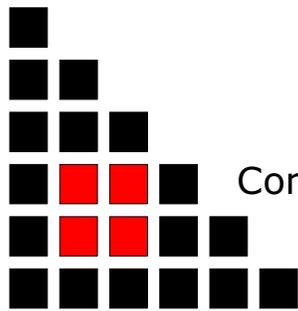


Swift County Housing Study

Appleton

An Analysis of Housing Needs
in the Cities of Swift County

January 2015



Community Partners Research, Inc.

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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. Both the U.S. Census Bureau and the Minnesota State Demographer's Office have released basic demographic estimates for the year 2013. However, these annual estimates are generally limited to basic counts, such as population and household levels.

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

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

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For the City of Appleton and Swift County, the 2013 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between 2009 and 2013.

One final data source that was reviewed for Swift County was ESRI, Inc., a private data reporting service. ESRI estimates were available for 2014, with projections to 2019.

In addition to demographic data for Appleton, we have provided information for all of Swift County to place the City into a larger regional context.

Population Data and Trends

Both the Minnesota State Demographer and the U.S. Census Bureau have released population estimates for the year 2013. The following table includes the 2013 estimates from the State Demographer. The 2013 Census Bureau estimates are contained in the text that follows.

Table 1 Population Trends - 1990 to 2013						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Estimate
Appleton	1,552	2,871	85.0%	1,412	-50.8%	1,384
Swift County	10,724	11,956	11.5%	9,783	-18.2%	9,551

Source: U.S. Census Bureau; MN State Demographer

Population statistics for the City of Appleton have varied greatly in recent decades, due to the opening and then closing of a prison facility in the community. In the year 2000, when the prison was operational, the City had more than 1,400 group quarter's residents. By 2010, when the prison was closed, there were only 61 people living in group quarters housing.

To better analyze population trends, it is easier to compare 1990, before the prison opened, to 2010, after it closed. Over this 20-year view, the City's population decreased by 140 people, or 9%.

After 2010, both the Census Bureau and the State Demographer show some population loss continuing to occur in Appleton. According to the State Demographer, the City lost 28 people between 2010 and 2013. According to the Census Bureau's 2013 population estimate, the City lost 43 people during that time.

Population trends for all of Swift County also reflect the changes in the prison population in Appleton. In the year 1990, before the prison was opened, Swift County had 212 group quarter's residents countywide. By the year 2000, the County's group quarter's population had increase to 1,538 people. By 2010, when the prison was no longer operational, the County group quarter's total had dropped to 150 people.

If all group quarter's residents are removed, the permanent resident population living in independent households has gone from 10,512 people in 1990, to 10,418 people in 2000, to 9,633 people in 2010. Over the 20-year time period, the County's population living in households has decreased by 879 people, or 8.4%.

The 2013 estimate from the State Demographer shows the countywide population has continued to grow smaller, with 9,399 people in households and 152 people living in group quarters.

The 2013 estimate from the Census Bureau shows the County losing 237 residents between 2010 and 2013. This includes group quarter's residents, which are not specifically identified in the Census Bureau's annual estimates.

The Census Bureau does define other components of population change. For Swift County, the population loss since 2010 is largely attributed to domestic out-migration, as more people moved out of the County than moved in so far this decade. There was relative stability in other factors, as the number of births in the County was nearly identical to the number of deaths.

ESRI Estimates

ESRI, a private data reporting service, has generated population estimates for 2014. For Appleton, ESRI shows 1,337 people in 2014. This estimate is lower than the 2013 estimates from the State Demographer and the Census Bureau, but also has an effective date that is more recent.

For Swift County, the ESRI estimate shows 9,505 people in 2014. This estimate is generally similar to the 2013 estimates from the State Demographer and the Census Bureau, when allowing for the one year difference in the effective dates.

Population by Race and Ethnicity

Appleton's population is primarily White and non-Hispanic/Latino, according to the 2010 Census. At the time of the 2010 Census, nearly 93% of the City's residents identified themselves as White for race. Approximately 4% of City residents identified themselves as Hispanic/Latino for ethnicity.

Group Quarters Population

Appleton had 61 residents living in group quarters at the time of the 2010 Census. All of these people were living in a skilled nursing home.

Population by Age Trends: 2000 to 2010

The demographic information from the 2010 Census allows for some analysis of the area's changing age patterns. However, a direct comparison for Appleton is not possible, due to the presence of a large group quarter's population in the City in 2000.

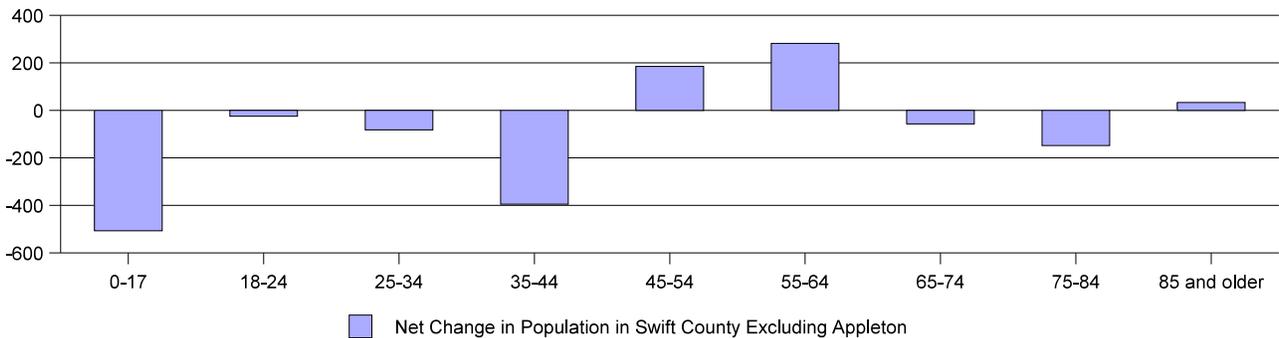
Population data for all of Swift County are also directly impacted by the large prison population that existed in the City of Appleton in 2000, but was not present in 2010. To adjust for this group quarters total, the Swift County columns reflect all jurisdictions in the County excluding Appleton.

