

## **Rental Housing**

### **Overview**

In April 2000, the Census Bureau reported a rental tenure rate of 28.2% in Breckenridge. The Statewide rate for Minnesota was 25.4%.

The Census recorded 405 occupied rental units in the City of Breckenridge. There were also at least 90 rental units that were recorded as vacant. Excluding some other miscellaneous vacancies in the City, the estimated rental housing inventory was 495 total units.

In all of Wilkin County, the Census recorded 529 occupied rental units, and at least 94 vacant units, for a total inventory of 623 units. Rental housing in Breckenridge represented more than 79% of all rental units Countywide. The rental tenure rate Countywide was 19.2%.

The City of Breckenridge does not have a rental registration program or other means to estimate the size of the current rental inventory. Over the last decade, there were 20 townhouse style rental units and 50 senior assisted living units constructed in the City. Without adjusting for any possible unit losses over the past ten years, the rental inventory in Breckenridge may be as large as 565 total units. With a relatively high rate of vacancy, a number of these units would not be occupied in 2010.

There has been almost no new rental housing construction in the other jurisdictions in Wilkin County. Census records only show four possible rental units outside of Breckenridge since the year 2000. The rental tenure rates in both Breckenridge and Wilkin County do not appear to have changed significantly over the past decade.

### **Rental Housing Survey**

As part of this housing study, a survey was conducted of multifamily buildings in the City. The survey included most of the larger rental buildings with eight or more units. Several smaller buildings with less than eight units were also surveyed.

Information was collected from 17 rental projects with a total of 343 of the estimated 565 rental units in Breckenridge, or approximately 61% of all units. Although the survey represents only a portion of all rental properties in the City, it included almost all of the larger rental properties. For purposes of new unit construction, it was assumed that most future development would be oriented towards larger buildings and developments, and properties with eight or more units offer the best comparison.

The survey was conducted by Community Partners Research, Inc., during the months from May to June, 2010.

## **Market Rate Rental Summary**

Nine market rate rental projects and buildings were contacted with a total of 97 rental units. Additional market rate rental units exist in single family homes. We did not contact this segment of the market.

### **Occupancy/Vacancy**

Overall, we found four vacant market rate units of the 97 units we surveyed for a vacancy rate of 4.1%. Most managers and owners reported good occupancy rates.

**In 1996, the Maxfield Study reported a 1.9% vacancy rate in market rate units, based on the rental survey that was conducted.**

### **Unit Mix**

The following information is the bedroom mix for the 97 market rate rental units surveyed:

- ▶ 7 (7.2%) efficiency
- ▶ 22 (22.7%) one-bedroom
- ▶ 68 (70.1%) two-bedroom

### **Rental Rates**

The units in the survey included the City’s newest buildings as well as buildings that are 25 or more years old, resulting in a wide variation in the type and price of market rate units. Based on the units contacted, we believe that prevailing rental rates are in the following ranges:

Efficiency	-\$235
1 Bedroom	-\$300-\$400
2 Bedroom	-\$350-\$450

**In comparing prevailing rents with the prevailing rents from the 1996 study, rents have increased minimally over the past 14 years.** Although the prevailing rent for a two-bedroom is \$350 to \$450, there are two high quality rental projects in Breckenridge that have two-bedroom rents ranging from \$900 to \$985.

### **Tax Credit**

There is one tax credit assisted rental project in Breckenridge, Ridgeview Townhomes. Ridgeview Townhomes has a total of 12 general occupancy units, which includes eight two-bedroom and four three-bedroom units. The project was constructed in 1998.

### **Occupancy/Vacancy**

Ridgeview Townhomes reported full occupancy, however, the manager reports that there have been on-going vacancy problems. Tenants must have an annual income under 60% of median income to qualify for a unit.

### **Rental Rates**

The tax credit program establishes a maximum rent level for units assisted under the program. The rents being charged by Ridgeview Townhomes is below the maximum limits set by the federal government. The rent levels for Ridgeview Townhomes is as follows:

2 Bedroom	\$525
3 Bedroom	\$585

### **Subsidized Summary**

The survey contacted five subsidized rental projects with a total of 166 units. The five projects include two senior/handicap/disabled buildings and three general occupancy projects.

### **Occupancy/Vacancy**

There were 34 vacant units in the subsidized projects, for a vacancy rate of 20.5%. All of the subsidized projects reported vacancies. York Manor and Park Manor each reported 13 vacancies, however, both managers reported that the occupancy rates have improved substantially over the past year. York Manor and the Scattered Site Public Housing each reported two vacancies. Appletree Court reported four vacancies. **In 1996, the Maxfield Study reported a 20.3% vacancy rate.**

### **Unit Mix**

The unit mix of the five projects with 166 units is as follows:

- ▶ 138 (83.2%) one-bedroom
- ▶ 24 (14.4%) two-bedroom
- ▶ 4 (2.4%) three-bedroom

### **Rental Rates**

In some of the subsidized units, tenants receive rent assistance that allows for rent based on 30% of tenant household income. Tenants without rent assistance pay 30% of income, but not less than a basic unit rent established for the project. The base rent levels are typically lower than prevailing rents in the community, although, because of the low rent structure in the City of Breckenridge, base rents in the subsidized projects are comparable to market rate rents.

The Housing Voucher Rent Assistance Program also provides subsidized housing. This Program provides tenant-based rent assistance and can be used in any suitable rental unit. However, Wilkin County is one of only two counties in the State of Minnesota that does not have a Housing Voucher Rent Assistance Program.

### **Senior Housing with Services**

Three senior housing with services projects were included in the survey. Twin Town Villa is a 50-unit assisted living project. Pioneer Cottage is an 18-bed memory care facility and Appletree Court provides light services. We have also included Appletree Court in the subsidized section as it is a HUD subsidized project.

### **Occupancy/Vacancy**

Twin Town Villa and Pioneer Cottages both reported no vacancies and excellent occupancy rates. Appletree Court reported four vacancies and the manager reports on-going vacancy problems.

### **Rental Rates**

Appletree Court is a HUD subsidized project with income limits for occupancy. Appletree Court charges rent based on 30% of adjusted gross income.

Twin Town Villa's basic rent ranges from \$1,810 to \$2,200 based on the size of the unit. The rent includes housekeeping, laundry, utilities, a noon meal, etc. Additional services can be purchased a la carte.

Pioneer Cottages rents are \$3,950 for a double room and \$4,285 for a single room. The rent includes all services and amenities.

