

## FOR-SALE MARKET ANALYSIS

### Introduction

Maxfield Research Group analyzed the PMA's for-sale market by collecting data on: 1) single-family home sales; 2) gathering information on residential lot supply; 3) interviewing local real estate professionals, developers/builders and civic leaders; and 4) identifying pending for-sale developments in the Cities of Breckenridge and Wahpeton.

### Single-Family Home Sales

Tables 27 and 28 display data gathered on single-family home sales in the Cities of Wahpeton and Breckenridge between 1993 and 1995. Table 27 shows figures for Wahpeton and Table 28 shows figures for Breckenridge. The tables include data on the distribution of sales prices, the total number of sales as well as the median and average selling price for each city over each of last three years. The data for the City of Breckenridge came from Certificates of Real Estate Value (CRV) and was provided by the Wilkin County Assessors office, while the data for Wahpeton came from the Report of the Registrar of Deeds - Schedule Bx, which was provided by the City of Wahpeton Assessors office.

#### *Wahpeton*

- The data shows there were 322 home resales in Wahpeton between 1993 and 1995. However, there was a significant decline in the reported number of sales in 1994. In 1993 a total of 150 sales were reported, in 1994 there were only 63 sales, and in 1995 there were 109 sales. Maxfield Research Group was unable to get an explanation as to why the number of reported sales were so low in 1994. Interviews with real estate professionals indicated that while the number of sales in Wahpeton was down in 1994, it was not as dramatic of a decline as what was shown in the table. Thus the proportion of sales for that year are likely a better indicator of resale trends.
- The median selling price over the three year period was \$58,125 and the average selling price was \$61,097.
- Both the median and average sales prices increased slightly between 1993 and 1994, but there was a significant increase in 1995. The average sale price increased from \$59,087 in 1993, to \$59,943 in 1994, and to \$64,529 in 1995. This increase translated to a gain of 9.2 percent between 1993 and 1995. The median sale price increased from \$56,500 in 1993 to \$59,000 in 1995, an increase of 4.4 percent. Generally, the median sale price is a better indicator of housing values than average sale price, because the average sale price can be skewed upward with the sale of a few significant higher-priced homes.

TABLE 27  
HOME RESALE PRICE DISTRIBUTION  
CITY OF WAHPETON  
1993 to 1995

	1993		1994		1995		Total	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$20,000	10	6.7	6	9.5	7	6.4	23	7.1
\$20,000 - \$39,999	34	22.7	10	15.9	19	17.4	63	19.6
\$40,000 - \$59,999	38	25.3	18	28.6	30	27.5	86	26.7
\$60,000 - \$79,999	37	24.7	19	30.2	27	24.8	83	25.8
\$80,000 - \$99,999	19	12.7	4	6.3	7	6.4	30	9.3
\$100,000 - \$119,999	4	2.7	2	3.2	11	10.1	17	5.3
\$120,000 - \$139,999	5	3.3	0	0.0	3	2.8	8	2.5
\$140,000-\$198,000	3	2.0	4	6.3	5	4.6	12	3.7
Total	150	100.0	63	100.0	109	100.0	322	100.0
Average Sale Price	\$59,087		\$59,943		\$64,529		\$61,097	
Median Sale Price	\$56,500		\$56,800		\$59,000		\$58,125	

Note: Totals may not add to 100.0 percent due to rounding

Sources: Wahpeton Assessors Office  
Maxfield Research Group

- Over one-half of the home sales during the three year period were in the \$40,000 to \$79,900 price range. Roughly another 20.0 percent sold between \$20,000 and \$39,999 and about 9.0 percent sold for between \$80,000 and \$99,999. The proportion of homes that sold for over \$100,000 increased nearly doubled over the three year period, from 8.0 percent of all sales in 1993 to 17.4 percent in 1995.
- The proportional increase of homes sold for over \$100,000 is likely due to the recent availability of lots which has spurred new construction.
- According to data provided by the local multiple listing service, which was established in 1995, homes in the \$60,000 to \$79,999 price ranged sold more quickly than homes in other price ranges, except homes in the \$140,000 to \$160,000 range, of which there were only a handful of sales. In Wahpeton the 14 homes priced between \$60,000 and \$79,999 averaged 55 days on the market, while the five homes priced between \$140,000 and \$159,999 averaged 43 days on the market. The next quickest selling homes consisted of homes in the \$100,000 to \$109,999 range, these six homes sold in an average of 63 days. All other price ranges averaged over 100 days on the market, with lower priced home typically taking longer to sell. For example, the 13 homes that sold for between \$20,000 and \$39,999 averaged 184

TABLE 28  
HOME RESALE PRICE DISTRIBUTION  
CITY OF BRECKENRIDGE  
1993 to 1995

	1993		1994		1995		Total	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$20,000	18	26.5	16	24.6	22	37.9	56	29.3
\$20,000 - \$39,999	19	27.9	22	33.8	16	27.6	57	29.8
\$40,000 - \$59,999	18	26.5	9	13.8	12	20.7	39	20.4
\$60,000 - \$79,999	8	11.8	11	16.9	4	6.9	23	12.0
\$80,000 - \$99,999	3	4.4	6	9.2	2	3.4	11	5.8
\$100,000 - \$119,999	1	1.5	0	0.0	1	1.7	2	1.0
\$120,000-\$139,999	0	0.0	1	1.5	0	0.0	1	0.5
\$140,000-\$160000	1	1.5	0	0	1	1.7	2	1.0
Total	68	100.0	65	100.0	58	100.0	191	100.0
Average Sale Price	\$40,311		\$40,746		\$36,622		\$39,339	
Median Sale Price	\$38,000		\$30,000		\$30,000		\$33,000	

Note: Totals may not add to 100.0 percent, due to rounding

Sources: Wilkin County Assessors Office  
Maxfield Research Group

days on the market. It should be noted that the price categories referred to here are not shown in home resale price distribution tables.

### *Breckenridge*

- According to the county assessors records, there were 191 sales in Breckenridge between 1993 and 1995. The number of sales decreased slightly in each of the three years, from 68 sales in 1993 to 58 sales in 1995. Research indicated this was likely due to lack of existing product on the market rather than a decline in demand.
- The median sale price of homes declined between 1993 (\$38,000) and 1994 (\$30,000) but remained stable in 1995. The average sale price increased slightly between 1993 (\$40,311) and 1994 (\$40,746) before declining in 1995 (\$36,622). This was attributed to the lack of higher-priced product available on the market.
- Of the 191 homes that sold in Breckenridge between 1993 and 1995, nearly 60.0 percent sold for under \$40,000. Homes priced between \$40,000 and \$59,999 had the second largest

concentration of sales and accounted for roughly another 20.0 percent of all sales. Homes priced between \$60,000 and \$79,999 comprised another 12.0 percent of the sales.

- Breckenridge, like Wahpeton, saw homes in the \$60,000 to \$80,000 sell more quickly than most other categories in 1995. The three homes that sold in the \$60,000 to \$69,999 price range averaged nine days on the market. The two homes priced between \$70,000 and \$79,999 averaged 52 days on the market. There was also one home sale of \$148,000 that took 34 days to sell. Other price ranges averaged between 68 days and 156 days on the market.

### Residential Lot Supply

Maxfield Research Group inventoried the existing residential lot supply in both Wahpeton and Breckenridge through interviews with real estate agents, local developers, and city staff. In addition, a windshield inventory was conducted. Table 29 lists all of the subdivisions in the two communities. It should be noted that there are other subdivisions platted in the communities but they are not yet being actively marketed and/or are not yet serviced with city utilities. Information on these lots is included in the Pending For-Sale portion at the end of this section of the report. The following information pertaining to the existing lot supply in both cities was gathered during the course of the study.

TABLE 29  
ACTIVE SUBDIVISIONS  
PMA  
June 1996

<u>Subdivision</u>	<u>Year Platted</u>	<u>No. of Lots</u>	<u>Available Lots</u>	<u>Typical Lot Price</u>	<u>Typical Home Value</u>
<b>Wahpeton</b>					
Rosewood Addition I	1995	17	8	\$20,000-25,000	\$110,000-135,000
Elm Court	1994	42	33	\$20,000-25,000	\$100,000-130,000
Oakwood Addition	1993	15	11	\$30,000-40,000	\$150,000+
Total		<u>74</u>	<u>52</u>		
<b>Breckenridge</b>					
Northland	1994	<u>31</u>	<u>18</u>	\$20,000-\$25,000	\$110,000-140,00
Total		31	18		

Note: lot prices include special assessments, which generally run between \$10,000 and \$15,000 per lot.

Source: Maxfield Research Group

- There are currently four platted subdivisions in the PMA, with a total of 60 lots available. Three are located in Wahpeton and one is in Breckenridge.
- The three subdivisions in Wahpeton have a total of 74 lots. All of the subdivisions have been platted since 1993. According to sources, 52 of these lots are still available for sale, which translates into an absorption rate of 15 lots per year in these subdivisions. However, it should be noted that some of the lots that have been absorbed are or will have speculative houses built on them as well. In addition, 19 of the 33 lots in the Elm Court subdivision are controlled by one home builder and a portion of these lots may have speculative housing built on them. Based on recent absorption and the number of single-family building permits that have been issued in Wahpeton over the last three years (an average of 16 permits per year) there would be just over a three-year supply of lots available in these subdivisions.
- Lot prices in the subdivisions ranged from about \$20,000 to \$40,000 including special assessments. However, the majority of the lots are in the lower end of this price range.
- Estimates on the number of scattered infill lots that are available in Wahpeton varied, but the most common response was between 10 to 15 lots.
- There is currently only one active subdivision in Breckenridge, Northland. The subdivision, located on the north end of Breckenridge, was platted in 1994 and developed by the Port Authority of Breckenridge. The subdivision has a total of 31 lots, 18 are still available, which translates to an absorption rate of about 6.5 lots per year. Lot prices range from about \$20,000 to \$25,000. Eight single-family homes and a twinhome have been built thus far. The builder of the twin homes owns two more adjacent lots that he expects to develop with additional twinhomes and there has been some talk that he is interested in purchasing three additional lots for similar development. Based on the past absorption rate of homes in the subdivision, the remaining lots should last for another two and one-half to three years.