Table 2 Population by Age - 2000 to 2010			
Age	Swift County (Minus Appleton*)		
	2000	2010	Change
0-17	2,407	1,900	-507
18-24	608	583	-25
25-34	960	878	-82
35-44	1,348	953	-395
45-54	1,167	1,352	+185
55-64	845	1,127	+282
65-74	770	713	-57
75-84	713	565	-148
85+	267	300	+33
Total	9,085	8,371	-714

Source: U.S. Census

* At the time of the 2000 Census there were more than 1,300 group quarter's residents in a correctional facility in Appleton. Age distribution patterns would be directly impacted by this prison population, and Appleton has been removed from the table.

Population Change by Age Between 2000 and 2010

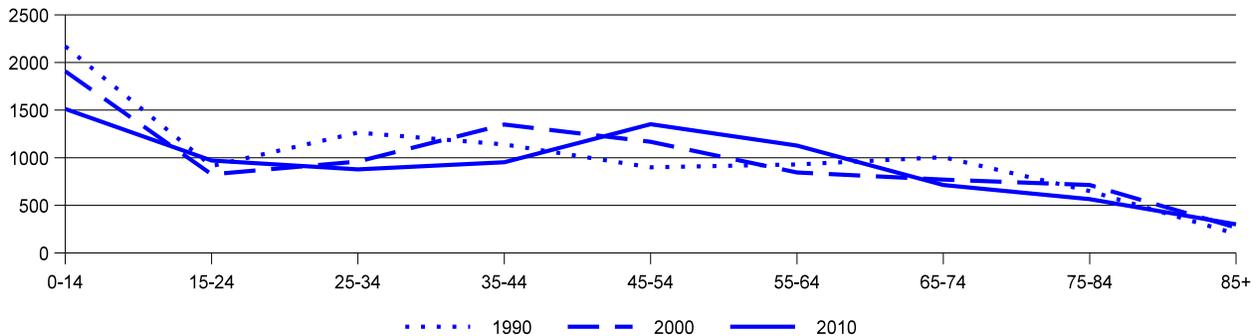


For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been very evident in Swift County. By the year 2010, nearly all of the baby boomers were in the age ranges between 45 and 64 years old. These age ranges increased in size in the previous decade.

Due to both the advancing baby boomers and a reduced number of children, there was an overall reduction in the population in the younger age groups. From 2000 to 2010, there was a net reduction of more than 1,000 people age 44 and younger.

The aging trends present in Swift County can be traced back over the previous decades to see the movement of the baby boom generation. One notable trend that is evident in Swift County is the ‘wave’ created by the baby boom age ranges with each successive decade.

Swift County (Minus Appleton) Age Distribution: 1990 to 2010



Population Projections

The following table presents population projections using different sources. The first set of projections has been generated by Community Partners Research, Inc., using short-term trends in population change, and calculating these trends forward. The second projection is based on data from the State Demographer's Office, which has generated population projections for individual jurisdictions and counties in the State. Projections are provided to the year 2020.

The State Demographer's Office has actually generated two sets of county-level projections following the release of the 2010 Census. In the opinion of Community Partners Research, the first projection release better reflects the growth patterns made evident in the 2010 Census. However, the original projections were then replaced to reconcile individual counties with statewide patterns. These are less reliable for rural counties. As a result, the original projections for Swift County are included in the table below.

Table 3 Population Projections Through 2020					
	2010 Census	Community Partners Research Projection		State Demographer Projection	
		2020	Change from 2010	2020	Change from 2010
Appleton	1,412	1,340	-72	1,349	-63
Swift County	9,783	9,050	-733	9,359	-424

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

The Community Partners Research projection expects moderate population losses to continue for Appleton through the year 2020. Since this projection is based on past trends, it continues the pattern that has been evident in recent years, as the City has a long-term trend of population loss, excluding the impact of the prison.

The projection produced by the State Demographer's Office is very similar for Appleton. If used to form a probable range, the projected annual loss for the City of Appleton from 2010 to 2020 would be approximately six to seven people in an average year.

It is important to note that projections for the City assume that the prison facility will remain closed for the foreseeable future. If the prison does reopen, there could be growth in the community, due to both group quarters residents and the employment opportunities created.

There is slightly greater variation for all of Swift County. The Demographer's projection would expect an average annual loss of approximately 42 people per year countywide, while the Community Partners Research forecast would expect an average loss of approximately 73 people per year.

ESRI Projections

Community Partners Research also reviewed projections obtained from ESRI. ESRI's population projections are for a 5-year time period between 2014 and 2019, a slightly different increment than the other projections provided. However, the annual average change can be compared to other sources.

For the City of Appleton, ESRI projects a loss of 43 people over a five-year period, or approximately eight people in an average year. This is very similar to the other Appleton projections provided above.