<b>Breckenridge Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Market Rate</b>					
411 4 <sup>th</sup> St. S.	1 - 1 Bedroom <u>5 - 2 Bedroom</u> 6 total units	Not available	No vacancies	Mix of tenants	Six-unit complex constructed in 1986. Units are usually fully occupied.
Wilkin Properties 419 Wilkin Ave.	2 - Efficiency 9 - 1 Bedroom <u>12 - 2 Bedroom</u> 23 total units	\$235 \$285-\$310 \$385	1 vacant 2-bedroom unit	Mix of tenants	Constructed in 1976. Tenants pay heat and electricity. Manger reports that the units are usually fully occupied. Garages are available for \$25-\$30 per month.
Catherine Apts. 730 & 736 5 <sup>th</sup> St. N.	2 - 1 Bedroom <u>22 - 2 Bedroom</u> 24 total units	\$275 \$345-\$360	No vacancies	Mix of tenants	Constructed in 1976. Manager reports that the units are usually fully occupied. Heat is included in rent. Garages available for \$25 per month.
1116-1122 Andrews Ave.	<u>4 - 2 Bedroom</u> 4 Total Units	Not available	No vacancies	Mostly seniors	Townhouse style four-plex. Tenants pay electricity. Owner reports that the units are always fully occupied.
Willows & Maplewood Senior Living	3 - 1 Bedroom <u>13 - 2 Bedroom</u> 16 total units	\$860 \$960-\$985	2 vacant 1-bedroom units	55 and over	Townhouse style units. Eight units constructed in 2005 and eight units constructed in 2008. Currently two vacancies, but units have always been fully occupied and owner reports that the vacant units will be rented soon. Units are high quality and have many amenities. Tenants pay all utilities.
Harvest Field Estates	<u>4 - 2 Bedroom</u> 4 total units	\$850-\$900	No vacancies	Mostly seniors	Townhome style units five years old. Two units have single car garage and two units have double garage. Units are high quality with many amenities. Tenants pay all utilities.
802 Minnesota Ave.	1 - 1 Bedroom <u>4 - 2 Bedroom</u> 5 total units	N/A	No vacancies	Mix of tenants	Currently no vacancies. Owner reports occasional vacancies.
286 Wegener	1 - 1 Bedroom <u>3 - 3 Bedroom</u> 4 total units	\$400 \$450	1 vacancy	Mix of tenants	Currently one vacancy. Utilities included in rent.

<b>Breckenridge Multifamily Rental Housing Inventory</b>					
Greenquist Apts. 502 ½ Minnesota Ave.	5 - Efficiency 5 - 1 Bedroom <u>1 - 2 Bedroom</u> 11 total units	\$250-\$275 \$350-\$400 \$350	No vacancies	Mix of tenants	Owner reports that there are currently no vacancies, but there are typically one to two vacancies. Units were rehabilitated in the late 1990s.
<b>Subsidized</b>					
York Apts. 405 & 415 9 <sup>th</sup> St. S.	<u>16 - 2 Bedroom</u> 16 total units	30% of income \$501 basic \$590 market	2 vacancies	Mostly families	Rural Development project constructed in 1986. Twelve of the 16 units have rent assistance. The two vacancies are in the market rate units. Tenants pay electricity. Until recently, four vacancies were common.
York Manor 415 5 <sup>th</sup> St. S.	47 - 1 Bedroom <u>1 - 2 Bedroom</u> 48 total units	30% of income \$501 market \$608 market	13 vacancies	Seniors, disabled	HUD Section 8 project constructed in 1980. There were 33 vacancies, but new management has reduced the vacancies to 13. Tenants pay heat and electricity. Three tenants pay market rent.
Park Manor 415 5 <sup>th</sup> St. S.	71 - 1 Bedroom <u>1 - 2 Bedroom</u> 72 total units	30% of income \$350 Max. \$50 Min.	13 vacancies	14 seniors, remaining tenants are non-seniors, several seniors are disabled	HUD Public Housing constructed in 1970. Manager reports 13 vacancies, but nine vacant units need renovation before they can be rented. Manager has applied to HUD to convert five vacant units into three larger units. Several other units are being remodeled. Other improvements include heating and air conditioning, new toilets and new faucets. One year ago the occupancy rate for Park Manor was 40%.
Scattered Site Public Housing	6 - 2 Bedroom <u>4 - 3 Bedroom</u> 10 total units	30% of income	2 vacancies	Mostly families	The 10 units include three two-bedroom duplexes and four single family three-bedroom homes. There is a waiting list for these units. One duplex is being renovated, thus, the two current vacancies.
Appletree Court Senior Living	<u>20 - 1 Bedroom</u> 20 total units	30% of Adjusted Gross Income	4 vacancies	All seniors	HUD subsidized senior project constructed in 1998. Manager reports higher vacancies since hospital and nursing home moved to new facility. Tenants pay electricity, but have a utility allowance. Laundry and housekeeping services provided.

<b>Breckenridge Multifamily Rental Housing Inventory</b>					
<b>Tax Credit</b>					
Ridgeview Townhomes	8 - 2 Bedroom <u>4 - 3 Bedroom</u> 12 total units	\$524 \$585	No vacancies	Families	Tax credit project constructed in 1998. Manager reports on-going vacancies, although currently fully occupied. Tenants pay electricity. Tenants must be 60% or less of median income.
<b>Senior with Services</b>					
Twin Town Villa - Assisted Living	36- 1 Bedroom 4 - 1 Bedroom/Den <u>10 - 2 Bedroom</u> 50 total units	1,810-1,977 2,340 2,117-2,220	No vacancies, waiting list	All seniors	New 50-unit assisted living facility. Fully occupied with a short waiting list. Rent includes housekeeping, laundry, utilities, noon meal, security system. Additional services can be purchased a la carte based on tenant's needs.
Pioneer Cottages	6 single bedrooms <u>6 double bedrooms</u> 18 residents capacity	\$3,950 \$4,285	No vacancies	All seniors	Memory care facility constructed in 2006. Manager reports that the facility has a high occupancy rate. Rent covers all services and amenities including meals, laundry, housekeeping, activities, etc.
Appletree Court Senior Living	<u>20 - 1 Bedroom</u> 20 total units	30% of Adjusted Gross Income	4 vacancies	All seniors	HUD subsidized senior project constructed in 1998. Manager reports higher vacancies since hospital and nursing home moved to new facility. Tenants pay electricity, but have a utility allowance. Laundry and housekeeping services provided.

Source: Community Partners Research, Inc.

## **Findings on Growth Trends**

Growth patterns for the City of Breckenridge show a modest population loss in the 1990s and significant population losses from 2000 to 2010. Between 1990 and 2000, the City's population decreased by 149 people. From 2000 to 2010, based on Claritas, Inc. estimates, Breckenridge's population decreased by 345 people. The 2009 U.S. Census estimate shows a loss of 374 people.

During the 1990s, Breckenridge experienced a slight loss of 39 households. According to Claritas, Inc. estimates, Breckenridge experienced the loss of 125 households from 2000 to 2010.

All of Wilkin County has experienced population losses since 1990. From 1990 to 2000, Wilkin County lost 378 people and experienced a loss of 901 people from 2000 to 2010. Wilkin County experienced the loss of 53 households in the 1990s and lost 308 households from 2000 to 2010.

