implemented.

The City of St. James is currently implementing a Rental Housing Inspection Program. Rental property owners are required to license their rental units and all rental units are inspected annually.

The need for an ongoing Rental Housing Inspection Program includes the following:

Health and Safety

- ▶ There is a need to provide tenants with safe, sanitary, and standard living conditions and to eliminate life threatening hazards.

Age of Housing Stock

- ▶ Much of the existing rental housing stock in St. James is more than 30 years old.
- ▶ Older housing needs continued rehabilitation and maintenance.
- ▶ Older housing often has difficulty complying with current codes.

Conversions

- ▶ Some of the rental buildings were originally constructed for other uses, including single family homes converted into multiple units, or commercial buildings converted to residential use. In conversion, owners often do the work themselves and have inadequate or faulty mechanical, electrical, plumbing, and heating systems. Also, constructing an apartment in the basement often results in a lack of natural lighting, ventilation and proper access and egress.

Trends of Conversions

- ▶ Many buyers want more amenities and conveniences, and less maintenance, thus, they are less likely to purchase older homes. Also, there was an increase in foreclosures during the recession. These issues result in the continuation of converting old homes to rental units which can result in additional substandard rental units.

Maintenance Efforts

- ▶ A large number of landlords are providing standard housing and reinvesting in their rental properties. However, some landlords do not maintain their buildings. Ongoing maintenance is necessary for older housing as buildings with continued deferred maintenance become unsafe and substandard.

High Number of Landlords

- ▶ St. James has a significant number of rental property owners. Many of these landlords do an excellent job; however, some absentee landlords do not reinvest in their properties, and create an ongoing need for the program.

Neighborhood Stabilization

- ▶ Rental units need to be maintained to keep the integrity of the neighborhood and stabilize property values. Deferred maintenance, parked junk cars, trash and debris all have a negative impact on residential neighborhoods.

Zoning and Codes

- ▶ Illegal apartments such as inappropriately constructed basement apartments may be unsafe and a violation of zoning regulations.

Coordination

- ▶ A Rental Housing Inspection Program provides a record of rental units and owners.
- ▶ The program provides a better opportunity for coordination of city programs and codes.

Recommendation: We recommend the continued implementation of the Rental Housing Inspection Program to assure that all rental units in St. James comply with housing laws and codes. The Program assures that St. James rental units are safe and sanitary, thus, removing blighted and unsafe conditions.

St. James - Other Housing Initiatives

Other Housing Initiatives

20. Encourage employer involvement in housing

Findings: The connection between economic development and housing availability has become an increasingly important issue as local employers have the need to attract new workers to the community. Housing for new employees is a concern for employers. It may be advantageous for employers to become involved in housing.

Recommendation: We recommend an ongoing effort to involve employers as partners in addressing the City's housing needs. Several funding sources have finance programs that include employers. The funding agencies often view applications favorably that include employers in the problem solving process.

Employer involvement can include direct assistance to their employees such as a grant, loan, forgivable loan, deferred loan, down payment assistance, loan guarantee, etc. In many cases, employers do not wish to provide assistance to specific employees, but are willing to contribute to an overall city project, such as work force oriented rental housing, an affordable home ownership program or a new subdivision.

21. Acquire and demolish dilapidated structures

Findings: Our housing condition survey identified 17 houses in three of the City's oldest neighborhoods that are dilapidated and too deteriorated to rehabilitate. Also, we identified 67 homes that need major repair. Some of these homes may be too dilapidated to rehabilitate.

Recommendation: We recommend that the City of St. James continue to take an aggressive approach to demolishing severely dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can be utilized for the construction of new affordable housing units.

The City could develop partnerships with housing agencies and private developers to construct new housing on cleared parcels. Tax increment financing, Greater Minnesota Housing Funds, MHFA funds, and SCDP funds are potential funding sources for this initiative. Funding may be available for both acquisition/demolition and new construction activities.

Also, we recommend that the City maintain an inventory of structures that may be candidates for future demolition. Additionally, an inventory of in-fill lots for future development should be maintained.