### **Mobile Home Parks**

Maxfield Research Group surveyed the five mobile home parks in the PMA in June 1996. Two of these, Bois De Sioux Mobile Estates and D&L Mobile Home Park, were located in Breckenridge, and the remaining three Sunset Mobile Home Park, Briarwood Court, and Red River Mobile Home Park, are located in Wahpeton. Table 30 lists the year opened, total number of pads, number of vacant pads, monthly lot and homes rents, and additional comments. The following are the key points derived from the survey.

- The five mobile home parks have a total of 338 pads, and only two pads were vacant when surveyed, a vacancy rate of 0.6 percent. The two mobile home parks in Breckenridge had a combined 126 pads of which one was vacant (at Bois De Sioux). Wahpeton's three mobile home parks had a total of 212 pads, with one vacant (at Red River).

TABLE 30  
MOBILE HOME PARKS  
WAHPETON/BRECKENRIDGE  
June 1996

Park Name/Location	Year Established	Total Pads	Vacant Pads	Lot Rent/ Home Rent	Tenant Profile/Comments
<b>Breckenridge</b>					
Bois De Sioux Mobile Estates 715 5th St. S.	1969	86	1	\$105-127 NA	Mixture of tenants, Demand has increased due to construction boom, currently 13 pads occupied by Pro Gold const. workers. Laundromat & car wash on premise.
D & L Mobile Park 600 4th St. S.	1976	40	0	\$70-83 NA	12 lots occupied by Pro Gold const. workers, nearly all the remaining lots have families with children. Had 12 vacancies prior to Pro Gold. Currently have waiting lists. No rented trailers.
<b>Subtotal</b>		<u>126</u>	<u>1</u>		(0.8 percent vacancy rate)
<b>Wahpeton</b>					
Sunset Mobile Home Park 902 16th Av. N.	1971	130	0	\$135 NA	Mostly families, a few single persons and a few seniors. Only a couple of units occupied by construction workers. The park itself does not rent trailers, but it was estimated that about 10 percent of all the trailers in the park are rented out by the individual owners. Rents vary widely depending on size and age of trailer.

TABLE 30  
MOBILE HOME PARKS  
WAHPETON/BRECKENRIDGE  
June 1996  
(Continued)

Park Name/Location	Year Established	Total Pads	Vacant Pads	Lot Rent/ Home Rent	Tenant Profile/Comments
Briarwood Court 2108 4th St. N.	early-1970's	55	0	\$115 \$300-350	Roughly 90 percent of residents are couples, one-half with children. 10 percent single persons, a few senior couples. Only one or two lots occupied by construction workers, "the park was full prior to construction boom, lot of calls from const. workers thought". Park does not rent out trailers, only a couple of trailers rented out by individual owners, most in the \$300 to \$350 per month range (incl. lot rent).
Red River Mobile Home Park 418 11th St. S.	1950's	27	1	\$110 \$300	Roughly 40 percent families, 20 percent couples without children. 12 lots occupied by Pro Gold construction workers, only one senior couple. Four trailers rented by park \$300 per month (incl lot rent) Expects turnover to increase as Pro Gold employees move out over the course of the next three to four months. Traffic had been declining prior to Pro Gold construction.
Subtotal		212	1	(0.5 percent vacancy rate)	
Total		338	2	(0.6 percent vacancy rate)	

Source: Maxfield Research Group

- The mobile home parks offer pads to mobile home owners, with pad rents of \$70 to \$127 per month (including water, sewer, and garbage removal).
- Only Red River Mobile Home Park served renters, with four trailers rented by the park for \$300 per month (excluding heat and electricity but including the pad rent). In addition, this park converted 12 pads for Recreational Vehicle use to accommodate Pro Gold construction workers. Two other parks mentioned that a handful of individual owners in their parks rented out trailers. While the contacts at Bois De Sioux did not know what rents these owners were receiving, the manager of Briarwood said most owners in his park were getting between \$300 and \$350 per month.
- The parks reported a mix of younger couples (many with children) and seniors, as well as a substantial number of Pro Gold construction workers. Overall, about 40 pads were occupied by the construction workers at the time of the survey.
- Managers at a few of the parks stated that demand for mobile home pads had been declining, and if it were not for the Pro Gold workers, the parks would have substantial vacancies, and are anticipating higher vacancies this fall when the construction on the Pro Gold plant is finished. Only Bois De Sioux mentioned that the Pro Gold workers would not have an impact on their park.

Since mobile homes usually serve as an alternative to permanent dwellings, their use generally increases during housing shortages. Many older mobile homes are poorly maintained and poorly insulated, and paying high utility bills in addition to a monthly mortgage or rent payment can create hardship for households already on a tight budget. The utilization of mobile homes is not a viable long-term solution to a shortage of quality, permanent dwellings.

The mobile home parks in the PMA are generally in good condition and are not likely candidates for redevelopment. However, less desirable mobile homes are often situated in smaller parks or on city lots. Hence, opportunities for redevelopment exist.

### **Real Estate Professional Interviews**

We interviewed real estate professionals in the Wahpeton and Breckenridge area to gather information on resale trends including which homes are in highest demand, who are buying homes, who are the sellers, and other factors which are affecting the demand for existing homes in the area. The following are the key points obtained from these interviews.

- Nearly every real estate professional interviewed mentioned the greatest need in both communities is for affordable single-family homes priced in the \$60,000 to \$90,000 range. The real estate professionals mentioned this is the price range with the greatest demand and lowest supply. This price range appeals to two of the largest home buying markets in the area

are move-up buyers and individuals new to the community, due to job transfers or newly created employment opportunities.

- Most first time buyers are typically looking for homes in the \$40,000 to \$75,000 range. While job transfers and the move-up market is typically looking for homes in the \$60,000 to \$120,000 price range.
- The supply of existing homes over \$130,000 is limited. The majority of existing homes top out at about this price, and thus most homes over this price are custom built. The two biggest markets for these homes are retired farmers moving into the city or executives/professionals from the area largest employers.
- The number of sales in given year is directly related to the number of listings, there are more buyers than sellers, especially in the mid-priced range.
- The average sale price of homes in Wahpeton has increased in both Wahpeton and Breckenridge in 1996, particularly in Wahpeton, where average selling prices have climbed substantially the last two years.
- Average market times have decreased drastically because of the lack of supply of mid-priced homes on the market. Homes in the \$50,000 to \$100,000 price range sell very quickly, usually within 30 to 60 days today, compared to three to six months or more than two years ago.
- Most households selling their homes are moving-up, the second largest concentration of sellers are seniors looking for alternative housing, moving to warmer climates or to a lake home. Job transfers, households moving out of the area because of employment, is the third largest selling market. This group was dominated by 3M employees in the past, however, it was mentioned that the manufacturer is not transferring employees as much as they were in the past.
- Generally, when households move they attempt to stay in the state they were previously living in. However, because of the lack of homes on the market, they have been seeing an increase in person moving across state lines to find suitable housing.
- Some real estate professionals interviewed cited that some individuals perceived living south of the railroad tracks in both communities as less desirable, and some mentioned taking a slight reduction in the value of homes on the south sides of the communities when conducting a market analysis. Others mentioned that this stigma is over stated and that it does make a difference to most buyers where the home is located.
- The Wahpeton-Breckenridge area loses potential residents to Fergus Falls, the Fargo-Moorhead or other smaller nearby communities due to lack of mid-priced homes, and because housing values are equal to or sometimes less in these other communities.

- The biggest deterrents for first-time buyers is the down payments needed, the special assessments due at the time of closing, and the low cap put on the value of homes that can be purchased.
- More programs, such as the 3/2/1 buy-down program implemented in Breckenridge this year, are needed to aid potential first time buyers. It was also mentioned that these types of programs need to be marketed more thoroughly and that they should be geared toward more modest income households. In addition, more modest priced lots would be needed to make the programs work.
- Others interviewed felt the niche for modest priced homes could be solved with manufactured homes, however, these homes would need to be in modest priced subdivisions as to not affect the value of other higher priced homes nearby.
- Alternative housing options for seniors are needed in the area in order to free up some of the existing homes. The real estate professionals felt that there would be some demand for new multifamily units, such as condominiums or townhomes. Some felt that prices would need to be kept relatively modest, in the \$60,000 to \$80,000 range, since most seniors would be moving out of modestly priced single-family homes. Others felt that a high quality product with a full line of amenities and features would appeal to middle-aged professionals, empty-nesters, retired farmers, and other seniors with substantial savings.

### **Home Builder Interviews**

We interviewed principals of home building companies in the Wahpeton and Breckenridge area to gather information on home building trends including number of homes being built, buyer trends, price range of homes, and factors which are affecting the demand for new homes in the area. We also interviewed companies which have developed or are marketing the newer subdivisions in Wahpeton and Breckenridge.

There are two or three companies in the area which build the majority of new homes, with several smaller companies that build less than three homes per year. We interviewed persons at the larger volume builders as well as several of the smaller volume builders. The following summarizes the key information obtained through the interviews:

- Lot prices in Wahpeton range from \$11,000 (Elm Court) to \$40,000 (Oakwood). There also may be a few more expensive scattered lots near the river or on the golf course. About half the cost of the more expensive lots are assessments, while the lower price lots (\$11,000 to \$12,500 in Elm Court) do not include special assessments in the lot price. Lots in Breckenridge have the same general price range as those in Wahpeton, though they may be slightly lower overall. Special assessments can add between \$10,000 and \$15,000 to the price of lots.