The total Market Area, which includes the Cities of Wahpeton and Breckenridge and the Counties of Richland and Wilkin, has lost population since 1990, with the most significant losses from 2000 to 2010. The Market Area did gain households in the 1990s, but experienced significant household losses from 2000 to 2010.

The City of Breckenridge, Wilkin County and the Market Area all have less households in 2010 than in 1990.

## **Findings on Growth Projections**

As part of this Study, we have used household projections to the year 2015. These projections have been calculated by Community Partners Research, Inc., and Claritas, Inc.

All the projections for the City of Breckenridge expect a decrease in the number of households. The projections show a household loss in the range of 36 to 84 households. The projection based on 10-year trends projects a loss of 57 households, while Claritas, Inc. projects a loss of 84 households. Population projections expect a loss in the range of 142 to 223 people in the City by 2015.

The available projections for all of Wilkin County show the probable loss of between 330 and 511 people and between 79 and 177 households through the year 2015.

The Market Area is also expected to experience population and household losses through the year 2015. It is projected that the Market Area will lose between 912 and 1,660 people and between 106 and 553 households through 2015.

## Findings on Growth Projections by Age Group

Claritas, Inc. has generated household by age projections. These projections partly reflect growth from new households that will be formed, or that will move into or out of the County or Market Area. The projections also reflect the aging-in-place of the existing households during the next five years. Projections by age can be very informative for calculating future housing demand, as strong preferences in tenure, style, price and features are evident within defined age ranges. Community Partners Research, Inc. has adjusted the Claritas, Inc. household by age projections based on additional demographic data.

On the page that follows, we have used these household by age projections to form projections on future demand by tenure. The table below provides change by age range for Richland County, Wilkin County and the Market Area between the year 2010 and the year 2015. It is very important to note that these age-based projections represent an informed prediction of future growth. Actual market activity and economic growth could alter these expectations.

Projected Net Demand Change by Tenure and Age - 2010 - 2015						
Age	Richland County		Wilkin County		Market Area	
	Net Change Owner	Net Change Renter	Net Change Owner	Net Change Renter	Net Change Owner	Net Change Renter
Under 25	-10	-73	-2	-7	-12	-80
25-34	71	55	23	6	94	61
35-44	-89	-27	-73	-11	-162	-38
45-54	-283	-58	-110	-12	-393	-70
55-64	120	26	41	5	161	31
65-74	84	17	7	1	91	18
75-84	-43	-15	-3	-2	-46	-17
85 +	3	1	1	0	4	1
<b>Total</b>	<b>-147</b>	<b>-74</b>	<b>-116</b>	<b>-20</b>	<b>-263</b>	<b>-94</b>

Source: Community Partners Research, Inc.

## **Findings on Housing Unit Demand and Tenure**

Comparing the projected age-based household changes through the five-year projection period with past tenure preferences results in a forecast of the tenure mix that will be needed for new housing unit demand between 2010 and 2015. Our calculations are based largely on the tenure preferences by age group that were evident in the 2000 Census, with some adjustment for a greater acceptance of certain housing types as people become more familiar with newer housing options.

Calculations for total future housing need are largely based on three demand generators, household growth, replacement of lost housing units, and pent-up, or existing demand for units that already exists but is not being served.

***Demand from Growth*** - The best available projections for Wilkin County expect household losses, thus, the demand for housing based on household growth is very limited. There are several age ranges including the 25 to 34, 55 to 64, 65 to 74 and 85 and over, which are projected to add households which will generate limited need for some housing types and options.

***Replacement of Lost Rental Units*** - It is often difficult to quantify the number of units that are lost from the housing stock on an annual basis. Unit losses may be caused by demolition activity, losses to fire or natural disasters, and to causes such as deterioration or obsolescence. It is also probable that some rental unit losses have also occurred due to conversion, as single family houses once used for renter occupancy have been sold and are now owner occupied housing. Comparing Census data from 1990 to 2000, and building permit information from 2000 to 2010, it appears that Breckenridge has gained 70 rental units from 1990 to 2010.

***Replacement of Lost Owner Occupancy Units*** - Owner occupied units have been lost in the City of Breckenridge due to flood protection projects. Also, some substandard houses have been demolished.

***Pent-Up Demand*** - The third primary demand-generator for new housing is caused by current, unmet demand from existing households, referred to as pent-up demand. Certain demographic segments of the market are growing, such as the number of households in the 55 to 74 age ranges. As a result, housing options that are age-appropriate for “empty-nester” and senior households may be in short supply. Our estimates of pent-up demand will be addressed in the specific recommendations that follow.

## Findings on Unit Demand by Type of Housing

**Findings:** Based on the household by age projections presented earlier, the changing age composition of Wilkin County's population through the remainder of the decade will have an impact on demand for housing. We have examined the projected changes by age group in Wilkin County in the descriptions that follow.

**Age 24 and Younger** - The projections used for this Study expects a small decrease of nine younger households in the County through the year 2015. Past tenure patterns indicate that as many as 78% of the households in this age group will rent their housing. Households in this age range tend to have a median income that is well below the overall median. A decrease in households in this age range should mean that rental demand from younger households will decrease slightly, for the remainder of the decade.

**25 to 34 Years Old** - The projections show an increase in this age cohort, with an expected addition of 29 households in the County by 2015. Within this age range younger adult households often move from rental to ownership housing. The ownership rate among these households was approximately 79% in 2000, compared to a home ownership rate of only 22% for younger households, under age 25. The projected increase within this age range will generate additional demand for both first-time home buyer opportunities, and to a lesser extent for rental housing.

**35 to 44 Years Old** - This 10-year age cohort is expected to decrease by 84 households through the year 2015. It is important to note that this loss of households does not necessarily mean that these younger households are moving out of the area. This age group represents the "baby bust" generation that followed behind the "baby boomers". This age group represents a much smaller segment of the population than immediately older age ranges. As aging patterns progress, there are fewer of these households following behind the aging baby boomers. In the past, this age group has had a high rate of home ownership, at approximately 87%. Households within this range often represent either first time buyers or households looking to trade-up in housing, selling their starter home for a more expensive house.

**45 to 54 Years Old** - This age cohort represents the tail-end of the large, "baby boom" generation. However, Claritas, Inc. projections show a significant decrease of 122 households in the County between 2010 and 2015. This age group historically has had a high rate of home ownership, at approximately 90% in 2000, and will often look for trade-up housing opportunities. Fewer households in this age range will lower demand for home ownership and trade-up housing.

**55 to 64 Years Old** - The leading edge of the baby boom generation will be in this age cohort during the next five years. The projections show an expected increase of 46 additional households in this 10-year age range in the County by the year 2015. This is the largest growth of any 10-year age cohort in the County. This age range has traditionally had a very high rate of home ownership, at approximately 89%. Attached housing construction, such as town houses or twin homes, 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. Trade-up housing will also appeal to this age group, as they will generally have equity from the sale of their previous home, as well as higher incomes and asset accumulation.

