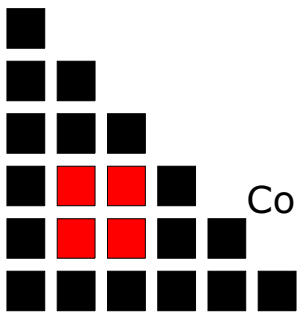


# Cass County HOUSING STUDY

**South Cass County**  
January 2022 Draft

An analysis of the overall housing needs  
of the South Cass County communities of  
East Gull Lake, Lake Shore and Pillager



Community Partners Research, Inc.  
Faribault, MN

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# Introduction

## Overview

Community Partners Research, Inc., was hired by Cass County and the Cass County Housing and Redevelopment Authority to complete a comprehensive study of housing market conditions in the County's cities, townships and unorganized territories.

Due to the large geographic area, Cass County was divided into three subareas, identified as South, Central and North. This document addresses South Cass County and the Cities of East Gull Lake, Lake Shore and Pillager, along with the rural Townships. Companion documents exist for the North and Central portions of the County.

## Methodology

A variety of resources were utilized to obtain information for the Update. Community Partners Research, Inc., collected and analyzed data from June 2021 to January 2022. Data sources included:

- U.S. Census Bureau
- Demographic estimates from the State Demographer
- Esri, Inc., a private data services provider
- Records and data from the cities
- Records and data maintained by Cass County
- Data from the MN Dept. of Employment and Economic Development
- Data provided by the Multiple Listing Service
- Interviews with elected officials and/or staff from the cities
- Interviews with community leaders
- Interviews with people familiar with the area's housing conditions
- Area housing and economic development agencies
- Rental property owner surveys
- Housing conditions surveys

## Limitations

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

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

This study was prepared by:  
**Community Partners Research, Inc.**  
**Faribault, MN**  
**(507) 838-5992**

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## **Demographic Data Overview**

### **Sources of Data**

The following pages contain demographic data obtained from a variety of local, state and national sources. At the time that research was completed for this Study, the Census Bureau had only released initial information from the 2020 Census. The more detailed tables have a delayed release date because of the global health pandemic and will not become available until sometime in 2022. This Study has proceeded with the 2020 Census totals that are available, and utilized estimates from other sources where Census information is not available.

The global pandemic impacted the Census release schedule, and it also affected the data collection in 2020. As a result, there are some questions about the accuracy of 2020 Census data, but in the opinion of the analysts it still represents the best demographic information available.

The decennial Census no longer collects some demographic variables, such as income and housing cost information. Instead, estimates are generated through the Census Bureau's American Community Survey, an annual sampling of households. However, because the American Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate.

The most recent American Community Survey estimates are for the year 2019, and predate the 2020 Census collection. As a result, there can be differences in the American Community Survey estimates, which may be above or below the 2020 Census data. Despite possible differences, the American Community Survey estimates have been used for some demographic variables, if they are viewed by the analysts as the best available information on certain topics.

The analysts have also obtained demographic estimates and projections from Esri, Inc., a private data reporting service that is frequently used by financial institutions, including the Minnesota Housing Finance Agency. Esri's base-year estimates are for 2021, with projections to 2026.

It is important for readers to note that the Esri's estimates and projections were produced prior to the release of 2020 Census data, which will set a new benchmark for demographic variables. However, Esri will not be incorporating the new Census information until sometime later in 2022, and the data used in this document represent the best projection information currently available.

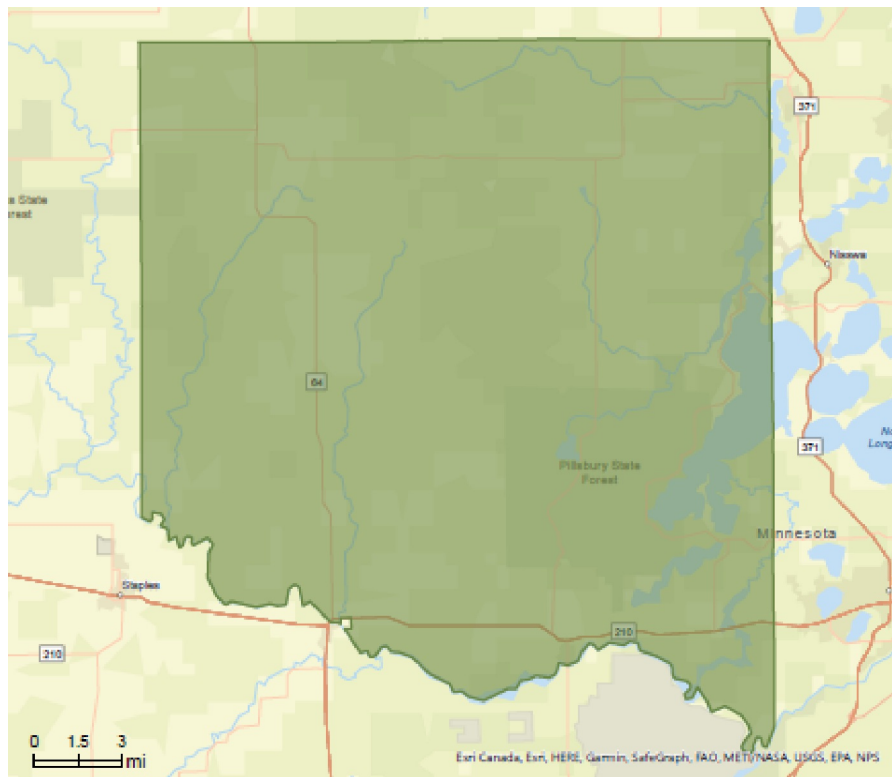
## Market Area Designation

Given the large geographic expanse of Cass County, this Study has elected to divide the County into three sections, defined as North, Central and South. This provides some comparative information for the individual jurisdictions within each portion of the County.

The South Cass County aggregation includes the following individual cities and townships:

- ▶ East Gull Lake
- ▶ Lake Shore
- ▶ Pillager
- ▶ A small portion of Motley
- ▶ Becker Township
- ▶ Byron Township
- ▶ Fairview Township
- ▶ Home Brook Township
- ▶ Loon Lake Township
- ▶ Maple Township
- ▶ May Township
- ▶ Meadow Brook Township
- ▶ Moose Lake Township
- ▶ Poplar Township
- ▶ Sylvan Township

## South Cass County



## Population Estimates and Trends

Table 1 Population Trends - 1990 to 2020							
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census	% Change 2010-2020
East Gull Lake	687	978	42.4%	1,047	7.1%	986	-5.8%
Lake Shore	693	966	39.4%	1,004	3.9%	1,056	5.2%
Pillager	306	420	37.3%	469	11.7%	507	8.1%
Combined Twps	3,963	5,221	31.7%	6,672	27.8%	7,094	6.3%
South Cass	5,649	7,587	34.3%	9,203	21.3%	9,656	4.9%
Cass County	21,791	27,150	24.6%	28,567	5.2%	30,066	5.2%

Source: U.S. Census

- ▶ The 2020 U.S. Census population data was released in late 2021. On April 1, 2020 the Census Bureau counted 986 permanent residents living in the **City of East Gull Lake**. When compared to the 2010 Census, the City had lost 61 people over the previous decade, for a population decrease of 5.8%.
- ▶ In prior decades, **East Gull Lake** had been adding population. In the 1990s, the City’s population had increased by more than 42%, but then slowed to approximately 7% between 2000 and 2010. Based on the 2020 Census this pattern has since reversed and the City’s population count in 2020 was only eight people higher than in the 2000 Census.
- ▶ On April 1, 2020 the Census Bureau counted 1,056 permanent residents living in the **City of Lake Shore**. When compared to the 2010 Census, the City had added 52 people over the previous decade, for growth of 5.2%.
- ▶ Longer-term, **Lake Shore** has been adding population, but the rate of growth has varied widely from decade to decade. In the 1990s, the City grew rapidly and the population increased by more than 39%, but then slowed to less than 4% between 2000 and 2010. Based on the 2020 Census, the City’s growth of 5.2% was equal to the growth rate Countywide.



- ▶ On April 1, 2020 the Census Bureau counted 507 permanent residents living in the **City of Pillager**. When compared to the 2010 Census, the City had added 38 people over the previous decade, for growth of 8.1%.
- ▶ Longer-term, the population level in **Pillager** has been steadily increasing in recent decades, but the growth rate has been slowing. In the 1990s, the City's population increased by 114 people, and then added 49 residents between 2000 and 2010. Based on the 2020 Census, 38 people were added over the prior 10 years.
- ▶ A small portion of the **City of Motley** extends into Cass County. The 2020 Census counted 13 people living in the Cass County portion of that City.
- ▶ The aggregation of cities in townships that form **South Cass County** had a combined population of 9,656 people at the time of the 2020 Census, up by 453 people from the 2010 count. The individual cities in this part of the County had a combined net population increase of 31 people between 2010 and 2020, while the combined **Townships** in this portion of the County had a net gain of 422 people, or more than 93% of the net gain for all jurisdictions in the area defined as South Cass County.
- ▶ For all of **Cass County**, the 2020 Census showed 30,066 permanent residents. This count was up by approximately 1,500 people from 2010, continuing a long-term pattern of growth Countywide. All three regions of the County added population over the decade. With a net gain of 453 people in **South Cass County**, 413 people in **Central Cass County** and 633 people in **North Cass County**.
- ▶ **Cass County's** permanent resident population increased by nearly 26% in the 1990s, and then increased by more than 5% between 2000 and 2010. The 2020 Census tracked an increase of 5.2% over the most recent decade, matching the growth rate achieved in the 2000s.

## **Population Characteristics**

### **Group Quarters**

- ▶ The 2020 Census had counted 11 people in **East Gull Lake** that were living in some type of “group quarters” housing. These people were residing in a noninstitutional facility, such as a group home.
- ▶ At the time of the 2020 Census there were six people in **Lake Shore** that were living in some type of “non-institutional group quarters” housing, such as a group home.
- ▶ The 2020 Census counted six people in **Pillager** that were living in some type of “non-institutional group quarters” housing, such as a group home.

### **Race/Ethnic Origin**

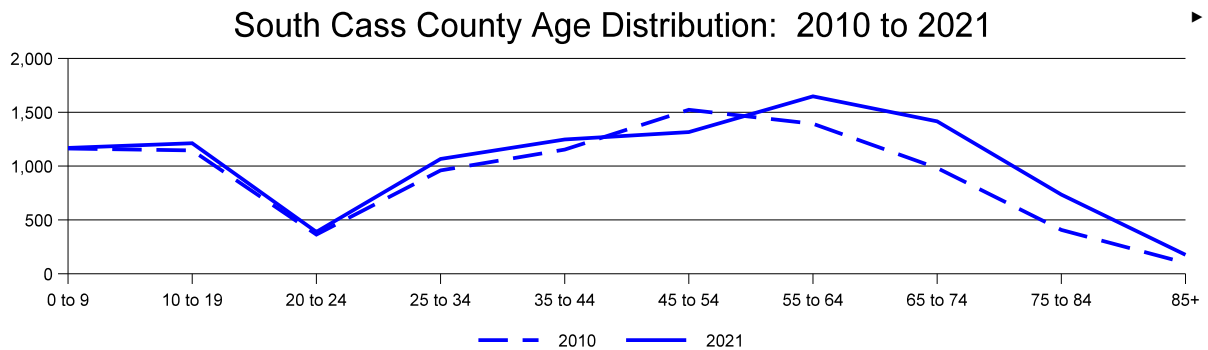
- ▶ In 2020, more than 93% of the residents of **East Gull Lake** listed their race as White. Less than 2% of the City’s residents were of Hispanic/Latino ethnic origin.
- ▶ In **Lake Shore**, nearly 95% of the population was White according to the 2020 Census. Only one person in the City was of Hispanic/Latino ethnic origin.
- ▶ In **Pillager**, nearly 94% of the City’s residents listed their race as White. Fewer than 1.2% of the City’s residents were of Hispanic/Latino ethnic origin.

## South Cass County Population by Age: 2010 to 2021

The following table compares the population distribution in South Cass County by age. The information from the 2010 Census is compared to estimates from Esri for 2021. Esri’s population estimate for 2021 was approximately 7.4% higher than the 2020 Census count, although there is also a one-year time difference in the effective dates. However, in the opinion of the analysts the Esri estimates are probably too high but can be used to track the aging patterns of this portion of the County.

<b>Table 2 Persons by Age - 2010 to 2021</b>			
Age	South Cass County		
	2010 Census	2021 Esri	Change
0-9	1,163	1,169	6
10-19	1,146	1,212	66
20-24	364	389	25
25-34	960	1,066	106
35-44	1,153	1,247	94
45-54	1,523	1,316	-207
55-64	1,393	1,648	255
65-74	982	1,416	434
75-84	407	735	328
85+	101	176	75
<b>Total</b>	<b>9,192</b>	<b>10,374</b>	<b>1,182</b>

Source: U.S. Census; Esri



- ▶ Although some changes occurred in all of the defined age ranges in South Cass County between 2010 and 2021, the largest growth generally occurred among senior citizens and near-seniors, as the number of people age 55 and older in this portion of the County is estimated to have increased by 1,092 people. While much of this pattern would reflect existing residents advancing through the aging cycle, it would also represent new people moving into this portion of the County in recent years.
- ▶ There were more limited changes in many of the younger age groups, although these estimates show an increase of 200 adults in the 20-year range between 25 and 44 years old. However, this was then largely offset by losses in the 45 to 54 year old range. As a result, the South portion of Cass County is estimated to have added fewer than 20 younger adults between the ages of 20 and 54 years old.
- ▶ The population of children and young adults age 19 and younger probably had a limited increase since 2010, based on the Esri estimates.
- ▶ While growth occurred with all of the defined senior citizen age groups, the largest increase was due to younger seniors, in the age range between 65 and 74 years old.

## Population Projections

Two sets of population projections are provided to the year 2026. The first projections have been generated by Community Partners Research, Inc., and have been calculated from the annual growth trends that were present between 2010 and 2020, using the base information from the Census Bureau. The annualized growth rate has then been applied going forward to 2026.

The analysts have also reviewed demographic projections generated by Esri, Inc., a private data reporting service. These projections are for South Cass County and for all of Cass County. They span the period from 2021 to 2026.

It is important to note that Esri created their 2021 estimates prior to the release of any 2020 Census data. Esri will make adjustments in their 2022 release based on the new Census benchmark, but these will not be available until 2022. The analysts have proceeded with the Esri projections, while recognizing that some minor errors may exist within the base data.

<b>Table 3 Trend-based Population Projections Through 2026</b>			
	2020 Census	2026 Projection	Change 2020-2026
East Gull Lake	986	952	-34
Lake Shore	1,056	1,089	33
Pillager	507	532	25
South Cass Co.	9,656	9,941	285
Cass County	30,066	31,013	947

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

- ▶ Applying the growth trends present between 2010 and 2020, a projection for the **City of East Gull Lake** would expect a minor decrease of 34 permanent residents between 2020 and 2026. The City has a large supply of seasonal/recreational housing, and changes in the occupancy patterns in this housing stock will impact the City’s permanent population.
- ▶ The growth trend projection for the **City of Lake Shore** would expect a minor increase of 33 permanent residents between 2020 and 2026. This City also has a large supply of seasonal/recreational housing, and changes in the occupancy patterns in this housing stock will impact the City’s permanent population.

- ▶ The growth trend projection for the City of Pillager expects the addition of approximately 25 residents between 2020 and 2026. Faster growth is certainly possible in the City, provided housing units are available.
- ▶ Most of the past population growth in **South Cass County** has been due to the Townships. Going forward to the year 2026, a trend-based projection would anticipate growth of approximately 285 people in this portion of the County, with most of this growth outside of the incorporated cities.
- ▶ A trend-based projection for all of **Cass County** would expect the addition of 947 people between 2020 and 2026, or an annual average of approximately 158 people in a typical year.

<b>Table 4 Esri Population Projections Through 2026</b>				
	2020 Population Census	2021 Estimate Esri	2026 Projection Esri	Change 2021-2026
South Cass Co.	9,656	10,374	10,991	617
Cass County	30,066	32,243	34,133	1,890

Source: U.S. Census; Esri

- ▶ Based on the initial release of 2020 Census population counts, Esri appears to have overestimated the total population of **South Cass County**. Without any adjustment for the one-year time difference in effective dates, the Esri 2021 estimate is approximately 7.4% higher than the 2020 Census.
- ▶ Esri is projecting future population growth for **South Cass County** over the next five years. If reduced to an annual average, this portion of the County would be expected to add approximately 123 people per year. In the opinion of the analysts, this represents an optimistic expectation of population change in the near-future, but is within an achievable range. South Cass County has a large number of seasonal/recreational use housing units. The conversion of some of these dwellings from seasonal use to permanent residency could occur over the next five years.

- ▶ Esri's 2021 population estimate for **Cass County** was approximately 7.2% higher than the 2020 Census count, without any adjustment for the one-year time difference. Going forward, Esri is projecting that the County will add 1,890 people over the 5-year projection period, or approximately 378 people in an average year. Once again, this appears to be an optimistic expectation of population change in the near-future, but is within an achievable range, given the large volume of seasonal/recreational use housing that exists Countywide.

## Household Estimates and Trends

The following table displays the household count for the Cities and County as reported by the decennial Census back to the year 1990.

Table 5 Household Trends - 1990 to 2020							
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census	% Change 2010-2020
East Gull Lake	241	370	53.5%	407	10.0%	415	2.0%
Lake Shore	295	436	47.8%	451	3.4%	467	3.5%
Pillager	126	167	32.5%	190	13.8%	207	8.9%
Combined Twps	1,397	1,936	38.6%	2,598	34.2%	2,751	5.9%
South Cass	2,059	2,910	41.3%	3,649	25.4%	3,846	5.4%
Cass County	8,302	10,893	31.2%	11,948	9.7%	12,614	5.6%

Source: U.S. Census

- ▶ The 2020 U.S. Census counted 415 resident households living in the **City of East Gull Lake**. When compared to the 2010 Census, the City added 8 households over the last decade, for an increase of 2.0%.
- ▶ The increase in households since 2010 has continued a long-term pattern of growth in **East Gull Lake**, although the annual rate of growth has been slowing significantly over time. In the 1990s, the City added 129 households, or approximately 13 households in an average year. Between 2000 and 2010, 37 additional households were added, or an average of nearly four households per year. Since 2010, the City's average annual growth was less than one household per year.
- ▶ In 2020 there were 467 resident households living in the **City of Lake Shore**. When compared to the 2010 Census, the City added 16 households over the last decade, for an increase of 3.5%.
- ▶ The increase in households since 2010 has continued a long-term pattern of growth in **Lake Shore**, although the annual rate of growth has slowed significantly over the past 20 years. In the 1990s, the City added 141 households, or approximately 14 households in an average year. Between 2000 and 2010, 15 additional households were added, for an average of fewer than two households per year. The 16 households added between 2010 and 2020 continued the annual rate of between one and two households per year.



- ▶ The 2020 U.S. Census counted 207 resident households living in the **City of Pillager**. When compared to the 2010 Census, the City added 17 households over the last decade, for an increase of 8.9%.
- ▶ The household level in **Pillager** has been growing from decade to decade, although the rate of growth has slowed over time. In the 1990s the City added 41 households, for an annual average of approximately four households per year. Between 2000 and 2010 the City added 23 households or approximately two per year. After 2010, the City averaged fewer than two additional households per year.
- ▶ In the combined jurisdictions that form **South Cass County**, there were 3,846 permanent resident households in 2020, up by 197 households from 2010. This portion of the County has continued to grow in recent decades, although the rate of growth since the year 2010 has been well below the level achieved in the preceding two decades.
- ▶ Similar to population growth presented earlier, the **Townships** in South Cass County have been the primary location for household growth. From 2010 to 2020, the combined Townships added 153 households, while the combined Cities added 44 households.
- ▶ **Cass County** has been growing, with 12,614 households counted in the 2020 Census. Since 2010, the County added 666 households, for an increase of 5.6%. All of the regions of the County added households between 2010 and 2020, with a net gain of 197 households in **South Cass County**, 284 households in **Central Cass County**, 185 households in **North Cass County**.
- ▶ **Cass County** had been growing rapidly in the past. In the 1990s, the entire County added nearly 2,600 resident households, for an increase of more than 31%. Although the rate of growth slowed between 2000 and 2010, the County still added 1,055 households, for an increase of nearly 10%. The County's growth rate slowed even more between 2010 and 2020, with an increase of 666 households, or an increase of 5.6%.

## Average Household Size

The following table provides U.S. Census information on average household size.

<b>Table 6 Average Number of Persons Per Household 1990 to 2020</b>				
	1990 Census	2000 Census	2010 Census	2020 Census
East Gull Lake	2.85	2.64	2.46	2.35
Lake Shore	2.35	2.21	2.23	2.25
Pillager	2.43	2.44	2.47	2.42
South Cass	2.74	2.60	2.52	2.49
Cass County	2.56	2.45	2.37	2.36

Source: U.S. Census

- ▶ In most Minnesota communities, average household size has decreased in recent decades. This has been due to household composition changes, such as more single parent families, more senior households due to longer life spans, fewer children per family, etc.
- ▶ **East Gull Lake** has followed this trend in past decades. The 2020 Census reported an average household size of 2.35 people in the City, down from 2.46 persons in 2010 and 2.64 persons in 2000. In 2020, the City's average household size was very similar to the County's.
- ▶ **In Lake Shore**, the City's average household size has increased slightly in the past two decades. The City's average household size in 2020, at 2.25 persons, was up from 2.23 persons in 2010, and 2.21 persons in 2000.
- ▶ **Pillager** has also moved somewhat counter to regional trends, with the average household increasing slightly between 1990 and 2010. The 2020 Census reported an average household size of 2.42 people in Pillager, down from 2.47 persons in 2010. However, despite the recent decrease, the City's average household size in 2020 was very similar to the average in 1990.