- The most popular home styles are split level homes with a total of 1,500 to 2,000 square feet, as well as ramblers with a similar size. Popular features are central air, finished garages, whirlpool tubs, and master bedroom/bath suite.
- The two key buyer groups are couples with young children and retired farmers who are moving into town. Buyers include both move-up (second-time home buyers) and first-time buyers, and both local and those new to the area.
- The major strengths of the Wahpeton/Breckenridge housing market are the strong local economy, and small town atmosphere ("good place to raise a family").
- The major weakness in selling new homes in Wahpeton is the price of lots, which are more expensive than in Fergus Falls or Fargo, or a few of the smaller nearby communities in North Dakota and Minnesota. Home prices in Wahpeton are slightly more expensive than in Breckenridge due to the more expensive lots, and a few builders suggested that the cost of building supplies is more expensive than in Fargo or Fergus Falls, which makes the overall price of new homes more expensive in Wahpeton and Breckenridge (though not all builders agreed with this). The cost of putting in streets and utilities seems to be more expensive which results in the more expensive lot costs in the area. Property taxes were also cited as being higher in Wahpeton than in other towns.
- A few of the builders commented that the local area is not as visually appealing to many potential buyers because it is flat, and therefore some buyers will commute from communities with more attractive topographical features.
- The majority of builders and developers commented that there is a need for more affordable new homes in the Wahpeton and Breckenridge area. To be most affordable to the majority of area workers, these homes should be priced under \$100,000, and in the \$60,000 to \$95,000 price range. There are not enough people who can afford the typical new home price of \$120,000 to \$140,000. Many people will live in Fergus Falls, the Fargo-Moorhead area or other communities that offer lower priced new housing, and commute to jobs in Wahpeton and Breckenridge.
- The lack of retail was also mentioned as a problem, with "half of the retail dollars leaving the community", more retail and entertainment space would make the community more attractive to households considering where to live.

## **Pending For-Sale Developments**

We contacted developers, builders and city officials to gather information on any planned or proposed housing developments in Wahpeton and Breckenridge. The following summarizes our information on projects in Breckenridge:

### Breckenridge

The Port Authority of Breckenridge is working on the Prairieview addition, a development of 30 single-family lots that would be targeted to moderate income households (those with a maximum income of approximately \$34,000). This property is located on the southeast edge of town, adjacent to Jefferson Park (near 10th Street and New York Avenue). The Port Authority will own the lots and sell them to prospective buyers. They are currently working with the Minnesota Department of Economic Security on a financing program for the lots. The Port Authority did another single-family project in Breckenridge, called the Northland Addition, an area designed to encourage development of upper-end priced homes in Breckenridge. The proposed project will have lower priced lots than Northland, estimated at between \$13,000 and \$15,000 including assessments, in order to target the project to a lower income market.

The Port Authority is also planning on building two spec homes on scattered lots in Breckenridge. These lots are available due to two homes that were condemned and removed. The spec homes will be priced in the \$70,000 to \$75,000 price range.

In addition, there is also a vacant parcel of land owned by the North Pacific Railroad in the southwest corner of the city, between New York and Buffalo Avenues and Second and Fifth Streets South, that the city is considering redeveloping into 32 lots for first time home buyers. The city is currently attempting to negotiate with railroad company to purchase the property. The lots would be similar in price to the Prairieview Addition.

Cliff Barth, a local landowner and member of the Port Authority, has nine acres of land located on the east side of Breckenridge, near the high school football field. While there has been interest from a local developer in purchasing a few of the acres for the development of rental housing, the unnamed developer has not yet made this purchase. Mr. Barth indicated that he would be willing to sell the acres for the development of either rental or for-sale housing, but is not interested in developing the property himself.

Jim Tillman, a local land owner, has a parcel of land just north of the Breckenridge city limits that he has considered selling lots off for single-family development. The parcel is adjacent to the north end of the Bois De Sioux golf course, and just east of the Red River. Mr. Tillman had petitioned to have the land annexed a few years ago but withdrew it and now the city is negotiating with him to get the land annexed again. Mr. Tillman was out of town and unable to be reached at the time of research however, sources at the city said it is likely that land could be ready for development as early as 1997. The parcel would be ideal for upper bracket homes, with its large lots, proximity to the Bois De Sioux Golf Course, and views of the Red River. According to the an old plat there are roughly 16 lots available in the parcel. Whether the parcel

would be replatted was not known at the time of research. It was thought that most lots would sell in the \$25,000 to \$35,000 range (including assessments) with some lots abutting the golf course and the river selling for even higher. If Mr. Tillman decides not to annex the parcel, the county zoning requirements would require that the parcel be replatted into 5-acre lots, which would reduce the number of lots but also increase their sale price.

Burton Gewalt owns a 33-acre parcel of land just east of the Breckenridge city limits. The land adjoins Cliff Barth's property and is located just south of the high school. The city has been working with Mr. Gewalt to annex the land into the city, with a possibility of purchasing the parcel for the development of roughly 65 to 70 single-family lots.

### Wahpeton

Rothhouse Home Builders, of Fargo, has been working on purchasing a property from Meide & Sons, Inc., to develop 32 condominium units. The two parties have recently agreed on a purchase price and the sale is now pending rezoning approval by the city. The property is located on the northern Wahpeton, in the Prairiewood Subdivision, north of 16th Avenue, adjacent to the Rosewood Estates subdivision.

According to the builder, he has developed a similar product in a number of other mid-sized communities in North Dakota and Minnesota with great success. The builder generally requires that least 6 to 8 units be pre-sold before construction will start, however, based on past experience with this product type, the builder felt that this would not be a problem. The development will consist of two 16-unit, three-story, buildings with tuck-under garages on the first level. There are four floor plans ranging from 1,219 to 1,478 square feet with prices starting at between \$90,000 and \$120,000, depending on floor plan. While the majority of the units are expected to have two bedrooms, a portion of the larger floor plans will likely have three bedrooms. The number of three-bedroom units will depend on the interest generated at the time marketing and the number of pre-sold units that have specified this as their preference. The units will feature two full bathrooms, forced-air heating, central air-conditioning, a utility room with laundry hook-ups, balconies, and a full appliance package (refrigerators, ranges, ovens, microwave ovens, dishwashers, and disposals). The larger units will also have walk-in closets. An allowance is given for floor coverings, fixtures, and appliances. The building will have an elevator, security entrance system, two-car garages with electric openers, and storage lockers. Other optional features that have proven popular, such as fireplaces or whirlpool tubs, can be incorporated at the time of pre-sale. Based on sales on this product in other communities, the builder expects the target market to be mid-aged (40's and up) professionals, empty-nesters, and seniors.

Lucas Development, a partnership consisting of two local developers, have a 300-acre parcel on the western edge of Wahpeton, just west of the 210 bypass. The developers are trying to have the area rezoned from agricultural/1 acre lots, to commercial and small lot residential. Of the total area, 85 acres near the bypass are being targeted for commercial development, and according to the developer, several large retailers have approached them regarding commercial sites. There are 50 acres west of the railroad tracks that they are designating as an affordable housing

area. This 50 acre area would provide a mix of single family homes and apartments, that would be priced to be “affordable”. He suggested a price \$65,000 to \$90,000 for the homes. They have looked at developments in other communities and have been investigating state housing assistance programs, and is also considering Tax Increment Financing (TIF). At this time, they do not have a definitive blueprint for the area. The remaining acreage in the area would be market rate residential (probably single-family). The city council has reviewed the overall plan and needs to vote on the rezoning.

Rosewood Addition Phases II-VI, located north of Phase I, contains an additional 70 lots with prices ranging from roughly \$20,000 to \$50,000 (including assessments). Current plans call for each phase to have slightly higher lot prices and subsequently higher home values. Phase II is expected to be developed as soon as Phase I nears full absorption, further phases will be developed as demand dictates.

Prairiewood Addition, is an 8-lot subdivision located just east of Rosewood Addition that was platted in 1994, but is not currently actively marketed. The developer recently agreed to sell the property to Rothhouse Home Builders who intends on developing a multi-family condominium project on the site. The sale is pending rezoning approval. The single-family lots would sell for roughly \$30,000, including assessments.

## CONCLUSIONS AND RECOMMENDATIONS

### Introduction

The purpose of this study is to identify the housing products that should be developed in the Wahpeton-Breckenridge area to satisfy projected housing demand through 2000. The data indicates that housing demand will be exceptionally strong in the area through 2000. The economy is robust and considerable employment growth is expected, so strong population and household growth is projected. In addition, the demographic composition of the population and household base is shifting and generating demand for more diverse housing products. The housing market is active and tight despite increasing residential construction over the past several years. Our research indicates that greater housing activity, an interest in creating more diverse housing products for residents, and the need to improve existing housing are influencing residential construction. Currently, there is a shortage of housing in market.

This section of the study calculates demand for various housing products; distinguishes potential target markets; suggests appropriate development concepts including the number of units, unit mix, unit sizes, purchase prices or monthly rents, and design features and amenities; and projects absorption for each of the housing products suggested in the short-term.

### Demographic Profile and Housing Demand

The demographic profile of a community affects housing demand and the types of housing that are needed. The life-cycle stages households move through are:

1. entry-level householders;
  - often want to rent basic, inexpensive apartments
  - usually singles (occasionally with unrelated roommates) or couples without children in their early 20's
2. first-time homebuyers and move-up renters;
  - often want to purchase modestly-priced single-family homes or rent more upscale apartments
  - usually married or co-habiting couples, some with children, but more are singles in their 20's or 30's
3. move-up homebuyers;
  - typically want to purchase nicer, larger, and therefore more expensive single-family homes
  - typically families with children where the householder is in their late 30's or 40's

4. empty-nesters (persons whose children have grown and left home);
  - prefer owning but will consider renting their housing
  - generally couples in their 50's or 60's
5. younger seniors who tend to be independent; and
  - prefer owning but will consider renting their housing
  - generally in their late 60's or 70's
6. older seniors who sometimes require support services.
  - may need to move out of their single-family home due to physical constraints
  - generally singles (widows) in their mid-70's or older

Although empty-nesters, younger seniors, and older seniors prefer to stay in their single-family home for as long as possible, these groups are increasingly considering alternatives such as townhouses and apartments.