**65 to 74 Years Old** - Slight growth is also expected within this age range by the year 2015, with the expected addition of approximately eight households. Households in this younger senior range will typically begin moving to other life-cycle housing options as they age. However, younger seniors are still predominantly home owners. At the time of the 2000 Census, this age group had a home ownership rate of approximately 88%. Once again, ownership preferences for low maintenance housing, such as town house units, should grow, although this will primarily be from increased market share as these types of units gain greater acceptance within the marketplace.

**75 to 84 Years Old** – The household count in this age cohort is expected to experience a slight decrease of five households. In the past, households within this 10-year age range have had a high rate of home ownership, at approximately 60%. 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. With the decrease in households, the need for senior with services housing will be based on pent-up demand rather than household growth.

**85 Years and Older** – The 85 and older age range is expected to remain stable with the projected gain of only one household. Historic home ownership rates in this age group have been relatively low, at approximately 60% in 2000. Senior housing with services options in the area will help to address the needs of this population of older seniors.

These demographic trends will be incorporated into the recommendations that follow.

## **Strengths for Housing Development**

The following City of Breckenridge strengths were identified through statistical data, local interviews, research and on-site review of the local housing stock.

- ▶ **Breckenridge/Wahpeton is the regional center for the area** - Breckenridge/Wahpeton is the regional center serving Wilkin and Richland Counties and portions of surrounding counties. The Cities provide employment opportunities, retail options, government services, health and professional services, and cultural amenities for a large surrounding trade area.
- ▶ **Affordably priced housing stock** - The City of Breckenridge has a relatively large stock of affordable, existing houses. Our analysis shows that the City's median home value based on recent sales is \$79,200. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Increasingly diverse housing stock** - The City has a good mix of housing options, including rental housing units for both lower income and market rate households. An increasing amount of new construction is providing new housing options, including townhouses, senior with services housing, etc.
- ▶ **Adequate land for development** - The City has adequate land available for both residential and commercial/industrial development.
- ▶ **Housing developers in the City** - Breckenridge has housing developers that are willing to invest in housing projects in the community, including rental housing, attached ownership housing and single family development.
- ▶ **Breckenridge Port Authority** - The Port Authority has been active in developing subdivisions and promoting new housing construction.
- ▶ **Proximity to Fargo and Fergus Falls** - Breckenridge is located within commuting distance of Fergus Falls and Fargo, which have employment, service, commercial and entertainment opportunities.
- ▶ **State, Federal, Non-Profit Funds** - The City and its developers have 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.
- ▶ **School system** - The City has a good public K-12 school system.
- ▶ **Health facilities** - The City has an excellent new hospital.
- ▶ **Infrastructure** - Breckenridge's water, sewer and electrical power infrastructure is in good condition and can accommodate future expansion.

- ▶ **Commercial development** - Breckenridge's commercial district is adequate to meet daily needs.
- ▶ **Housing Agencies** - Several housing agencies have the capacity to provide financing and administrative services for housing projects and programs in the City of Breckenridge.
- ▶ **Home prices** - Some existing homes are selling at prices in the \$150,000 to \$250,000 range. This provides confidence for developers, builders and households to construct new homes.
- ▶ **Incentives** - Breckenridge has incentives available which reduce the price of residential lots.

## **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 Breckenridge.

- ▶ **Competition with Wahpeton** - Breckenridge is competing with Wahpeton as well as other surrounding communities for new residents and household growth.
- ▶ **Staff capacity limitations** - The City operates with limited personnel. It is very difficult for existing staff with current responsibilities to develop new housing initiatives.
- ▶ **Low rent structure** - The City's rent structure is low, which makes it difficult to construct new rental housing.
- ▶ **Competition with Fergus Falls and Fargo** - Although it is an asset to be located within commuting distance of Fergus Falls and Fargo, it can also be a barrier to new housing construction. These cities have more employment, service, retail and entertainment opportunities. The amenities Fergus Falls and Fargo have to offer will often make them the preferred location for many households.
- ▶ **Limited employment opportunities** - Breckenridge does not have a large number of major employers which limits the number of job opportunities.
- ▶ **Population and Household losses** - Since 2000, Breckenridge's population and number of households has decreased.
- ▶ **Housing Agencies** - Although the City has access to several housing agencies, recent housing activity by these agencies in the City of Breckenridge has been limited.

## **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 the City of Breckenridge. They are based on the following strategies:

- ▶ **Focus heavily on the preservation, maintenance and improvement of the housing stock that already exists** - While some 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, especially considering the age of the housing. 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 community that serves as a regional center to provide housing opportunities for all ages and household types. These housing opportunities enable a community to thrive, promote economic development 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 Breckenridge with housing options and to assure a healthy housing stock.
  
- ▶ **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.
  
- ▶ **The market for new housing development will generally not occur without proactive community involvement** - Much of the housing development that has occurred in the recent past has involved some form of public involvement or subsidy. Much of the City's rental housing has received public assistance. To compete in the home ownership segment of the market, public involvement is required for some types of housing.
  
- ▶ **Prioritize community housing goals** - Many of the recommendations in the Study will require staff-intensive efforts. The City should prioritize its housing goals and work with area housing agencies to 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 Breckenridge.

## **Summary of Findings/Recommendations**

The findings/recommendations for the City of Breckenridge have been formulated through the analysis of the information provided in the previous sections and include 17 recommendations. The findings/recommendations have been 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:

### **Rental Housing Development**

1. Develop six to eight general occupancy market rate rental units.
2. Monitor the need for subsidized / tax credit rental housing.
3. Develop eight senior designated market rate rental units.
4. Develop 57 to 70 senior with services rental units for the entire Market Area.
5. Apply for Housing Choice Voucher / Section 8 Existing Program allocation from HUD.
6. Maintain and preserve the existing supply of subsidized housing.

### **Home Ownership**

7. Utilize and promote all programs that assist with home ownership.
8. Develop a Purchase / Rehabilitation Program.

### **New Construction**

9. Lot Availability and Development
10. Promote townhouse, twin home and cooperative housing development.
11. Utilize in fill lots for housing development.
12. Develop home ownership awareness programs.

**Housing Rehabilitation**

13. Promote rental housing rehabilitation programs.
14. Promote on-going owner-occupied housing rehabilitation efforts

**Other Housing Initiatives**

15. Consider the submission of an application for Minnesota Small Cities Development Program funds.
16. Acquire and demolish dilapidated structures.
17. Create a plan and continue coordination with area housing agencies.

## **Rental Housing Development**

**Findings:** It is difficult to produce new affordable rental units. A number of factors including Federal tax policy, State property tax rates, high construction costs and low rental rates have all contributed to making rental housing production difficult to achieve, especially in small cities. Breckenridge has had private rental production as well as units developed through State and Federal production programs over the past 20 years. Units produced with public subsidies generally have income and rent restrictions that limit occupancy to low and moderate income people. Many units that have been produced since 2000 that have not utilized public subsidies have served specific segments of the rental market such as the elderly population.