For all of Swift County, ESRI projects a loss of 235 people over the five-year period, or an annual average loss of 47 people per year, generally similar to the incremental loss of population as projected by the State Demographer's Office.

Household Data and Trends

The Minnesota State Demographer's Office has released 2013 household estimates for individual jurisdictions, which are displayed in the following table, along with totals from previous decennial Censuses.

Although the prison population in Appleton skewed the 2000 Census population numbers, it did not directly impact households, as prisoners were counted as group quarters residents, and not part of resident households.

Table 4 Household Trends - 1990 to 2013						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Estimate
Appleton	714	729	2.1%	677	-7.1%	669
Swift Co.	4,268	4,353	2.0%	4,236	-2.7%	4,191

Source: U.S. Census; MN State Demographer

According to the 2010 Census, Appleton lost 53 households between 2000 and 2010. This represented a household reduction of 7.1% for the decade. During this time, the prison in the City was closed, and some workers were given the option of relocating to a different prison facility. This contributed to the overall reduction of resident households.

Despite the recent reduction, Appleton has maintained a relatively stable household count, if viewed over a longer time period. The most recent estimate from the State Demographer's Office shows 669 households in the City in 2013. This is only 45 households lower than the count in the 1990 Census. Over this 23-year period, the number of households has only decreased by 6.3%, or approximately two households in an average year.

All of Swift County has experienced a somewhat similar pattern of change. After adding households in the 1990s, the County had a net loss of households from 2000 to 2010. After 2010, household losses have continued countywide, according to the most recent estimate. Based on this estimate, the County has been losing 15 households in an average year, including the loss of approximately two to three households per year in Appleton.

The ESRI demographic reports also contained household estimates for the year 2014. For Appleton, ESRI estimates 651 households, lower than the State Demographer's estimate. For all of Swift County, the ESRI estimate is 4,162 households, very similar to the Demographer's estimate if a one year time adjustment is applied.

Household by Age Trends: 2000 to 2010

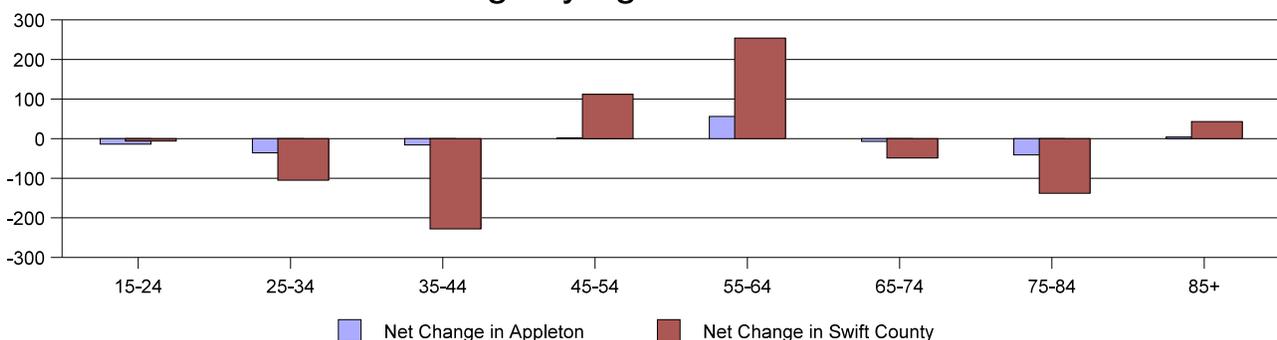
The 2010 Census allows for some analysis of the area’s changing age patterns. The following table compares households by age of householder in 2000 and 2010, along with the numeric changes.

Table 5 Households by Age - 2000 to 2010						
Age	Appleton			Swift County		
	2000	2010	Change	2000	2010	Change
15-24	38	24	-14	174	168	-6
25-34	102	66	-36	585	480	-105
35-44	103	87	-16	818	590	-228
45-54	110	112	+2	761	873	+112
55-64	77	133	+56	546	800	+254
65-74	103	96	-7	588	539	-49
75-84	130	89	-41	629	491	-138
85+	66	70	+4	252	295	+43
Total	729	677	-52	4,353	4,236	-117

Source: U.S. Census

Consistent with the population by age data presented earlier, the household patterns show most of the net change occurring in the baby boomer age groups. For Appleton, the largest net growth in households occurred in the 10-year age group between 55 and 64 years old. For all of Swift County the 20-year range between 45 and 64 experienced strong net household growth.

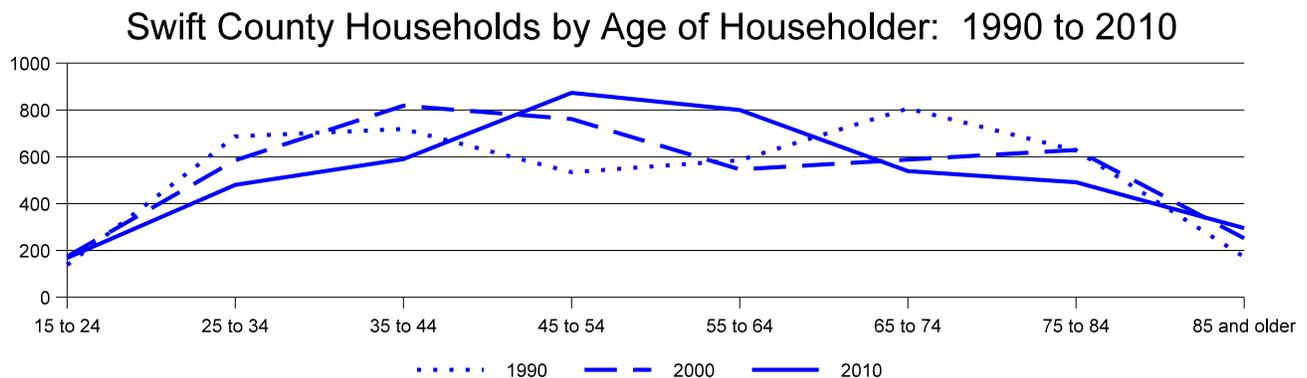
Household Change by Age Between 2000 and 2010