22. Continue to promote commercial rehabilitation and development

Findings: The City's commercial district is in good condition, and several commercial buildings have been renovated, however, there are several substandard and vacant commercial buildings in St. James.

When households are selecting a city to purchase a home in, they often determine if the city's commercial sector is sufficient to serve their daily needs. A viable commercial district is an important factor in their decision making process.

Recommendation: We recommend that the City of St. James and the St. James EDA continue to work with commercial property and business owners to rehabilitate their buildings and to promote new commercial development in St. James. The City of St. James and St. James EDA should also continue to seek funding to assist downtown property owners and businesses.

In the recommendation that follows, we have discussed strategies that can be used for downtown redevelopment.

23. Strategies for Downtown Redevelopment

Findings: Downtown St. James has buildings that have been renovated and have high quality commercial and/or housing space. There are also buildings that have not been maintained and are substandard or dilapidated. This recommendation provides an outline of actions that could be taken to redevelop the downtown, to maximize the usage of downtown buildings, to promote new downtown businesses and to identify and implement upper floor renovations/conversions for housing.

Recommendation: We are recommending the following actions for downtown St. James:

- ▶ Interview downtown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)

- ▶ Develop an overall plan for the downtown (potential new businesses, address parking needs, develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a mini-plan for each downtown property and each downtown block. This may include:
 - ▶ Commercial building rehab and renovations
 - ▶ Facade work
 - ▶ Upper floor rental unit conversions or rehab
 - ▶ Building demolition
 - ▶ New construction
 - ▶ Recruiting new businesses
- ▶ Identify funding sources
 - ▶ SCDP funds
 - ▶ Property owner funds
 - ▶ City and EDA funds
 - ▶ Federal Home Loan Bank
 - ▶ Historic tax credits
 - ▶ Special tax districts
 - ▶ Tax increment financing
 - ▶ Tax abatement
 - ▶ Region Nine Development Commission
 - ▶ SW Minnesota Housing Partnership
 - ▶ Artplace CEI
- ▶ Work with stakeholders to identify roles, secure funding, develop and implement programs and projects
 - ▶ Property owners
 - ▶ City of St. James
 - ▶ St. James EDA
 - ▶ St. James Chamber of Commerce
 - ▶ St. James HRA

24. Create a plan and continue coordination among housing agencies

Findings: The City of St. James, the St. James EDA and the St. James HRA may need staff resources in addition to existing staff to plan and implement many of the housing recommendations advanced in this Study. The City has access to the Minnesota Valley Action Council, the Region Nine Regional Development Commission, the South Central Minnesota Multi-County HRA and the Southwest Minnesota Housing Partnership. The City also has access to the Greater Minnesota Housing Fund, the Minnesota Housing Finance Agency (MHFA) and the USDA Rural Development Office. These agencies all have experience with housing and community development programs.

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

It will also be important for the City to look for opportunities to work cooperatively with other surrounding cities to address housing issues. With the number of cities in the County, and limited staff capacity at both the City and County level, cooperative efforts may be the only way to accomplish certain projects. Cooperative efforts will not only make housing projects more practical, but they will often be more cost-effective and competitive.

25. Develop home ownership and new construction marketing programs and strategies

Findings: With the downturn in the housing economy, the competition among cities for households looking to buy or build a home has been greater than in the past. Several cities in the region have an excess inventory of residential lots, homes for sale, vacant homes and homes in foreclosure. Additionally, households are evaluating the appropriate timing to buy or build a home.

As the economy continues to improve, cities that invest in marketing have an advantage. Opportunities to buy or construct a home are sometimes limited because of the lack of information and awareness of financing and incentive programs, homes and lots on the market, local builders, etc.

This is especially evident for new households moving into the area. The home buying/home building process can be very intimidating for first-time buyers and builders. It is important for the home buying or home building process to be user-friendly.