Since 2000, multi-family rental unit development has included 50 assisted living units in Twin Town Villas, Pioneer Cottages, an 18-bed memory care facility, the Willows and Maplewood Senior Living, which include two eight-plex townhouse projects, and Harvest Field Estates, a four-plex townhouse project.

As part of this study a rental survey was conducted. A total of 343 rental units in 17 buildings were contacted. The survey showed that 12.2% of the market rate, tax credit and subsidized units surveyed were vacant. This is significantly out of the range of 3% to 5% which is considered a healthy market to allow for unit choice and availability and to also assure the viability and profitability of the rental project. However, there is a pent up demand for certain types of rental housing. Also, a variety of new rental units may attract more households to Breckenridge.

We recommend that the new rental units over the next five years from 2010 to 2015 include:

▶ General Occupancy Market Rate	6-8 units
▶ Subsidized/Tax Credit	0 units
▶ Senior Designated	8 units
▶ Senior with Services	
• Assisted Living	22-26 units
• Senior with Light Services	20-24 units
• Memory Care	<u>15-20 beds</u>
Total	71-86 units and beds

**\* Please note that the 71-86 senior with services unit recommendations are for the entire Market Area and are also included in the Wahpeton recommendations.**

**1. Market need for 6-8 general occupancy market rate rental units**

**Findings:** Breckenridge has a market rate rental housing vacancy rate of 4.1%, which is in the middle of the healthy market range. Two of the four reported vacancies were in a senior designated market rate project and the owner reported that the units are usually fully occupied.

Most of the market rate rental projects are over 30 years old. Wilkin Properties, with 23 units, and Catherine Apartments, with 24 units, were constructed in the mid 1970s. Both of these projects have very high occupancy rates, however, the rent structure in the project is very low with two-bedroom units renting in the \$360 to \$385 range.

There are also several small four-plex projects in Breckenridge that are in good condition and report high occupancy rates.

The most recent market rate general occupancy rental project constructed in Breckenridge is Harvest Field Estates, a four-unit townhouse project. The owner reports a good occupancy rate.

Two market rate eight-unit townhome projects have also been constructed over the five years, The Willows and Maplewood. However, these units are senior designated.

In 1998, Ridgeview Townhomes, a 12-unit tax credit project, was constructed. Although this project is not a market rate project, it does serve moderate income households with rents of \$525 for a two-bedroom unit and \$585 for a three-bedroom unit. The manager reports that although the project is currently fully occupied, there have been on-going vacancies.

Through the year 1015, there is a projected loss in Wilkin County of 136 households, thus, there is no demand for market rate rental housing based on household growth.

**Recommendation:** We would recommend the development of six to eight market rate rental housing units. A town home style project, similar to Harvest Field Estates, would be the preferred style, to cater to active renter households. We are making this recommendation based on the success of the high quality units that have been constructed in Breckenridge in recent years. Also, it is healthy for the market to bring new units into the housing stock.

We are making a modest market rate general occupancy recommendation of six to eight units based on projected household losses and rental projects that are already on the market.

The unit mix and rents should be as follows:

**Recommended unit mix, sizes and rents for the Breckenridge  
Market Rate Housing Project:**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
Two Bedroom	3-4	1,000-1,100	\$850-\$900
Three Bedroom	3-4	1,150-1,250	\$950-\$975
Total	6-8		

Note: The recommended rents are quoted in 2010 dollars and do not include utilities.

**2. Monitor the Need for Subsidized/Tax Credit Rental Housing**

**Findings:** The City of Breckenridge has two general occupancy subsidized housing projects, two subsidized senior/disabled projects, one subsidized senior project and one general occupancy tax credit project.

All of the subsidized/tax credit projects with the exception of the scattered site public housing , report vacancy problems. The two senior/disabled projects, York Manor with 48 units, and Park Manor, with 72 units, each reported 13 vacancies. Both projects had much higher vacancies, however, renovation and new management at both projects have reduced vacancies. Nine of the vacant units at Park Manor are not being rented until they are renovated. Appletree Court, a senior project with 20 units, currently has four vacancies. The manager reports vacancy problems since the new hospital was constructed.

York Apartments is a 16-unit general occupancy project. The manager reports that two to four vacancies is common. The 10-unit scattered site public housing project is always fully occupied. A duplex is currently being renovated, thus, there are two current vacancies in the scattered site project. The tax credit project, Ridgeview Townhomes, is currently fully occupied, but the manager reports on-going vacancy problems.

According to 2010 income estimates, there are 254 Breckenridge and 555 Wilkin County households with annual incomes below \$25,000. These households can only afford \$625 per month or less for housing costs, without experiencing a cost burden, thus, there is a need to maintain a sufficient supply of subsidized housing in Breckenridge.

**Recommendation:** Based on the current vacancies in Breckenridge subsidized/tax credit projects, we recommend no new units, however, the need for units in the future should continue to be monitored.

At this time, it is very difficult to construct new subsidized housing units to serve very low income people. Very few subsidy production resources remain available at the State or Federal level for ‘deep subsidy’ housing.

We believe that the best opportunity to create affordable rental housing in Breckenridge, if needed in the future, would be through the federal low income housing tax credit program. However, in

addition to tax credits, we believe that additional subsidies will be needed to achieve a lower unit rent structure that can serve low income households.

A future subsidized/tax credit project would need to target a low rent level. In some projects, additional subsidy sources have been used along with tax credits to generate more affordable units. For example, the Nicollet Meadows project in St. Peter, MN, used additional State and Federal funding sources along with tax credits to create units that serve households at or below 30% of County median income.

**3. Develop eight senior designated market rate rental units**

**Findings:** The City of Breckenridge has two eight-unit senior designated market rate rental projects, The Willows and Maplewood. The projects were constructed in 2005 and 2008. The rent structure ranges from \$860 to \$985. The units are almost always fully occupied and have been very successful. The units are townhome style and have many ‘state of the art’ amenities.

The 55 to 74 age ranges in Wilkin county are projected to add 54 households between 2010 and 2015.

**Recommendation:** We recommend the construction of an eight-unit townhome style senior designated market rate project. The project should be similar to The Willows and Maplewood projects with high quality and ‘state of the art’ amenities.

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>
Two Bedroom	8	1,200-1,300	\$975-\$1,000
Total	8		

Note: Rents are quoted in 2010 dollars and do not include utilities.

**4. Develop 57 to 70 senior housing with services rental units**

**Findings:** Wahpeton/Breckenridge serves as the regional center for Richland and Wilkin Counties and portions of surrounding counties and provides employment opportunities, retail, government services, health services and entertainment/cultural opportunities. The two cities also provide a large share of the rental housing for the immediate area and also supplies a variety of life-cycle housing options for seniors as they age.

Demographic projections indicate that the number of the entire Market Area’s senior households, age 65 to 74, is projected to gain 109 households over the next five years, however, the 75 and over age ranges are projected to lose 58 households.