- ▶ The average household size for **South Cass County** was 2.49 persons in 2020, well above the average for all of Cass County. This portion of the County has seen a gradual decrease in the number of people per household in recent decades, although the average household size has been large by comparative standards.
- ▶ The 2020 Census reported that the average household size for **Cass County** was 2.36 people. The County's average household size has continued to decrease since 1990, but at a very slow rate, and was nearly unchanged over the past decade.

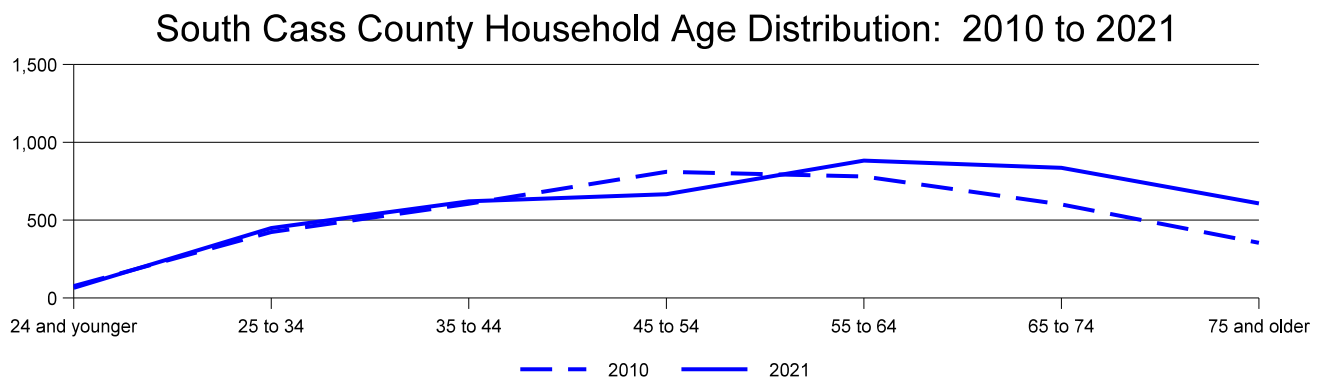
## South Cass County Households by Age: 2010 to 2021

The following table compares household distribution patterns in South Cass County by age. The information from the 2010 Census is compared to estimates from Esri for 2021.

Esri’s household estimate for 2021 was approximately 7.3% higher than the 2020 Census count, although there is also a one-year time difference in the effective dates. However, in the opinion of the analysts the Esri estimates are probably too high but can be used to track the aging patterns of this portion of the County.

<b>Table 7 South Cass County Households by Age - 2010 to 2021</b>			
Age	South Cass County		
	2010	2021	Change
Less than 25	76	65	-11
25-34	423	449	26
35-44	605	621	16
45-54	810	666	-144
55-64	780	882	102
65-74	601	836	235
75+	354	607	253
<b>Total</b>	<b>3,649</b>	<b>4,126</b>	<b>477</b>

Source: U.S. Census; Esri



- ▶ Although some changes occurred in all of the defined age ranges in South Cass County between 2010 and 2021, the largest growth generally occurred among senior citizens and near-seniors, as the number of households age 55 and older in this portion of the County is estimated to have increased by 590 households. Much of this pattern would reflect existing resident households advancing through the aging cycle, but it would also represent new households moving into this portion of the County in recent years.
- ▶ There were more limited changes in many of the younger age groups, although these estimates show an increase of 42 households in the 20-year range between 25 and 44 years old. However, this was then offset by losses in the 45 to 54 year old range and in the 24 and younger group. As a result, South Cass County probably experienced a reduction of more than 110 households in the age ranges 54 and younger.

## Household Projections

Two sets of household projections are provided to the year 2026. The first projections have been generated by Community Partners Research, Inc., and have been calculated from the annual growth trends that were present between 2010 and 2020, using the base information from the Census Bureau. The annualized growth rate has then been applied going forward to 2026.

The analysts have also reviewed demographic projections generated by Esri, Inc., a private data reporting service. They span the period from 2021 to 2026.

It is important to note that Esri created their 2021 estimates prior to the release of any 2020 Census data. Esri will make adjustments in their 2022 release based on the new Census benchmark, but these will not be available until 2022. The analysts have proceeded with the Esri projections, while recognizing that some minor errors may exist within the base data.

<b>Table 8 Trend-based Household Projections Through 2026</b>			
	2020 Census	2026 Projection	Change 2020-2026
East Gull Lake	415	420	5
Lake Shore	467	477	10
Pillager	207	218	11
South Cass Co.	3,846	3,971	125
Cass County	12,614	13,036	422

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

- ▶ Applying the growth trends present between 2010 and 2020, a projection for the **City of East Gull Lake** would expect an increase of five additional households between 2020 and 2026. Recent household growth has been limited which results in a modest projection going forward, but the City does have the potential to grow at a significantly faster rate. With a large inventory of seasonal/recreational use housing, more of these units may be converted to year-round occupancy in the future. There are also proposed projects that could add a substantial number of housing units in the City, resulting in greater future growth potential.
- ▶ In the **City of Lake Shore**, the possible addition of 10 permanent resident households would be projected. Recent household growth in Lake Shore has also been limited which results in a modest projection going forward. With a large inventory of seasonal/recreational use

housing, more of these units may be converted to year-round occupancy in the future. There are also proposed projects that could add a substantial number of housing units in the City, resulting in greater future growth potential.

- ▶ A trend-based projection for the **City of Pillager** would expect the addition of 11 households going forward. Given its location near the Brainerd-Baxter area, Pillager does have greater growth potential than past patterns would indicate.
- ▶ Most of the past household growth in **South Cass County** has been due to the Townships. Going forward to the year 2026, a trend-based projection would anticipate growth of approximately 125 households over the 6-year time period, or an annual average of approximately 30 households per year.
- ▶ A trend-based projection for all of **Cass County** would expect the addition of 422 households between 2020 and 2026, or an annual average of approximately 79 households in a typical year.

<b>Table 9 Esri Household Projections Through 2026</b>				
	2020 Households Census	2021 Estimate Esri	2026 Projection Esri	Change 2021-2026
East Gull Lake	415	450	473	23
Lake Shore	467	505	533	28
Pillager	207	212	224	12
South Cass	3,846	4,126	4,379	253
Cass County	12,614	13,520	14,321	801

Source: U.S. Census; Esri

- ▶ The trend-based calculations presented earlier are viewed as overly conservative. As a result city-level projections were also reviewed from Esri. For **East Gull Lake**, the Esri projections show an expected gain of 23 households over the five year period, or an average of four to five households per year. While also potentially conservative, this better represents the City’s growth potential, in the opinion of the analysts.

- ▶ For **Lake Shore**, the Esri projections show an expected gain of 28 households over the five year period, or an average of five to six households per year. While also potentially conservative, this better represents the City's growth potential, in the opinion of the analysts.
- ▶ For **Pillager**, the Esri projections show an expected gain of 12 households over the five year period, or an average of two to three households per year. Esri's projection is generally similar to the trend-based forecast which showed the City adding 11 households from 2020 to 2026. Both of these forecasts could prove to be conservative.
- ▶ Based on the 2020 Census count, Esri's 2021 household estimate was high. Without adjustment for the one-year difference in effective dates, Esri's total count for **South Cass County** was approximately 7.3% higher than the Census.
- ▶ Going forward, Esri is projecting that **South Cass County** will add 253 households over the next five years, or an annual average of approximately 51 households per year.
- ▶ In the opinion of the analysts, this represents an optimistic expectation of growth in the near-future, but is within an achievable range. **South Cass County** has a large number of seasonal/recreational use housing units. The conversion of some of these dwellings from seasonal use to permanent residency could occur over the next five years.
- ▶ Esri's 2021 estimate for all of **Cass County** appears to have been too high. Without adjustment for the one-year difference in effective dates, Esri's total count for the County was approximately 7.2% higher than the Census. Going forward, Esri is projecting that the entire County will add 801 households over the next five years, or an annual average of approximately 160 households per year. Once again, this appears to be an optimistic expectation of change in the near-future, but is within an achievable range, given the large volume of seasonal/recreational use housing that exists Countywide.



## Households by Tenure

The 2020 Census has not yet released any information on home owner and renter status. The 2019 American Community Survey does provide an estimate of the tenure distribution patterns. In the following table, the 2019 estimates have been presented, along with the 2010 Census data for comparison.

<b>Table 10 Households by Tenure - 2010 and 2019</b>				
	2010 Census		2019 ACS	
	Percent Owned Units	Percent Rented Units	Percent Owned Units	Percent Rented Units
East Gull Lake	88.9%	11.1%	85.7%	14.3%
Lake Shore	93.8%	6.2%	84.3%	15.7%
Pillager	66.8%	33.2%	53.9%	46.1%
South Cass	89.0%	11.0%	86.6%	13.6%
Cass County	83.3%	16.7%	81.5%	18.5%

Source: U.S. Census

- ▶ At the time of the 2010 Census, nearly 89% of all households in **East Gull Lake** were home owners, with only 11.1% renting their housing. Based on the American Community Survey estimate for 2019, the City’s occupancy tenure pattern has changed slightly over the decade, but a very large share of all households in the City are home owners.
- ▶ The home ownership rate in **Lake Shore** was also very high in 2010, at nearly 94%. The American Community Survey estimates showed that the rental rate has been increasing, but the City still had a home ownership rate above 84% in 2019.
- ▶ In 2010, nearly 67% of all households in **Pillager** were home owners, with more than 33% renting their housing. According to the American Community Survey estimate, the City’s rental rate increased substantially, with more than 46% of all households renting their housing by 2019. The City did have some limited new construction of rental units over the past decade.
- ▶ While Pillager has a high rental tenure rate, overall **South Cass County** primarily offers home ownership opportunities. At the time of the 2010 Census, the home ownership rate was at 89% in this portion of the County. The 2019 American Community Survey estimate showed some decrease, but the home ownership rate was still estimated at nearly 87%.

## Median Income Data

The annual American Community Survey includes median income estimates. The most recent estimates are for 2019. This can be compared to the data from 2010 to track changes over the decade. An estimate does not exist for the multiple jurisdictions that form South Cass County, but an approximate estimate can be extrapolated from the income distribution data.

Household income represents all independent households, including people living alone and unrelated individuals in a housing unit. Families are two or more related individuals living in a household.

<b>Table 11 Median Income - 2010 to 2019</b>			
	2010 Median	2019 Median	% Change
Households			
East Gull Lake	\$59,637	\$86,161	45.1%
Lake Shore	\$62,500	\$90,263	44.4%
Pillager	\$29,323	\$44,018	50.1%
South Cass*	\$54,736	\$71,234	30.1%
Cass County	\$42,445	\$52,204	23.0%
Minnesota	\$57,243	\$71,306	24.6%
Families			
East Gull Lake	\$64,398	\$92,917	44.3%
Lake Shore	\$70,000	\$91,667	31.0%
Pillager	\$31,667	\$47,500	50.0%
South Cass*	\$62,797	\$74,450	18.6%
Cass County	\$51,063	\$62,142	21.7%
Minnesota	\$71,307	\$89,842	26.0%

Source: American Community Survey

\* Extrapolated median

- ▶ The median household income in **East Gull Lake** for 2019 was estimated at \$86,161. This median was well above the comparable household medians for the County and the State, and had been increasing at a rapid rate over the decade.

- ▶ The estimated median family income for **East Gull Lake** was \$92,917 in 2019, up by more than 44% from 2010. Once again, the median in East Gull Lake was higher than the comparable medians for Cass County and the State of Minnesota.
- ▶ Using the commonly accepted standard that 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in **East Gull Lake** could afford approximately \$2,154 per month for ownership or rental housing in 2019, while a median income family could afford \$2,323 per month.
- ▶ The median household income in **Lake Shore** for 2019 was estimated at \$90,263. This median was well above the comparable household medians for the County and the State, and had been increasing at a rapid rate over the decade.
- ▶ The estimated median family income for **Lake Shore** was \$91,667 in 2019, up by 31% from 2010. Once again, the median in Lake Shore was higher than the comparable medians for Cass County and the State of Minnesota.
- ▶ At 30% of gross income for housing expenses, a median income household or family in **Lake Shore** could afford more than \$2,250 per month for ownership or rental housing in 2019.
- ▶ The median household income in **Pillager** for 2019 was estimated at \$44,018. Although the City's median household income had increased substantially between 2010 and 2019, it was still more than \$8,000 below the household median for Cass County in 2019.
- ▶ The estimated median family income for **Pillager** was \$47,500 in 2019, up by 50% from 2010. Despite the rapid increase over the decade, the City's median family income was more than \$14,000 below the comparable median for Cass County and more than \$42,000 lower than the family median for the entire State.
- ▶ At 30% of gross income for housing expenses, a median income household in **Pillager** could afford approximately \$1,100 per month for ownership or rental housing in 2019, and a median income family could apply approximately \$1,188.

- ▶ The median income levels in ***South Cass County*** were \$71,234 for households and \$74,450 for families. Both medians had increased significantly when compared to 2010, and were well above the comparable medians for all of Cass County.
- ▶ The median income levels in ***Cass County*** were \$52,204 for households and \$62,142 for families. Both medians had increased significantly when compared to 2010, but remained well below the comparable Statewide medians.

## Household Income Distribution in East Gull Lake

The 2019 American Community Survey also contains household income distribution estimates. This information is available by ownership or renter status.

<b>Table 12 East Gull Lake Estimated Household Distribution - 2019</b>			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	11	6	17
\$15,000 - \$24,999	26	0	26
\$25,000 - \$34,999	15	30	45
\$35,000 - \$49,999	54	2	56
\$50,000 - \$74,999	49	6	55
\$75,000 - \$99,999	58	10	68
\$100,000+	177	11	188
Total	390	65	455

Source: ACS

- ▶ Most home owners in **East Gull Lake** are in the moderate to higher income ranges. Overall, more than 60% of all owners had an income of \$75,000 or more in 2019. The estimated median income level for all home owners in the City was \$91,389.
- ▶ Most renter households in **East Gull Lake** were in the more moderate income ranges in 2019, with approximately half of all renters having an annual income between \$25,000 and \$50,000. No specific median was estimated for renters, but based on the distribution the median would fall between \$30,000 and \$35,000.

## Household Income Distribution in Lake Shore

The 2019 American Community Survey also contains household income distribution estimates. This information is available by ownership or renter status.

<b>Table 13 Lake Shore Estimated Household Distribution - 2019</b>			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	22	4	26
\$15,000 - \$24,999	9	4	13
\$25,000 - \$34,999	28	0	28
\$35,000 - \$49,999	43	10	53
\$50,000 - \$74,999	61	17	78
\$75,000 - \$99,999	48	39	87
\$100,000+	185	0	185
Total	396	74	470

Source: ACS

- ▶ Most home owners in Lake Shore are in the moderate to higher income ranges. Overall, nearly 59% of all owners had an income of \$75,000 or more in 2019. The estimated median income level for all home owners in the City was \$97,833.
- ▶ Most renter households in Lake Shore were in the more moderate to higher income ranges in 2019, with approximately 76% of all renters having an annual income of \$50,000 or more. The estimated median for renter households was \$75,556.

## Household Income Distribution in Pillager

The 2019 American Community Survey also contains household income distribution estimates. This information is available by ownership or renter status.

<b>Table 14 Pillager Estimated Household Distribution - 2019</b>			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	10	16	26
\$15,000 - \$24,999	9	12	21
\$25,000 - \$34,999	17	10	27
\$35,000 - \$49,999	19	28	47
\$50,000 - \$74,999	21	22	43
\$75,000 - \$99,999	10	0	10
\$100,000+	17	0	17
Total	103	88	191

Source: ACS

- ▶ Most home owners in **Pillager** were in the low to moderate income ranges. Overall, approximately 53% of all owners had an income below \$50,000 in 2019. The estimated median income level for all home owners in the City was only \$48,750.
- ▶ The estimates showed that most renter households in **Pillager** were also in the lower to moderate income ranges in 2019, with approximately 75% of renters having an annual income below \$50,000. The estimated median income for renter households was \$41,667.

## Income and Housing Costs - Renters

In addition to collecting income data, the Census Bureau also collected information on housing costs as part of the American Community Survey. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing costs.

Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “cost burden”.

<b>Table 15 Gross Rent as a Percentage of Household Income - 2019</b>			
	Number of Renter Households	Renter Households with Cost Burden	Percent of All Renters Households
East Gull Lake	65	35	53.8%
Lake Shore	74	11	15.9%
Pillager	88	31	35.2%

Source: American Community Survey

- ▶ A majority of the renter households did report a housing cost burden in 2019, with nearly 54% of renters in **East Gull Lake** paying 30% or more of their income for rent. All of the cost-burdened households were actually paying 35% or more each month to housing costs.
- ▶ A large majority of the renter households in **Lake Shore** did not have a housing cost burden in 2019, with nearly 80% able to apply less than 30% of their income for rent. However, most of the cost-burdened households were actually paying 35% or more each month to housing costs.
- ▶ The American Community Survey reported that most renter households in **Pillager** did not have a housing cost burden in 2019. Overall, nearly 65% of renters were applying less than 30% of income for rent. However, nearly 35% of all renters did have a housing cost burden and most of these households were actually paying 35% or more each month to housing costs.



## Income and Housing Costs - Owners

The American Community Survey also provided housing cost estimates for owner-occupants. The following table provides estimates of the number of households in the City that are paying different percentages of their gross household income for housing costs.

It is important to note that mortgage lending practices generally attempt to keep housing costs at or below 30% of household income, but some households still have an ownership housing cost burden.

<b>Table 16 Ownership Costs as a Percentage of Income - 2019</b>			
	Number of Owner Households	Owner Households with Cost Burden	Percent of All Owner Households
East Gull Lake	390	109	27.9%
Lake Shore	396	107	27.3%
Pillager	103	23	22.3%

Source: American Community Survey

- ▶ A large majority of owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing in **East Gull Lake**. However, nearly 28% of owners reported that they paid 30% or more of their income for housing. While most of these households had an annual income below \$75,000 in 2019, there were also households with an annual income of \$75,000 or more reporting a large share of their income was needed for housing costs. This may be due in part to above-average home values in East Gull Lake.
- ▶ A large majority of owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing in **Lake Shore**. However, more than 27% of owners reported that they paid 30% or more of their income for housing. While most of these households had an annual income below \$75,000 in 2019, there were also households with an annual income of \$75,000 or more reporting a large share of their income was needed for housing costs. This may be due in part to above-average home prices in Lake Shore.
- ▶ A majority of owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing in **Pillager**. However, more than 22% of home owners reported that they paid 30% or more of their income for housing. Most of these households had an annual income below \$50,000 in 2019.

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## Building Permit Trends: East Gull Lake

The following table identifies new housing units that have been issued a building permit since the year 2010.

<b>Table 17 East Gull Lake Housing Construction Activity: 2010 to 2021</b>			
Year	Single Family	Multifamily	Total Units Permitted
2021	30	0	30
2020	32	0	32
2019	15	0	15
2018	10	0	10
2017	8	0	8
2016	3	0	3
2015	5	0	5
2014	6	0	6
2013	4	0	4
2012	4	0	4
2011	3	0	3
2010	3	0	3
<b>TOTAL</b>	<b>123</b>	<b>0</b>	<b>123</b>

Source: City of East Gull Lake; Census Bureau

Based on available reporting, there were 123 single family housing units constructed in East Gull Lake over the 12-year period spanning 2010 to 2021. While some level of new home building was recorded in each of the years reviewed, most of the new homes were constructed between 2018 and 2021. In 2020, there were 32 permits issued for new houses, and 30 permits issued in 2021.

No multifamily unit construction could be identified in the City based on the records that were reviewed.

It is important to note that despite all of the housing construction in East Gull Lake over the prior decade, the City only added eight additional permanent resident households according to the 2020 Census. Much of the new construction may have been for seasonal/recreational use, or the new unit replaced an existing home and did not add housing to the community.

## Building Permit Trends: Lake Shore

The following table identifies new housing units that have been issued a building permit since the year 2010.

<b>Table 18 Lake Shore Housing Construction Activity: 2010 to 2021</b>			
Year	Single Family	Multifamily	Total Units Permitted
2021	18	0	18
2020	6	6	12
2019	16	0	16
2018	9	0	9
2017	9	0	9
2016	6	0	6
2015	14	0	14
2014	7	0	7
2013	11	0	11
2012	7	0	7
2011	10	0	10
2010	6	0	6
<b>TOTAL</b>	<b>119</b>	<b>6</b>	<b>125</b>

Source: City of Lake Shore; Census Bureau

Based on available reporting, there were 125 housing units constructed in Lake Shore over the period spanning 2010 to 2021. Most of these were identified as one unit structures, assumed to be single family houses, but a permit was issued for a 6-unit building in 2020. It is not known if these units were constructed for owner or renter-occupancy, or for seasonal/recreational use.

It is possible that some of the new construction was occurring on sites where an older home had been present, and the removal of the previous structure resulted in no net gain to the City's overall housing stock.

It is important to note that despite all of the housing construction in Lake Shore over the prior decade, the City only added 16 additional permanent resident households between 2010 and 2020. Much of the new construction may have been for seasonal/recreational use, or the new unit replaced an existing home and did not add housing to the community.

## Building Permit Trends: Pillager

The following table identifies new housing units that have been issued a building permit since the year 2010.

<b>Table 19 Pillager Housing Construction Activity: 2010 to 2021</b>			
Year	Single Family	Multifamily	Total Units Permitted
2021	2	0	2
2020	1	0	1
2019	2	0	2
2018	1	0	1
2017	1	8	9
2016	1	0	1
2015	2	0	2
2014	0	0	0
2013	0	0	0
2012	0	0	0
2011	0	0	0
2010	0	0	0
<b>Total</b>	<b>10</b>	<b>8</b>	<b>18</b>

Source: City of Pillager; Census Bureau

Based on available reporting, there were 18 housing units constructed in Pillager over the 12-year period spanning 2010 to 2021. Ten of these were single family houses and the remaining eight units were in two 4-unit structures. The multifamily structures created traditional market rate rental housing.