Recommendation: The City of St. James, the St. James EDA and the St. James Chamber of Commerce have been active in promoting and marketing housing, and we recommend the continuation or initiation of the following activities:

- ▶ Determine the City's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (St. James and the area) to provide employees (especially new employees) with housing opportunities in St. James
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Consider an annual Housing Fair that provides information on lots, builders, finance programs, etc. Developers, builders, lenders, realtors, public agencies and local businesses could participate
- ▶ Work with builders to make the construction of a new home a very user friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, commercial, service and recreational opportunities that make the City a "full service" community
- ▶ Continue to provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve and improve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, etc.
- ▶ Continue incentives and strategies to encourage builders and households to buy lots or to build and buy new homes.
- ▶ Review the City's building policies and fees to assure that they are user-friendly, fair and reasonable for developers, builders and households.
- ▶ Develop a coordinated housing plan with area housing agencies.

26. St. James Place Mobile Home Park Recommendations

Findings: St. James has approximately 44 mobile homes located in the mobile home park, St. James Place Mobile Home Park. Of the 44 mobile homes surveyed, seven were sound with no required improvements, 13 needed minor rehabilitation and 16 needed major rehabilitation. Eight mobile homes were determined to be dilapidated and beyond repair.

Recommendation: It may be appropriate for the community and the mobile home park's owner/residents to initiate programs to improve the quality and to encourage the location of more mobile homes in the park. There are empty lots in the St. James Place Mobile Home Park. A mobile home is an affordable housing option for many households.

Some of the innovative programs that have been used in other communities to address mobile home conditions and mobile home park issues include:

- ▶ ***Down Payment Assistance Program*** - Develop a Down Payment Assistance Program that assists households with the purchase of a mobile home.
- ▶ ***Operation Safe Mobile Home Park*** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished/salvaged. The owner can then use the funds from the sale to help purchase a new home. Mobile home dealerships have sometimes participated by buying the salvaged homes.
- ▶ ***Time of Sale Inspection Program*** - This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale or rental. All identified safety hazards must be corrected before the unit is sold, rented and/or occupied.
- ▶ ***Age of Mobile Homes Moved into the City*** - Some cities have implemented an ordinance which stipulates that a mobile home must have been manufactured after a designated year to be moved into the City. This prevents older units from being moved into the City.

- ▶ ***Cooperative/Land Trust*** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.

27. The 'Old Hospital' Site

Findings: Several years ago the Mayo Clinic Health System constructed a new hospital and clinic in St. James. The old hospital was demolished and the site is owned by the City of St. James and available for new development.

It is advantageous to the City of St. James for the site to be developed over the next 18 months. If the site is not developed during this period, a portion of the hospital demolition costs must be paid back to the Minnesota Department of Employment and Economic Development (DEED), which provided a grant for the demolition.

The 'Old Hospital' site is in an R-1 District, thus, residential buildings must have four units or less.

Recommendation: In reviewing the site and the surrounding area, we have determined that the site is an excellent location for housing development. The site is in an established neighborhood and close to many amenities. Infrastructure and utilities are available to the site.

It is our opinion that a planned housing development could include owner-occupied twin homes/town homes, rental town homes and moderately-priced owner-occupied single family homes.

The development could be planned to accommodate all or some of these housing options. Amenities such as sidewalks, trails, landscaping, lighting, a pond, etc. could enhance the development. The site has the potential to be a 'showplace' and a draw to the community.

28. Racial and Ethnic Minority Housing Issues

This section provides information and recommendations on the housing needs of the City’s racial and ethnic minority populations. There are concerns regarding the racial and ethnic minority population’s ability to obtain affordable, safe and sanitary housing.