Breckenridge has three projects that provide senior services. Twin Town Villa is a 50-unit assisted living project. There are no vacancies and there is a waiting list.

Pioneer Cottages is an 18-bed memory care facility. This facility also has no vacancies.

Appletree Court is a 20-unit HUD subsidized senior project that provides light services including laundry and housekeeping. This project has four vacancies.

Currently, there is one project in Wahpeton that provides senior services. Leech Home has 39 beds and provides a variety of services including meals, housekeeping, laundry, bathing, etc. There is currently one vacancy.

Fourth Ave. Manor, a 24-unit senior project in Wahpeton, is not considered a senior with services project, however, it does have an emergency call system, common area and provides activities.

St. Catherine's Living Center in Wahpeton is in the planning phase of developing assisted living units. Also, there have been discussions to renovate a college residence hall into senior with services units.

**Recommendation:** Our recommendations for senior housing with services have been organized by unit type. **The senior with services recommendations are for the entire Market Area, thus, these recommendations are also included in the Wahpeton recommendations section.**

**Assisted Living:** According to Claritas, Inc. estimates, there will be approximately 1,720 seniors age 75 and older in the Market Area by the year 2015.

Based on our research in other communities, we believe that assisted living units can usually achieve a market share of up to 6% of the senior population age 75 and over. For the Market Area, this would indicate a need for 100 to 105 assisted living units by the year 2015.

With the 50 units in Twin Town Villa and the 39 beds at Leech Home addressing some of the assisted living need, there is still a projected need for 22 to 26 additional assisted living units in the Market Area over the next five years.

**Senior with Light Services:** Senior with light services projects provide limited services such as a noon meal, laundry and housekeeping. These projects do not provide the range of services that an assisted project provides, but are a senior living option between independent living and assisted living.

Based on Claritas, Inc. projections, there will be approximately 1,766 seniors in the 65 to 74 age range and 1,720 Market Area seniors in the 75 and older age ranges by the year 2015. We are projecting that senior with light services projects will achieve 1.5% of the seniors in the 65 to 74 age range and 2.5% of the seniors in the 75 and older age ranges. For the Market Area, this indicates a need for 65 to 70 senior with services units in the Market Area by the year 2015.

Appletree Court and Fourth Ave. Manor are addressing some of the Market Area's need for senior with light services, however, Appletree Court has income restrictions and Fourth Ave. Manor has limited services. Therefore, there is still a projected need for 20 to 24 senior with services units in the Market Area.

**Memory Care:** There is currently 18 memory care beds in the Pioneer Cottage facility in Breckenridge. This project has a high occupancy rate.

Based on the occupancy rate in the Pioneer Cottage facility and the projected senior population in the Market Area in 2015, it is estimated that there is a need for 15 to 20 additional memory care beds over the next five years.

We recommend that these beds are constructed as an addition to an existing memory care project, assisted living project or nursing home. This will provide maximum flexibility for unit occupancy.

## **5. Apply for Housing Choice Vouchers/Section 8 Existing Program allocations from HUD**

**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.

Currently, Wilkin County is one of only two counties in the State of Minnesota that does not have a Housing Voucher Program.

**Recommendation:** From a practical standpoint, the Housing Choice Voucher Program is the single best way that Breckenridge can provide affordable housing. The City of Breckenridge and Wilkin County should continue their efforts to obtain funding to develop and implement a Housing Voucher Program.

**6. Maintain and preserve the existing supply of subsidized housing**

**Findings:** Breckenridge has a number of “deep subsidy” rental housing projects that allow tenants to pay rent based on 30% of income. Several of these projects were constructed in the 1970's or early 1980's when the federal government was actively involved in producing low income housing.

This 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.

Some of the subsidized stock is 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. This often occurs in communities with low vacancy rates, where owners see the potential to convert subsidized housing to market rate housing in response to demand for units. Subsidized housing that is lost cannot be cost-effectively replaced with the low income housing production resources that are available today.

**Recommendation:** 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. MHFA is not aware of any projects in Breckenridge that are at risk of opting out of their subsidy contract.

MHFA is able to offer mortgage restructuring options to the subsidized housing owners that are interested in dropping their subsidy contract. One option is to restructure the current debt through a second mortgage which allows owners to cash-out a portion of their equity in the property. A second option allows assumption and assignment of existing debt to a non-profit owner.

Although it does not appear that any subsidized projects are at risk in the near-term, the local Port Authority and area housing agencies should be prepared to intervene, if required, to preserve subsidized developments in Breckenridge. There are numerous examples of public agencies that have stepped in to purchase privately owned subsidized housing to keep it as part of the available, affordable housing stock.

The Port Authority and area housing agencies should monitor the subsidized rental projects in Breckenridge so they are aware of any project that is considering opting out of its subsidy contract.

## **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 Breckenridge is estimated to be \$79,200. With approximately 50% of the homes in Breckenridge valued under \$79,200, Breckenridge has a good market for first time home buyers and households seeking moderately priced homes. The affordable price of Breckenridge homes, is very attractive when compared to prices in some of the larger cities within commuting distance of Breckenridge.

Our analysis of Wilkin County demographic trends shows an increasing population of households in the traditionally strong home ownership age ranges between 55 and 74 years old. While most households in these age ranges already own their housing, this group represents a strong potential market for ‘trade-up’ housing. Increasingly, the older age ranges within this group look for lower maintenance housing options, such as twin homes or town house developments.

Also, the number of households in the 25 to 34 age range is expected to increase in Wilkin County. Households in these age ranges are typically first-time home buyers. While some of these households already own their housing, those 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 and will be seeking affordable homes such as the homes in Breckenridge.

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

### **7. Utilize and promote all programs that assist with home ownership**

**Findings:** We believe that affordable home ownership is one of the issues facing Breckenridge. Home ownership is generally the preferred housing option for most households and most communities. As discussed previously, the demographic make-up of Breckenridge 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 Breckenridge. 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 \$79,200, many of the homes in the existing housing stock in Breckenridge is valued under purchase price limits for first-time home buyer assistance programs.

Home ownership counseling and training programs can also play a significant role in helping marginal buyers achieve home ownership. Additionally, there are households that to become homeowners and/or to remain homeowners, 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:** Breckenridge and area housing agencies should utilize all available home ownership assistance programs to promote home ownership. The City, in coordination with other Wilkin County Cities, should also explore the possibility of obtaining specific program set-asides for home ownership programs offered through the Minnesota Housing Finance Agency. 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 could work with the area's housing agencies to develop programs that provide financial assistance for households to purchase a home and to assure the City of Breckenridge is receiving its share of resources that are available in the Region. 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 Rural Development, the Minnesota Housing Finance Agency, Fannie Mae, the Greater Minnesota Housing Fund and the Minnesota Small Cities Development Program.