The construction of new housing units in Pillager is very well-matched to the City's household growth. Between 2010 and 2019, building permit reports show that 15 new units were constructed, while the Census reported that 17 occupied housing units were added between 2010 and 2020.

## 2020 Census Housing Data: East Gull Lake

The first housing counts released from the 2020 Census included information on occupancy and vacancy of housing units. The following table compares information from 2010 and 2020 to track changes over the decade.

<b>Table 20 Housing Units, Occupancy and Vacancy - 2020</b>									
	Total Housing Units			Occupied Units			Vacant Units		
	2010	2020	Change	2010	2020	Change	2010	2020	Change
East Gull Lake	792	780	-12	407	415	8	385	365	-20

Source: U.S. Census

- ▶ According to the Census, East Gull Lake had a reduction of 12 housing units between 2010 and 2020.
- ▶ Over the decade the City added 8 occupied housing units, and there were 20 fewer vacant units in the City in 2020.
- ▶ Earlier in this section, information about residential permit issuance was provided. Based on available reports, there were 61 new housing units permitted in East Gull Lake between 2010 and 2019. The Census reconciliation showing a net loss of 12 housing units in the City between 2010 and 2020 indicates that older housing was lost at a faster rate than new construction. It is also probable that some of the new houses built in the City involved the removal of an existing home, as may often be the case on lake shore properties.

## 2020 Census Housing Data: Lake Shore

The first housing counts released from the 2020 Census included information on occupancy and vacancy of housing units. The following table compares information from 2010 and 2020 to track changes over the decade.

<b>Table 21 Housing Units, Occupancy and Vacancy - 2020</b>									
	Total Housing Units			Occupied Units			Vacant Units		
	2010	2020	Change	2010	2020	Change	2010	2020	Change
Lake Shore	1,019	1,044	25	451	467	16	568	577	9

Source: U.S. Census

- ▶ According to the Census, Lake Shore added 25 housing units between 2010 and 2020.
- ▶ Over the decade the City added 16 occupied housing units and nine vacant units.
- ▶ Earlier in this section, information about residential permit issuance was provided. Based on available reports, there were 95 new housing units permitted in Lake Shore between 2010 and 2019. The Census reconciliation showing a net gain of only 25 housing units in the City between 2010 and 2020 indicates that a substantial number of older housing was lost. It is probable that many of the new houses built in Lake Shore involved the removal of an existing home as may often be the case on lake shore properties.

## 2020 Census Housing Data: Pillager

The first housing counts released from the 2020 Census included information on occupancy and vacancy of housing units. The following table compares information from 2010 and 2020 to track changes over the decade.

<b>Table 22 Housing Units, Occupancy and Vacancy - 2020</b>									
	Total Housing Units			Occupied Units			Vacant Units		
	2010	2020	Change	2010	2020	Change	2010	2020	Change
Pillager	218	217	-1	190	207	17	28	10	-18

Source: U.S. Census

- ▶ According to the Census, Pillager had a reduction of one housing unit between 2010 and 2020.
- ▶ Over the decade the City added 17 occupied housing units, and there were 18 fewer vacant units in the City in 2020.
- ▶ Earlier in this section, information about residential permit issuance was provided. Based on available reports, there were 15 new housing units permitted in Pillager between 2010 and 2019. The Census reconciliation showing a net loss of one housing unit in the City between 2010 and 2020 indicates that older housing was lost at a very similar rate to new construction. It is also possible that some of the new houses built in Pillager involved the removal of an existing home.



## **Housing Stock Characteristics: East Gull Lake**

### **Age of Housing**

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

For owner-occupancy units in East Gull Lake, the estimated median year of construction is 1990. Approximately 9% of the owner-occupancy stock was constructed before 1960.

For rental housing, the estimated median year of construction was listed as 1988. Less than 5% of the rental inventory was constructed prior to 1960.

### **Mobile Home**

The American Community Survey estimates do not show any mobile homes in East Gull Lake.

### **Units in Structure**

According to the American Community Survey, the large majority of housing options in the City exist in one unit structures. Overall, including both permanent resident and seasonal use housing, nearly 94% of the inventory exists in one unit structures, primarily detached single family homes.

Only a very small percentage of the City's housing options were in multifamily structures with five or more units in 2019.

### **Seasonal/Recreational Housing**

The American Community Survey estimated that at least 346 units in East Gull Lake were used as seasonal/recreational housing in 2019. This represented approximately 42% of all housing units in the City.

## **Housing Stock Characteristics: Lake Shore**

### **Age of Housing**

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

For owner-occupancy units in Lake Shore, the estimated median year of construction is 1994. Approximately 14% of the owner-occupancy stock was constructed before 1960.

For rental housing, the estimated median year of construction was listed as 1983. Less than 11% of the rental inventory was constructed prior to 1960.

### **Mobile Home**

The American Community Survey estimates show 42 mobile homes in Lake Shore. Thirty-two are estimated as rental units, with 10 not occupied by permanent residents, and possibly providing seasonal/recreational housing.

### **Units in Structure**

According to the American Community Survey, the large majority of housing options in the City exist in one unit structures. Overall, including both permanent resident and seasonal use housing, nearly 98% of the inventory exists in one unit structures, primarily detached single family homes.

Only a very small percentage of the City's housing options were in multifamily structures with five or more units in 2019.

### **Seasonal/Recreational Housing**

The American Community Survey estimated that at least 646 units in Lake Shore were used as seasonal/recreational housing in 2019. This represented approximately 56% of all housing units in the City.

## **Housing Stock Characteristics: Pillager**

### **Age of Housing**

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

For owner-occupancy units in Pillager, the estimated median year of construction is 1974. Approximately 33% of the owner-occupancy stock was constructed before 1960.

For rental housing, the estimated median year of construction was listed as 1986. Approximately 9% of the rental inventory was constructed prior to 1960.

### **Units in Structure**

According to the American Community Survey, the majority of housing options in the City exist in one unit structures. Overall, including both permanent resident and seasonal use housing, nearly 86% of the inventory exists in one unit structures, primarily detached single family homes and mobile homes.

Approximately 13% of the City's housing options were in multifamily structures with five or more units in 2019. The remaining housing was in structures with two to four units.

### **Seasonal/Recreational Housing**

The American Community Survey estimated that only seven units in Pillager were used as seasonal/recreational housing in 2019. This represented approximately 3% of all housing units in the City.

## Recent Home Sales: East Gull Lake

The Cass County Assessor's Office maintains annual residential sales records. For the following analysis, sales were reviewed for sales years 2020 and 2021. The Assessor's sales year ends on October 31<sup>st</sup> each calendar year, so 2021 does not represent a full 12-month sales period.

For each year, only "qualified" sales were analyzed. Qualified sales are considered to be "arms length" transactions, and exclude certain sales such as sales between relatives, forced sales and foreclosures, and estate transfers that are not available on the open market. These are also referred to as good sales.

In some of the Cities in Cass County, a range of residential properties may be sold, including seasonal/recreation homes, hunting properties, and lake shore parcels. The analysis that follows did not include seasonal/recreational homes or hunting properties. Lake shore parcels were included if identified as a single family home. In some communities, town house sales were recorded and have been included in this analysis, but condominium sales were not used.

The County's qualified sales data primarily look at existing homes. The information maintained by the Assessor is based on the comparison of taxable valuation to actual sales price. Since newly constructed houses do not generally have a prior value, they are not typically included in the sales sample.

In many of the communities, including East Gull Lake, only a limited number of good sales were recorded over the time period reviewed, and the houses that were sold may not be representative of overall home values. With few sales to examine, an alternate home value from the American Community Survey has also been reviewed as another indicator of home prices.

**Table 23 Values of Recent Residential Sales in East Gull Lake**

Year	Number of Sales	Median Price	Highest Price	Lowest Price
2020/21*	26	\$451,017	\$1,894,700	\$107,042

Source: Cass County Assessor; Community Partners Research, Inc. \*2021 is partial-year

- ▶ There were 26 good home sales recorded in East Gull Lake during the time period reviewed. There were a number of additional sales of seasonal/recreational homes that were not used in this analysis. The calculated median price for the residential properties was \$451,017. Approximately 31% of the home sales were for more than \$700,000.
- ▶ An alternate home value estimate is available from the 2019 American Community Survey. This source places the midpoint owner-occupied house value at \$344,400.

## Recent Home Sales: Lake Shore

The Cass County Assessor's Office maintains annual residential sales records. For the following analysis, sales were reviewed for sales years 2020 and 2021. The Assessor's sales year ends on October 31<sup>st</sup> each calendar year, so 2021 does not represent a full 12-month sales period.

For each year, only "qualified" sales were analyzed. Qualified sales are considered to be "arms length" transactions, and exclude certain sales such as sales between relatives, forced sales and foreclosures, and estate transfers that are not available on the open market. These are also referred to as good sales.

In some of the Cities in Cass County, a range of residential properties may be sold, including seasonal/recreation homes, hunting properties, and lake shore parcels. The analysis that follows did not include seasonal/recreational homes or hunting properties. Lake shore parcels were included if identified as a single family home. In some communities, town house sales were recorded and have been included in this analysis, but condominium sales were not used.

The County's qualified sales data primarily look at existing homes. The information maintained by the Assessor is based on the comparison of taxable valuation to actual sales price. Since newly constructed houses do not generally have a prior value, they are not typically included in the sales sample.

In many of the communities, including Lake Shore, only a limited number of good sales were recorded over the time period reviewed, and the houses that were sold may not be representative of overall home values. With few sales to examine, an alternate home value from the American Community Survey has also been reviewed as another indicator of home prices.

**Table 24 Values of Recent Residential Sales in Lake Shore**

Year	Number of Sales	Median Price	Highest Price	Lowest Price
2020/21*	33	\$575,000	\$3,200,000	\$150,000

Source: Cass County Assessor; Community Partners Research, Inc. \*2021 is partial-year

- ▶ There were 33 good home sales recorded in Lake Shore during the time period reviewed. There were a number of additional sales of seasonal/recreational homes that were not used in this analysis. The median price for the residential properties was \$575,000. More than 42% of the home sales were for more than \$700,000.
- ▶ An alternate home value estimate is available from the 2019 American Community Survey. This source places the midpoint owner-occupied house value at \$376,000.

## Recent Home Sales: Pillager

The Cass County Assessor's Office maintains annual residential sales records. For the following analysis, sales were reviewed for sales years 2020 and 2021. The Assessor's sales year ends on October 31<sup>st</sup> each calendar year, so 2021 does not represent a full 12-month sales period.

For each year, only "qualified" sales were analyzed. Qualified sales are considered to be "arms length" transactions, and exclude certain sales such as sales between relatives, forced sales and foreclosures, and estate transfers that are not available on the open market. These are also referred to as good sales.

In some of the Cities in Cass County, a range of residential properties may be sold, including seasonal/recreation homes, hunting properties, and lake shore parcels. The analysis that follows did not include seasonal/recreational homes or hunting properties. Lake shore parcels were included if identified as a single family home. In some communities, town house sales were recorded and have been included in this analysis, but condominium sales were not used.

The County's qualified sales data primarily look at existing homes. The information maintained by the Assessor is based on the comparison of taxable valuation to actual sales price. Since newly constructed houses do not generally have a prior value, they are not typically included in the sales sample.

In many of the communities, including Pillager, only a limited number of good sales were recorded over the time period reviewed, and the houses that were sold may not be representative of overall home values. With few sales to examine, an alternate home value from the American Community Survey has also been reviewed as another indicator of home prices.

**Table 25 Values of Recent Residential Sales in Pillager**

Year	Number of Sales	Median Price	Highest Price	Lowest Price
2020/21*	6	\$190,260	\$250,000	\$59,380

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

\*2021 is partial-year

- ▶ There were 6 good home sales recorded in Pillager during the time period reviewed. The median price calculated from the two nearest sales was \$190,260. Four of the six recorded sales were for \$173,000 or more.
- ▶ An alternate home value estimate is available from the 2019 American Community Survey. ***This source places the midpoint owner-occupied house value at \$125,600.***

## **Housing Condition Analysis: East Gull Lake**

No visual housing conditions survey was completed in East Gull Lake. The City contains a large number of lake shore homes, including many units intended for seasonal/recreational use. Home values are high in the community, and few units in poor condition are believed to exist.

## **Housing Condition Analysis: Lake Shore**

No visual housing conditions survey was completed in Lake Shore. The City contains a large number of lake shore homes, including many units intended for seasonal/recreational use. Home values are high in the community, and few units in poor condition are believed to exist.



## Housing Condition Analysis: Pillager

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the 156 single family/duplex structures in Pillager. Houses that appeared to contain three or more units were not rated.

Houses were rated in one of four levels of physical condition, as defined below. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition was assumed to be a reasonable indicator of the structure's interior quality.

Dilapidated was the lowest condition rating given and these houses are generally considered to be beyond the point of economically feasible repair.

Major Repair houses need multiple major improvements such as roof, windows, siding, structural/foundation, etc. Houses in this condition category may or may not be economically feasible to rehabilitate.

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

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

<b>Table 26 Pillager Windshield Survey Results - 2021</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Pillager	79 / 50.6%	45 / 28.8%	26 / 16.7%	6 / 3.9%	156

Source: Community Partners Research, Inc.

- ▶ Most of the houses in Pillager are in good condition, with nearly 51% rated as Sound, the best condition category, and nearly 29% rated as needing only Minor Repair.
- ▶ However, there were 26 houses citywide that were rated as needing Major Repair. These structures will require a significant investment to be returned to standard condition.
- ▶ Six houses were rated as Dilapidated, the lowest rating used. These houses may be beyond the point of economically feasible repair.

## Mobile Homes

There were also 18 mobile homes in Pillager that were viewed and rated. The same rating condition scale was used.

<b>Table 27 Pillager Mobile Home Windshield Survey Results - 2021</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Pillager	3 / 16.7%	9 / 50.0%	5 / 27.8%	1 / 5.5%	18

Source: Community Partners Research, Inc.

- ▶ There were three mobile homes in Pillager that were rated as Sound, the highest rating given. Nine mobile homes were in the Minor Repair category.
- ▶ There were five mobile homes rated as needing Major Repair, and one unit was viewed as Dilapidated.
- ▶ Although it may be possible to rehabilitate mobile homes, it is often difficult to substantially improve older units in a cost-effective manner.

## **Rental Housing Data**

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## **Rental Housing Inventory: East Gull Lake**

### **Census Rental Inventory**

At the time of the 2010 Census, the City of East Gull Lake had 45 occupied rental units. The City also had five vacant units, for a total rental housing inventory of 50 housing units in 2010. The City's rental tenure rate was very low at 11.1%, compared to 93.8% for home ownership.

The 2020 Census will not release new information about housing tenure until some time in 2022. However, tenure estimates do exist in the American Community Survey data for 2019. According to this source, there were 65 renter-occupancy households living in East Gull Lake and no vacant rental units in the City, for a total inventory of 65 units.

Based on the American Community Survey, East Gull Lake added 20 renter households and 15 rental housing units between 2010 and 2019. The rental tenure rate was estimated at 14.3% in 2019. While the rental rate had increased, the City still had a very high rate of owner-occupancy housing.

No new multifamily rental development projects were completed in the past decade in East Gull Lake. It is likely that the increase in rental units was instead due to tenure conversion, as housing units that had been owner-occupied in 2010 had switched to rental use by 2019. It is also very possible that some seasonal/recreational housing was also converted to rental use.

### **Pending Projects**

A private developer is in the final planning phase for a new subdivision in East Gull Lake that may include a significant number of luxury rental houses.

## **Rental Housing Survey**

As part of this Housing Study, a telephone survey was conducted in October 2021. The survey attempted to contact multifamily rental projects in Cass County that contain four or more units. For purposes of new unit construction, it is assumed that most future development would be oriented toward multifamily projects with four or more units.

There is one identified 6-plex in East Gull Lake, but no contact information was obtained for this property. Based on interviews with secondary sources, this building is always fully occupied.

According to the American Community Survey, most of the rental housing in East Gull Lake exists in one unit structures, primarily single family houses. This rental stock can vary greatly in age, condition, size and amenities. Single family rental units were not surveyed.

### **Rental Rates**

While no direct information was collected by telephone from rental housing in East Gull Lake, the American Community Survey contained an estimate of the median gross rent being charged in 2019. This placed the midpoint rent level at \$1,074 per month for all types of rental units in the City.

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

Although very few renter households live in the City, renters in East Gull Lake can access HUD Housing Choice Vouchers. Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional amounts.

The Voucher program in Cass County is administered by the Cass County Housing and Redevelopment Authority (HRA). The program is available in both Cass and Hubbard Counties.

When contacted in October 2021, there were 75 Vouchers issued in the two-county program. In Cass County there were there were 35 households with Vouchers. The Voucher program has the authority to issue more than 75 Vouchers, but is limited by the program budget.

There were no Vouchers being used in East Gull Lake. Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month.

The County's Voucher program maintains a waiting list for assistance in 2021, although specific information on waiting list households was not obtained.

## **Rental Housing Inventory: Lake Shore**

### **Census Rental Inventory**

At the time of the 2010 Census, the City of Lake Shore had 28 occupied rental units. The City also had seven vacant units, for a total rental housing inventory of 35 housing units in 2010. The City's rental tenure rate was very low at 6.2%, compared to 93.8% for home ownership.

The 2020 Census will not release new information about housing tenure until some time in 2022. However, tenure estimates do exist in the American Community Survey data for 2019. According to this source, there were 74 renter-occupancy households living in Lake Shore and three vacant rental units in the City, for a total inventory of 77 units.

Based on the American Community Survey, Lake Shore may have added 46 renter households and 39 rental housing units between 2010 and 2019. However, it is also possible that the American Community Survey has over estimated the City's renter occupancy information. Based on the estimates for 2019, the City's rental tenure rate had increased to 15.7%, more than double the rental rate in 2010. While the rental rate may have increased, the City still had a very high rate of owner-occupancy housing.

Between 2010 and 2021, there was no identified construction of multifamily rental housing in Lake Shore. However, the City did report 125 new units through building permit reporting, and some of these may be used as rental housing.

### **Pending Projects**

We are not aware of any rental projects in Lake Shore that are in the construction or planning phase.

## **Rental Housing Survey**

As part of this Housing Study, a telephone survey was conducted in October 2021. The survey attempted to contact multifamily rental projects in Cass County that contain four or more units. For purposes of new unit construction, it is assumed that most future development would be oriented toward multifamily projects with four or more units.

There are no known multifamily rental projects within the City of Lake Shore.

According to the American Community Survey, all of the rental housing in Lake Shore exists in one unit structures, primarily single family houses. This rental stock can vary greatly in age, condition, size and amenities. Single family rental units were not surveyed.

## **Rental Rates**

While no direct information was collected by telephone from rental housing in Lake Shore, the American Community Survey contained an estimate of the median gross rent being charged in 2019. This placed the midpoint rent level at \$780 per month for all types of rental units in the City.



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

Although very few renter households live in the City, renters in Lake Shore can access HUD Housing Choice Vouchers. Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional amounts.

The Voucher program in Cass County is administered by the Cass County Housing and Redevelopment Authority (HRA). The program is available in both Cass and Hubbard Counties.

When contacted in October 2021, there were 75 Vouchers issued in the two-county program. In Cass County there were 35 households with Vouchers. The Voucher program has the authority to issue more than 75 Vouchers, but is limited by the program budget.

There were no Vouchers being used in Lake Shore. Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month.

The County's Voucher program maintains a waiting list for assistance in 2021, although specific information on waiting list households was not obtained.

## **Rental Housing Inventory: Pillager**

### **Census Rental Inventory**

At the time of the 2010 Census, the City of Pillager had 63 occupied rental units. The City also had five vacant units, for a total rental housing inventory of 68 units in 2010. The City's rental tenure rate was at 33.2% in 2010, compared to 66.8% for home ownership.

The 2020 Census will not release new information about housing tenure until some time in 2022. However, tenure estimates do exist in the American Community Survey data for 2019. According to this source, there were 88 renter-occupancy households living in Pillager and no vacant rental units in the City, for a total inventory of 88 units.

Based on the American Community Survey, Pillager added 25 renter households and 20 rental housing units between 2010 and 2019. Based on the estimates for 2019, the City's rental tenure rate had increased to 46.1%, up substantially from the rate of 33.2% in 2010.

Between 2010 and 2020, there was some change in the rental inventory in Pillager. There were two 4-plex structures built in 2017 that added eight new multifamily rental units. The remaining increase in rental units may have been the result of tenure conversion, as housing previously used for owner-occupancy was then switched to rental use.

### **Pending Projects**

The developer of the two 4-plexes constructed in 2017 is planning to build additional units in Pillager. Although in the early planning stages, these units would probably be configured as duplexes and would serve the conventional market rate rental segment.

## **Rental Housing Survey**

As part of this Housing Study, a telephone survey was conducted in October 2021. The survey attempted to contact multifamily rental projects in the City that contain four or more units. For purposes of new unit construction, it is assumed that most future development would be oriented toward multifamily projects with four or more units.

The telephone survey was successful in contacting nearly all of the multifamily projects that could be identified in Pillager. Usable information was collected from:

- ▶ 24 conventional market rate units

Pillager does not have any subsidized rental projects or any form of income-restricted rental housing.

The City does have a specialized senior housing offering assisted living services. This project was also contacted. It has 20 units ranging from studios to two-bedrooms, with licensed capacity for 24 residents.

The findings of the survey are presented by market segment on the following pages.

## **Market Rate Rental Summary**

There were three conventional market rate multifamily rental projects identified in Pillager and all of these were successfully contacted. Usable information was obtained from 24 market rate rental units.

According to the American Community Survey, nearly all of the remaining conventional market rate housing in Pillager exists in single family units, primarily rental houses and mobile homes. This rental stock can vary greatly in age, condition, size and amenities. Single family rental units were not surveyed.

### **Unit Mix**

There were 24 units contacted, and 20 of these were two-bedroom units. The other four rental units have three bedrooms.