The closing of the prison, and the resulting loss of local employment options, appeared to have a direct result on household changes in Appleton. In the youngest age range, below the age of 25, Appleton lost more households than all of Swift County. The City also experienced a reduction of households in nearly all of the 10-year age groupings, except for the prime baby boomer ranges between 45 and 64 years old, and in a slight increase among older seniors.

Countywide patterns were often similar. Overall, Swift County had a net increase of more than 220 households age 45 and older, but a net decrease of nearly 340 households age 44 and younger. Countywide growth was also strong in the 55 to 64 year old group, as the leading edge of the baby boom generation increased substantially in numbers in Swift County.

As with the longer-term patterns for population, it is possible to track the progression of the baby boomer households over the past three decennial censuses using information for households by the age of householder.



The trend that is once again evident in this chart is the movement of households in the prime baby boom age groups through the aging cycle.

It is also evident that the County had fewer senior-headed households in 2010 than in the past. A very large number of younger senior households, in the 10-year age range between 65 and 74 years old, had been present in 1990, However, over the succeeding decades, this group has decreased in size.

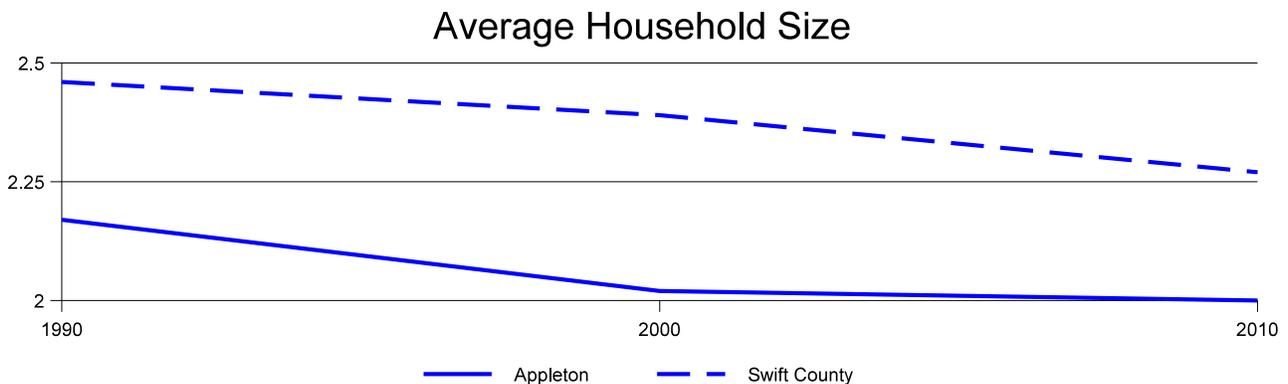
Average Household Size

The following table provides decennial Census information on average household size. Estimates from the State Demographer for 2013 are also included.

Table 6 Average Number of Persons Per Household 1980 to 2013				
	1990 Census	2000 Census	2010 Census	2013 Estimate
Appleton	2.17	2.02	2.00	1.98
Swift County	2.46	2.39	2.27	2.24

Source: U.S. Census; MN State Demographer

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



Appleton has had a very small average household size for many decades. The 2013 estimate from the State Demographer’s Office now shows an average household size that is below 2.0 persons. Appleton is one of only five cities Statewide that have an average household size below 2.0 persons, yet more than 1,000 residents.

Household Projections

The following table presents household projections using different sources. As with population projections, Community Partners Research, Inc., has generated projections to the year 2020, by examining recent patterns and trends to predict future changes.

The State Demographer’s Office had previously issued household projections at the county level, although these may have since been withdrawn, as they no longer match their most recent population forecasts. The Demographer’s original county level household projections are presented. At the city level, it is possible to extrapolate household forecasts from the population projections provided earlier in this section. In converting population to households, it is assumed that group quarter’s populations will remain largely unchanged, and that the average household size will gradually decrease in size.

Table 7 Household Projections Through 2020					
	2010 Census	Community Partners Research		State Demographer	
		2020 Projection	Change from 2010	2020 Projection	Change from 2010
Appleton	677	656	-21	658	-19
Swift County	4,236	4,110	-136	4,072	-164

Source: State Demographer; Community Partners Research, Inc.

After examining past growth trends, along with the aging patterns for area residents, the projections created by Community Partners Research expect the City of Appleton to lose approximately two households per year through the year 2020. The projections extrapolated from the State Demographer’s population forecasts yield very similar numbers, with the possible loss of approximately 19 households during the current decade.

County-level projections show more significant loss potential, with Community Partner’s anticipating a reduction of 13 to 14 households in an average year for the remainder of the current decade. The State Demographer’s projections expect an average loss of approximately 16 households per year.