This following information is provided:

- ▶ Population, household and household tenure data
- ▶ Problems and barriers in securing housing
- ▶ Strategies in securing housing

Population Data and Trends

2014 Population by Race - St. James		
Race	2014 Population	Percent
White	4,199	92.0%
Black/African American	62	1.4%
American Indian	6	0.1%
Asian	0	0%
Hawaiian/Pacific Islander	22	0.5%
Other race Alone	259	5.6%
Two or more races	17	0.4%
Total	4,565	100%

Source: 2014 American Community Survey

- ▶ In 2014, approximately 92% of the City’s population was White, 5.6% was another race alone, 1.4% was Black/African American, 0.4% was two or more races, 0.5% was Hawaiian/Pacific Islander and 0.1% was American Indian.
- ▶ There were 1,619 City residents in 2014 that identified their ethnicity as Hispanic/Latino. The large majority of these people identified themselves as a single race, with 1,294 of Hispanic/Latino residents identifying their race as White. The remaining Hispanic/Latino residents were distributed in other racial groups.

2014 Households by Race/Ethnicity - St. James		
Race	2014 Households	Percent
White	1,753	95.7%
Non-White	78	4.3%
Total	1,831	100%
Non-Hispanic/Latino	1,424	77.8%
Hispanic/Latino	407	22.2%
Total	1,831	100%

Source: 2014 American Community Survey

The table above identifies households by race and ethnicity in St. James in the year 2014.

According to the 2014 American Community Survey, 95.7% of the households were White and 4.3% were Non-White.

According to the American Community Survey, 22.2% of St. James households were Hispanic/Latino, and 77.8% were not of Hispanic/Latino ethnicity.

Hispanic/Latino Populations

The Hispanic/Latino ethnic population is the largest ethnic minority group in St. James. According to the 2014 American Community Survey, the Hispanic/Latino population and households are as follows:

Hispanic/Latino 2014 Population and Households in St. James		
Ethnicity	2014 Population	2014 Households
Hispanic/Latino	1,619	407

Source: U.S. Census; Community Partners Research, Inc.

In 2014, the 407 Hispanic/Latino households represented 22.2% of all households in St. James. The population of 1,619 Hispanics/Latinos represented 35.5% of the total City population in 2014. Many of the City's Hispanic/Latino residents live in large households, so the population percentage is larger than the household percentage.

2014 Household Tenure by Ethnicity in St. James				
Ethnicity	Owner Households		Renter Households	
	Number	Percent	Number	Percent
Hispanic/Latino	154	37.8%	253	62.2%
Non-Hispanic/Latino	983	69.0%	441	31.0%
Total	1,137	62.1%	694	37.9%

Source: American Community Survey; Community Partners Research, Inc.

The American Community Survey estimates that 69% of non-Hispanic/Latino households were home owners in 2014. The rate of home ownership was lower for Hispanic/Latino households, at 37.8%.

Housing Problems and Barriers

Housing problems and barriers were identified that impact racial and ethnic minority households, which include:

- ▶ **Same barriers as other low/moderate income households** - A significant percentage of minority households are low/moderate income and experience the same barriers as many non-minority low and moderate income households, in finding affordable, standard housing.
- ▶ **Communication** - Some minority individuals cannot speak English which causes communication problems when searching for housing.
- ▶ **Cultural Differences** - Minority households may have cultural differences, which can conflict with generally accepted standards. For example, the number of people per unit may be acceptable to the individuals, but may be considered overcrowding by the City Housing Code.
- ▶ **Temporary residents** - Some landlords require six month or one-year leases. Some minority households are located in St. James on a short-term basis and cannot sign a long-term lease.
- ▶ **Transportation** - Transportation is a problem because some minority individuals do not have vehicles, drivers licenses or insurance.

- ▶ **Deposit/Down payment** - Some minority households do not have the savings to pay a rent deposit or to make a down payment.
- ▶ **Screening process** - Some rental property owners have a screening process that includes credit checks, criminal background checks, reference requirements, employment requirements, etc. It is difficult for some low income households to pass the screening process. Minority households often have additional hurdles in that some minority households have no established credit, have no references, may not have proper documentation to be in the country, etc.
- ▶ **Lack of large apartments** - Some minority households have large families that require three, four or five-bedroom units. Large apartments are in short supply and are not meeting the demand.
- ▶ **Overcrowding** - With some minority households having difficulty finding housing, some households are forced to double-up which causes an overcrowded, often unhealthy living environment.
- ▶ **Rent Burden** - According to the 2010 Census, 29% of renter households in St. James are paying more than 30% of their income for housing. This is considered a rent burden. It is assumed that some of these households are minority households.