### **Occupancy/Vacancy**

On the date of the survey, all 24 units were occupied and good demand was reported.

### **Rental Rates**

The monthly contract rents ranged from approximately \$700 to \$1,050 per month for a two-bedroom unit. All of the three-bedrooms were in a single project with an estimated gross rent of \$1,150 per month.

The American Community Survey contained an estimate of the median gross rent being charged in Pillager in 2019. This placed the midpoint rent level at \$807 per month for all types of rental units in the City.

## **Subsidized Summary**

Pillager does not have any federally subsidized rental housing projects.

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

Renter households in Pillager do have access to HUD Housing Choice Vouchers. Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional amounts.

The Voucher program in Cass County is administered by the Cass County Housing and Redevelopment Authority (HRA). The program is available in both Cass and Hubbard Counties.

When contacted in October 2021, there were 75 Vouchers issued in the two-county program. In Cass County there were there were 35 households with Vouchers. The Voucher program has the authority to issue more than 75 Vouchers, but is limited by the program budget.

There were six Vouchers being used in Pillager. Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month.

The County's Voucher program maintains a waiting list for assistance in 2021, although specific information on waiting list households was not obtained.

## **Senior Housing with Services**

Specialized senior housing offering services is licensed by the State of Minnesota. There is one project in Pillager identified using the Minnesota Department of Health website.

### **Assisted Living**

Riverside Assisted Living is licensed for 24 residents. The facility can provide flexible levels of care, and some residents may receive limited services, but most residents receive higher levels of care. The units do not have kitchens and all meals are provided.

When contacted in November, a high rate of occupancy was reported, with any turnover units filled from a waiting list.

Riverside does accept County assistance programs for lower income seniors needing services, including Elderly Waiver.

## **Senior Housing Options in South Cass County**

Riverside Assisted Living in Pillager is the only licensed provider of senior housing with services in the cities in South Cass County.

Multiple options for specialized housing do exist in Central Cass County, including Pine River, Hackensack and Backus. There are also many options in neighboring Counties, including in the Brainerd-Baxter area.

**Table 28 Pillager Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate Rental Housing</b>					
313 w 2 <sup>nd</sup> St	<u>4 - 2 bedroom</u> 4 total units	\$660 +electric	No vacant units	Mostly working age tenants	Four-plex constructed in the 1990s. Rent includes heat, sewer, water and garbage, with tenant paying electric. Amenities include dishwasher, 1car garage and community laundry. One unit was intentionally vacant for repairs but owner reported good demand with a waiting list. Most tenants are working age and commute to Brainerd-Baxter area.
731-741 W 2 <sup>nd</sup> St	<u>12 - 2 bedroom</u> 12 total units	\$660 +electric	No vacant units	Senior-designated	Two 6-plexes constructed in the 1990s. Units are 1-level and designated for senior occupancy, age 55 and older. Rent includes heat, sewer, water and garbage, with tenant paying electric. Amenities include dishwasher, 1car garage and community laundry. Units are fully occupied and owner reported good demand with a waiting list.
Pillager Town Houses	<u>4 - 2 bedroom</u> <u>4 - 3 bedroom</u> 8 total units	\$1000 \$1100 +electric	No vacant units	Mix of tenants	Two 4-unit structures constructed in 2017. Units are town house-style with 1-level living and 2-car attached garage. Rent includes heat, water, sewer and garbage, with tenant paying electric. Amenities include dishwasher, microwave, wall AC and in-unit laundry hookup. Two-bedrooms have 1 bathroom and 3-bedrooms have 1.5 bathrooms. Owner reported full occupancy and good demand. Rents will be increasing by \$50 and \$100, respectively. Owner plans additional unit development in Pillager.

Table 28 Pillager Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Subsidized Rental Housing</b>					
Section 8 Housing Choice Vouchers	6 households in Pillager	30% of income	N/A	N/A	Formerly the Section 8 Existing Program, HUD Housing Choice Vouchers provide tenant-based rent assistance that can be used in any suitable rental unit. Tenant rent contribution is based on 30% of income, with the assistance program paying additional subsidy. In late 2021 there were 6 households in the City participating in the Cass County program. Waiting list exists for Cass and Hubbard Counties.
<b>Senior Housing with Services</b>					
Riverside Assisted Living 885 Meadowview Circle North	suites 1 bedroom <u>2 bedroom</u> 20 total units with 24 resident capacity	N/A	High rate of occupancy	Assisted living	Assisted living facility that is approximately 10 years old - licensed for 24 resident capacity. Residents can move in with limited services but most receive some levels of care. Units are apartment-style but no kitchens. Facility reported a high rate of occupancy with turnover units filled from a waiting list. Pandemic had made seniors hesitant to move but now demand has returned to a more normal level.

Source: Community Partners Research, Inc.



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## **Employment and Economy**

While many factors influence the need for housing, employment opportunities represent a predominant demand-generator. Without jobs and corresponding wages, the means to afford housing is severely limited. Employment opportunities are provided by a broad range of private and public business sectors. Jobs are available in manufacturing, commercial services, agriculture, and other industries. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what level of affordability.

The following pages contain information on labor force, employment, wage and worker commuting patterns for Cass County.

### **Labor Force, Work Force and Unemployment**

The Minnesota Department of Employment and Economic Development provides employment information at the County level. The following table looks at information for Cass County since 2010, with partial year information for 2021.

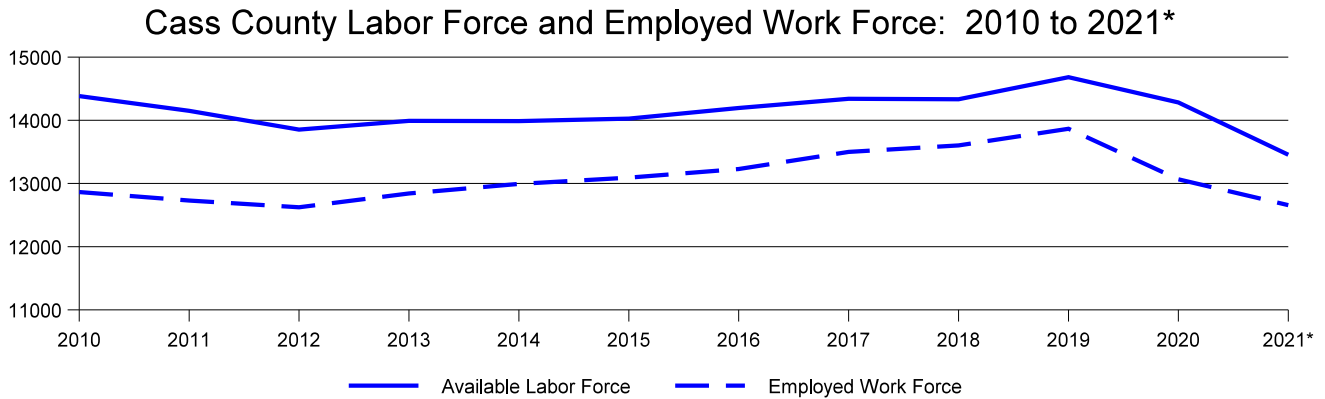
<b>Table 29 Cass County Labor Force and Employment: 2010 - 2021*</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2010	14,383	12,864	1,519	10.6%	7.4%	9.6%
2011	14,149	12,730	1,419	10.0%	6.5%	8.9%
2012	13,852	12,623	1,229	8.9%	5.6%	8.1%
2013	13,991	12,842	1,149	8.2%	5.0%	7.4%
2014	13,987	12,994	993	7.1%	4.2%	6.2%
2015	14,026	13,092	934	6.7%	3.8%	5.3%
2016	14,195	13,229	966	6.8%	3.9%	4.9%
2017	14,341	13,500	841	5.9%	3.4%	4.4%
2018	14,333	13,602	731	5.1%	3.0%	3.9%
2019	14,683	13,866	817	5.6%	3.2%	3.7%
2020	14,282	13,067	1,214	8.5%	6.2%	8.1%
2021*	13,454	12,657	797	5.9%	4.0%	5.8%

Source: MN Department of Employment and Economic Development  
\*2021 statistics are through September

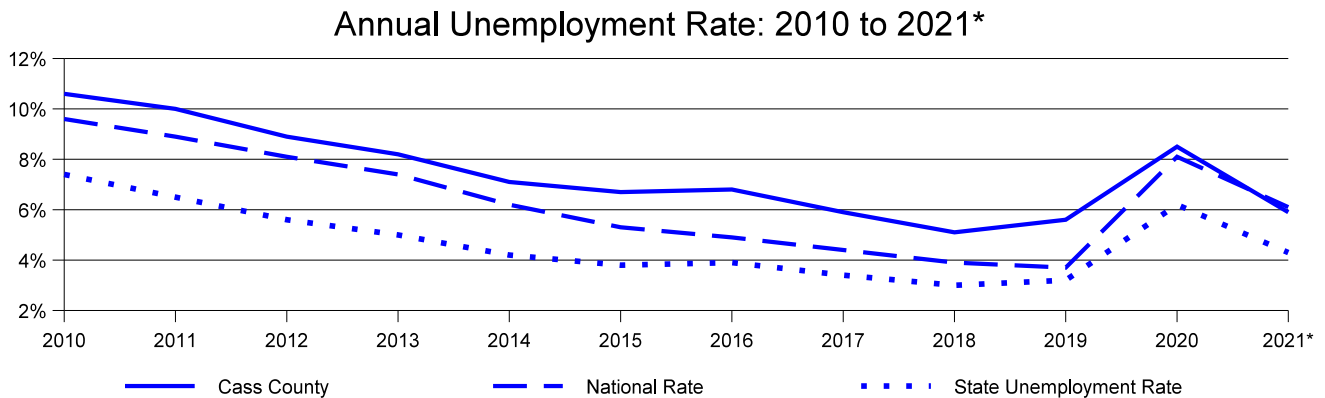
The labor force statistics provided above track people by place of residence, regardless of where they are employed. Since 2010, Cass County has experienced a somewhat cyclical pattern in the size of the resident labor force, After decreasing in size between 2010 and 2012, the County’s labor force then began to grow and reached a peak level in 2019. However, this was then reversed, presumably due to the global health pandemic, and the County’s labor force decreased after 2019.

If 2019 (pre-pandemic) is compared to 2010, the County’s available labor force increased by 300 people, or 2.1%. The pandemic then reduced the labor force size in 2020, and partial-year statistics for 2021 show the labor force continuing to grow smaller.

The County’s employed work force had generally experienced a similar pattern. The number of employed County residents reached a peak level in 2019, before decreasing in 2020, probably due to the impact of the pandemic. Year-to-date employment in 2021 was down further through September when compared to 2020.



Over the period of the 12 years reviewed (including partial year 2021) the County’s unemployment rate had reached its lowest level in 2018, at 5.1%. Although it had then increased slightly, 2019 was still the second lowest year for unemployment.



The pandemic in 2020 then increased the County’s unemployment rate to 8.5%. Partial-year statistics for 2021 show the unemployment rate dropping again, but this is due in part to a reduction in the County’s overall labor force, as fewer people were employed in 2021 than in 2020.

Throughout the time period reviewed, the unemployment rate in Cass County has been higher than the National rate, and well above the rate for the State.

### **Employment and Wages by Industry**

The following table shows the annual employment and average wages for 2020, the last full year of data. The table provides information for all of Cass County. The previous table, which provides information on the County’s labor force, represents the location of the worker by their home residence. The following table, represents the location of the job as tracked by unemployment insurance.

<b>Table 30 Cass County Average Wages by Industry Detail - 2020</b>		
Industry	Employment	Average Weekly Wage
Total All Industry	9,573	\$737
Natural Resources, Mining	54	\$773
Construction	534	\$1,136
Manufacturing	692	\$797
Trade, Transportation, Utilities	1,387	\$569
Information	92	\$487
Financial Activities	441	\$802
Professional and Business Services	351	\$959
Education and Health Services	2,028	\$821
Leisure and Hospitality	2,060	\$508
Other Services	194	\$365
Public Administration	1,737	\$859

Source: MN Department of Employment and Economic Development

There were 9,573 covered workers reported in Cass County in 2020. The average weekly wage in for all industry in 2020 was \$737. At full-time employment this yielded an annual average wage of \$38,324.

The highest paying wage sector was Construction, with an average weekly wage of \$1,136.

The County’s largest employment sectors were Leisure and Hospitality, and Education and Health Services. Leisure and Hospitality paid a low average weekly wage of \$508. Education and Health Services was above the overall County average at \$821 per week.

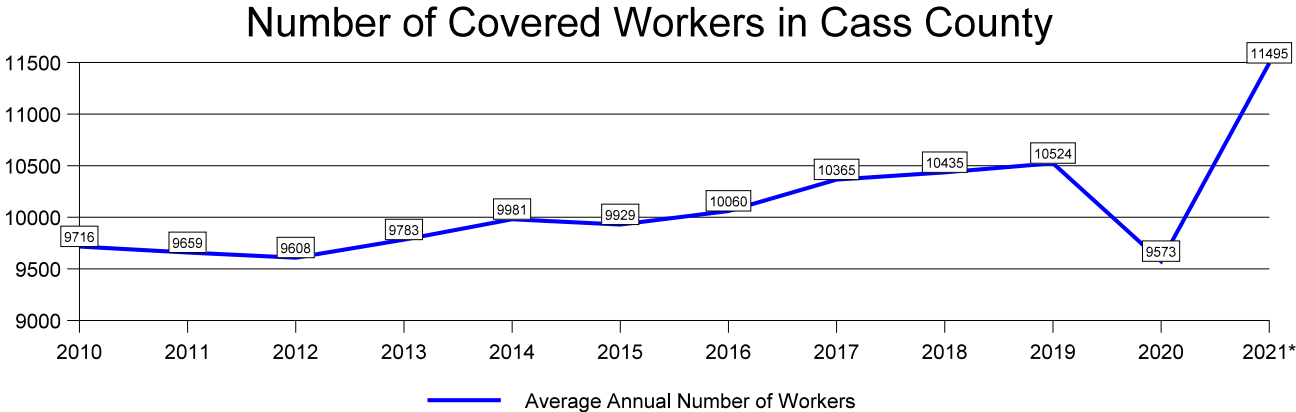
### Cass County Annual Covered Employment

Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the job, it is possible to examine longer-term patterns in employment. The following table displays the total number of workers reported in the County back to the year 2010.

<b>Table 31 Cass County Average Annual Employment</b>			
Year	Total Covered Employment	Year	Total Covered Employment
2010	9,716	2016	10,060
2011	9,659	2017	10,365
2012	9,608	2018	10,435
2013	9,783	2019	10,524
2014	9,981	2020	9,573
2015	9,929	2021*	11,495

Source: QCEW - MN Department of Employment and Economic Development  
 \*2021 is through June

When viewed over a longer time period, back to the year 2010, there had been a gradual increase in the number of jobs in Cass County through the year 2019. This then reversed in 2020, presumably due to the pandemic. Between 2010 and 2019, the covered employment level in the County had increased by 808 jobs. Partial-year information for 2021 points to significant reported job growth, but this may change when the full year data become available.



## Commuting Patterns of Area Workers

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

<b>Table 32 Commuting Times for Cass County Residents - 2019</b>		
Travel Time	Number	Percent
Less than 10 minutes	2,458	21.4%
10 to 19 minutes	3,280	28.6%
20 to 29 minutes	2,436	21.2%
30 minutes +	3,301	28.8%
Total	11,475	100%

Source: American Community Survey

Just over half of the County’s residents were commuting 20 minutes or more to work in 2019, with nearly 29% traveling 30 minutes or more. Fewer than 22% of all employed County residents worked close to their home and had a drive time of less than 10 minutes.

Travel times are also listed by location of employment. The following travel times were identified for people that worked in Cass County.

<b>Table 33 Commuting Times for Cass County-based Employees - 2019</b>		
Travel Time	Number	Percent
Less than 10 minutes	2,420	24.7%
10 to 19 minutes	2,955	30.1%
20 to 29 minutes	1,941	19.8%
30 minutes+	2,496	25.4%
Total	9,812	100%

Source: American Community Survey

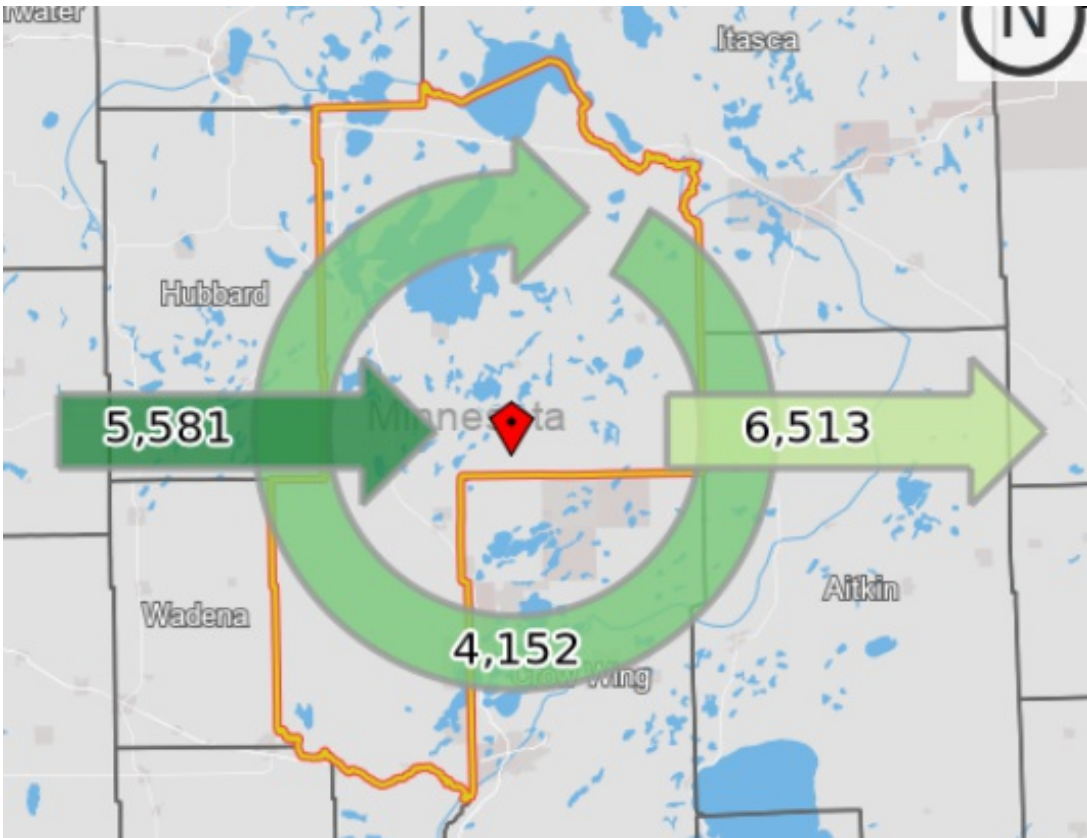
Most people that worked at a job based in Cass County were traveling less than 20 minutes in 2019. Overall, nearly 55% of the jobs were filled by people traveling 19 minutes or less, including the people that both live and work within the County. However, more than 4,400 people were commuting in from greater distances, with a travel time of 30 minutes or more.

### Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on data for the year 2018, but provides a further breakdown of worker movement patterns.

According to the report for Cass County, there were 9,733 people that were employed within Cass County in 2018. Approximately 43% of these County-based employees also lived within Cass County, with nearly 5,600 employees commuting in from outside the County limits. The primary identified jurisdictions supplying workers to the City were Bemidji, Brainerd and Bowstring Lake UT in Itasca County.

Many Cass County residents left the County to work elsewhere. In 2018, more than 6,500 of the County’s employed residents worked outside the community. The primary locations listed for outbound commuters were Brainerd, Bemidji, Nisswa and Pequot Lakes.





## East Gull Lake

<b>Key Statistics: East Gull Lake</b>	
<b><i>Demographic</i></b>	
Population 2020:	986 people
Households 2020:	415 households
Household Size 2020:	2.35 persons per household
Population Trend:	Down by 61 people from 2010 to 2020
Household Trend:	Up by 8 households from 2010 to 2020
Household Projection:	23 households between 2020 and 2026
<b><i>Income</i></b>	
Median Household Income:	\$86,161 in 2019
Median Family Income:	\$92,917 in 2019
<b><i>Housing</i></b>	
Home Ownership Rate 2019:	85.7% home owners
Rental Rate 2019:	14.3% renters
Median Home Value:	\$451,017 based on recent sales
New Construction:	123 housing units from 2010 to 2021
<b><i>Housing Condition</i></b>	
Condition Rating:	No survey conducted
Median Year Built - Owner:	1990
Median Year Built - Rental:	1988

## **Summary of Growth Trends**

Based on the 2020 Census, the City of East Gull Lake has been adding some households but losing population in recent years, due to a decrease in the average number of people per household. Between 2010 and 2020, East Gull Lake added 8 permanent resident households, but the City's population decreased by 61 people.

Longer-term trends for households show a consistent pattern of growth over the past three decades, although the rate of growth has slowed over time. The City grew very rapidly in the 1990s, but between 2000 and 2010, the annual average for growth slowed to fewer than four households per year. Since 2010 the City's average annual growth has been less than one household per year.

The increase in permanent resident households in East Gull Lake has been lower than the number of new housing starts, based on building permit issuance. Annual reports indicate that more than 90 new housing units were constructed in the City between 2010 and 2020. It is assumed that much of the new home construction involved the replacement of an older home and therefore resulted in only limited growth in the number of permanent resident households. It is also very possible that some of the newly constructed units were intended for seasonal/recreation use.

The 2020 Census reported that the City continues to have a large supply of unoccupied housing units, with 365 vacant units. Most of these are believed to represent seasonal/recreation housing that is not utilized by permanent residents of the community.

Going forward, any significant gains or losses in permanent resident households will be linked in part to occupancy patterns in this housing stock. If more seasonal use housing is converted to permanent occupancy, the City will add population and households. But it is also possible that more houses will be converted to seasonal occupancy, and the City could decrease in size.