A number of demographic trends are likely to occur during the remainder of the 1990's that will affect housing demand in the area:

1. The number of entry-level householders should increase as job growth attracts adults and offsets an otherwise natural decline due to the baby bust generation, resulting in continued demand for basic, inexpensive rental housing.
2. The number of first-time homebuyers and move-up renters should increase early in the decade as job growth attracts adults and then remain stable later in the decade as younger members of the baby boom generation age, resulting in continued demand for moderately-priced owned and rented housing.
3. The number of move-up homebuyers should increase somewhat as the baby boom generation ages, resulting in additional demand for nicer, larger, and therefore more expensive single-family homes.
4. The number of empty-nesters should increase slightly later in the decade as older members of the baby boom generation age, resulting in greater demand for alternative housing such as townhouses and apartments.
5. The senior population should decline slightly overall, but the number of older seniors is increasing while the number of younger seniors is decreasing, so demand should grow for senior housing with support services.

Therefore, demand for many different types of housing already exists in the Wahpeton-Breckenridge area and should increase during the 1990's. Many of these householders desire

quality owned and rented housing with design features and amenities that are not widely available in existing single-family homes and apartments in the area.

### Forecast of Overall Housing Demand

The main components of demand for residential construction are household growth (typically driven by job growth) and replacement needs (typically related to the age of housing). Although household growth requires building housing to accommodate potential residents, replacement needs occur when existing housing is no longer suitable for potential residents. If a single-family home or apartment is undesirable, and is difficult to sell or lease, resulting in extended periods of vacancies, then it should be replaced. Our forecast of overall housing demand in the study area from 1990 to 2000 is shown on Table 31.

TABLE 31  
HOUSING DEMAND CALCULATIONS  
WAHPETON-BRECKENRIDGE  
1990 to 2000

	<u>Wahpeton</u>	<u>Breckenridge</u>
Household Growth 1990-2000	483	103
(plus) Replacement Need 1990-2000	+ 47	45
(equals) Total Housing Demand 1990 - 2000	= 530 units	148 units
Estimated Proportion of Units Owner-Occupied	x 55%	65%
Number of Owner-Occupied Units Needed	<u>292 units</u>	<u>96 units</u>
Estimated Proportion of Units Renter-Occupied	x 45%	35%
Number of Renter-Occupied Units Needed	= 239 units	<u>52 units</u>

Source: Maxfield Research Group

The PMA is forecast to gain 586 households during the 1990's. Wahpeton is expected to see an increase of 483 households and Breckenridge is forecast to gain 103 households. Since households are occupied housing units, this translates to a gain of 483 housing units in Wahpeton and 93 housing units in Breckenridge during the 1990's.

The area's housing is generally in good condition, but a number of older single-family homes and apartments that are physically obsolete (structurally or otherwise damaged and not economically feasible to repair) or functionally obsolete (lacking the design features and amenities desired by prospective buyers and renters) will likely need to be replaced. The PMA had 924 housing units in 1990 that were built before 1940, Wahpeton accounted for 470 of these older housing units

and Breckenridge had 454 units. An estimated one percent of these should be replaced annually, or a total of 47 units in Wahpeton and 45 units in Breckenridge. According to data provided by the respective communities, roughly one-half of the total units needed to be replaced (approximately 25 units in Wahpeton and 20 units in Breckenridge) had been demolished thus far during the 1990's.

Thus, household growth and replacement needs are expected to generate demand for roughly 530 housing units in the City of Wahpeton and 150 units in Breckenridge during the 1990's.

Based on construction trends, employment growth trends, an examination of the change in tenure that occurred during the 1980's, and an analysis of shifts in the area's demographics, we believe that slightly over one-half of the housing demand (55.0 percent) in Wahpeton will be for owner-occupied housing (roughly 290 units) and just under one-half of the demand will be for rental housing (roughly 240 units). We anticipate that about two-thirds (65.0 percent) of the housing demand in Breckenridge during the 1990's (roughly 100 units), will be for owner-occupied housing and the remaining one-third (35.0 percent) of the demand (roughly 50 units) will be for renter-occupied units.

The higher proportion of ownership housing in Wahpeton is a reflection of the existence of the NDSCS campus in Wahpeton, property tax rates are more beneficial for multi-family development in North Dakota, as well as a more aggressive campaign by that city to provide modestly-priced ownership housing.

## **For-Sale Housing**

### Demand Estimate

The for-sale market in the Wahpeton-Breckenridge area is active, and household growth and replacement needs are expected to continue driving demand for ownership housing (both single-family homes and multifamily townhouses/condominiums). The demand for owned housing through the end of the decade will likely be satisfied by new residential construction and the resale market, as some current owners move into new housing products or leave the area. This is particularly true for seniors, who are increasingly considering alternatives to the single-family home such as townhouses, condominiums and apartments. Both Wahpeton and Breckenridge attract seniors from many outlying communities because of the availability of retail, health care and other services.

Our forecast of overall housing demand found a need for roughly 290 owned housing units in Wahpeton during the 1990's. Our research indicates that there has been only 70 single-family homes built in Wahpeton from 1990 to 1995. Thus, demand remains for about 220 additional units of for-sale housing units in Wahpeton from 1996 to 2000. The anticipated acceleration in demand for ownership housing over the course of the decade is due to a number of factors including continued employment growth, sufficient supply of platted lots for new development

as well as pent-up demand for modestly priced ownership housing and pent-up demand for owner-occupied multifamily development.

In Breckenridge, we have calculated demand for ownership housing of 96 units during the 1990's. Between 1990 and 1995, 47 single-family homes have been built, and we believe that roughly an equal amount will need to be built during the remainder of the decade.

Suggested Development Concepts

Based on a review of the area's demographics (with a focus on household incomes), construction trends and our community interviews, we suggest encouraging the development of a wide variety of for-sale housing in both communities, a summarization of this demand is displayed in Table 32.

TABLE 32  
FOR-SALE HOUSING DEMAND ALLOCATION  
WAHPETON-BRECKENRIDGE STUDY AREA  
July 1996

	Price Range	Wahpeton		Breckenridge	
		Pct.	No.	Pct.	No.
Entry-Level Housing Demand	\$60,000-90,000	30-35%	65-80	35-40%	18-20
Move-up Housing Demand	\$90,000-150,000	30-35%	65-80	35-40%	18-20
Executive Housing Demand	\$150,000 +	10-15%	20-30	10-15%	5-8
Owned Multifamily Housing Demand	\$90,000-120,000	20-30%	45-65	10-15%	5-8

Source: Maxfield Research Group

Some households will demand entry-level housing. Most first-time homebuyers will be looking for modest single-family homes priced from \$60,000 to \$90,000. Our research indicates that due to construction costs, developers find it difficult, if not impossible, to build affordable single-family homes in Wahpeton. The best way to create affordable housing may be to build more upscale units to begin a move-up market, resulting in a chain reaction whereby the second and third tier of units vacated could be purchased and renovated by individuals and families with modest incomes. The last units vacated and not re-occupied would be considered the least desirable and would ultimately be demolished and replaced by new units. Again it should be noted that these most modestly-priced units fill a niche for housing for migrant workers in Breckenridge. Similarly, building new apartments and townhouses may encourage some seniors to move from their single-family home. This would increase the supply of affordable housing on the resale market.

We believe that roughly 30 and 35 percent of the remaining ownership demand in Wahpeton (about 65 to 80 homes) and 35 to 40 percent in Breckenridge (about 18 to 20 homes) will need to be entry-level homes. These homes should be in the \$60,000 to \$90,000 price range. A portion of this demand may be satisfied by either a manufactured housing development, or modestly-priced multifamily units (i.e. townhomes or condominiums).

In order to develop stick-built single-family homes in this price range would likely require the cities themselves to get involved in the developed either directly, as is the case with the Breckenridge Port Authority, or by offering incentives to the developers.(i.e. tax-increment financing, deferred taxes and/or assessments, or perhaps even assuming the assessments). We also encourage the two cities maintain housing incentive programs such as the 3/2/1 buy-down program, seek out others housing funding programs and work with local banks to ensure financing for first-time buyers. Single-family development in this price range should be comprised of split-entry and multi-level homes with two and three-bedrooms and have between 1,200 and 1,500 square feet finished with additional room for expansion. Single-car garages and one and one-half bathrooms would suffice for these units. Even with incentives, stick-built homes will be difficult to build for under \$80,000 to \$90,000.

Many households will demand move-up housing. We estimate that another 30 to 35 percent of the market in Wahpeton and 35 to 40 percent in Breckenridge will desire move-up homes. We recommend development of split-level and rambler-style homes, which are popular with move-up homebuyers. These dwellings should have at least three bedrooms, two baths, an attached two-car garage, 1,500 to 2,000 square feet, and be priced from \$110,000 to \$150,000.

Due to the limited number of existing executive-style homes in the PMA, most of this product type has been developed only in the last few years, most of these homes will be custom built and will be driven by the consumers preferences. We estimate demand for homes over \$150,000 will continue to be limited, accounting for about 10 to 15 percent of the remaining demand in both communities (roughly 20 to 30 homes in Wahpeton) and (five to eight homes in Breckenridge) through the remainder of the decade. It will be important to note that in order to meet the demand for this type of product their will need to be a sufficient supply of high quality lots, that is lots with appropriate surrounding land uses, attractive landscaping and preferably high levels of natural amenities such as proximity to the golf course or river. Our interviews with the area major employers indicated that some employees are concerned that if the build upper-bracket homes in Wahpeton they may not hold their value as they would in other communities such as Fargo. We recommend that the developers enforce restrictive covenants in these subdivisions and that the cities take an active stance to ensure that surrounding land uses are appropriately zoned.