ESRI has issued projections for the five-year period from 2014 to 2019. Over this span, the Appleton forecast shows an expected loss of 15 households, or an average of three households per year, while the Swift County forecast shows an expected loss of 75 households, or 15 in an average year.

Household by Age Projections to 2019

Community Partners Research has obtained age-based household projections from ESRI. They extend to the year 2019. In the following table, ESRI's 2019 projections for Swift County have been compared to the household by age distribution that existed in the year 2010.

Age Range	2010 Census	ESRI	
		2019 Projection	Change from 2010
15-24	168	129	-39
25-34	480	478	-2
35-44	590	510	-80
45-54	873	672	-201
55-64	800	850	+50
65-74	539	727	+188
75+	786	721	-65
Total	4,236	4,087	-149

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

ESRI expects that Swift County will see continued growth among older adult households, but even greater losses in the younger ranges, resulting in a reduction in the total number of households by the year 2019. Overall, these projections expect a net reduction of more than 320 households in the age ranges 54 and younger. While the number of households age 55 and older should increase by more than 170 households, this growth will not be sufficient to compensate for the reduction in younger adult households.

All of the projected net growth is concentrated in a 20-year range between 55 and 74 years old. Each of the other 10-year age cohorts would be projected to decrease in size over the decade. The largest reduction should occur within the 45 to 54 year old group, as the advancing "baby boomers" are not replaced by the "baby bust" generation that followed.

It is important to note that these projections are based on the past age distribution and retention patterns. It is possible that an increase in in-migration of new residents could alter the traditional age distributions.

Households by Type

The 2010 Census can be compared to statistics from 2000 to examine changes in household composition. The following table looks at household trends within Appleton.

Table 9 Appleton Household Composition: 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with related children	115	71	-44
Single Parent with related children	62	75	+13
Married Couple without related children	177	170	-7
Family Householder without spouse	22	26	+4
Total Families	376	342	-34
Non-Family Households			
Single Person	332	304	-28
Two or more persons	21	31	+10
Total Non-Families	353	335	-18

Source: U.S. Census

Between 2000 and 2010, the City of Appleton experienced a decrease in the number of families as well as a decrease in the number of non-family households. The family household type with the largest numeric change was married couples with children, a group that decreased by 44 households. This was somewhat offset by growth in the number of single parent households with children, which added 13 households.

Among non-family households, the number of people living alone showed the greatest decrease, with 28 fewer one-person households.

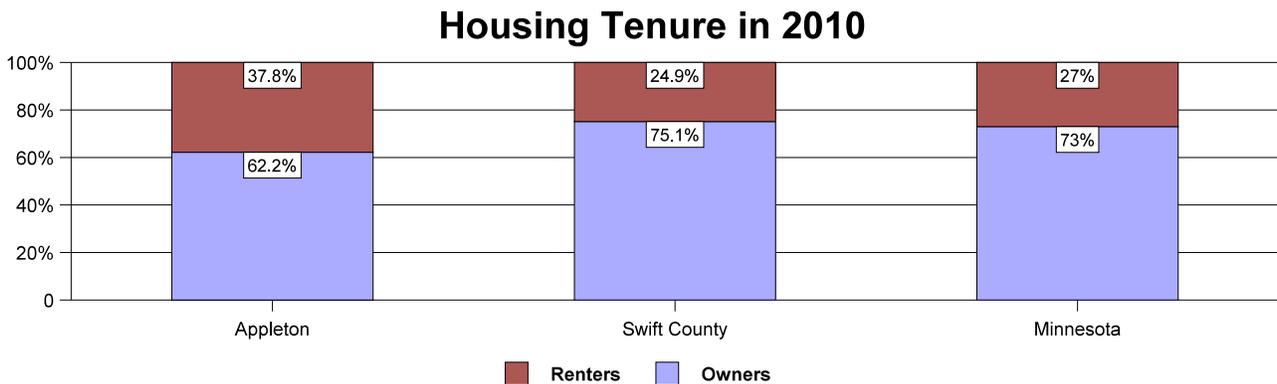
Housing Tenure

The 2010 Census provided an accurate look at housing tenure patterns. The following tables examine number and percentage of owner and renter households, along with the changes that have occurred since 2000.

Table 10 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
City of Appleton	421	62.2%	256	37.8%
Swift County	3,182	75.1%	1,054	24.9%
State	-	73.0%	-	27.0%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in the City of Appleton was 62.2%, with the remaining 37.8% of households renting their unit. For all of Swift County, the home ownership rate was high, at 75.1%, and above the Statewide rate of 73% home owners in 2010.



Tenure rates in 2010 can be compared to 2000 to determine the most recent trends in household preference for ownership versus rental housing.

Table 11 Households by Housing Tenure - 2000 to 2010						
Tenure	Appleton			Swift County		
	2000	2010	Change	2000	2010	Change
Owners	482	421	-61	3,353	3,182	-171
Renters	247	256	+9	1,000	1,054	+54
Total	729	677	-52	4,353	4,236	-117

Source: U.S. Census

The home ownership tenure rate for Appleton decreased over the last decade, from 66.1% owners in 2000 to 62.2% in 2010. From 2000 to 2010 the City experienced a reduction of 61 home owners, while adding nine renter households.

Swift County’s tenure patterns moved in a similar direction, although the vast majority of households still owned their unit. In 2000, the Swift County home ownership tenure rate was at 77%. By 2010, it had decreased to 75.1%.