Strategies in Securing Housing

Strategies to address the housing needs of the racial and ethnic minority population include:

- ▶ **Recognizing the impact the ethnic and racial minority population has on the housing market** - To address the needs of the minority population, we must recognize the impact the minority population has on the overall needs of the City. Often the minority population is low/moderate income, younger in age, need larger units based on family size and are often immigrants from distant locations.
- ▶ **Employer Involvement** - Employers should continue to take an active role in housing initiatives that address the housing needs of the minority population.

- ▶ **Renter Education Programs** - One of the barriers for the racial and ethnic minority population may be the inability to pass a screening process, as explained above. Renter education programs could be offered in the community.
- ▶ **Leadership among the minority populations** - The racial and ethnic minority populations must continue to develop strong leadership to develop self help strategies and to work with agencies and governmental jurisdictions to address the housing needs of the minority population.
- ▶ **Financial institutions** - The financial institutions play a vital role in the minority population's opportunity to own a home and should continue to develop initiatives to address the minority population's financial needs.
- ▶ **Continue to enforce the Rental Housing Inspection Program** - The Rental Housing Inspection Program should continue to be enforced to eliminate unsafe and unsanitary living conditions.
- ▶ **Develop large rental units** - Large minority households have difficulty finding a rental unit large enough for their families. The need exists to develop large rental units.
- ▶ **Community education** - Local agencies, the schools, the media and employers should continue to educate the community at every opportunity about diversity and our minority populations. Education usually results in more tolerance and understanding. Conversely, the minority population must continue to educate themselves about St. James and integrate into the community.
- ▶ **English speaking classes** - English speaking classes are offered and minority individuals should continue to take advantage of these classes.
- ▶ **Training & Education** - Employers should continue to provide training and minority individuals should take advantage of this training and also seek additional education. Training and education usually results in a better job which means a higher income. A higher income can solve many problems including housing needs.

- ▶ **Work with rental property owners that provide housing for the minority populations** - A number of rental property owners are providing housing for the minority populations. The City or a local agency should continue to meet and communicate with these landlords to address their concerns and determine how the City can work with the landlords to better address the minority population's housing needs.
- ▶ **Home ownership programs** - Many minority households have an interest in gaining knowledge on how to purchase homes and what programs may be available to assist them in attaining home ownership. Minority households should be encouraged to attend Home Ownership education classes.
- ▶ **Study Recommendations** - Finally, most of the recommendations included in this study also pertain to the minority populations.

Agencies and Resources

The following regional and state agencies administer programs or provide funds for housing programs and projects:

South Central Minnesota Multi-County Housing and Redevelopment Authority

422 Belgrade Ave., Suite 102
North Mankato, MN 56003
(507) 345-1977

Minnesota Valley Action Council

706 North Victory Drive
Mankato, MN 56001
(507) 345-6822
lynn@mnhvac.org

Southwest Minnesota Housing Partnership

2401 Broadway Ave. Suite 4
Slayton, MN 56172
(507) 836-1608
maureen@swmhp.org
Contact: Rick Goodemann, Executive Director

Region Nine Development Commission

10 Civic Center Plaza
Mankato, MN 56001
(507) 387-5643

Greater Minnesota Housing Fund

332 Minnesota Street
Suite 1201 East
St. Paul, MN 55101
info@gmhf.com
General contact: (800) 277-2258, (651) 221-1997

Minnesota Housing Partnership

2446 University Avenue

Suite 140

St. Paul, MN 55114

<http://www.mhponline.org/information-email-at-mhp>

General contact: (800) 728-8916, (651) 649-1710

Minnesota Housing Finance Agency

400 Sibley Street

Suite 300

St. Paul, MN 55101

mn.housing@state.mn.us

General contact: (800) 657-3769, (651) 296-7608

USDA Rural Development

Willmar Service Center

409 19th Avenue SW

Willmar, MN 56201

(320) 235-5612