For this Housing Study, East Gull Lake has been grouped with other communities in the southern portion of Cass County to allow for regional comparison. Between 2010 and 2020, the combined jurisdictions in South Cass County added 197 permanent households, or an annual average of nearly 20 households per year. However, nearly 78% of the net gain in households in this part of Cass County was located in the Townships. The combined cities in South Cass added only 44 households over the decade, including the growth in East Gull Lake.

This same pattern of rural household growth was also evident in all of Cass County. Between 2010 and 2020, the entire County added 666 permanent resident households, or an average of nearly 67 households per year. But more than 99% of the entire County's net household growth over the last decade was located in the Townships and Unorganized Territories. In all of the combined cities in Cass County, a net gain of only four permanent households was recorded by the 2020 Census.

## **Summary of Growth Projections**

This Study has focused on the potential future change in households as a major contributor to housing demand. For small communities, household growth projections are largely based on a continuation of recent patterns.

In the City of East Gull Lake, only minor household growth occurred in the most recent decade. While the City has had periods of more rapid growth in the past, over the past 20 years the City has average fewer than three additional permanent households per year. A trend-based projection yields an overly conservative forecast of future growth. A projection obtained from Esri expects the City to add 23 households over a 5-year period, or between four to five households per year. While this projection may also prove to be very conservative, it does indicate some of the City's growth potential going forward.

It is certainly possible for East Gull Lake to greatly exceed this projection. In 2020 there were 365 vacant housing units in the City, most representing seasonal/recreational properties. The City is also an attractive location for new home construction, and a private developer is in the planning stage for a new subdivision that could add a significant number of new units.

Past growth patterns for the combined jurisdictions that form South Cass County would yield an expectation that approximately 125 households would be added between 2020 and 2026, or approximately 21 households in an average year. A growth projection obtained from Esri for the South Cass County regions expects a gain of approximately 51 households per year through 2026, a much faster rate than past history would indicate.

Although the household forecast from Esri appears to be somewhat high, a range of annual household growth between 21 and 51 households per year is achievable for South Cass County, in the opinion of the analysts. In the middle of this range, annual average growth of approximately 36 households per year is a realistic expectation. However, most of this potential growth is likely to occur within the rural townships in South Cass, with a smaller share located within the cities in this portion of the County.

## **Strengths for Housing Development**

The following strengths of the community were identified through statistical data, local interviews, research and an analysis of the City of East Gull Lake's local housing stock.

- ▶ **Vacation/tourism area** - The East Gull Lake area is a vacation and tourism area that provides recreational opportunities including lakes, forests, trails, boating, hunting, hiking, snowmobiling, fishing, canoeing, etc.
- ▶ **Lakes Area Living** - East Gull Lake is located in a lakes area including Gull Lake, which is one of the premier lakes in Minnesota. Living in a lakes area is attractive for many households.
- ▶ **Cass County Housing and Redevelopment Authority (HRA), Cass County Economic Development Corporation and the Region Five Development Commission** - East Gull Lake has access to these agencies, which are active in addressing the County's housing, community development and economic development needs.
- ▶ **BI-CAP** - BI-CAP is the designated Community Action Agency for Cass County. BI-CAP is active in addressing the area's housing needs and in providing funding for housing projects and programs.
- ▶ **East Gull Lake is located near Brainerd/Baxter** - East Gull Lake is located approximately 10 miles from Brainerd/Baxter. These cities provide employment opportunities, retail/service options, educational opportunities, health care facilities and cultural amenities.
- ▶ **Regional growth potential** - The area defined as South Cass County has been adding households and housing units in recent decades. Growth projections indicate that the townships in this portion of the County will continue to grow over the next five years.
- ▶ **High median home value** - The median value of the houses in East Gull Lake based on recent sales is \$451,017. This high median value makes the new construction of housing in East Gull Lake very feasible.
- ▶ **Age and condition of the housing stock** - The condition of the existing housing stock in East Gull Lake is very good.

- ▶ **Available land for development** - The City of East Gull Lake has land available for subdivision and lot development and new housing construction.
- ▶ **New housing construction** - Over the past decade, the City of Gull Lake has had significant new housing construction.
- ▶ **Developers and builders** - Private developers and home builders are active in creating residential lots and building new houses in the City.
- ▶ **Desirable location for seniors/retirees** - The amenities of the East Gull Lake area make this an attractive location for senior and/or retired households.

## **Barriers or Limitation to Housing Activities**

Our research also identified the following barriers or limitations that hinder or prevent certain housing activities in the City of East Gull Lake.

- ▶ **Competition from surrounding rural areas and lakes** - A significant percentage of the past household growth and housing construction activity in South Cass County has been located in the rural townships.
- ▶ **Educational facilities** - East Gull Lake does not have a public or private school.
- ▶ **Limited commercial options** - East Gull Lake has limited commercial and retail options to meet daily needs.
- ▶ **Medical facilities** - East Gull Lake does not have a clinic, hospital or senior housing with services options.
- ▶ **Infrastructure** - The City does not have municipal water and sewer systems.
- ▶ **Rental housing** - There are limited rental housing options in East Gull Lake, including senior housing.
- ▶ **Land and home prices** - Although the high price of land and house prices in East Gull lake is a strength, it is also a barrier for households seeking affordable housing.
- ▶ **Lower paying jobs** - Some jobs in East Gull Lake and the area are at the lower end of the pay scale and the employees with these jobs have limited housing choices.

## Summary of Findings/Recommendations

The findings/recommendations for the City of East Gull Lake have been formulated through the analysis of the information provided in the previous sections and include a total of 16 recommendations divided into the following five categories:

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

The findings/recommendations for each category are as follows:

<b>Findings and Recommendations for the City of East Gull Lake</b>	
<b>Rental Housing Development</b>	
1.	Develop 26 to 30 general occupancy market rate rental units in East Gull Lake/Lake Shore
2.	Develop 20 to 24 additional subsidized/moderate/workforce rent housing units in East Gull Lake/Lake Shore
3.	Consider the development of 24 to 28 senior independent/light services units
4.	Utilize the Housing Choice Voucher Program
5.	Develop a Mixed-Use Commercial/Housing Project
<b>Home Ownership</b>	
6.	Utilize and promote all programs that assist with home ownership
<b>New Construction</b>	
7.	Lot availability and lot development
8.	Strategies to encourage residential lot sales and new home construction
9.	Monitor the potential development of town house and twin home development
<b>Housing Rehabilitation</b>	
10.	Promote rental housing rehabilitation programs
11.	Promote owner-occupied housing rehabilitation programs

<b>Findings and Recommendations for the City of East Gull Lake</b>	
<b>Other Housing Initiatives</b>	
12.	Seasonal employee housing
13.	Acquire and demolish dilapidated structures
14.	Create a housing plan and continue coordination among housing agencies
15.	Develop home ownership and new construction marketing programs and strategies
16.	Vacation properties



# **East Gull Lake - Recommendations Rental Housing Development**

## **Rental Housing Development**

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

From 2010 to 2021, based on City data, no rental units have been constructed in East Gull Lake although, some owner occupied homes may have converted to rentals and vice versa.

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

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

The projections being used for East Gull Lake expect the City to add at least 23 households by 2026. An additional 28 households are being projected in the neighboring City of Lake Shore. The entire South Cass County area is projected to add 180 households, including the growth within East Gull Lake and Lake Shore. Therefore, we are projecting the demand for approximately 25 rental housing units due to household growth over the next five years in East Gull Lake, Lake Shore and the South Cass County area.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that East Gull Lake and Lake Shore will each lose approximately eight to 10 rental units over the next five years. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition. In other cases, this replacement is due to the deteriorating condition of older, substandard rental housing that is removed from the occupied stock as it is no longer habitable. Also, it is projected that some of the single family homes that converted to rental or seasonal use will convert back to owner-occupancy.

As part of this Study, the analysts attempted to collect information on multifamily rental projects. One rental building in East Gull Lake was identified. Secondary sources indicate that this project in has six units and the project is usually fully occupied. No multifamily rental projects were identified in Lake Shore.

Based on our research and local interviews, we have identified pent-up demand for market rate rental units, subsidized units and senior independent/light services rental housing in East Gull Lake/Lake Shore.

These demand generators show a demand potential for 70 to 82 rental units over the projection period in East Gull Lake/Lake Shore. Based on the factors stated above, we recommend the development of the following new rental units in East Gull Lake/Lake Shore over the next five years, from 2021 to 2026.

▶ General Occupancy Market Rate	26-30 units
▶ Subsidized/Moderate Rent/Workforce	20-24 units
▶ Senior Independent/Light Services	<u>24-28 units</u>
Total	<u>70-82 units</u>

\* Luxury Rental Housing - A private developer is in the planning phase of developing a subdivision in East Gull Lake that will include a significant number of rental luxury homes. The subdivision will include luxury amenities such as a club house, walking paths, etc. This development is not included in the recommendations above

**1. Develop 26 to 30 general occupancy market rate rental units in East Gull Lake/Lake Shore**

**Findings:** Approximately 14% of the housing units in East Gull Lake and 16% of the housing units in Lake Shore are rental units. All of the rental units in the two cities can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

The rental inventory in the two cities includes approximately 65 units in East Gull Lake and 77 units in Lake Shore.

East Gull Lake is expected to gain approximately 23 households and Lake Shore is expected to gain 28 households over the next five years. Also, as stated earlier, the South Cass County Area is forecast to gain approximately 180 households. Although most of these households will be located on lakes and in rural areas, some of the new households will be seeking rental housing. Also, there is a critical need for affordable workforce housing in the South Cass County Area.

East Gull Lake and Lake Shore have employment opportunities, however, many of these jobs are in the service sector and have lower wages. Many of these workers seek rental housing.

Housing stakeholders that were interviewed for the study stated that there is a need for additional market rate rental housing in East Gull Lake and Lake Shore.

**Recommendation:** Rental housing demand is based on household growth, pent-up demand and replacement of rental housing units that have been demolished or converted.

Based on this combination of demand generators, we believe that it is reasonable to plan for the production of 26 to 30 market rate general occupancy rental units in East Gull Lake/Lake Shore over the next five years, from 2021 to 2026.

Town home-style units are the preferred option for addressing the need for market rate units, although a high quality apartment buildings would also be a viable option. Also, the project, to be successful, should have 'state of the art' amenities. The units could be constructed in several projects and could be constructed in either or both cities, East Gull Lake and Lake Shore.

To construct the rental housing and charge affordable rents, land donations, financial assistance, tax increment financing, tax abatement, financial assistance from employers and other resources may be needed.

The first option would be to encourage private developers to construct market rate rental housing. If private developers do not proceed, the Cass County HRA, the Cass County Economic Development Corporation, or a regional housing agency could potentially utilize essential function bonds or similar funding sources to construct market rate rental housing.

**Recommended unit mix, sizes and rents for the East Gull Lake  
Market Rate Housing Units:**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One-Bedroom	4-5	650 - 750	\$800 - \$900
Two-Bedroom	18-20	850 - 1,000	\$950 - \$1,150
Three-Bedroom	4-5	1,100 - 1,200	\$1,100 - \$1,300
Total	26-30		

**Note:** The recommended rents are gross rents including all utilities. The rents are quoted in 2021 dollars.

It would be advantageous to have the rents for some of the units at or less than the fair market rents for the Housing Choice Voucher Program, thus, the units would be affordable for more households. The Fair Market Rents for 2022 are:

- ▶ 1 bedroom - \$603
- ▶ 2 bedroom - \$793
- ▶ 3 bedroom - \$1,014

**2. Develop 20 to 24 subsidized/moderate rent/workforce general occupancy rental housing units in East Gull Lake or Lake Shore**

**Findings:** There are no subsidized, moderate rent or workforce rental projects in East Gull Lake or Lake Shore.

Based on the 2019 American Community Survey, approximately 54% of the rental households in East Gull Lake and 16% of the rental households in Lake Shore reported that 30% or more of their income was required to pay housing costs. At that time, most of these households had annual incomes of less than \$25,000, and need a very affordable unit to avoid a housing cost burden.

Also, through our interview process, it was also determined that there is a severe shortage of affordable rental units in the South Cass County Area.

**Recommendation:** We recommend that the Cities of East Gull Lake and Lake Shore, the Cass County HRA, the Cass County Economic Development Corporation and BI-CAP look for opportunities to develop affordable rental units. A realistic goal would be the construction of 20 to 24 general occupancy subsidized, moderate rent or workforce rental units over the next five years in East Gull Lake/Lake Shore. It may be feasible to construct a mixed-income project that has both market rate and affordable rental housing.

The need for additional subsidized/moderate/moderate rent units is greater than the number of new units recommended, however, the funds are limited and it remains difficult to produce new units for lower and moderate income renters.

The actual number of units that can be developed will be dependent upon access to financial resources. We recommend researching and utilizing all resources to develop affordable rental units and that all types of affordable housing be considered including subsidized, tax credit and workforce rental

housing. Potential funding sources include HUD, USDA Rural Development, the Minnesota Housing Finance Agency, tax credits, area employers, Cass County, the Cities of East Gull Lake and Lake Shore, the Greater Minnesota Housing Fund, etc.

### **3. Consider the development of 24 to 28 senior independent/light services units in East Gull Lake/Lake Shore**

**Findings:** Currently, there are no senior with services housing projects in East Gull Lake or Lake Shore. There are typically different types of senior with services housing that can serve older seniors, including independent/light services housing, assisted living (full array of senior services), memory care and skilled nursing care.

Based on 2021 Esri estimates there are 1,443 South Cass County households, age 65 and above. Also, as the baby boom generation continues to age, the senior population will continue to increase from 2021 to 2026.

**Recommendation:** Based on the research completed for this Study, we do not recommend the development of senior with services units that provide a high level of services such as assisted living. The East Gull Lake/Lake Shore Area does not currently have the services to support a senior project with a high level of services.

We do, however, recommend a 24 to 28-unit senior independent/light services project. The project could include rental and/or owner-occupied units. The East Gull Lake/Lake Shore Area has a significant number of senior households. Some of these senior households will seek to downsize into no maintenance senior living options. Also, some of these senior households may need light services, but do not need the full array of services that assisted living provides. The project's amenities and features should include:

- ▶ 24-hour call system
- ▶ A limited access security system
- ▶ Smoke alarms
- ▶ Enclosed parking

Apartment features should include:

- ▶ 24 to 28 units
  - ▶ 4-6 one-bedroom
  - ▶ 20-22 two-bedroom

- ▶ Fully equipped kitchen
- ▶ Large storage room
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

Optional services that could be provided by community organizations or agencies include:

- ▶ noon meal
- ▶ weekly housekeeping
- ▶ home health care
- ▶ social activities

Tax increment financing, tax abatement, land donations, low interest loans and/or other subsidies and incentives could be utilized to make the project financially feasible.

It is estimated that 50% of the units will be occupied when the project opens and two to three additional units will be rented over the next five to six months.

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

#### **4. Utilize the Housing Choice Voucher Program**

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

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

The Housing Choice Voucher Program in East Gull Lake, Lake Shore and Cass County is administered by the Cass County HRA. Currently, the Cass County HRA has funding for approximately 75 Vouchers for Cass and Hubbard Counties. Approximately 35 Cass County households are currently utilizing a Voucher. There is a waiting list for the Voucher program.

Approximately 54% of renters in East Gull Lake and 16% of renter households in Lake Shore were paying more than 30% of their income for rent, which is considered a housing cost burden.

**Recommendation:** From a practical standpoint, the Housing Choice Voucher Program is the single best way that East Gull Lake and Lake Shore can provide affordable housing. HUD does not make new incremental assistance available every year, but when new allocations are authorized, the Cass County HRA should be encouraged to continue to apply for additional Vouchers.

Also, the Cass County HRA should continue to publicize the Housing Choice Voucher Program in East Gull Lake, Lake Shore and Cass County to assure that City and County households have access to and are aware of the Program.

## **5. Develop a Mixed-Use Commercial/Housing Project**

**Findings:** The development of a mixed-use rental housing/commercial project would complement the City of East Gull Lake's efforts to provide commercial and housing opportunities.

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

**Recommendation:** We recommend the development of a mixed-use building in East Gull Lake. The site could be a vacant parcel, or a structure or structures could be demolished to provide a site. We recommend commercial space on the first floor and rental units on the upper floors.



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

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

# **East Gull Lake - Home Ownership Recommendations**

## **Home Ownership Recommendations**

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

Based on recent sales data, the City's median home value is \$451,017, which is very high compared to most Cass County cities. However, East Gull Lake does have some limited opportunities for first time home buyers and households seeking moderately priced homes.

While many East Gull Lake households already own their housing, those households that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home.

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

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

**Findings:** We believe that affordable home ownership is one of the issues facing East Gull Lake. Home ownership is generally the preferred housing option for most households and most communities. There are a number of strategies and programs that can be used to promote home ownership in East Gull Lake. The area's housing agencies and financial institutions can assist with this effort.

First time home buyer assistance, down payment assistance, and low interest loans help to address affordable housing issues. Also, home ownership counseling and training programs are available to households and these programs can play a significant role in helping marginal buyers achieve home ownership.

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

**Recommendation:** East Gull Lake, area financial institutions, the Cass County HRA and BI-CAP should utilize all available assistance programs to promote home ownership. The community should also explore the possibility of obtaining specific program set-asides along with other Cass County cities from some of the home ownership programs offered through the Minnesota Housing Finance Agency. Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher participation limits for income and purchase price, and the flexibility for more local design and control.

The City should work with the Cass County HRA and BI-CAP to develop and provide programs that provide financial assistance for households to purchase a home. Local financial institutions should also have a significant role in assisting households with purchasing a home.

Funding sources for home ownership programs include USDA Rural Development, the Minnesota Housing Finance Agency, the Greater Minnesota Housing Fund and the Minnesota Small Cities Development Program.

# **East Gull Lake - New Housing Construction**

## **New Housing Construction**

**Findings:** East Gull Lake has experienced significant single family owner-occupied housing construction over the past 12 years from 2010 to 2021. According to City and Census Bureau records, approximately 123 single family owner-occupancy units have been constructed in East Gull Lake during this period. This is an average of 10 units per year. However, 62 units have been constructed over the past two years, 2020 to 2021. The new units include units for permanent use as well as seasonal homes.

East Gull Lake has natural resources, recreational opportunities and other amenities, therefore, the construction of new owner-occupancy/seasonal housing units is projected to continue over the next several years. However, for new homes to continue to be constructed, buildable residential lots must be available.

East Gull Lake is projected to gain 23 households, and the South Cass County Area is projected to gain 180 households through the year 2026. Since 2010 the South Cass County Area has added some households in the younger age ranges between 25 and 44 years old and substantial growth has occurred in the 65 and older age ranges. Households in the younger age groups tend to be first-time home buyers or are looking for trade-up housing. Households in the senior age groups tend to be predominantly home owners, and form a market for higher priced homes, trade-up housing and low maintenance housing such as town homes and twin homes.

It is our opinion that if the City of East Gull Lake, Cass County, developers and builders, are proactive, a total of 100 to 125 owner-occupied housing units could be constructed in East Gull Lake from 2022 to 2026 to address demand. This is an average of 20 to 25 units annually. The breakdown of our projection of 20 to 25 new owner-occupancy/seasonal housing units annually is as follows:

▶ Higher & medium price homes	10-12 homes
▶ Median price homes	7-8 homes
▶ Affordable homes	<u>3-4 homes</u>
Total	20-25 homes

## **7. Lot availability and lot development**

**Findings:** As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of East Gull Lake. Currently, there is a minimal number of lots available in existing subdivisions and there are also a few miscellaneous infill lots and parcels scattered around the city that we did not attempt to count. We do not know the availability of some of these infill lots. Also, several lakeshore homes are demolished annually and new homes are constructed on the lots.

Additionally, there are several subdivisions that are in the planning phase. One of the subdivisions will have a significant number of residential lots. There is also vacant land available for future lot development.

**Recommendation:** We use a standard that a 2.5-year supply of lots should be available in the marketplace based on annual lot usage. With projections that 20 to 25 new owner-occupied housing units could be constructed per year, the City should have approximately 50 to 63 residential lots available over the next five years to meet the expected and projected demand.

With only a few lots in existing subdivisions and several miscellaneous infill lots available and the assumption that some lake homes are demolished for new homes, the City currently does not have an adequate supply of lots to meet expected and future demand over the next several years. Therefore, based on projected demand, it will be necessary to develop additional lots. If the subdivision developments that are in the planning phase come to fruition, there will be an adequate number of lots. Also, there is available vacant land and developers that are capable of addressing the ongoing need for lot development.

## **8. Strategies to encourage continued residential lot sales and new home construction in East Gull Lake**

**Findings:** From 2010 to 2021, approximately 123 owner-occupied single family units have been constructed in East Gull Lake. This includes units for permanent residency and seasonal housing. We are projecting that 20 to 25 units will be constructed annually in East Gull Lake from 2022 to 2026.

**Recommendation:** We recommend that the City of East Gull Lake, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

Our recommendations to continue to promote lots sales and housing development include:

- ▶ ***Alternative to lakeshore development*** - New housing construction on lake lots has been very popular in East Gull Lake. As lake building sites continue to become more limited and cost-prohibitive, the City should continue to provide attractive and affordable off-lake residential lot options.
- ▶ ***User-Friendly*** - The lot purchase and home building process must continue to be 'user friendly.' This includes an inventory of available lots, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction.
- ▶ ***Long-term planning*** - The City of East Gull Lake should continue to conduct long-term development planning to assure lots are available on an ongoing basis to meet demand for all types of new housing.
- ▶ ***Range of house prices*** - Attractive lots should be available to as wide a range of home sizes, prices and designs as possible. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities should be marketed for affordable homes.
- ▶ ***Marketing*** - The City of East Gull Lake and all housing stakeholders will need to continue marketing the sale of available lots and new home construction. Realtors, financial institutions, builders, employers, etc., should all be involved in developing marketing strategies. In addition to marketing the lots, the City of East Gull Lake and its amenities should continue to be marketed.
- ▶ ***City Amenities*** - The City of East Gull Lake should continue to work on the creation of jobs, retail, commercial, service and recreational opportunities that make the City a 'full service' community.