Some households will demand alternatives to the detached single-family home. The target market for these types of units usually empty-nesters and younger seniors who prefer homeownership but dislike maintenance. The number of empty-nesters and younger seniors is declining in the PMA, which portends less demand for alternative housing at least until the baby boom generation ages further into their 50's and 60's. However, we feel that there is an unmet niche for this concept. We estimate that 20 to 30 percent of the remaining owner-occupied demand in

Wahpeton (45 to 60 units) and 10 to 15 percent of the demand in Breckenridge (five to eight units) will be for multifamily units. This type of development could be in the form of condominiums, such as those proposed by Rothhouse Builders for Wahpeton (see Pending For-sale Developments in the *For-Sale Market Analysis* section of this report) or they could consist of townhouse-style units. For townhome units, we suggest single-story units in clusters of two to four. These dwellings should have two bedrooms, two baths, an attached single-car garage, 1,100 to 1,300 square feet, with base prices starting at \$80,000 to \$100,000. Some of this demand in Breckenridge may be met by a development by Urban Steel, a developer out of Fargo, that is currently building one twinhome and planning on building another twinhome and threeplex in the Northland subdivision in Breckenridge. While these units have not been listed yet, but they are expected to be priced in the \$130,000 to \$140,000 price range and are targeted to retired farmers. We believe that demand for units above these price ranges will be limited.

It should be known that the demand for housing is elastic, in that if development in the PMA fails to address the specific needs from the separate submarkets, they will continue to lose households to surrounding communities (i.e. Fargo, Fergus Falls or other smaller towns in the vicinity). Furthermore, if any one of the two communities lacks the level of development needed to satisfy these same submarkets, the other community will likely be able to capture a portion of the demand from that submarket if the appropriate development occurs. This is particularly true for individuals moving into the area who have not yet settled into one community or the other. However,, there will always be some individuals that will prefer to stay in their home state, and will refuse to move across the state line even if that is where the preferred housing product is located. On the other hand, if measures are taken by the communities to ensure appropriate development occurs, demand for housing could be even greater than what has been projected. This is particularly true for the entry-level submarket were cost constraints prohibit the private sector from effectively developing this type of housing.

### Projected Absorption

The absorption period for entry-level housing, move-up housing, and owner-occupied multifamily housing will vary widely. In general, entry-level housing will be purchased on the resale market so the health of the for-sale market will determine the absorption period as will the availability of low-cost lots and incentive programs. In many cases, move-up housing and executive housing will be custom built so the absorption period will likely be rather short. Because of the lack of existing newer owner-occupied multifamily housing in the community the acceptance of this product type has not been tested and absorption is difficult to estimate. However, we believe there is pent-up demand for type of product and that absorption will be quick.

### Residential Lot Supply/Land Availability

The supply of active lots will need to be expanded in both communities to satisfy the projected growth. We recommend maintaining at least a three-year lot supply, which translates to roughly another 60 buildable single-family lots in Wahpeton and another 25 single-family lots in Breckenridge through 1999. Furthermore, we strongly recommend a variety of lots with different

locations and prices to allow for consumer choice. Between the subdivisions that are currently marketing and the pending subdivisions there should be an adequate amount of lots that could be developed. We recommend working with local developers to ensure that raw land is platted and developed in an orderly fashion, and providing incentives to local developers to encourage the development of affordable single-family homes.

The move-up market in Breckenridge has been and will continue to be satisfied by infill development and existing lots in the Northland Addition. However, based on projected demand for move-up housing, additional lots for move-up housing will likely be needed towards the end of the decade. Demand for entry-level housing will likely be fulfilled by the proposed Prairieview Addition when the subdivision becomes available for development. This addition appears to have a satisfactory number of lots to meet demand through the end of the decade. However, we suggest the City pursue other lots for entry-level and move-up housing towards the end of the decade in order to allow consumers choice in locations. Appropriate parcels include the land currently owned by North Pacific Railroad as well as Cliff Barth's and Burton Gewalt's property (see pending for-sale development in the *For-Sale Market Analysis* section of this report). Currently, the only suitable sites for executive housing in Breckenridge are a few infill lots surrounding the Bois De Sioux golf course. Demand for executive housing does not appear to be substantial in Breckenridge currently. If highly desirable lots, such as those owned by Jim Tillman near the Red River and golf course, became available, we believe that Breckenridge may be able to capture some of Wahpeton's demand for executive housing. Demand for multifamily ownership housing does not appear to be significant at this time, and a portion of this demand may be satisfied by the newly constructed twinhomes in the Northland Addition and by the fourplex being constructed by the Gerald Rick (which plans to convert the project from rental units to ownership in three years).

The greatest need in the City of Wahpeton is to provide low cost lots or incentives to meet the demand for entry-level housing. Some of the less desirable lots in the Elm Court Addition, those along the freeway, could possibly be used to serve the entry-level market, but the majority of these lots are more suitable for the move-up market. In addition, infill lots could also satisfy some of the demand for entry-level housing, but there are only a handful of infill lots available in Wahpeton. Presently, the move-up market can be satisfied by the 33 lots available in the Elm Court Addition and the eight existing lots in the Rosewood Addition. However, a significant number of additional lots in the Rosewood Addition would need to become serviced with streets and utilities in order to meet the projected demand for this type of housing. Executive housing demand could be satisfied by lots in the Oakwood Addition and as well as some of the more attractive lots in the Rosewood Addition. However, these lots are not currently serviced with city utilities. We suggest the city encourage the development of infrastructure to these lots. The majority of the demand for multifamily ownership housing in Wahpeton will likely be satisfied in part by the proposed Rothhouse condominium project. If this project moves ahead as planned, we suggest waiting to see how well this concept is accepted by the community before pursuing additional lots for owned multifamily units.

## **General Occupancy Rental Housing Demand**

Table 31 showed demand for approximately 240 rental units in Wahpeton during the 1990's. We have identified 82 units of rental housing that has been developed in Wahpeton since 1990, resulting in an additional demand for approximately 160 units through the end of the decade. Rental demand for Breckenridge was estimated at 41 units during the 1990's. While no rental housing was built between 1990 and 1995, there is currently a four-plex under construction, which leaves demand for an additional 37 units for the remainder of the decade.

### Subsidized Housing

The rental market analysis showed that the subsidized general occupancy projects in the PMA had an overall vacancy rate of 8.3 percent. In Wahpeton, 19 out of the 262 subsidized general occupancy units were vacant and the one subsidized general occupancy project in Breckenridge had four of its 16 units vacant. In addition, we are aware that Century Apartments in Wahpeton, is currently under renovation will have an additional 16 units coming back on line in August of 1996. Subsidized housing should have very few, if any, units vacant because it is a need-driven product. Thus, we do not recommend the development of any general occupancy subsidized housing in Wahpeton at this time.

While the influx of migrants workers into the county each summer puts stress on the rental market, future demand for this type of housing is very difficult to quantify since 1) the number of households that migrate fluctuates each year depending on job availability in their place of origins, 2) some farmers (40 percent according to a case study conducted in 1995 by the Wilkin County Human Services). provide housing for their employees, 3) the number of migrant workers bringing their families with them is declining, 4) the number of migrant workers is expected to decline considerably over the next four to five years because of a new strain of sugar beet seed coming into the market that is resistant to herbicides, and 5) a number of rental units previously occupied by migrant workers are occupied by the Pro Gold construction workers this year.

Hence, we suggest no development specifically for migrant workers and recommend that the city, in conjunction with local landlords, continue to work with the county's inspection program to ensure that the older modest-priced rental housing geared primary housing for migrant workers is kept safe and habitable. This will ensure that local landlords will continue to get reimbursements from the county for housing migrant workers.

### Market Rate Demand

Based on research we believe that there is a substantial amount of pent-up demand for senior housing, particularly housing with services, and a significant proportion of the rental demand in both communities will be for market rate senior housing. However, this will continue to be a need to develop market rate general occupancy housing as well to accommodate the household growth resulting from increased employment opportunities.

The market rate general occupancy projects in Wahpeton had a vacancy rate of 6.1 percent, however, two projects were still in their initial lease-up period at the time of our survey. When these two projects are excluded the vacancy rate falls to 3.8 percent. Typically, market rate projects will have a vacancy rate near 5.0 percent in a healthy rental market, to allow for consumer choice and unit turnover. Thus, the market for conventional market rate rental units seems to be stable at this time, even after accounting for the influx of temporary Pro Gold construction workers who typically rent more modestly-priced units. While most of these older more modest units may experience some increases in vacancies this fall, the more desirable of these units should be able to fill up perhaps with students. While the market seems to be stable currently, as previously mentioned, there will be a need to develop both market rate senior housing and additional non-subsidized general occupancy units to satisfy the anticipated growth generated by increased employment opportunities in the area. The development of senior rental housing will likely free up some units in existing market rate projects in the study satisfying demand from entry level buyers.

It should be noted that if an insufficient supply of senior housing is not developed, demand for general occupancy rental housing will increase.

We believe that both market rate and middle-market rental units will be needed in both communities to satisfy the demand for general occupancy rental housing through the end of the decade.

### Recommended Development Concepts

#### *Market Rate Project Recommendations- Wahpeton*

In Wahpeton, we suggest an additional 24 to 30 units of conventional market rate units. Table 33 displays our suggested unit mix, sizes and rents. We recommend that 30 percent of the units (seven to nine units) have one bedroom, one full bathroom, and between 700 and 750 square feet in size with rents between \$500 and \$550 per month (\$.71 to \$.73 per square foot). Another 10 percent of the units (two to three units) should be one-bedroom plus den units, with one and one-half bathrooms, range between 850 and 900 square feet in size, and have rents between \$575 and \$625 per month (\$.68 to \$.69 per square foot). Roughly 40 percent of the units (10 to 12 units) should have two bedrooms, at least one and three-quarters bathrooms, between 950 and 1,000 square feet, and rents of \$650 to \$700 per month. The remaining 20 percent of the units (five to six units) should have three bedrooms, two full bathrooms, be between 1,100 and 1,200 square feet in size and have rents of between \$725 and \$775 per month (\$.65 to \$.66 per square foot). The rents are quoted in 1996 dollars which could be adjusted upwards by 3 to 5 percent per year until the project(s) come on line. The rents include heat, but exclude electricity and garages, and are attainable given salaries, wages, and incomes in Wahpeton. If housing costs absorb 30.0 percent of income, monthly rents of \$500 to \$800 necessitate annual incomes of \$20,000 to \$32,000.