## **8. Develop a Purchase/ Rehabilitation Program**

**Findings:** Breckenridge has a stock of older, lower valued homes, some of which need repairs. The median estimated market value for homes in Breckenridge is \$79,200. As some of the homes below the median price come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

The Minnesota Housing Finance Agency has provided funding in the past to develop a Purchase/Rehabilitation Program. Under the program, the City or a housing agency purchases an existing home that needs rehabilitation, rehabilitates the home, sells the home to a low income family and provides a mortgage with no down payment, no interest and a monthly payment that is affordable for the family. The Program accomplishes many community goals, including the promotion of home ownership for lower income people, and the repair of substandard housing units.

In many cases, the cost of acquisition and rehab will exceed the house's after-rehab value. Although a public subsidy may be involved, the cost to rehab and sell an existing housing unit are generally lower than the subsidy required to provide an equally affordable unit through new construction.

The Purchase Plus Program is also an MHFA Program that provides mortgage funds for the purchase and rehabilitation of substandard existing homes. This Program could also be utilized in Breckenridge.

**Recommendation:** We recommend that the City of Breckenridge consider the creation of a purchase/rehabilitation program. 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, over 80% of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was also available.

A purchase/rehabilitation program will achieve several goals. The programs will encourage home ownership, prevent substandard homes from becoming rental properties and rehabilitate homes that are currently substandard. Area housing agencies and financial institutions could offer some rehabilitation assistance in conjunction with its first-time buyer programs to make the City's older housing a more attractive option for potential home buyers.

In addition to MHFA funds, SCDP funds can be utilized to fund a purchase/rehabilitation program or to leverage MHFA funds.

## New Housing Construction

**Findings:** Breckenridge has experienced relatively strong single family owner occupied family housing construction in recent years for a City of its size. From 2000 to 2010, 64 single family homes have been constructed in Breckenridge, which is an average of five to six homes per year. The peak years for new construction were 2002 when 12 owner occupied units were constructed, 2005 with nine new homes and 2006 when 10 homes were constructed. Prior to 2000, after the 1997 flood, 80 homes were constructed in Breckenridge from 1997 through 1999. However, in 2008 no new owner occupied units were constructed, in 2009 three homes were constructed and through June, 2010, two owner occupied units have been constructed.

The attractiveness of the community, the City’s status as a small regional center, the area’s amenities and incentives that are available to buy lots at a reduced price, should result in the construction of new homes annually. However, attractive residential lot options must continue to be available for new home construction to take place over the next five years.

Household growth projections for Wilkin County indicate some limited demand for owner-occupied housing construction. Most of the growth that is anticipated through 2015 in Wilkin County will be among households in the age ranges between 55 and 74 years old. This age range is projected to increase by 54 households by 2015. 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. There is also growth projected in the County among younger households, in the 25 to 34 year old range. This age range is projected to increase by 29 households by 2015. Many of the households in these age ranges are first time home buyers.

It is our opinion that if the City, Port Authority and developers are proactive, five to eight homes can be constructed annually in Breckenridge over the next five years. This projection is based on the availability of attractive residential lots for new construction. Our projection for single family housing starts includes homes built in new subdivisions and on infill lots, and includes single family owner occupied attached housing units, such as twin homes and town houses.

The breakdown of our projection of five to eight new owner occupied housing units annually is as follows:

- |                               |                  |
|-------------------------------|------------------|
| • Higher & median price homes | 1-2 homes        |
| • Affordable homes            | 1-2 homes        |
| • Homes on In-Fill lots       | 1 home           |
| • Twin homes/Town homes       | <u>2-3 units</u> |
| Total                         | 5-8 units        |

Note: Please note that we are recommending a twinhome/townhome development for either Breckenridge or Wahpeton. The current market is not large enough for a successful twinhome/townhome development in both Cities.

## **9. Lot Availability and 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 Breckenridge. Currently, there are approximately two lots available in the Gewalt Subdivision, five lots in Heritage I, 12 lots in Heritage South, three lots in Oak Park Estates and three lots in the Northland Subdivision. There are also a few other miscellaneous lots available. It is estimated that there are currently 24 to 26 lots available in the City's subdivisions.

In addition to these lots, there are also several infill lots scattered around the City that we did not attempt to count. We also do not know the availability of some of these infill lots.

**Recommendation:** We use a standard that a 2 ½ year supply of lots should be available in the marketplace, based on annual lot usage. Using our projections that between five to eight new houses will be constructed per year, the City should have approximately 13 to 20 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction. The available inventory could include lots that are currently buildable, as well as lots in the advanced planning stages that could be available for the next construction season.

Using this standard, the City of Breckenridge, with 24 to 26 lots, plus in fill lots, currently has an adequate number of available lots.

However, the Port Authority should continue to plan for the development of lots, including the completion of the infrastructure in Heritage South, as there will be a need for lots in three to four years. Also, some of the lots on the market may not be desirable for new construction and there may be a demand for certain types of lots.

## **10. Promote townhouse, twin home and cooperative housing development**

**Findings:** Breckenridge has not experienced attached owner occupied housing development in recent years, although, there have been 20 attached rental units constructed since 2005. Many communities have seen attached housing take an increasingly large share of new construction activity over the last decade.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making homes available for families. It is estimated that the 55 to 74 age ranges in Wilkin County will increase by 54 households and the entire Market Area will add 301 households in the 55 to 74 age ranges by the year 2015. It is important for the City to offer a range of life-cycle housing options to these households as many of these households will be seeking to downsize into low maintenance housing options.

**Recommendation:** It is our projection that approximately 30% of the City of Breckenridge's new single family construction will be twin home/town home construction over the next five years, which is approximately two to three units annually or a twinhome/townhome development of 10 to 15 units over the next five years.

We recommend that for town home and twin home 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 are at a price that is acceptable to the market

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

Please note that a twinhome/townhome development has been recommended for either Breckenridge or Wahpeton. The current market is not large enough for a successful development in both Cities over the next five years.

Another opportunity to develop owner occupied senior housing is a Co-op concept. The senior household purchases a unit and also pays a monthly maintenance fee. At the time of sale, the household is guaranteed the original purchase amount plus a predetermined profit.

Typically, the developer pre-sells a percentage of the units prior to construction, thus, assuring a successful project.

A Co-op has recently been developed in Fergus Falls and the project has been very successful. A similar, but smaller project may be feasible in Breckenridge.

## **11. Utilize infill lots for housing development**

**Findings:** There are several infill lots in the City that already have access to municipal services. Some of these lots are buildable. The buildable lots represent an affordable option for new home construction.

Our 2010 housing condition analysis of the single family homes in Breckenridge identified four homes that were dilapidated and beyond repair. Also, 85 homes needed major rehabilitation and some of these homes also may be beyond repair. In a separate recommendation, we have promoted the acquisition and clearance of substandard houses. Once demolished, some of the cleared lots could be suitable for reuse.

**Recommendation:** We recommend that the City coordinate with developers and non-profit agencies such as Habitat for Humanity to construct affordable homes on infill lots. The City and Port Authority can access several programs through MHFA, SCDP, GMHF and other sources to assist with affordable housing development. Resources are also available through the Minnesota Department of Corrections or Youth Build grants that can provide low-cost labor.