## **9. Monitor the potential development of town house and twin home development**

**Findings:** East Gull Lake has experienced no owner-occupied attached housing development from 2010 to 2021. The City of East Gull Lake does not currently allow the development of twin homes and town houses. Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family houses available for families. In 2021, based on Esri data, there are approximately 1,443 households in the South Cass County Area with a head of household in the 65 and older age ranges.

Also, East Gull Lake has the amenities that attract households from outside Cass County that are seeking a retirement location. It is important for the City to offer a range of life-cycle housing choices as many of these households will be seeking to move into low maintenance options.

**Recommendation:** We recommend that the City of East Gull Lake continue to evaluate the pros and cons of twin home/town home development in the City.

If twin home/town home development is allowed in the City in the future, we recommend a twin home/town home development and for the development that includes the following:

- ▶ Senior friendly home designs
- ▶ Maintenance, lawn care, snow removal, etc. all covered by an Association
- ▶ Cluster development of a number of homes
- ▶ Homes at a price that is acceptable to the market
- ▶ High amenity locations that have minimal impact on the area and the environment

# **East Gull Lake - Housing Rehabilitation**

## **Housing Rehabilitation**

**Findings:** A significant majority of the City of East Gull Lake’s housing is in very good condition and the City’s housing stock has a very high value. However, there are a minimal number of residential units in East Gull Lake that need rehabilitation.

As this existing stock ages, more maintenance and repair will be required. Without rehabilitation assistance, the limited affordable stock will shrink, creating an even more difficult affordability situation.

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

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

**Findings:** The City of East Gull Lake has approximately 65 rental units. The rental units are primarily in single family houses. Some of the City’s rental units could benefit from rehabilitation as more than 50% of the rental units are more than 35 years old and some may need improvements.

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

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

Potential funding sources include the Federal Home Loan Bank, Minnesota Housing Finance Agency (MHFA), the Greater Minnesota Housing Fund, and local funds.

## **11. Promote owner-occupied housing rehabilitation programs**

**Findings:** As with rental housing, the owner occupied housing stock in East Gull Lake is in excellent condition. However, there are a minimal number of owner-occupancy houses in East Gull Lake that need rehabilitation.

The Cass County HRA and BI-CAP administer housing rehabilitation programs in East Gull Lake and Cass County. Housing rehabilitation programs include the Minnesota Housing Finance Agency Programs, USDA Rural Development Programs and the Weatherization Program.

**Recommendation:** We recommend that the City of East Gull Lake utilize available funding sources to rehabilitate homes. USDA Rural Development, the Minnesota Housing Finance Agency, the Greater Minnesota Housing Fund and the Federal Home Loan Bank are all potential funding sources.

# **East Gull Lake - Other Housing Initiatives**

## **Other Housing Initiatives**

### **12. Seasonal employee housing**

**Findings:** The connection between economic development and housing availability has become an increasingly important issue as local employers have the need to attract new workers to the community. Housing for seasonal employees is a concern for employers. Many seasonal employees are from international locations or communities outside of Cass County. Several area businesses have purchased homes for their seasonal employees.

**Recommendation:** The City of East Gull Lake, area housing and economic development agencies and state agencies could potentially assist business owners with developing employee designated housing. New employee housing would provide quality options for seasonal workers and potentially lower the number of single family homes that are needed for worker housing.

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

**Findings:** The existing housing stock in East Gull Lake is in very good condition. However, there may be homes that are substandard and beyond repair. To improve the quality of the housing stock and to maintain the appearance of the City, dilapidated structures should be demolished.

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

The City could develop partnerships with housing agencies and private developers to construct new housing on cleared parcels. Tax increment financing, Greater Minnesota Housing Funds, Minnesota Housing Finance Agency funds, and private funds are potential funding sources for this initiative.

#### **14. Create a housing plan and continue coordination among housing agencies**

**Findings:** The City of East Gull Lake may need resources in addition to existing staff and housing stakeholders to plan and implement some of the housing recommendations advanced in this Study. The City has access to the Cass County HRA, BI-CAP, the Cass Economic Development Corporation and the Region Five Development Commission. The City also has access to the Minnesota Housing Finance Agency and USDA Rural Development. These agencies all have experience with housing and community development programs.

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

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

#### **15. Develop home ownership and new construction marketing programs and strategies**

**Findings:** Cities that invest in marketing have an advantage. Opportunities to buy or construct a home are sometimes limited because of the lack of information and awareness of financing programs, homes and lots on the market, local builders, etc.

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

**Recommendation:** The City of East Gull Lake has been active in promoting housing and its amenities and we recommend the continuation or initiation of the following activities:

- ▶ Identify the City’s strengths and competitive advantages and heavily promote them
- ▶ Create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (East Gull Lake and the Area) to provide employees (especially new employees) with housing opportunities in East Gull Lake
- ▶ Work with housing agencies and financial institutions to provide down payment assistance, low interest loans, home owner education and home owner counseling programs, etc.
- ▶ Work with developers and builders to make the development of lots and the construction of new homes a very user friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, commercial, service and recreational opportunities that make the City a “full service” community
- ▶ Provide attractive lots for a variety of home sizes, styles and price ranges
- ▶ Preserve and improve the quality of the City’s housing through the rehabilitation of housing and the demolition of dilapidated structures that are beyond repair
- ▶ Develop new housing choices, such as new rental housing, senior housing, etc.
- ▶ Review the City’s building policies and fees on an ongoing basis to assure that they are user-friendly, fair and reasonable for builders and households.
- ▶ Develop a coordinated housing plan.

## **16. Vacation Properties**

**Findings:** There are homes in East Gull Lake that have been converted from permanent residential or seasonal properties to vacation short-term properties.

These vacation homes have a positive impact on the area as tourism is a major contributor to the City and the Area’s economy. However, short-term vacation homes can have a negative impact if not properly regulated.

**Recommendation:** It is our understanding that the City of East Gull Lake has regulations and guidelines for vacation properties and reviews and evaluates these regulations on an ongoing basis.



## Lake Shore

<b>Key Statistics: Lake Shore</b>	
<b><i>Demographic</i></b>	
Population 2020:	1,056 people
Households 2020:	467 households
Household Size 2020:	2.25 persons per household
Population Trend:	Up by 52 people from 2010 to 2020
Household Trend:	Up by 16 households from 2010 to 2020
Household Projection:	28 households between 2020 and 2026
<b><i>Income</i></b>	
Median Household Income:	\$90,263 in 2019
Median Family Income:	\$91,667 in 2019
<b><i>Housing</i></b>	
Home Ownership Rate 2019:	84.3% home owners
Rental Rate 2019:	15.7% renters
Median Home Value:	\$575,000 based on recent sales
New Construction:	125 housing units from 2010 to 2021
<b><i>Housing Condition</i></b>	
Condition Rating:	No survey conducted
Median Year Built - Owner:	1994
Median Year Built - Rental:	1983

## **Summary of Growth Trends**

Based on the 2020 Census, Lake Shore has been adding some households and population in recent years, although at a moderate level. Between 2010 and 2020, the City added 16 permanent resident households and 52 people.

Longer-term patterns show consistent household of growth over the past three decades. Although the City grew very rapidly in the 1990s, the pace of growth has been much lower since the year 2000. Over the 20-year period from 2000 to 2020, the City had annual growth of only one and two households per year.

The increase in permanent resident households in Lake Shore has been lower than the number of new housing starts, based on building permit issuance. Annual reports indicate that more than 100 new housing units were constructed in the City between 2010 and 2020. It is assumed that some of the new home construction involved the replacement of an older home and therefore resulted in only limited growth in the number of permanent resident households. It is also very possible that some of the newly constructed units were intended for seasonal/recreation use.

The 2020 Census reported that the City continues to have a very large supply of unoccupied housing units, with 577 vacant units. Most of these are believed to represent seasonal/recreation housing that is not utilized by permanent residents of the community.

Going forward, any significant gains or losses in permanent resident households will be linked in part to occupancy patterns in this housing stock. If more seasonal use housing is converted to permanent occupancy, the City will add population and households. But it is also possible that more houses will be converted to seasonal occupancy, and the City could decrease in size.

For this Housing Study, Lake Shore has been grouped with other communities in the southern portion of Cass County to allow for regional comparison. Between 2010 and 2020, the combined jurisdictions in South Cass County added 197 permanent households, or an average of nearly 20 households per year. However, nearly 78% of the net gain in households in this part of the County was located in the Townships. The combined cities in South Cass added only 44 households over the decade, including the growth in Lake Shore.

This same pattern of rural household growth was also evident in all of Cass County. Between 2010 and 2020, the entire County added 666 permanent households, or an average of nearly 67 households per year. But more than 99% of the County's net household growth over the last decade was located in the Townships and Unorganized Territories. In all of the combined cities, a net gain of only four permanent households was recorded by the 2020 Census.

## **Summary of Growth Projections**

This Study has focused on the potential future change in households as a major contributor to housing demand. For small communities, household growth projections are largely based on a continuation of recent patterns.

In the City of Lake Shore, minor household growth did occur in the most recent decade. While the City has had periods of more rapid growth in the past, over the past 20 years the City has average fewer than two additional households per year. As a result, a trend-based projection yields an overly conservative forecast of future growth.

A projection obtained from Esri expects the City to add 28 households over a 5-year period, or between five and six households per year. While this projection may also prove to be very conservative, it does indicate some of the City's growth potential going forward.

It is certainly possible for Lake Shore to greatly exceed the Esri projection. In 2020 there were more than 570 vacant housing units in the City, most representing seasonal/recreational properties. The City is also an attractive location for new home construction.

Past growth patterns for the combined jurisdictions that form South Cass County would yield an expectation that approximately 125 households would be added between 2020 and 2026, or approximately 21 households in an average year. A growth projection obtained from Esri for the South Cass County regions expects a gain of approximately 51 households per year through 2026, a much faster rate than past history would indicate.

Although the household forecast from Esri appears to be somewhat high, a range of annual household growth between 21 and 51 households per year is achievable for South Cass County, in the opinion of the analysts. In the middle of this range, annual average growth of approximately 36 households per year is a realistic expectation. However, most of this potential growth is likely to occur within the rural townships in South Cass, with a smaller share located within the cities in this portion of the County.

## **Strengths for Housing Development**

The following strengths of the community were identified through statistical data, local interviews, research and an analysis of the City of Lake Shore's local housing stock.

- ▶ **Vacation/tourism area** - The City of Lake Shore area is a vacation and tourism area that provides recreational opportunities including lakes, forests, trails, boating, hunting, hiking, snowmobiling, fishing, canoeing, etc.
- ▶ **Lakes Area Living** - Lake Shore is located in a lakes area including Gull Lake, which is one of the premier lakes in Minnesota. Living in a lakes area is attractive for many households.
- ▶ **Cass County Housing and Redevelopment Authority (HRA), Cass County Economic Development Corporation and the Region Five Development Commission** - Lake Shore has access to these agencies, which are active in addressing the County's housing, community development and economic development needs.
- ▶ **BI-CAP** - BI-CAP is the designated Community Action Agency for Cass County. BI-CAP is active in addressing the area's housing needs and in providing funding for housing projects and programs.
- ▶ **Lake Shore is located near Brainerd/Baxter** - Lake Shore is located approximately 18 miles from Brainerd/Baxter. These cities provide employment opportunities, retail/service options, educational opportunities, health care facilities and cultural amenities.
- ▶ **Regional growth potential** - The area defined as South Cass County has been adding households and housing units in recent decades. Growth projections indicate that the townships in the south portion of the County will continue to grow over the next five years.
- ▶ **High median home value** - The median value of the houses in Lake Shore based on recent sales is \$575,000. This high median value makes the new construction of housing in Lake Shore very feasible.
- ▶ **Age and condition of the housing stock** - The condition of the existing housing stock in Lake Shore is very good.

- ▶ **Developers and builders** - Private developers and home builders are active in creating residential lots and building new houses in the City.
- ▶ **Desirable location for seniors and retirees** - The Lake Shore area, with its amenities, is attractive for seniors as a retirement location.
- ▶ **Available land for development** - The City of Lake Shore has land available for subdivision and lot development and new housing construction.
- ▶ **New housing construction** - Over the past decade, the City of Lake Shore has had significant new housing construction.

## **Barriers or Limitation to Housing Activities**

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

- ▶ **Competition from surrounding rural areas and lakes** - A significant percentage of the past household growth and housing construction activity in South Cass County has been located in the rural townships.
- ▶ **Educational facilities** - Lake Shore does not have a public or private school.
- ▶ **Limited commercial options** - Lake Shore has limited commercial and retail options to meet daily needs.
- ▶ **Medical facilities** - Lake Shore does not have a clinic, hospital or senior housing with services options.
- ▶ **Infrastructure** - The access to water and sewer systems in the City is limited.
- ▶ **Rental housing** - There are limited rental housing options in Lake Shore, including senior housing.
- ▶ **Land and home prices** - Although the high price of land and house prices in Lake Shore is a strength, it is also a barrier for households seeking affordable housing.
- ▶ **Lower paying jobs** - Some jobs in Lake Shore and the area are at the lower end of the pay scale and the employees with these jobs have limited housing choices.

## Summary of Findings/Recommendations

The findings/recommendations for the City of Lake Shore have been formulated through the analysis of the information provided in the previous sections and include a total of 16 recommendations divided into the following five categories:

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

The findings/recommendations for each category are as follows:

<b>Findings and Recommendations for the City of Lake Shore</b>	
<b>Rental Housing Development</b>	
1.	Develop 26 to 30 general occupancy market rate rental units in Lake Shore/East Gull Lake
2.	Develop 20 to 24 subsidized/moderate/workforce rent housing units in Lake Shore/East Gull Lake
3.	Consider the development of 24 to 28 senior independent/light services units in Lake Shore/East Gull Lake
4.	Utilize the Housing Choice Voucher Program
5.	Develop a Mixed-Use Commercial/Housing Project
<b>Home Ownership</b>	
6.	Utilize and promote all programs that assist with home ownership
<b>New Construction</b>	
7.	Lot availability and lot development
8.	Strategies to encourage residential lot sales and new home construction
9.	Promote town house and twin home development
<b>Housing Rehabilitation</b>	
10.	Promote rental housing rehabilitation programs
11.	Promote owner-occupied housing rehabilitation programs

<b>Findings and Recommendations for the City of Lake Shore</b>	
<b>Other Housing Initiatives</b>	
12.	Seasonal employee housing
13.	Acquire and demolish dilapidated structures
14.	Create a housing plan and continue coordination among housing agencies
15.	Develop home ownership and new construction marketing programs and strategies
16.	Vacation properties



# **Lake Shore - Recommendations Rental Housing Development**

## **Rental Housing Development**

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

From 2010 to 2021, based on City data, no rental units have been constructed in East Gull Lake although, some owner occupied homes may have converted to rentals and vice versa.

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

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

The projections being used for East Gull Lake expect the City to add at least 23 households by 2026. An additional 28 households are being projected in the neighboring City of Lake Shore. The entire South Cass County area is projected to add 180 households, including the growth within East Gull Lake and Lake Shore. Therefore, we are projecting the demand for approximately 25 rental housing units due to household growth over the next five years in East Gull Lake, Lake Shore and the South Cass County area.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that East Gull Lake and Lake Shore will each lose approximately eight to 10 rental units over the next five years. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition. In other cases, this replacement is due to the deteriorating condition of older, substandard rental housing that is removed from the occupied stock as it is no longer habitable. Also, it is projected that some of the single family homes that converted to rental or seasonal use will convert back to owner-occupancy.

As part of this Study, the analysts attempted to collect information on multifamily rental projects. One rental building in East Gull Lake was identified. Secondary sources indicate that this project in has six units and the project is usually fully occupied. No multifamily rental projects were identified in Lake Shore.

Based on our research and local interviews, we have identified pent-up demand for market rate rental units, subsidized units and senior independent/light services rental housing in East Gull Lake/Lake Shore.

These demand generators show a demand potential for 70 to 82 rental units over the projection period in East Gull Lake/Lake Shore. Based on the factors stated above, we recommend the development of the following new rental units in East Gull Lake/Lake Shore over the next five years, from 2021 to 2026.

▶ General Occupancy Market Rate	26-30 units
▶ Subsidized/Moderate Rent/Workforce	20-24 units
▶ Senior Independent/Light Services	<u>24-28 units</u>
Total	<u>70-82 units</u>

\* Luxury Rental Housing - A private developer is in the planning phase of developing a subdivision in East Gull Lake that will include a significant number of rental luxury homes. The subdivision will include luxury amenities such as a club house, walking paths, etc. This development is not included in the recommendations above

**1. Develop 26 to 30 general occupancy market rate rental units in East Gull Lake/Lake Shore**

**Findings:** Approximately 14% of the housing units in East Gull Lake and 16% of the housing units in Lake Shore are rental units. All of the rental units in the two cities can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

The rental inventory in the two cities includes approximately 65 units in East Gull Lake and 77 units in Lake Shore.

East Gull Lake is expected to gain approximately 23 households and Lake Shore is expected to gain 28 households over the next five years. Also, as stated earlier, the South Cass County Area is forecast to gain approximately 180 households. Although most of these households will be located on lakes and in rural areas, some of the new households will be seeking rental housing. Also, there is a critical need for affordable workforce housing in the South Cass County Area.

East Gull Lake and Lake Shore have employment opportunities, however, many of these jobs are in the service sector and have lower wages. Many of these workers seek rental housing.

Housing stakeholders that were interviewed for the study stated that there is a need for additional market rate rental housing in East Gull Lake and Lake Shore.

**Recommendation:** Rental housing demand is based on household growth, pent-up demand and replacement of rental housing units that have been demolished or converted.

Based on this combination of demand generators, we believe that it is reasonable to plan for the production of 26 to 30 market rate general occupancy rental units in East Gull Lake/Lake Shore over the next five years, from 2021 to 2026.

Town home-style units are the preferred option for addressing the need for market rate units, although a high quality apartment buildings would also be a viable option. Also, the project, to be successful, should have 'state of the art' amenities. The units could be constructed in several projects and could be constructed in either or both cities, East Gull Lake and Lake Shore.

To construct the rental housing and charge affordable rents, land donations, financial assistance, tax increment financing, tax abatement, financial assistance from employers and other resources may be needed.

The first option would be to encourage private developers to construct market rate rental housing. If private developers do not proceed, the Cass County HRA, the Cass County Economic Development Corporation, or a regional housing agency could potentially utilize essential function bonds or similar funding sources to construct market rate rental housing.

**Recommended unit mix, sizes and rents for the East Gull Lake Market Rate Housing Units:**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One-Bedroom	4-5	650 - 750	\$800 - \$900
Two-Bedroom	18-20	850 - 1,000	\$950 - \$1,150
Three-Bedroom	4-5	1,100 - 1,200	\$1,100 - \$1,300
Total	26-30		

**Note:** The recommended rents are gross rents including all utilities. The rents are quoted in 2021 dollars.

It would be advantageous to have the rents for some of the units at or less than the fair market rents for the Housing Choice Voucher Program, thus, the units would be affordable for more households. The Fair Market Rents for 2022 are:

- ▶ 1 bedroom - \$603
- ▶ 2 bedroom - \$793
- ▶ 3 bedroom - \$1,014

**2. Develop 20 to 24 subsidized/moderate rent/workforce general occupancy rental housing units in East Gull Lake or Lake Shore**

**Findings:** There are no subsidized, moderate rent or workforce rental projects in East Gull Lake or Lake Shore.

Based on the 2019 American Community Survey, approximately 54% of the rental households in East Gull Lake and 16% of the rental households in Lake Shore reported that 30% or more of their income was required to pay housing costs. At that time, most of these households had annual incomes of less than \$25,000, and need a very affordable unit to avoid a housing cost burden.

Also, through our interview process, it was also determined that there is a severe shortage of affordable rental units in the South Cass County Area.

**Recommendation:** We recommend that the Cities of East Gull Lake and Lake Shore, the Cass County HRA, the Cass County Economic Development Corporation and BI-CAP look for opportunities to develop affordable rental units. A realistic goal would be the construction of 20 to 24 general occupancy subsidized, moderate rent or workforce rental units over the next five years in East Gull Lake/Lake Shore. It may be feasible to construct a mixed-income project that has both market rate and affordable rental housing.

The need for additional subsidized/moderate/moderate rent units is greater than the number of new units recommended, however, the funds are limited and it remains difficult to produce new units for lower and moderate income renters.

The actual number of units that can be developed will be dependent upon access to financial resources. We recommend researching and utilizing all resources to develop affordable rental units and that all types of affordable housing be considered including subsidized, tax credit and workforce rental housing. Potential funding sources include HUD, USDA Rural Development, the Minnesota Housing Finance Agency, tax credits, area employers, Cass County, the Cities of East Gull Lake and Lake Shore, the Greater Minnesota Housing Fund, etc.

### **3. Consider the development of 24 to 28 senior independent/light services units in East Gull Lake/Lake Shore**

**Findings:** Currently, there are no senior with services housing projects in East Gull Lake or Lake Shore. There are typically different types of senior with services housing that can serve older seniors, including independent/light services housing, assisted living (full array of senior services), memory care and skilled nursing care.

Based on 2021 Esri estimates there are 1,443 South Cass County households, age 65 and above. Also, as the baby boom generation continues to age, the senior population will continue to increase from 2021 to 2026.

**Recommendation:** Based on the research completed for this Study, we do not recommend the development of senior with services units that provide a high level of services such as assisted living. The East Gull Lake/Lake Shore Area does not currently have the services to support a senior project with a high level of services.