The project should incorporate contemporary architecture and an amenities package similar to the Sierra Apartments. Unit features such as balconies/patios, dishwashers, disposals, mini blinds or vertical blinds, walk-in closets, in-unit washers and dryers, and if possible, extra storage

lockers should be provided. Utility rooms housing the washers and dryers would also be a nice touch but are not essential. We recommend central air conditioning, but wall-unit air conditioning will likely suffice. The building should have a security entrance. While tuck-under or attached garages would make the project stand out in the market, detached garages would be sufficient, considering the size of the project. Tuck-under garages could command an addition \$35 to \$40 per month while detached garages should be priced at \$30 per month. Although recreational amenities such as tennis courts and swimming pools are good marketing features, these buildings are too small to support them and there is not a strong market for them in Wahpeton.

TABLE 33  
RECOMMENDED PRODUCT  
MARKET RATE APARTMENTS  
CITY OF WAHPETON  
July 1996

<u>Unit Type</u>	<u>Unit Mix</u>	<u>Unit Size</u>	<u>Monthly Rent</u>	<u>Monthly Rent Per Sq. Ft.</u>
1BR	30% (7-9)	700-750	\$500-550	\$.71-.73
1BR/Den	10% (2-3)	850-900	\$575-625	.68-.69
2BR	40% (10-12)	950-1,000	\$650-700	.68-.70
3BR	20% (5-6)	1,100-1,200	\$750-800	.67-.68
	100% (24-30)			

Rents are quoted in 1996 dollars and include heat, but exclude electricity and garages.

Source: Maxfield Research Group

Because this project would be similar to the Sierra Apartments, which opened for occupancy in June of 1996, acceptance of this type of product has not yet tracked and absorption may be prolonged. However, we believe that there is sufficient demand for newer high quality rental product and that a project of this type will be successful. We estimate that the project, if built in one phase, will reach stabilized occupancy within six to seven months. This is based on an estimate that 25 percent of the units will be preleased and the remaining units will be absorbed at a rate of three units per month. While it is usually more feasible to develop a project such as this as one building (because of economies of scale), two separate buildings built in phases would likely reduce the absorption period for each building.

The development of these market rate units will create an opportunity for renters that can afford to and desire to upgrade their current housing situation to move into newer, higher quality units. This will free up some existing modestly-priced rental units in the community.

*Recommended Middle Market Developments- Wahpeton and Breckenridge*

We also suggest developing another 30 to 36 units of rental housing in middle-market apartment buildings in Wahpeton and a nearly identical project of 12 to 16 units in Breckenridge by 2000. They should be targeted to younger working singles and couples as well as seniors with modest incomes. They may also attract some families, although families generally prefer living in single-family homes rather than apartments. The recommended middle-market product for Wahpeton and Breckenridge is presented on Table 34.

TABLE 34  
RECOMMENDED PRODUCT  
MIDDLE-MARKET RENTAL PROJECTS  
CITIES OF WAHPETON AND BRECKENRIDGE  
July 1996

<u>Unit Type</u>	<u>Unit Mix</u>	<u>Unit Size</u>	<u>Monthly Rent</u>	<u>Monthly Rent Per Sq. Ft.</u>
<b>Wahpeton</b>				
1BR	20% (6-7)	700-750	\$400-450	\$.57-.61
2BR	50% (15-18)	900-950	475-525	.53-.55
3BR	30% (9-11)	1,050-1,100	550-600	.53-.55
	100% (30-36)			
<b>Breckenridge</b>				
1BR	30% (4-5)	700-750	\$400-450	\$.57-.61
2BR	50% (6-8)	900-950	475-525	.53-.55
3BR	20% (2-3)	1,050-1,100	550-600	.53-.55
	100% (12-16)			

Note: These rents include heat, but exclude electricity and garage.

Source: Maxfield Research Group

In the Wahpeton project, we suggest a mix of 20.0 percent one-bedroom units (about four to five units), 50.0 percent two-bedroom units (about 10 to 12 units), and 30.0 percent three-bedroom units (about six to eight units), while in Breckenridge we suggest a unit mix of 30 percent one-bedroom units, 50 percent two-bedroom units and 20 percent three-bedroom units. The units sizes and rents in the two projects should be similar, if not identical. One-bedroom units should be between 700 and 750 square feet in size and have rents of \$400 to \$450 per month (\$.57 to \$.61 per square feet). The two-bedroom units should have be between 900 and 950 square feet and have rents of \$475 and \$525 per month (\$.53 to \$.55 per square foot). The three-bedroom units should be between 1,050 and 1,100 square feet in size and have rents of \$550 to \$600 per month (\$.53 to \$.55 per square foot). These rents include heat, but exclude electricity and garages, and are attainable given salaries, wages, and incomes in Wahpeton and Breckenridge. If

housing costs absorb 30.0 percent of income, monthly rents of \$400 to \$600 necessitate annual incomes of \$16,000 to \$24,000.

We realize that these rents are relatively low for new multifamily construction and that developing such a project may require the utilization of special financing mechanisms such as essential function bonds, tax credits, or Tax Increment Financing. It may also require additional resources from the City or from state or federal organizations.

The project should be designed to reflect contemporary architecture and superior finishing. The units should offer only basic features such as dishwashers, window coverings and wall-unit air-conditioning. The buildings should offer amenities including minimal common space, a coin-operated laundry on each floor, and a detached garage for each unit. Detached garages should be available for an extra \$30 per month.

Because of the lack of rental development in Breckenridge over the last ten years, we believe that a middle-market project could be developed immediately in Breckenridge. However, because 60 units of tax-credit financed rental housing has been developed in Wahpeton since 1995, we believe that any new projects with income restrictions developed in the near future (prior to 1998) in that community will have a prolonged absorption period. The use of tax-credit financing for middle-market projects has a tendency to saturate a market, because the income restrictions cut into the potential market for these units. The developer of the 60-unit Prairiewood project mentioned that absorption for his units was much slower than anticipated because a large number of potential tenants had incomes above what the financing allowed. If tax credits are used, we suggest that the developer go after the highest allowable income restrictions (60 percent of the county's median income), or that only a portion of the units be financed with tax credits, allowing the remaining units to be leased to persons at any income level.

If no income restrictions are placed on these units, we believe that absorption of middle-market units will be rapid. For the 30- to 36-unit building in Wahpeton, we estimate a total absorption period of four to five months, based on 30 percent of the units being preleased and an absorption rate of five units per month. The 12 to 16 units project in Breckenridge should have a similar, or slightly shorter absorption period. Again, these absorption figures assume that the buildings will not have income restrictions and will come on line in the spring or summer, to take advantage of peak leasing and selling season. If the financing mechanism for the project requires income restrictions, the lease-up period could be extended considerably.

The above recommendations (both market rate and middle-market) are meant to be a guide for development. Although the suggested product should be well-received by the market, other developments could also satisfy demand from the target market. If built, some of the pending projects referred to in the pending rental developments portion of the *Rental Market Analysis* section of this report could satisfy the demand. Furthermore, the suggested number of units reflects demand only through the end of the decade. A project built later in the decade could contain a slightly larger number of units since it would also capture demand from growth that occurred after 2000.

## **Market Rate Senior Rental Housing**

### Demand Estimate

While pent-up demand already exists for market rate rental senior housing in the study area, several trends will affect demand for different types of senior rental housing product in the area during the balance of the 1990's:

1. increase in the number of seniors looking for alternatives to the single-family home because they no longer want the burden of homeownership;
2. increase in the number of seniors who are able to sell their single-family homes, as local job growth attracts prospective residents;
3. decreasing demand for projects with few support services, as the number of younger seniors decreases; and
4. increasing demand for projects with intensive support services, as the number of older seniors increases.

There is no market rate senior rental housing in the PMA currently. Demographic trends, market conditions, and community interviews indicate the potential to develop market rate senior rental housing in both communities, particularly projects with support services. Both communities are the largest communities and the county seats of their respective counties, and both attract seniors from many outlying communities because of the availability of health care and other services. Our calculations of long-term and short-term demand for market rate senior rental housing in the study area are shown on Table 35.

We estimate that there were roughly 900 senior households in Wilkin County and 1,930 senior households in Richland County in 1995. These senior household projections are shown on Table 7. Based on our research, we have estimated that about 110 subsidized units in Wilkin County and 185 subsidized units in Wilkin County were occupied by seniors in July 1996. This yields a base of roughly 790 non-subsidized senior households in Wilkin County and 1,745 senior non-subsidized households in Richland County in 1995.

Surveys conducted by both private firms and non-profit agencies consistently demonstrate that approximately 15.0 percent of the non-subsidized senior household base will eventually consider moving to market rate senior rental housing. Applying this percentage to the county totals yields long-term interest for 119 units in Wilkin County and 262 units in Richland County in 1995. There is no market rate senior rental housing in the PMA, so the long-term demand figures equal the long-term interest. These same surveys also indicate that approximately 30.0 percent of the seniors interested in market rate senior rental housing desire to move within three years. Applying this percentage to each county's long-term demand yields short-term demand for roughly 36 units from Wilkin County seniors and 79 units from Richland County seniors through

1999 and long-term demand for roughly 80 units in Wilkin County and 180 units in Richland County after 1999.

TABLE 35  
 MARKET RATE SENIOR RENTAL HOUSING DEMAND  
 WAHPETON-BRECKENRIDGE STUDY AREA  
 July 1996

	Wilkin County	Richland County
Senior Household Base in 1995	900	1,930
(less) Subsidized Units Occupied by Seniors	-	<u>110</u>
(equals) Non-Subsidized Senior Household Base	= 790	1,745
(times) Long-Term Interest at 15%	x <u>0.15</u>	<u>0.15</u>
(equals) Long-Term Interest in 1995	= 119	262
(less) Market Rate Units Occupied by Seniors	-	<u>0</u>
(equals) Long-Term Demand in 1995	= 119	262
(times) Short-Term Interest at 30%	x <u>0.30</u>	<u>0.30</u>
(equals) Short-Term Demand through 1998	= 36	79
(equals) Long-Term Demand after 1998	= 83	183

Source: Maxfield Research Group

A second method to determine senior housing demand is to calculate the base number of age/income qualified senior households in the study area. In order to calculate the age/income qualified market for market rate senior housing we have taken all of the senior households with annual incomes above \$25,000 and the portion of senior households with incomes between \$15,000 and \$24,999 that own their housing as the age-income qualified base. We have used an annual income of \$25,000 as the cut-off to qualify financially for a senior project since this would translate to an affordable rent (or mortgage payment) of roughly \$833 per month based on an income allocation of 40.0 percent.