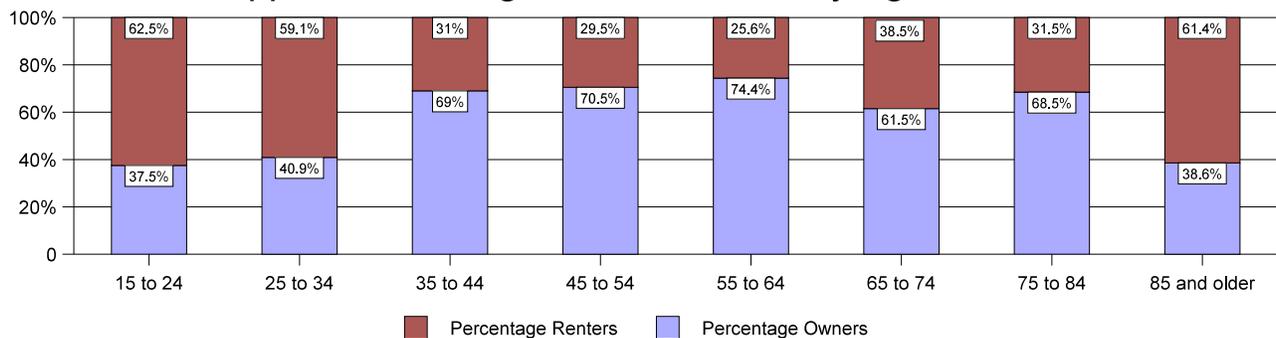
Tenure by Age of Householder

The 2010 Census provided information on the tenure distribution of households within defined age ranges. The following table examines renters and owners in each age group in Appleton.

Table 12 Appleton Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	9	37.5%	15	62.5%
25-34	27	40.9%	39	59.1%
35-44	60	69.0%	27	31.0%
45-54	79	70.5%	33	29.5%
55-64	99	74.4%	34	25.6%
65-74	59	61.5%	37	38.5%
75-84	61	68.5%	28	31.5%
85+	27	38.6%	43	61.4%
Total	421	62.2%	256	37.8%

Source: U.S. Census

Appleton Housing Tenure Patterns by Age in 2010



Within the defined age ranges, households at the youngest and oldest ends of the age spectrum showed a greater frequency in renting their housing unit, while middle-aged adult households were primarily home owners. Home ownership rates were above 61% for each of the age groups between 35 and 84 years old.

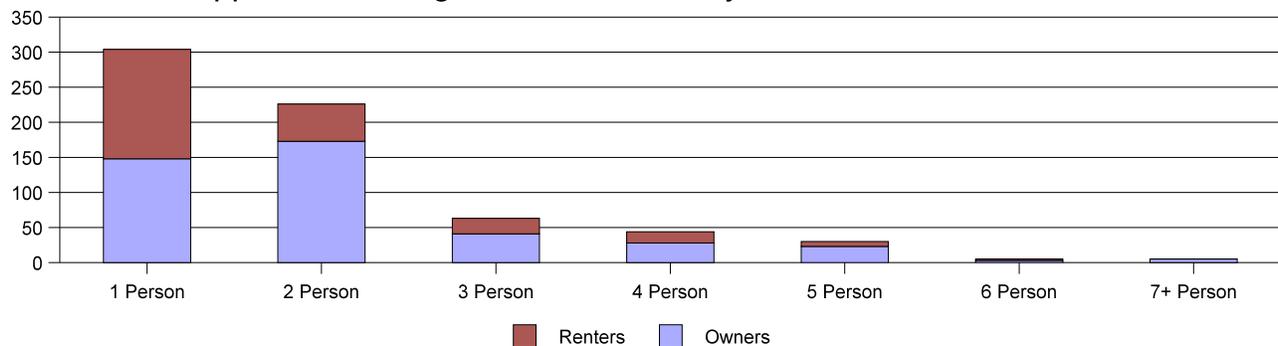
Tenure by Household Size

The 2010 Census also provided information on housing tenure by household size. This can be compared to 2000 Census information to better understand trends for housing unit needs.

Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	174	148	-26	158	156	-2
2-Person	169	173	+4	52	53	+1
3-Person	60	41	-19	16	22	+6
4-Person	44	28	-16	7	16	+9
5-Person	29	23	-6	9	7	-2
6-Person	4	3	-1	2	2	0
7-Persons+	2	5	+3	3	0	-3
Total	482	421	-61	247	256	+9

Source: U.S. Census

Appleton Housing Tenure Patterns by Household Size in 2010



Over the past decade, the City had a reduction of 61 owner households. As a result, there were decreases in most household sizes. There was some minor net growth in the number of renter households, due primarily to households with three or four household members.

Overall most households in the City had only one or two members, including nearly 82% of all renter households and 76% of all home owners.

2013 Median Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the city, township and county level through the 2013 American Community Survey.

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

Table 14 Median Income - 2000 to 2013			
	2000 Median	2013 Median	% Change
Households			
Appleton	\$25,950	\$34,000	31.0%
Swift County	\$34,820	\$48,026	37.9%
Minnesota	\$47,111	\$59,836	27.0%
Families			
Appleton	\$40,313	\$49,323	22.4%
Swift County	\$44,208	\$64,250	45.3%
Minnesota	\$56,874	\$74,683	31.3%

Source: U.S. Census; 2013 ACS 5-year survey

Income information contained in the 2013 American Community Survey shows income growth within Appleton over the prior decade, when the City's median household income level increased by 31%. However, in 2013, the City's median household income was more than \$25,000 lower than the Minnesota median, and more than \$14,000 below the Swift County median. Between 2000 and 2010, Appleton lost home owners and gained renters. Renter households tend to have lower income levels which may have impacted the City's median.