We do, however, recommend a 24 to 28-unit senior independent/light services project. The project could include rental and/or owner-occupied units. The East Gull Lake/Lake Shore Area has a significant number of senior households. Some of these senior households will seek to downsize into no maintenance senior living options. Also, some of these senior households may need light services, but do not need the full array of services that assisted living provides. The project's amenities and features should include:

- ▶ 24-hour call system
- ▶ A limited access security system
- ▶ Smoke alarms
- ▶ Enclosed parking

Apartment features should include:

- ▶ 24 to 28 units
  - ▶ 4-6 one-bedroom
  - ▶ 20-22 two-bedroom
- ▶ Fully equipped kitchen
- ▶ Large storage room
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan

- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

Optional services that could be provided by community organizations or agencies include:

- ▶ noon meal
- ▶ weekly housekeeping
- ▶ home health care
- ▶ social activities

Tax increment financing, tax abatement, land donations, low interest loans and/or other subsidies and incentives could be utilized to make the project financially feasible.

It is estimated that 50% of the units will be occupied when the project opens and two to three additional units will be rented over the next five to six months.

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

#### **4. Utilize the Housing Choice Voucher Program**

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

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

The Housing Choice Voucher Program in East Gull Lake, Lake Shore and Cass County is administered by the Cass County HRA. Currently, the Cass County HRA has funding for approximately 75 Vouchers for Cass and Hubbard Counties. Approximately 35 Cass County households are currently utilizing a Voucher. There is a waiting list for the Voucher program.

Approximately 54% of renters in East Gull Lake and 16% of renter households in Lake Shore were paying more than 30% of their income for rent, which is considered a housing cost burden.

**Recommendation:** From a practical standpoint, the Housing Choice Voucher Program is the single best way that East Gull Lake and Lake Shore can provide affordable housing. HUD does not make new incremental assistance available every year, but when new allocations are authorized, the Cass County HRA should be encouraged to continue to apply for additional Vouchers.

Also, the Cass County HRA should continue to publicize the Housing Choice Voucher Program in East Gull Lake, Lake Shore and Cass County to assure that City and County households have access to and are aware of the Program.



## **5. Develop a Mixed-Use Commercial/Housing Project**

**Findings:** The development of a mixed-use rental housing/commercial project would complement the City of Lake Shore’s efforts to provide commercial and housing opportunities.

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

**Recommendation:** We recommend the development of a mixed-use building in Lake Shore. The site could be a vacant parcel, or a structure or structures could be demolished to provide a site. We recommend commercial space on the first floor and rental units on the upper floors.

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

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

# **Lake Shore - Home Ownership Recommendations**

## **Home Ownership Recommendations**

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

Based on recent sales data, the City's median home value is \$575,000, which is very high compared to the other Cass County cities. However, Lake Shore does have some limited opportunities for first time home buyers and households seeking moderately priced homes.

While many Lake Shore households already own their housing, those households that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home.

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

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

**Findings:** We believe that affordable home ownership is one of the issues facing Lake Shore. Home ownership is generally the preferred housing option for most households and most communities. There are a number of strategies and programs that can be used to promote home ownership in Lake Shore. The area's housing agencies and financial institutions can assist with this effort.

First time home buyer assistance, down payment assistance, and low interest loans help to address affordable housing issues. Also, home ownership counseling and training programs are available to households and these programs can play a significant role in helping marginal buyers achieve home ownership.

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

**Recommendation:** Lake Shore, area financial institutions, the Cass County HRA and BI-CAP should utilize all available assistance programs to promote home ownership. The community should also explore the possibility of obtaining specific program set-asides along with other Cass County cities from some of the home ownership programs offered through the Minnesota Housing Finance Agency. Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher participation limits for income and purchase price, and the flexibility for more local design and control.

The City should work with the Cass County HRA and BI-CAP to develop and provide programs that provide financial assistance for households to purchase a home. Local financial institutions should also have a significant role in assisting households with purchasing a home.

Funding sources for home ownership programs include USDA Rural Development, the Minnesota Housing Finance Agency, the Greater Minnesota Housing Fund and the Minnesota Small Cities Development Program.

# **Lake Shore - New Housing Construction**

## **New Housing Construction**

**Findings:** Lake Shore has experienced significant single family owner-occupied housing construction over the past 12 years from 2010 to 2021. According to City and U.S. Census records, approximately 119 single family owner-occupancy units have been constructed in Lake Shore during this period. This is an average of 10 units per year. The new units include units for permanent use as well as seasonal homes.

Lake Shore has natural resources, recreational opportunities and other amenities, therefore, the construction of new owner-occupied housing units is projected to continue over the next several years. However, for new homes to continue to be constructed, buildable residential lots must be available.

Lake Shore is projected to gain 28 households and the South Cass County Area is projected to gain approximately 180 households through the year 2026. Since 2010 the South Cass County Area has added some households in the younger age ranges between 25 and 44 years old and substantial growth has occurred in the 65 and older age ranges. Households in the younger age groups tend to be first-time home buyers or are looking for trade-up housing. Households in the senior age groups tend to be predominantly home owners, and form a market for higher priced homes, trade-up housing and low maintenance housing such as town homes and twin homes.

It is our opinion that if the City of Lake Shore, Cass County, developers and builders are proactive, a total of 60 to 75 owner-occupied housing units could be constructed in Lake Shore from 2022 to 2026 to address demand. This is an average of 12 to 15 units annually. The breakdown of our projection of 12 to 15 new owner-occupancy/seasonal housing units annually is as follows:

▶ Higher & medium price homes	7-8 homes
▶ Median price homes	2-3 homes
▶ Affordable homes	<u>3-4 units</u>
Total	12-15 homes

## **7. Lot availability and lot development**

**Findings:** As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Lake Shore. Currently, there is a minimal number of lots available, which are scattered around the community. Also, several lakeshore homes are demolished annually and new homes are constructed on the lots.

Additionally, there is vacant land in the City of Lake Shore that, if available, could be used for residential development.

**Recommendation:** We use a standard that a 2.5-year supply of lots should be available in the marketplace based on annual lot usage. With projections that 12 to 15 new owner-occupied housing units could be constructed per year, the City should have approximately 30 to 38 residential lots available to meet the expected and projected demand.

With only a few miscellaneous infill lots available and the assumption that some lake homes are demolished for new homes, the City currently does not have an adequate supply of lots to meet expected and future demand over the next several years. Therefore, based on projected demand, it will be necessary to develop additional lots. There is vacant land in Lake Shore and area developers that are capable of addressing the ongoing need for lot development. Future development of subdivisions and lots should consider the following:

- ▶ If possible, the site(s) for lot development should have land available for future lot development phases.
- ▶ The lots could be developed on several sites
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.
- ▶ The lots should have covenants that assure quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ The lots should accommodate a variety of home designs and home prices.
- ▶ All stakeholders should be involved in promoting and publicizing the lots.

- ▶ It may be advantageous to develop the lots in phases.
- ▶ Lots should be available for twin home/town house development

## **8. Strategies to encourage continued residential lot sales and new home construction in Lake Shore**

**Findings:** From 2010 to 2021, approximately 119 owner-occupied single family units have been constructed in Lake Shore. This includes units for permanent residency and seasonal housing. We are projecting that 12 to 15 units will be constructed annually in Lake Shore from 2022 to 2026.

**Recommendation:** We recommend that the City of Lake Shore, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

Our recommendations to continue to promote lots sales and housing development include:

- ▶ ***Alternative to lakeshore development*** - New housing construction on lake lots has been very popular in Lake Shore. As lake building sites continue to become more limited and cost-prohibitive, the City should provide attractive and affordable off-lake residential lot options.
- ▶ ***User-Friendly*** - The lot purchase and home building process must continue to be 'user friendly.' This includes an inventory of available lots, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction.
- ▶ ***Long-term planning*** - The City of Lake Shore should continue to conduct long-term development planning to assure lots are available on an ongoing basis to meet demand for all types of new housing.
- ▶ ***Range of house prices*** - Attractive lots should be available to as wide a range of home sizes, prices and designs as possible. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities should be marketed for affordable homes.



- ▶ **Marketing** - The City of Lake Shore and all housing stakeholders will need to continue marketing the sale of available lots and new home construction. Realtors, financial institutions, builders, employers, etc., should all be involved in developing marketing strategies. In addition to marketing the lots, the City of Lake Shore and its amenities should continue to be marketed.
- ▶ **City Amenities** - The City of Lake Shore should continue to work on the creation of jobs, retail, commercial, service and recreational opportunities that make the City a 'full service' community.

## **9. Promote town house and twin home development**

**Findings:** Lake Shore has experienced limited owner-occupancy attached housing development from 2010 to 2021, with six units developed during that time period. Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family houses available for families. In 2021, based on Esri data, there were approximately 1,443 households in the South Cass County area in the 65 and older age ranges.

Also, Lake Shore has the amenities that attract households from outside Cass County that are seeking a retirement location. It is important for the City to offer a range of life-cycle housing choices as many of these households will be seeking to move into low maintenance options.

**Recommendation:** It is our projection that 15 to 20 units of attached housing in the form of twin homes or town houses could be constructed over the next five years. Additional units will continue to be built after this 5-year period.

We would recommend that future twin home/town home development includes the following:

- ▶ Senior friendly home designs
- ▶ Maintenance, lawn care, snow removal, etc. all covered by an Association
- ▶ Cluster development of a number of homes
- ▶ Homes at a price that is acceptable to the market
- ▶ High amenity locations that have minimal impact on the area and the environment

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

# **Lake Shore - Housing Rehabilitation**

## **Housing Rehabilitation**

**Findings:** A significant majority of the City of Lake Shore’s housing is in very good condition and the City’s housing stock has a very high value. However, there are a minimal number of residential units in Lake Shore that need rehabilitation.

As this existing stock ages, more maintenance and repair will be required. Without rehabilitation assistance, the limited affordable stock will shrink, creating an even more difficult affordability situation.

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

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

**Findings:** The City of Lake Shore has approximately 77 rental units. The rental units are primarily in single family houses. Some of the City’s rental units could benefit from rehabilitation as approximately 50% of the rental units are more than 40 years old and some of the units may need improvements.

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

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

Potential funding sources include the Federal Home Loan Bank, the Minnesota Housing Finance Agency, the Greater Minnesota Housing Fund and local funds.

## **11. Promote owner-occupied housing rehabilitation programs**

**Findings:** As with rental housing, the owner occupied housing stock in Lake Shore is in excellent condition. However, there are a minimal number of owner-occupancy houses in Lake Shore that need rehabilitation.

The Cass County HRA and BI-CAP administer housing rehabilitation programs in Lake Shore and Cass County. Housing rehabilitation programs include the Minnesota Housing Finance Agency Programs, USDA Rural Development Programs and the Weatherization Program.

**Recommendation:** We recommend that the City of Lake Shore utilize available funding sources to rehabilitate homes. USDA Rural Development, the Minnesota Housing Finance Agency, the Greater Minnesota Housing Fund and the Federal Home Loan Bank are potential funding sources.

# **Lake Shore - Other Housing Initiatives**

## **Other Housing Initiatives**

### **12. Seasonal employee housing**

**Findings:** The connection between economic development and housing availability has become an increasingly important issue as local employers have the need to attract new workers to the community. Housing for seasonal employees is a concern for employers. Many seasonal employees come from outside the area for seasonal employment. Several area businesses have purchased homes for their seasonal employees.

**Recommendation:** The City of Lake Shore, area housing and economic development agencies and state agencies could potentially assist business owners with developing employee designated housing. New employee housing would provide quality options for seasonal workers, and potentially lower the number of existing single family homes that are needed for seasonal worker housing.

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

**Findings:** The existing housing stock in Lake Shore is in very good condition. However, there may be homes that are substandard and beyond repair. To improve the quality of the housing stock and to maintain the appearance of the City, dilapidated structures should be demolished.

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

The City could develop partnerships with housing agencies and private developers to construct new housing on cleared parcels. Tax increment financing, Greater Minnesota Housing Funds, Minnesota Housing Finance Agency funds, and private funds are potential funding sources for this initiative.

#### **14. Create a housing plan and continue coordination among housing agencies**

**Findings:** The City of Lake Shore may need resources in addition to existing staff and housing stakeholders to plan and implement some of the housing recommendations advanced in this Study. The City has access to the Cass County HRA, BI-CAP, the Cass Economic Development Corporation and the Region Five Development Commission. The City also has access to the Minnesota Housing Finance Agency and USDA Rural Development. These agencies all have experience with housing and community development programs.

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

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

#### **15. Develop home ownership and new construction marketing programs and strategies**

**Findings:** Cities that invest in marketing have an advantage. Opportunities to buy or construct a home are sometimes limited because of the lack of information and awareness of financing programs, homes and lots on the market, local builders, etc.

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



**Recommendation:** The City of Lake Shore has been active in promoting housing and its amenities and we recommend the continuation or initiation of the following activities:

- ▶ Identify the City’s strengths and competitive advantages and heavily promote them
- ▶ Create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Lake Shore and the Area) to provide employees (especially new employees) with housing opportunities in Lake Shore
- ▶ Work with housing agencies and financial institutions to provide down payment assistance, low interest loans, home owner education and home owner counseling programs, etc.
- ▶ Work with developers and builders to make the development of lots and the construction of new homes a very user friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, commercial, service and recreational opportunities that make the City a “full service” community
- ▶ Provide attractive lots for a variety of home sizes, styles and price ranges
- ▶ Preserve and improve the quality of the City’s older housing through the rehabilitation of housing and the demolition of dilapidated structures that are beyond repair
- ▶ Develop new housing choices, such as new rental housing, senior housing, etc.
- ▶ Review the City’s building policies and fees on an ongoing basis to assure that they are user-friendly, fair and reasonable for builders and households.
- ▶ Develop a coordinated housing plan.

## **16. Vacation Properties**

**Findings:** There are homes in Lake Shore that have been converted from permanent residential or seasonal properties to vacation short-term properties.

These vacation homes have a positive impact on the area as tourism is a major contributor to the City and the Area’s economy. However, short-term vacation homes can have a negative impact if not properly regulated.

**Recommendation:** It is our understanding that the City of Lake Shore has regulations and guidelines for vacation properties and reviews and evaluates these regulations on an ongoing basis.

## Pillager

<b>Key Statistics: Pillager</b>	
<b><i>Demographic</i></b>	
Population 2020:	507 people
Households 2020:	207 households
Household Size 2020:	2.42 persons per household
Population Trend:	Up by 38 people from 2010 to 2020
Household Trend:	Up by 17 households from 2010 to 2020
Household Projection:	12 households between 2021 and 2026
<b><i>Income</i></b>	
Median Household Income:	\$44,018 in 2019
Median Family Income:	\$47,500 in 2019
<b><i>Housing</i></b>	
Home Ownership Rate 2019:	53.9% home owners
Rental Rate 2019:	46.1% renters
Median Home Value:	\$125,600 based on American Community Survey
New Construction:	18 housing units from 2010 to 2021
<b><i>Housing Condition</i></b>	
Condition Rating:	Sound - 79 homes Minor Rehab - 45 homes Major Rehab - 26 homes Dilapidated - 6 homes
Median Year Built - Owner:	1974
Median Year Built - Rental:	1986

## **Summary of Growth Trends**

Based on the 2020 Census, the City of Pillager has been adding both population and households in recent years. Between 2010 and 2020, Pillager added 17 permanent resident households and 38 people.

Longer-term trends for households show a consistent pattern of growth over the past three decades, although the rate of growth has slowed slightly over time. Between 2010 and 2020, the annual average for growth was less than two households per year in Pillager, compared to more than four households per year in the 1990s and more than two households per year from 2000 to 2010.

The increase in permanent resident households in Pillager has been very similar to the number of new housing starts, based on building permit issuance. Annual reports indicate that 15 new housing units were constructed in the City between 2010 and 2019, compared to 17 permanent households added between 2010 and 2020.

Unlike some of the other communities in Cass County, Pillager does not have a supply of seasonal/recreational housing that could potentially be converted to permanent resident use. Going forward, any significant gain of permanent resident households will be linked to a commensurate level of new housing availability in the community.

For this Housing Study, Pillager has been grouped with other communities in the southern portion of Cass County to allow for regional comparison. Between 2010 and 2020, the combined jurisdictions in South Cass County added 197 permanent households, or an annual average of nearly 20 households per year. However, nearly 78% of the net gain in households in this part of Cass County was located in the Townships. The combined cities in South Cass added only 44 households over the decade, including the growth in Pillager.

This same pattern of rural household growth was also evident in all of Cass County. Between 2010 and 2020, the entire County added 666 permanent resident households, or an average of nearly 67 households per year. But more than 99% of the entire County's net household growth over the last decade was located in the Townships and Unorganized Territories. In all of the combined cities in Cass County, a net gain of only four permanent households was recorded by the 2020 Census.

## **Summary of Growth Projections**

This Study has focused on the potential future change in households as a major contributor to housing demand. For small communities, household growth projections are largely based on a continuation of recent patterns.

In the City of Pillager, limited household growth occurred in the most recent decade. While the City has had periods of more rapid growth in the past, over the past 20 years the City has average just over two additional households per year. A projection obtained from Esri shows 12 households being added by 2026.

It is certainly possible for Pillager to exceed this projection. The City has had some recent success with small-scale rental development, and the location near Brainerd/Baxter yields the potential to attract commuter households. However, the City also has an older housing stock and ongoing unit replacement is necessary just to avoid a decrease in future housing availability.

Past growth patterns for the combined jurisdictions that form South Cass County would yield an expectation that approximately 125 households would be added between 2020 and 2026, or approximately 21 households in an average year. A growth projection obtained from Esri for the South Cass County regions expects a gain of approximately 51 households per year through 2026, a much faster rate than past history would indicate.

Although the household forecast from Esri appears to be somewhat high, a range of annual household growth between 21 and 51 households per year is achievable for South Cass County, in the opinion of the analysts. In the middle of this range, annual average growth of approximately 36 households per year is a realistic expectation. However, most of this potential growth is likely to occur within the rural townships in South Cass, with a smaller share located within the cities in this portion of the County.

## **Strengths for Housing Development**

The following strengths of the community were identified through statistical data, local interviews, research and an on-site review of the City of Pillager's local housing stock.

- ▶ **Pillager serves the immediate area** - Pillager provides employment opportunities, retail/service options, governmental services, medical facilities, educational opportunities and recreational opportunities for a geographical area that surrounds Pillager.
- ▶ **Affordable priced housing stock** - The City has a stock of affordable, existing houses. Based on American Community Survey data, the City's median home value is \$125,600. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Infrastructure** - The City's water and sewer infrastructure can accommodate future expansion.
- ▶ **Recreational opportunities** - The Pillager area provides recreational opportunities including lakes, forests, trails, boating, hunting, hiking, snowmobiling, fishing, canoeing, etc.
- ▶ **Small town atmosphere** - Pillager has the real and perceived amenities of a small town. Small town living is attractive for some households.
- ▶ **Cass County Housing and Redevelopment Authority (HRA), Cass Economic Development Corporation and the Region Five Development Commission** - Pillager has access to these agencies, which are active in addressing the County's housing, community development and economic development needs.
- ▶ **BI-CAP** - BI-CAP is the designated Community Action Agency for Cass County. BI-CAP is active in addressing the area's housing needs and in providing funding for housing projects and programs.
- ▶ **Highway #201** - Pillager is located on Highway #210, which provides efficient access to and from Pillager.
- ▶ **Household growth** - Pillager is forecast to add population and households over the next five years.

- ▶ **Pillager is located near Brainerd and Baxter** - Pillager is located 10 miles Brainerd/Baxter and 16 miles from Staples. The Brainerd and Staples areas provide employment opportunities, retail/service options, educational opportunities, health care facilities and cultural amenities. Many households prefer to live near, but not in a larger city.
- ▶ **Regional growth potential** - Although Pillager has had limited growth in recent decades, the area defined as South Cass County has been adding households in recent decades. Growth projections indicate that the townships in the south portion of the County will continue to grow over the next five years.
- ▶ **Rental housing projects** - Several rental housing projects are located in Pillager.
- ▶ **Specialized senior housing** - There is a licensed assisted living project in Pillager. This facility can provide a local housing option for local seniors that need assistance with daily living
- ▶ **Employers** - Pillager has several significant employers that provide jobs for area residents.
- ▶ **Educational Facility** - Pillager has a preschool through grade 12 public school.
- ▶ **Recent new home construction** - Ten new homes and eight rental units were constructed in Pillager from 2015 to 2021.
- ▶ **Medical Clinic** - Pillager residents have access to two medical clinics in Pillager.
- ▶ **Available lots** - There are residential lots available for new construction in Pillager.

## **Barriers or Limitation to Housing Activities**

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

- ▶ **Age and condition of the housing stock** - While the existing stock is very affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Lower incomes limit housing choices** - Household and family incomes for Pillager and Cass County are lower than the Statewide medians. While this income level matches up well with prices for existing ownership and rental housing in the City, it is not as well matched to the prices for new housing construction.
- ▶ **Lower paying jobs** - Some jobs in Pillager and the area are at the lower end of the pay scale and the employees with these jobs have limited housing choices.
- ▶ **Value gap deters new owner-occupied construction** - According to American Community Survey data, median home value is approximately \$125,600. This is below the comparable cost for new housing construction, which will generally be above \$200,000 for a stick-built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building and can also deter customized construction, unless the owners are willing to accept a potential loss on their investments.
- ▶ **Competition from surrounding rural areas and lakes** - Most of the past household growth and housing construction activity in South Cass County has been located in the rural townships. This includes lake shore locations and other rural settings. The incorporated cities in the County have been less successful in attracting households and new home construction.
- ▶ **Staff capacity limitations** - Although the City has access to several housing and economic development agencies, it is difficult to develop and implement housing initiatives with limited resources.
- ▶ **Commercial development** - Pillager's commercial/retail options are limited.