While the 40.0 percent income allocation is higher than what most younger households are willing to spend on housing (generally 20.0 to 30.0 percent of their incomes), younger households have other expenses such as raising children, making major purchases (e.g., appliances, furniture, automobiles, etc.), and saving money for their children's education and their own retirement. A senior household with an annual income of \$15,000 could afford a monthly rent of \$500 per month, however, if they use the investment proceeds from the equity in their home, they would have an additional \$150 to \$200 per month of income that could be used dollar for

dollar for senior housing. Utilizing income data from Table 11 and tenure data from Table 10 we have identified 689 senior households with annual incomes exceeding \$25,000 and another 404 senior households with incomes between \$15,000 and \$24,999 in Richland County in 1995. Applying the Richland County's calculated market rate senior demand of 79 units to the age/income qualified base (1,093 households) results in a penetration rate of 7.2 percent. Doing the same calculations for Wilkin County results in a penetration rate of 8.3 percent (36 units of short-term demand divided by the 433 age/income qualified senior households equals a penetration rate of 8.3 percent). In general, a community can expect to have a long-term penetration rate of at least 15.0 percent of the age/income qualified base for market rate senior housing. These figures show that a penetration rate based on the respective short-term demand is acceptable in both communities.

### **Assisted Living Demand**

Demand calculations for assisted living housing is similar to the age/income qualifying process used for market rate senior housing demand, however, we use only seniors households age 75 as the age qualified market. In order to afford typical fees at assisted living projects, a senior would again need an income of at least \$20,000 or more based on an income allocation of 75.0 percent for housing and services. Thus, again the potential market base will be all older seniors with income of \$25,000 per year plus a portion of the senior households with incomes between \$15,000 and \$24,999. Thus, we have used all older senior households (those age 75 and older) with incomes over \$25,000 plus one-half of all older senior households with incomes between \$15,000 and \$24,999 as the potential age/income qualified base. This calculation translates to an age/income qualified base of 374 households in Richland County and 179 households in Wilkin County.

The number of age/income qualified households is reduced to derive the potential assisted living market base. That is the proportion of age/income qualified households that need assistance with daily activities (e.g., bathing, dressing, meal preparation, light housework, etc.). Based on studies done by private, non-profit, and government organizations, it estimated that 30.0 percent of older seniors need assistance on a daily basis.

Applying the figure of 30.0 percent to the age/income qualified households in Richland County results in a potential assisted living demand of 115 units from Richland County seniors and 59 units from Wilkin County seniors. However, most of these persons will prefer to remain in their homes with home health care have a spouse or other relative assist them with their needs use the community's adult day care service. Our firm and others in the industry have used 25.0 percent as the penetration rate of the assisted living market base for market rate assisted living units. Thus, demand for market rate assisted living would be roughly 28 units in Richland County and 13 units in Wilkin County.

Because Fargo, has a much greater variety of services and a number of existing senior projects available its draw for senior housing will overlap that of Wahpeton-Breckenridge and, we believe the number of frail seniors moving into the Wahpeton-Breckenridge area to be near adult

children would not be greater than the amount that would move out of the area for the same purpose. Thus supplemental demand from seniors living outside the study area would likely be minimal and not a factor of demand for an assisted living facility in either community.

If funding mechanisms such as alternative care grants or elderly waiver grants are implemented that could subsidize services for frail seniors with lower incomes, such as the program being currently being implemented by the Breckenridge HRA, then demand for assisted living housing could be much greater. Applying the same methodology used to calculate market rate assisted living demand to seniors aged 75 and older with lower incomes results in an additional demand of roughly 46 units of subsidized assisted living housing in Richland County and 22 units in Wilkin County.

The pending subsidized assisted living facility being developed by St. Francis Home in Breckenridge should satisfy a portion of the subsidized assisted living demand. In addition, we are aware of plans by an undisclosed non-profit agency that is looking for sites for a similar project in Wahpeton. However, at this time, the only alternatives in the area for seniors in need of intensive services are the Leach Home or the two nursing homes in the PMA.

### **Senior Rental Recommendations**

Based on our demand calculations, a review of the demographics, and the current rental market conditions as well as our community interviews we have made the following recommendations for senior rental housing development in Wahpeton and Breckenridge. As with the general occupancy projects, these recommendations are meant to be a guide for development. Although the suggested product should be well-received by the market, other developments could also satisfy demand from the target market.

### **Subsidized Senior Recommendations**

The rental market analysis showed that the two subsidized senior projects in Wahpeton had no vacancies, but the general occupancy projects had 19 vacancies ( a vacancy rate of 7.3 percent). Of the two subsidized senior projects in Breckenridge one was full the other had 25 units vacant at the time of the survey for a vacancy rate of 20.3 percent. Subsidized rental housing, being need-driven, should have vacancy rates near zero. In addition to the vacancies in the senior projects both communities also had substantial vacancies in their general occupancy projects. Thus, we do not recommend the development of any subsidized senior housing in either community at this time. We feel that the general occupancy subsidized projects with vacancies, particularly projects such as 614 Dakota and 430 Dakota in Wahpeton, which have elevators and are located in the downtown, are compatible for seniors needing subsidized housing. In addition, we feel that the focus for subsidized senior housing in Breckenridge should be on the renovation of the existing Park Manor project to make those units more appealing to local seniors.

While we believe that there is sufficient demand for the development of subsidized assisted living units in both communities, funding that subsidizes services is very limited at this time, and

competition for these funds is fierce. Thus, it is very unlikely that enough funding could be secured to meet the entire demand for this type of project.

Breckenridge seems to be an exception. Park Manor Apartments in Breckenridge has recently implemented a subsidized assisted living program which allows residents to apply for either Elderly Care Grant or Elderly Waiver funds which will cover either all or part of the costs of services. In addition, St. Francis Homes has received a grant from HUD to develop a 20-unit subsidized assisted living facility on its campus. Construction of this project is expected this fall with occupancy expected next spring. Furthermore, we are aware of a non-profit organization that is currently looking at sites in Wahpeton for a similar project. A portion of the demand for subsidized assisted living units can be satisfied by either the program offered at Park Manor or these other pending projects, if built. Currently, the only other options for seniors that need assisted living services is the Leach Home or the area's two nursing homes.

Not all of the demand for senior housing in Richland County will need to be built in Wahpeton and not all of the demand for senior housing in Wilkin County will need to be built in Breckenridge. Some seniors will prefer to stay in communities closer to their home, even though they these communities may not have the retail or services that Wahpeton and Breckenridge do. In the absence of senior alternatives in these communities, they may stay in their homes with home health services or may choose to reside in apartments in the nearest small town, although the rental options in these communities will be limited and likely inadequate. Wahpeton and Breckenridge should be able capture the vast majority of study area demand for senior housing if variety of housing is developed with an array of service options.

#### Market Rate Senior Recommendations

While the City of Wahpeton may have a large enough senior market base to support the development of variety of different types of senior housing we suggest the development of two distinct projects by the year 2000: a congregate/optional services project and an assisted living project.

We are recommending a optional services project because this product will appeal to widest market in the long-term, due to the availability of services on an optional basis which will be come more crucial over time as the study area's senior base continues to age. While a small adult/few services project could be supported in Wahpeton, we do not endorse the development of a large scale adult few services project at this time because the number of younger seniors is declining throughout the study area. In addition, demand for alternative housing from independent seniors can usually be satisfied by general occupancy rental housing or the development of condominiums or townhomes.

#### *Congregate/Optional Services Project-Wahpeton*

We suggest the development of 40 to 50 units in a Congregate/Optional Services project in Wahpeton. The suggested unit mix, sizes and rents are presented in Table 36. A unit mix of 50.0 percent one-bedroom units (about 20 to 25 units), 20.0 percent one-bedroom/den units (about 8 to 10 units), and 30.0 percent two-bedroom units (about 12 to 15 units) is suggested. The one-

bedroom units should have 650 to 700 square feet and monthly rents of \$600 to \$650. The one-bedroom/den units should have 775 to 825 square feet and monthly rents of \$675 to \$725. The two-bedroom units should have 900 to 950 square feet and monthly rents of \$750 to \$800. We encourage providing different sizes and styles within each unit type. For example, smaller one-bedroom units with modest rents would appeal to more price-sensitive seniors. In addition, larger two-bedroom units with higher rents would appeal to seniors who desire extra space and can afford to pay more rent. These recommendations are guidelines and can vary based on building constraints. These rents include all utilities except phone and cable television, as well as the availability of support services (outlined below).

The units should feature contemporary but moderately-sized kitchens with dishwashers and disposals, mini-blinds or other window coverings, walk-in closets and wall-unit air conditioning. It would be nice to add balconies, patios, or bay windows to help extend living space, but it is not essential.

TABLE 36  
RECOMMENDED PRODUCT  
CONGREGATE/OPTIONAL SERVICES  
CITY OF WAHPETON  
July 1996

<u>Unit Type</u>	<u>Unit Mix</u>	<u>Unit Size</u>	<u>Monthly Rent</u>	<u>Monthly Rent Per Sq. Ft.</u>
1BR	50% (20-25)	650-700	\$600-650	\$.92-.93
1BR/Den	20% (8-10)	775-825	675-725	.87-.88
2BR	30% (12-15)	900-950	750-800	.83-.84
	100% (40-50)			

Note: These rents include all utilities except phone and cable television, as well as the availability of support services for an extra charge (see text).

Source: Maxfield Research Group

Some common space should be provided to encourage socialization and allow for the provision of support services. An all-purpose community room should be included for activities and meals. A lounge near the entrance to the building is recommended to provide a place for residents waiting for mail, rides, or visitors. A crafts room is an important component since hobbies are often messy and should have a dedicated space so as to not interfere with other activities. A library should also be considered, but could be incorporated into the lounge. If in-unit storage cannot be provided, storage rooms should be located on each floor. There should also be common laundries on each floor. A screened porch is recommended along with a terrace or patio to extend the living space outdoors in good weather. Garden plots are another well accepted feature that should be considered to entice residents outdoors.