Family household incomes tend to be higher than the overall household median, as families have at least two household members. While the median family income in Appleton was higher than the median household income, it was also well below the comparable Statewide and Swift County medians for families. It also increased at a lower rate during the time period reviewed.

Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Appleton could afford approximately \$850 per month for ownership or rental housing in 2013. A family at the median income level for the City could afford approximately \$1,235 for housing costs.

Although households at or near the median levels do have some buying power for housing, the overall medians can be somewhat deceptive. In general, renter households tend to have incomes that are well below the overall median levels, while home owners tend to be above the medians for households or families.

In 2013, the median income level for owner households in Appleton was \$47,552. The estimated median household income for renters in 2013 was \$18,558. At 30% of income, a median income renter in the City could apply approximately \$465 to gross rent without experiencing a housing cost burden.

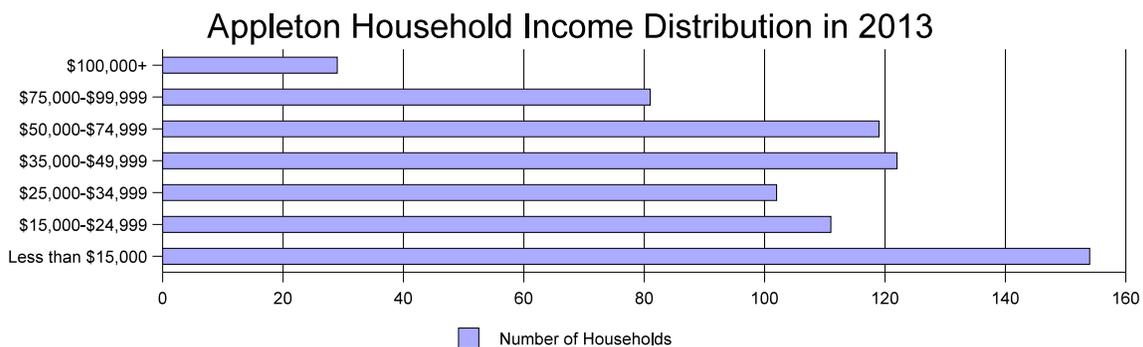
Household Income Distribution

The 2013 American Community Survey household income estimates for Appleton can be compared to the same distribution information from the 2000 Census to examine changes that have occurred over the previous 13-year period.

It does appear that the American Community Survey has overestimated the number of households in Appleton in its 2013 data. Based on the State Demographer’s estimates, there may have been 45 to 50 fewer households, a difference of approximately 7% to 8%. Despite the overestimate, the American Community Survey still provides the best comparative look at household income levels.

Table 15 Household Income Distribution - 2000 to 2013			
Household Income	Number of Households 2000	Number of Households 2013	Numeric Change 2000 to 2013
\$0 - \$14,999	225	154	-71
\$15,000 - \$24,999	127	111	-16
\$25,000 - \$34,999	92	102	+10
\$35,000 - \$49,999	137	122	-15
\$50,000 - \$74,999	84	119	+35
\$75,000 - \$99,999	40	81	+41
\$100,000+	18	29	+11
Total	723	718	-5

Source: 2013 ACS; 2000 Census



According to income estimates contained in the 2013 American Community Survey, income levels have not improved for most households in Appleton. In the year 2000 there were 444 households in Appleton with an annual income below \$35,000. By the year 2014, there were 367 households in the low to moderate income ranges.

There was growth in the number of households with an annual income of \$50,000 or more.

It is also important to recognize that the improvement in household incomes was impacted by the rate of inflation. During this same time period, the Consumer Price Index increased by more than 29%. For many households, the rate of inflation exceeded growth in their household income level over the time period reviewed.

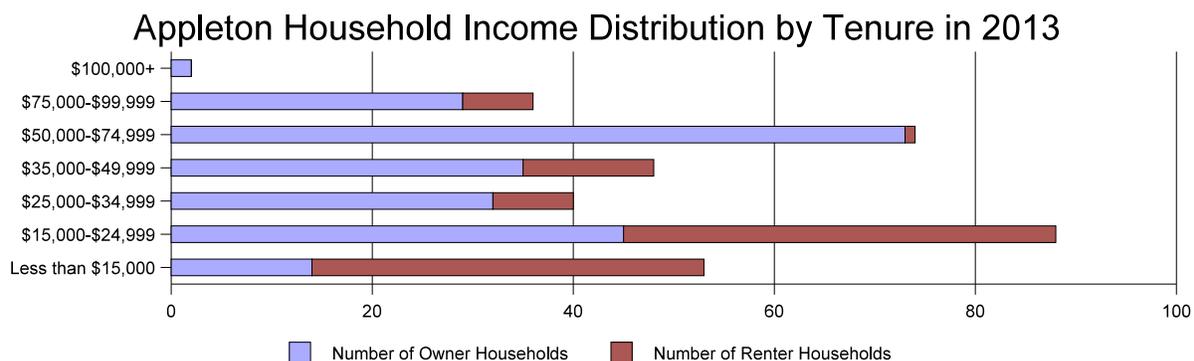
Income Distribution by Housing Tenure

The 2013 American Community Survey provides an estimate by owner and renter status. The following table examines income distribution in Appleton.