# **Pillager - Recommendations and Opportunities**



## **Recommendations, Strategies and Housing Opportunities**

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

- ▶ **Be realistic in expectations for housing development** - Large-scale residential growth has not occurred in the recent past and is not likely to occur in the near future. The scale of activities proposed for the future should be comparable with the area's potential for growth.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in Pillager if there is continued proactive support from the City of Pillager, local and regional housing agencies, economic development agencies and the Minnesota Housing Finance Agency.
- ▶ **Protect the existing housing stock** - The future of Pillager will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is a major asset, however, rehabilitation efforts are needed to preserve this housing.
- ▶ **Protect the existing assets and resources** - Pillager has several assets including an affordable housing stock, recreational opportunities, commercial businesses, employers, a preschool through grade 12 public school, etc. These assets make Pillager a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to the local efforts, the City has other resources to draw on including the Cass County HRA, BI-CAP, the Cass County Economic Development Corporation, the Region Five Development Commission, the Minnesota Housing Finance Agency and USDA Rural Development. These resources should continue to be accessed as needed to assist with housing activities.

## Summary of Findings/Recommendations

The findings/recommendations for the City of Pillager have been formulated through the analysis of the information provided in the previous sections and include a total of 17 recommendations divided into the following five categories:

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

The findings/recommendations for each category are as follows:

<b>Findings and Recommendations for the City of Pillager</b>	
<b>Rental Housing Development</b>	
1.	Develop 10 to 12 general occupancy market rate rental units
2.	Promote the development/conversion of two to four affordable market rate rental housing units
3.	Develop 6 to 8 additional subsidized/moderate rent housing units
4.	Consider the development of 8 to 10 senior independent/light services units
5.	Utilize the Housing Choice Voucher Program
6.	Develop a Mixed-Use Commercial/Housing Project
<b>Home Ownership</b>	
7.	Utilize and promote all programs that assist with home ownership
8.	Consider the development of a purchase/rehabilitation program
<b>New Construction</b>	
9.	Lot availability and lot development
10.	Strategies to encourage continued residential lot sales and new home construction
11.	Promote town house and twin home development

<b>Findings and Recommendations for the City of Pillager</b>	
<b>Housing Rehabilitation</b>	
12.	Promote rental housing rehabilitation programs
13.	Promote owner-occupied housing rehabilitation programs
<b>Other Housing Initiatives</b>	
14.	Encourage employer involvement in housing
15.	Acquire and demolish dilapidated structures
16.	Create a plan and continue coordination among housing agencies
17.	Develop home ownership and new construction marketing programs and strategies

# **Pillager - Recommendations Rental Housing Development**

## **Rental Housing Development**

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

From 2010 to 2021, based on City data, eight rental units were constructed in Pillager. The units were constructed in 2017. Also, some owner occupied homes may have converted to rentals and vice versa.

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

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

Esri’s household projections expect a gain of 12 households in Pillager and a significant gain of up to 180 households in the South Cass County area by 2026. Therefore, we are projecting the demand for approximately 10 rental housing units due to household growth over the next five years in Pillager and the South Cass County Area.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that Pillager will lose approximately two to four rental units over the next five years. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition. In other cases, this replacement is due to the deteriorating condition of older, substandard rental housing that is removed from the occupied stock as it is no longer habitable. Also, it is projected that some of the single family homes that converted to rentals will convert back to owner-occupied homes.

As part of this study, a rental survey of rental units in Pillager was conducted. In total, 24 market rate rental units were contacted and surveyed. The survey found no vacancies in the units.

Based on our research, the vacancy findings and local interviews, we have identified pent-up demand for affordable market rate rental units, subsidized units and senior independent/light services units.

These demand generators, show a demand potential for 26 to 34 rental units over the projection period. Based on the factors stated above, we recommend the development of the following new rental units over the next five years, from 2022 to 2026.

▶ General Occupancy Market Rate	10-12 units
▶ Affordable/Conversions	2-4 units
▶ Subsidized/Moderate Rent	6-8 units
▶ Senior with Services (Independent/Light Services)	<u>8-10 units</u>
Total	26-34 units

### **1. Develop 10 to 12 general occupancy market rate rental units**

**Findings:** The entire rental inventory of approximately 88 units in the City of Pillager can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

We found no vacant units in the market rate rental units that were surveyed.

Pillager is expected to gain approximately 12 households over the next five years. Also, as stated earlier, the South Cass County Area is forecast to gain up to 180 households. Although, most of these households will be located on lakes and in rural areas, some of the new households will be seeking rental housing.

Pillager has employment opportunities and an excellent preschool through grade-12 school. Also, the City is located within commuting distance to the Brainerd/Baxter and Staples areas, which has employment opportunities and other amenities. Pillager also has the infrastructure and services to support additional rental housing.

Housing stakeholders that were interviewed for the Study stated that there is a need for additional market rate rental housing.

**Recommendation:** Rental housing demand is based on household growth, pent-up demand and replacement of rental housing units that have been demolished or converted.

Based on this combination of demand generators, we believe that it is reasonable to plan for the production of 10 to 12 market rate general occupancy rental units over the next five years, from 2022 to 2026.

Town home-style units are the preferred option for addressing the need for market rate units, although a high quality apartment building would also be a viable option. Also, the project, to be successful, should have 'state of the art' amenities.

To construct the rental housing and charge affordable rents, land donations, financial assistance, tax increment financing, tax abatement and other resources may be needed.

The first option would be to encourage private developers to construct market rate rental housing. If private developers do not proceed, the Cass County HRA, the Cass County Economic Development Corporation, or a regional housing agency could potentially utilize essential function bonds or similar funding sources to construct market rate rental housing.

**Recommended unit mix, sizes and rents for the Pillager  
Market Rate Housing Units:**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One-Bedroom	2	650 - 750	\$775 - \$875
Two-Bedroom	6-8	850 - 1,000	\$900 - \$1,000
Three-Bedroom	2	1,100 - 1,200	\$1,050 - \$1,200
Total	10-12		

**Note:** The recommended rents are gross rents including all utilities. The rents are quoted in 2021 dollars.

It would be advantageous to have the rents for some of the units at or less than the fair market rents for the Housing Choice Voucher Program, thus, the units would be affordable for more households. The Fair Market Rents for 2022 are:

- ▶ 1 bedroom - \$603
- ▶ 2 bedroom - \$793
- ▶ 3 bedroom - \$1,014

## **2. Promote the development/conversion of two to four affordable market rate rental housing units**

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

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

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

**Recommendation:** We encourage the City of Pillager to promote the development/conversion of more affordable units. A goal of two to four units over the next five years would help to replace affordable housing that has been lost.

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



It is our recommendation that the gross rents for the converted units should be below \$650 per month, which would help to expand the choices available to many of the City's renter households.

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

### **3. Develop six to eight subsidized or moderate rent/general occupancy rental housing units**

**Findings:** There are no subsidized rental projects in Pillager. However, there are currently six households in Pillager that are utilizing a Housing Choice Voucher to lower their monthly rents.

Based on the 2019 American Community Survey, approximately 35% of the households in the City reported that 30% or more of their income was required to pay housing costs. At that time, most of these households had annual incomes of less than \$25,000, and needed a very affordable unit to avoid a housing cost burden. Also, the median household and family incomes in Pillager are low compared to the medians for Cass County and the State of Minnesota.

**Recommendation:** We recommend that the City of Pillager, the Cass County and BI-CAP look for opportunities to construct six to eight general occupancy subsidized or moderate rent/affordable units over the next five years. It may be feasible to construct a mixed-income building that has both market rate and affordable rental housing.

The need for additional subsidized/moderate rent units is greater than the number of new units recommended, however, the large subsidized housing production programs of the past are very limited and it remains very difficult to produce new units for income renters.

The actual number of units that can be developed will be dependent upon access to financial resources. In the opinion of the analysts, the highest priority would be to create larger two and three-bedroom subsidized general occupancy units for families and younger households.

#### **4. Consider the development of eight to 10 senior independent/light services units**

**Findings:** Currently, there is one senior assisted living housing project with a capacity of 24 residents in the City of Pillager. At the time of the survey, the facility had a high occupancy rate.

Based on 2021 Esri data, there are 1,443 South Cass County households, age 65 and above. Also, as the baby boom generation continues to age, the senior population will continue to increase from 2021 to 2026.

There are typically different types of senior with services housing that can serve older seniors, including independent/light services housing, assisted living (full array of senior services), memory care and skilled nursing care.

**Recommendation:** Based on the research completed for this Study, we do not recommend the development of additional senior with services units in Pillager which provide a high level of services such as assisted living. There currently is a senior assisted living facility in Pillager which serves the surrounding area and provides a high level of services.

We do, however, recommend an eight to 10-unit senior independent/light services project. In addition to the senior population in the City of Pillager, the Pillager area has a significant senior population living in rural areas and on lakes. Some of these households will seek senior housing. The project's amenities and features should include:

- ▶ 24-hour call system
- ▶ A limited access security system
- ▶ Smoke alarms
- ▶ Enclosed parking

Apartment features should include:

- ▶ 10 to 12 units
  - ▶ 2 to 3 one-bedroom
  - ▶ 8 to 9 two-bedroom
- ▶ Fully equipped kitchen
- ▶ Large storage room
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

Optional services that could be provided by community organizations or agencies include:

- ▶ noon meal
- ▶ weekly housekeeping
- ▶ home health care
- ▶ social activities

Tax increment financing, tax abatement, land donations, low interest loans and/or other subsidies and incentives could be utilized to make the project financially feasible.

It is estimated that 50% of the units will be occupied when the project opens and one to two additional units will be rented over the next four to five months.

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

## **5. Utilize the Housing Choice Voucher Program**

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

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

The Housing Choice Voucher Program in Pillager and Cass County is administered by the Cass County HRA. Currently, the Cass County HRA has funding for approximately 75 Vouchers for Cass and Hubbard Counties. Approximately 35 Cass County households are currently utilizing a Voucher, including six households in Pillager in 2021.

Approximately 35% Pillager renter households are currently paying more than 30% of their income for rent, which is considered a housing cost burden. There is a waiting list for the Voucher program.

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

Also, the Cass County HRA should continue to publicize the Housing Choice Voucher Program in Pillager and Cass County to assure that City and County households have access to and are aware of the Program.

## **6. Develop a Mixed-Use Commercial/Housing Project**

**Findings:** The development of a mixed-use rental housing/commercial project would complement the City's efforts to enhance the City's commercial and housing opportunities.

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

**Recommendation:** We recommend the development of a mixed-use building in Downtown Pillager. There are several potential sites in the downtown area for a mixed-use project. The site could be a vacant parcel, or a dilapidated structure or structures could be demolished to provide a site. We recommend commercial space on the first floor and rental units on the upper floors.

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

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

# **Pillager - Home Ownership Recommendations**

## **Home Ownership Recommendations**

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

Based on recent sales data, the City's median home value is \$125,600. With approximately 50% of the homes in Pillager valued less than \$125,600, Pillager has opportunities for first time home buyers and households seeking moderately priced homes.

While many Pillager households already own their housing, those households that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home.

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

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

**Findings:** We believe that affordable home ownership is one of the issues facing Pillager. Home ownership is generally the preferred housing option for most households and most communities. There are a number of strategies and programs that can be used to promote home ownership in Pillager. The area's housing agencies and financial institutions can assist with this effort.

First time home buyer assistance, down payment assistance, and low interest loans help to address affordable housing issues. With the City's median home value at \$125,600, there are lower valued houses in the community that appeal to first time buyers. Also, home ownership counseling and training programs are available to households and these programs can play a significant role in helping marginal buyers achieve home ownership.

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

**Recommendation:** The City of Pillager, area financial institutions, the Cass County HRA and BI-CAP should utilize all available assistance programs to promote home ownership. The community should also explore the possibility of obtaining specific program set-asides along with other Cass County cities from some of the home ownership programs offered through the Minnesota Housing Finance Agency. Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher participation limits for income and purchase price, and the flexibility for more local design and control.

The City should work with the Cass County HRA and BI-CAP to continue to develop and provide programs that provide financial assistance for households to purchase a home. Local financial institutions should also have a significant role in assisting households with purchasing a home.

Funding sources for home ownership programs include USDA Rural Development, the Minnesota Housing Finance Agency, the Greater Minnesota Housing Fund and the Minnesota Small Cities Development Program.

## **8. Consider the development of a Purchase/Rehabilitation Program**

**Findings:** Pillager has a stock of older, lower valued homes, some of which need repairs. Approximately 50% of the owner-occupancy stock is more than 45 years old and some of these homes need repairs. As some of the lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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



**Recommendation:** We recommend that the City of Pillager, the Cass County HRA and BI-CAP, along with other Cass County cities, consider the creation of a purchase/rehab program for existing houses that is similar to the previous MURL Program. The City or an agency could purchase homes that need rehabilitation, rehabilitate the homes and sell the homes. Housing agencies and financial institutions could assist by offering some rehabilitation assistance in conjunction with first-time buyer programs to make the City's older housing a more attractive option for potential home buyers. The Minnesota Housing Finance Agency, the SCDP Program, and the Federal Home Loan Bank are potential funding sources.

Also, a program could also be developed to provide mortgage funds directly to households for the purchase and rehabilitation of existing substandard homes. This program would not require intermediate City or housing agency ownership of the homes. USDA Rural Development provides mortgage funds to purchase a home and to make repairs to the home. Additionally, the City, the Cass County HRA and BI-CAP could assist private contractors with purchasing, rehabbing and selling homes.

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

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

# **Pillager - New Housing Construction**

## **New Housing Construction**

**Findings:** Pillager has experienced limited single family owner-occupied housing construction over the past 12 years from 2010 to 2021. According to City and Census Bureau records, approximately 10 single family owner-occupied units have been constructed in Pillager. All of these homes were constructed over the past seven years.

Pillager has commercial/retail services, an educational facility, medical facilities and employment opportunities in the City. Also, Pillager is in close proximity to Brainerd/Baxter and Staples. Therefore, some limited construction of new owner-occupied housing units is projected to continue over the next several years. However, for new homes to continue to be constructed, buildable residential lots must continue to be available.

Pillager is projected to gain 12 households and the South Cass County area is projected to gain up to 180 households through the year 2026. Since 2010 the South Cass County Area has added some households in the younger age ranges between 25 and 44 years old and substantial growth has occurred in the 65 and older age ranges.

Households in the younger age groups tend to be first-time home buyers or are looking for trade-up housing. Households in the senior age ranges tend to be predominantly home owners, and form a market for higher priced homes, trade-up housing and low maintenance housing such as town homes and twin homes.

It is our opinion that if the City of Pillager, developers and builders, and local, regional and state housing agencies are proactive, a total of 10 to 14 owner-occupied housing units could be constructed or moved into Pillager from 2021 to 2026 to address demand. Our projection for owner occupied single family housing starts includes single family detached homes and attached housing units, such as twin homes and town houses. The breakdown of our projection of 10 to 14 new owner-occupied housing units is as follows:

▶ Higher & medium price homes	3-4 homes
▶ Affordable homes	3-4 homes
▶ Twin homes/town homes	<u>4 units</u>
Total	10-14 homes/units

## **9. Lot availability and lot development**

**Findings:** As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Pillager. Currently, there is an existing subdivision in the City, the Crossing, that has available buildable lots. The City of Pillager owns approximately 11 vacant lots and several additional lots are privately owned.

There are also miscellaneous infill lots and parcels scattered around the city that we did not attempt to count. We do not know the availability of some of these infill lots. Also, there are some dilapidated homes in the City. If these homes are demolished, some of the cleared lots could be sites for new construction. Additionally, the City of Pillager owns a 13-acre parcel that could be developed.

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

With the Crossing lots and miscellaneous infill lots available, the City has an adequate supply of lots to meet expected demand over the next several years. However, if projected demand comes to fruition, it will be necessary to develop additional lots in the future.

To have lots available over an extended period of time, we recommend the development of 14 to 16 additional residential lots in the later part of the five-year projection period, if the number of houses that are forecast to be constructed comes to fruition. In developing the lots, the following should be considered:

- ▶ If possible, the site(s) for lot development should have land available for future lot development phases.
- ▶ The lots could be developed on several sites
- ▶ To keep development costs as low as possible, sites with easy access to existing infrastructure should be considered.
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.

- ▶ The lots should have covenants that assure quality development. However, the covenants should not be so restrictive that they eliminate the target market’s ability to construct a home.
- ▶ The lots should accommodate a variety of home designs and home prices.
- ▶ All stakeholders should be involved in promoting and publicizing the lots.
- ▶ To be successful, the homes must be available to households with as wide an income range as possible.
- ▶ Successful lot development will need the cooperation of financial institutions, funding agencies, employers, home builders, developers, the City of Pillager, the Cass County HRA, the Cass County Economic Development Corporation and the Region Five Development Corporation. Financial assistance such as tax increment financing, deferment of assessments, tax abatement and land donations or write downs, may be necessary to make the development of lots feasible.
- ▶ It may be advantageous to develop the lots in phases.
- ▶ Lots should be available for twin home/town house development

**10. Strategies to encourage continued residential lot sales and new home construction in Pillager**

**Findings:** From 2015 to 2021, approximately 10 owner-occupied single family units have been constructed in Pillager. We are projecting that 10 to 12 units will be constructed in Pillager from 2021 to 2026.

**Recommendation:** We recommend that the City of Pillager, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

Our recommendations to continue to promote lots sales and housing development include:

- ▶ ***Competitive pricing*** - There are lots available in communities throughout the Area. To attract new home construction in Pillager, lots should continue to be available and competitively-priced compared to other options in the Area.
- ▶ ***Alternative to rural and lakeshore development*** - The large majority of the new housing construction in the South Cass County Area is projected to be on lakes and in rural areas. As lake and rural area building sites become more limited and cost-prohibitive, the City can provide an attractive and affordable option.
- ▶ ***User-Friendly*** - The lot purchase and home building process must continue to be 'user friendly.' This includes an inventory of available lots, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction.
- ▶ ***Long-term planning*** - The City of Pillager should conduct long-term development planning to assure lots are available on an ongoing basis to meet demand for all types of new housing.
- ▶ ***Incentives*** - Some cities and counties throughout Minnesota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, cash incentives, etc. Incentives should be considered to promote new home construction.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for a twin home/town home development.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities should be marketed for affordable homes.
- ▶ ***Marketing*** - The City of Pillager and all housing stakeholders will need to continue marketing the sale of available lots and new home construction. Realtors, financial institutions, builders, employers, etc., should all be involved in developing marketing strategies. In addition to marketing the lots, the City of Pillager and its amenities should continue to be marketed.

- ▶ ***Manufactured/modular homes*** - Manufactured and modular homes can provide affordable housing opportunities for moderate income households.
- ▶ ***In-fill lot Home Development*** - In-fill lots in existing neighborhoods are often affordable and have existing City services. Some housing agencies and nonprofits develop affordable homes on in-fill lots.

## **11. Promote town house and twin home development**

**Findings:** Pillager has experienced no owner-occupancy attached housing development from 2010 to 2021, although eight rental units were built. Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional houses available for families. In 2021, based on Esri data, there are approximately 1,443 households in the South Cass County area age 65 and older.

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

**Recommendation:** It is our projection that four units in twin homes or town homes could be built over the next five years with the projection that additional twin homes/town homes could be built after the five-year projection period.

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

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

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

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

# **Pillager - Housing Rehabilitation**



## **Housing Rehabilitation**

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

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

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

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

**Findings:** The City of Pillager has approximately 88 rental units. The rental units are in a multi-family building, mixed-use buildings, duplexes and single family houses. Some of the City's rental units could benefit from rehabilitation as more than 50% of the rental units are more than 35 years old and some are in poor condition.

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

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

Potential funding sources include Minnesota Small Cities Development Program (SCDP) funds, the Federal Home Loan Bank, the Minnesota Housing Finance Agency (MHFA), the Greater Minnesota Housing Fund, and local funds.

### **13. Promote owner-occupied housing rehabilitation programs**

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

Approximately 50% of the owner-occupancy stock is more than 45 years old and some of these homes need minor or major repairs. Our housing condition survey rated the 156 houses in Pillager. Our survey found 45 homes that need minor repair and 26 houses that need major repair.

The Cass County HRA and BI-CAP administer housing rehabilitation programs in Pillager and Cass County. Housing rehabilitation programs include the Minnesota Housing Finance Agency Programs, the Minnesota Small Cities Development Program, USDA Rural Development Programs and the Weatherization Program. The City of Pillager has received MN Small Cities Development Program funding in the past for housing rehabilitation programs.

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

# **Pillager - Other Housing Initiatives**

## **Other Housing Initiatives**

### **14. Encourage employer involvement in housing**

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

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

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

Additionally, employers can continue to support other city projects, such as parks, trails, ballfields, educational facilities, etc., that have a positive impact on housing in Pillager.

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

**Findings:** Approximately 50% of the owner-occupancy stock is more than 45 years old. Our housing condition survey identified six single family houses in Pillager that are dilapidated and too deteriorated to rehabilitate. We also identified 26 single family houses in Pillager as needing major repair and some of these homes may be too deteriorated to rehabilitate. To improve the quality of the housing stock and to maintain the appearance of the City, dilapidated structures should be demolished.

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

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

## **16. Create a plan and continue coordination among housing agencies**

**Findings:** The City of Pillager may need resources in addition to existing staff to plan and implement some of the housing recommendations advanced in this Study. The City has access to the Cass County HRA, BI-CAP, the Cass Economic Development Corporation and the Region Five Development Commission. The City also has access to Minnesota Housing Finance Agency and USDA Rural Development. These agencies all have experience with housing and community development programs.

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

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

## **17. Develop home ownership and new construction marketing programs and strategies**

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

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

**Recommendation:** The City of Pillager has been active in promoting housing and its amenities and we recommend the continuation or initiation of the following activities:

- ▶ Identify the City's strengths and competitive advantages and heavily promote them
- ▶ Create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Pillager and the Area) to provide employees (especially new employees) with housing opportunities in Pillager
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Work with builders to make the construction of a new home a very user friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, commercial, service and recreational opportunities that make the City a "full service" community
- ▶ Provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve and improve the quality of the City's housing through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Develop new housing choices, such as new rental housing, twin homes, etc.
- ▶ Develop incentives and strategies to encourage builders and households to buy lots and to build and buy new homes.
- ▶ Review the City's building policies and fees to assure that they are user-friendly, fair and reasonable for builders and households.
- ▶ Develop a coordinated housing plan with area housing agencies.