We recommend providing heated underground parking in a ratio of .75 stalls for every unit, with additional surface parking bringing the total ratio to one stall per unit. We suggest charging \$35 to \$40 per month for underground parking.

In addition to utilities, the rent should include an activities program, emergency response via pull cords or pendant system, and van transportation. We recommend providing a check program, light housekeeping once per week, and a daily noon meal on a fee-for-service basis or in packages for a set fee (in addition to the rent for the unit). We strongly recommend offering meals in bundles, with a minimum of ten meals per month set to maintain economies of scale. Our research has indicated that meal programs, particularly optional programs, have problems breaking even and we suggest considering catering meals from the local senior center or perhaps recruiting a restaurant to provide meals.

There is current demand for the suggested congregate/optional services project, so the absorption period should be relatively modest. It should reach stabilized occupancy of 95.0 percent within five to seven months of opening, assuming that roughly one-quarter of the units are pre-leased and that the remaining units lease up at an average of five to six units per month. It should open during the spring, to take advantage of the peak leasing and selling season. If opening is delayed until fall or winter, the absorption period will likely be extended. An aggressive marketing campaign, with attractive brochures highlighting the amenities and services, will be critical to the success of the suggested congregate/optional services project.

#### *Recommended Assisted Living Facility- Wahpeton*

Based on our research, we recommend a 20- to 25-unit market rate assisted living facility in Wahpeton. It is likely that in order to make the provision of services feasible for a project his size, it would need to be developed in conjunction with the Wahpeton Heath Care Center. While our interviews indicated that the nursing home has considered the development of such a facility, it is unclear if they would be willing to add a facility in the near future.

It should be noted that additional units could be supported if a mechanism is implemented to subsidize rents and services. In order to expand the potential market base, all avenues of financial assistance should be explored to assist low-income residents. Until a more formal mechanism for reimbursement through Medicare or medical assistance is established, the only alternative will be a residential care facility such as the Leach Home or a nursing home.

Table 37 presents our suggested unit mix, sizes and rents for an assisted living project located in Wahpeton. We recommend that 30 percent of the units be efficiency units of between 400 and 450 square feet in size and monthly fees of \$1,300 to \$1,400. One-half of all units should have one bedroom be between 550 and 600 square feet in size and have monthly fees of \$1,500 and \$1,600, and the remaining 20 percent of all units should have two bedrooms, be between 800- and 850 square feet with fees of \$1,700 to \$1,800 per month. In addition we suggest a fee of \$400 to \$500 per month for a second occupant of a unit. At this rate, if two unrelated persons share a two-bedroom unit they would only need to pay fees of between \$975 and \$1,050 per month.

TABLE 37  
 RECOMMENDED PRODUCT  
 ASSISTED LIVING PROJECT  
 CITY OF WAHPETON  
 July 1996

<u>Unit Type</u>	<u>Unit Type</u>	<u>Unit Size</u>	<u>Monthly Feet</u>
0BR	30% (6-8)	400-450	\$1,300-1,400
1BR	50% (10-12)	550-600	1,500-1,600
2BR	<u>20%</u> (4-5)	800-850	1,700-1,800
	100% (20-24)		

Note: These fees are expressed in 1996 dollars and include, all utilities (except telephone) two meals per day, weekly housekeeping/linen service, personal laundry, 24-hour supervision and organized activities. Personal care and other support services are optional for an extra charge.

Source: Maxfield Research Group

The monthly fees are expressed in 1996 dollars and include all utilities (except telephone), two meals per day plus snacks, light weekly housekeeping/linen service, one and one-half hours per week of personal assistance (that can be used for either additional housekeeping, laundry service or personal care), daily "I'm Okay program" (perhaps in conjunction with a morning meal), periodic health checks, 24-hour supervision, scheduled transportation as well as organized activities and outings. These support services will appeal to seniors who desire security and some help with completing daily living tasks.

If developed in conjunction with the Wahpeton Health Care Center, we suggest the building have unique name, and a distinctive appearance with a separate entrance (if not totally detached) from the nursing home. Common areas should include a dining room, a small sitting area (preferably located near or part of the main lobby), a TV lounge and a card/game room. An office for health assessments, blood pressure checks, etc., should also be included. A solarium with room for plants is popular at many project but is not essential and an outdoor terrace or a screened in porch should also be considered.

While some assisted living projects have been developed without kitchens, we recommend at least kitchenettes with refrigerators, microwave ovens and a cook-top, to appeal to seniors who are able to do some cooking. Kitchens allow for a broader market base and supports the idea of independence.

Absorption of assisted living units is difficult to quantify since this product is need-driven. However, we expect that about 20 percent of the units will be preleased (assuming that some residents of local basic care facilities will relocate) and that the remaining units will lease up at a rate of two units per month, for an absorption period of seven to nine months. We recommend the use of a professional senior housing marketing firm in addition to utilizing referral networks

among nursing homes, area hospitals and clinics, county social service workers, local churches and senior organizations and clubs. Input from social service workers and seniors during the process may help to refine the development concept and organization of services. Attractive brochures detailing information on services, monthly fees (as compared to nursing care fees), building and unit designs, etc., should be produced and available as soon as possible after groundbreaking.

### *Congregate/Service Intensive Project-Breckenridge*

We suggest the development of 30 to 36 units in a Congregate/Service Intensive project in Breckenridge. The suggested unit mix, sizes, and rents are presented in Table 38. A unit mix of 10.0 percent efficiency units (three to four units), 50.0 percent one-bedroom units (about 15 to 18 units), 20.0 percent one-bedroom/den units (about 6 to 8 units), and 20.0 percent two-bedroom units (about 6 to 8 units) is suggested. The efficiency units should have between 450 and 500 square feet and monthly rents of \$600 to \$650 (\$1.30 to \$1.33 per square foot). The one-bedroom units should have 600 to 650 square feet and monthly rents of \$700 to \$750 (\$1.15 to \$1.17 per square foot). The one-bedroom/den units should have 775 to 825 square feet and monthly rents of \$800 to \$850 (\$1.03 per square foot). The two-bedroom units should have 900 to 950 square feet and monthly rents of \$900 to \$950 (\$1.00 per square foot). We also encourage providing different sizes and styles among the one-bedroom units. These recommendations are guidelines and can vary based on building constraints.

A project such as this would strongly benefit from a sponsor such as the St. Francis Hospital and Nursing Home. An affiliation with this entity would enable a wide array of services to be provided cost effectively, and in turn as the project would act as a feeder to the nursing home. The project should have a separate identity from the hospital/nursing homes to stress the independent living atmosphere of the project.

These rents should include all utilities (except phone and cable television), light weekly housekeeping, a check program, emergency response via pull cords or pendant system, activities, and van transportation. Other services such as meals, personal care, escorts, linen/laundry service, and additional housekeeping should be available on a fee-for-service basis. We also strongly suggest considering incorporating a more intensive assisted living services package for frail seniors. This will help the project broaden the market base. As previously stated, meal programs typically have problems breaking even and we suggest considering catering meals from an outside venture such as the local senior center or perhaps by recruiting a local restaurant to provide meals.

The units should feature contemporary but moderately-sized kitchens with dishwashers and disposals, mini-blinds or other window coverings, ample closet space, and individually controlled heat and air conditioning. Ledges outside the door of the units would allow residents to place groceries or the like while opening the door. The use of oversized or bay windows will help extend living space, but it is not crucial.

TABLE 38  
 RECOMMENDED PRODUCT  
 CONGREGATE/ SERVICE INTENSIVE PROJECT  
 CITY OF BRECKENRIDGE  
 July 1996

<u>Unit Type</u>	<u>Unit Mix</u>	<u>Unit Size</u>	<u>Monthly Rent</u>	<u>Monthly Rent Per Sq. Ft.</u>
OBR	10% (3-4)	450-500	\$600-650	\$1.30-1.33
1BR	50% (15-18)	600-650	700-750	1.15-1.17
1BR/Den	20% (6-7)	775-825	800-850	1.03
2BR	<u>20% (6-7)</u>	900-950	900-950	1.00
	100% (30-36)			

Note: These rents include all utilities except phone and cable television, as well as the availability of support services for an extra charge (see text).

Source: Maxfield Research Group

Some common space should be provided to encourage socialization and allow for the provision of support services. An all-purpose community room should be included for activities and meals. A lounge near the entrance to the building is recommended to provide a place for residents waiting for mail, rides, or visitors. A games/crafts room is an important component since hobbies are often messy and should have a dedicated space so as to not interfere with other activities. If in-unit storage cannot be provided, storage rooms should be located on each floor. There should also be common laundries on each floor. A screened porch is recommended along with a terrace or patio to extend the living space outdoors in good weather. A barber/beauty shop has proven popular at other congregate projects and should be considered here as well. In addition a separate office for health checks should be incorporated.

We recommend providing heated underground parking in a ratio of one stall for every two units, with additional surface parking bringing the total ratio to one stall per unit. We suggest charging \$35 to \$40 per month for underground parking.

We believe that a project such as this developed in Breckenridge should reach stabilized occupancy within seven to eight months of opening, assuming that roughly one-quarter of the units are pre-leased and that the remaining units lease up at an average of three units per month. It should open during the spring, to take advantage of the peak leasing and selling season. If opening is delayed until fall or winter, the absorption period will likely be extended. An aggressive marketing campaign, with attractive brochures highlighting the amenities and services, will be critical to the success of the suggested congregate/service intensive project. The project could expect a slightly more rapid lease-up, if assisted living services could be extended to this building.

It is important to note that the development of these projects should be spread out over the remainder of the decade and if there is overlap in the lease-up periods, absorption may be extended. We believe the greatest need currently is for senior housing and this should be a priority in Wahpeton. Both senior and general occupancy projects could be built immediately in Breckenridge.