The City of Breckenridge can contribute to infill development through land negotiations, land

donations, grant writing, project coordination, TIF funding, etc.

A goal of constructing one moderately priced homes annually over the next five years on infill lots appears to be realistic. To be successful, the housing units should not exceed \$120,000 and programs should be available to further reduce the purchase price for the buyer. Also, the most appealing infill lots should be identified and utilized. As housing units are constructed and sold, a revolving fund could be developed and an infill housing program could be self sustaining.

## **12. Develop home ownership awareness programs**

**Findings:** Opportunities for new housing construction are sometimes limited because of the lack of information and awareness of financing programs, 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 home buyers and builders.

**Recommendation:** We recommend the continued creation of Informational Brochures that describes the lots, builders and financing programs that are available in Breckenridge. Buying a lot, selecting a builder, obtaining financing and constructing or purchasing a home can be an intimidating process. Often households have not been through this process and do not know where to begin or how to proceed. A “How-To” brochure with pertinent and up-to-date information will encourage and assist households with constructing a home or finding a suitable move-up home.

Another possibility for promoting ownership options is to organize a Housing Fair that educates and informs the public on lots, builders, finance programs, etc. The Housing Fair should include developers, builders, lenders, realtors, public agencies, etc. Local employers should be contacted to assess their interest and possible participation in the event.

These awareness programs do not have to be “City” projects but could possibly be developed by the Chamber of Commerce or the private sector. The Cities of Breckenridge and Wahpeton could possible work together to jointly organize a Housing Fair.

## **Housing Rehabilitation**

**Findings:** Breckenridge 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 is 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.

### **13. Promote rental housing rehabilitation programs**

**Findings:** Based on U.S. Census data and our estimates, the City of Breckenridge has 565 rental units in 2010. These rental units are in large multi-family projects, small rental buildings, mixed use buildings, duplexes and single family homes. Many of these rental structures are over 25 years old and could benefit from rehabilitation.

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 Breckenridge should seek Small Cities Development Program (SCDP) grant funds that allow for program design flexibility and makes a rental rehabilitation program workable. The SCDP program provides funds for a rental rehabilitation program that is structured by the community.

Also, the HOME Program provides funds for rental rehabilitation. The HOME Program is funded through the U.S. Department of Housing and Urban Development (HUD) and is a primary source of funds for rental rehabilitation. The City should encourage rental property owners to apply for HOME funds for rental rehabilitation.

### **14. Promote ongoing owner-occupied housing rehabilitation efforts**

**Findings:** The affordability of the existing housing stock in Breckenridge 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 2010 housing condition survey rated 508 houses in Breckenridge. Although the Breckenridge housing stock is in good condition and significant housing rehabilitation was undertaken after the 1997 flood. Our survey found that 208 homes need minor repairs and 85 homes need major repairs.

Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink in the City of Breckenridge.

The Minnesota Small Cities Development Program (SCDP) continues to be the major source of funding for housing rehabilitation. The Minnesota Housing Finance Agency also provides funding for housing rehabilitation. There are also Weatherization funds available to Breckenridge homeowners.

**Recommendation:** We recommend that the City of Breckenridge apply for SCDP funds to rehabilitate homes. The SCDP Program currently has a maximum of \$600,000 for Single Purpose applications and \$1.4 million for Comprehensive applications that address several of the City's needs. The City of Breckenridge was very successful in obtaining SCDP funds after the 1992 flood. It will be advantageous for the City to apply for SCDP funds with other Wilkin County Cities as multi-city applications are a priority with the Department of Employment and Economic Development (DEED).

We also recommend that the City of Breckenridge and area housing agencies continue to seek other local, state and federal funds to assist in financing housing rehabilitation programs.

## **Other Recommendations**

### **15. Consider the submission of an application for Minnesota Small Cities Development Program funds**

**Findings:** The Minnesota Small Cities Development Program (SCDP) is administered by the Minnesota Department of Employment and Economic development (DEED). There is an annual competition for grant funds to assist communities with housing projects, downtown rehabilitation, public facilities projects, or combined, comprehensive projects. The application process is very competitive and is based on the strength of the project activities, the local financial contribution, the percentage of low and moderate income people in the community and other rating factors.

Community Partners Research, Inc. staff surveyed the housing conditions 508 homes in two Breckenridge neighborhoods. Approximately 293 of the homes need minor or major housing rehabilitation. Four homes were identified as dilapidated. Additionally, public facilities improvements, commercial rehabilitation and new affordable housing construction are eligible activities for SCDP funding.

The City of Breckenridge has been successful in the past in obtaining SCDP funds and other state and federal funds.

**Recommendation:** With the housing rehabilitation needs in Breckenridge and in other Wilkin County cities, we recommend the preparation and submission of ongoing SCDP applications. The City should be part of ongoing Countywide applications that specifically address substandard owner occupied homes and rental units, as well as dilapidated structures in Wilkin County cities and in rural Wilkin County. New owner occupied housing development on cleared parcels and commercial rehabilitation could also be funded as part of SCDP applications.

### **16. Acquire and demolish dilapidated structures**

**Findings:** Our 2010 housing condition survey of two Breckenridge neighborhoods identified four homes that are dilapidated and too deteriorated to rehabilitate. We also identified 85 homes as needing major repair and several of these homes may be too dilapidated to rehabilitate.

There are also several rental buildings in Breckenridge that are dilapidated and may be too deteriorated to rehabilitate.

**Recommendation:** We recommend that the City of Breckenridge 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 possibly be utilized for the construction of new affordable housing units.

The City could also develop partnerships with housing agencies, private developers and non-profit organizations such as Habitat for Humanity to construct new housing on cleared parcels. Tax increment financing, MHFA funds, SCDP funds and Greater Minnesota Housing Funds are potential funding sources for this initiative.<sup>17</sup> **Create a plan and continue coordination among**

**housing agencies**

**Findings:** Breckenridge needs staff resources in addition to existing City staff to plan and implement many of the housing recommendations advanced in this Study. The City's Port Authority, Lakes and Prairies Community Action Partnership, Inc., and West Central MN Communities Action, Inc., are currently the entities providing housing services in Breckenridge and Wilkin County. The Breckenridge Housing and Redevelopment Authority provides public housing, but is currently not active in providing other services and programs.

**Recommendation:** It is our recommendation that the City prioritize the recommendations of this Study and develop a plan to address the City's housing needs. The Plan should include strategies, time lines and the responsibilities of each agency. To develop and implement housing programs and strategies it may be necessary to develop more staff capacity with the Port Authority or HRA, contract with an area HRA or to add staff or consultant time. Sharing a staff person with the City of Wahpeton may be an option.

It will also be important for the City to look for opportunities to work cooperatively with other Wilkin County cities to address housing issues. With the number of small 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.