As stated previously, the American Community Survey is an estimate, based on limited sampling data. Its overall household estimate for Appleton appears to be high by as many as 45 to 50 households. The estimate was too high for owner-occupants, when compared to the 2010 Census. While there is a three-year time difference, there is no other evidence that would support the addition of nearly 50 owner households in the City between 2010 and 2013. By overestimating home owners, the income estimates would tend to overestimate the number of moderate and higher income households.

Table 16 Appleton Income Distribution by Tenure - 2013			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	52	102	154
\$15,000 - \$24,999	51	60	111
\$25,000 - \$34,999	68	34	102
\$35,000 - \$49,999	88	34	122
\$50,000 - \$74,999	111	8	119
\$75,000 - \$99,999	72	9	81
\$100,000+	29	0	29
Total	471	247	718

Source: 2013 American Community Survey



Household income and housing tenure are often linked for most households, with home owners generally having higher annual income levels, and renters having lower incomes.

In 2013, more than 79% of renter households in Appleton had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs. The median income for all Appleton renter households was only \$18,558 in 2013.

Conversely, most owner households had a substantially higher income level. Nearly 64% of owner households had an annual income of \$35,000 or more. The estimated median household income for Appleton home owners in 2013 was \$47,552.

2013 Estimated Income and Housing Costs - Renters

The American Community Survey also collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing. This information is only for the City of Appleton.

Percent of Income for Housing	Number of Households	Percent
Less than 20%	64	25.9%
20% to 29.9%	35	14.2%
30% to 34.9%	10	4.0%
35% or more	116	47.0%
Not Computed	22	8.9%
Total	247	100%

Source: 2013 American Community Survey

According to the American Community Survey, approximately 51% of all renters in Appleton were paying 30% or more of their income for rent. The large majority of these households were actually paying 35% or more of their income for housing. Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

Although a housing cost burden could be caused by either high housing costs or low household income, in Appleton it was primarily due to low income levels for renters. Approximately 97% of the renter households with a housing cost burden had an annual household income below \$20,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$500 or less.

2013 Estimated Income and Housing Costs - Owners

The 2013 American Community Survey includes information on housing costs for home owners. The following table examines the percentage of income required by Appleton owner households for monthly housing costs.

Table 18 Appleton Owner Household Cost Burden - 2013		
Percent of Income for Housing	Number of Households	Percent
Less than 20%	291	61.8%
20% to 29.9%	103	21.9%
30% or more	77	16.3%
Not Computed	0	0%
Total	471	100%

Source: 2013 American Community Survey

Most owner-occupants, which would include both households with and without a mortgage, reported paying less than 30% of their income for housing.

Mortgage lending practices generally attempt to keep monthly payments below this level of household income. However, more than 16% of all home owners reported that they paid more than 30% of their income for housing costs. The large majority of home owners paying 30% or more of their income for housing had an annual income below \$35,000.

Existing Housing Data

In addition to the demographic data provided earlier, this Study has also collected information about the existing housing stock in the City of Appleton. These items include:

- ▶ Housing unit construction
- ▶ Residential lots
- ▶ Home sales
- ▶ Bank-owned sales
- ▶ Home foreclosure activity
- ▶ Housing condition analysis

New Housing Construction Activity

Table 19 Appleton Housing Construction Activity: 2000 to 2014				
Year	Single Family Detached	Single Family Attached	Multifamily/ Apartments	Total Units
2014	0	0	0	0
2013	1	0	0	1
2012	0	0	0	0
2011	0	0	0	0
2010	0	0	0	0
2009	0	0	0	0
2008	1	0	0	1
2007	0	0	0	0
2006	1	0	0	1
2005	0	0	0	0
2004	0	0	0	0
2003	1	0	0	1
2002	1	0	4	5
2001	0	0	0	0
2000	0	0	0	0
TOTAL	5	0	4	9

Source: Census Bureau

Appleton has experienced very limited housing construction activity in recent decades. Over the 15-year period from 2000 through 2014 only nine housing units have been issued a building permit. Seven of these units were permitted from 2002 to 2006. Since 2007, only two single family permits have been issued, according to Census Bureau reports.

The information on housing construction can be compared to the 2010 Census. Housing units that were permitted between 2000 and 2009 would probably have been available for occupancy when the 2010 Census was completed in

April. Within that time period, building permit records would show four single family homes and four units in a multifamily structure that was built for rental use.

However, between 2000 and 2010, the Census recorded a reduction of 61 home owners in Appleton, and an increase of nine renter-occupancy households. Despite some new single family houses, Appleton experienced a significant decrease in the number of home owners. The growth in renter households exceeded the number of new rental units that were built. This implies that some tenure conversion was also taking place, as houses previously used for owner-occupancy were changed to rental use.

Despite the demand from some renters, the impact of a decreasing number of home owners largely resulted in vacant housing, as the 2010 Census recorded 43 more vacant housing units than had existed at the time of the 2000 Census. It is also probable that there was a reduction of owner-occupied mobile homes over this time period.

Residential Lots and Land

There is one newer subdivision in Appleton, known as Duncan's Addition. This area was developed in the 1990s, in response to the growing work force that followed the opening of the prison facility. While a specific lot inventory was not available, City sources estimated that between five and ten vacant lots remain in Duncan's Addition. These lots may not be actively listed for sale, due to limited demand in recent years, but they would be suitable for new house construction.

There are also lots that are scattered throughout the community. Some of these potential building sites were created when an older home was demolished and cleared. At least one of the available infill lots is owned by the City's EDA.

Home Sales

The Swift County Assessor's Office maintains residential sales records that date back many years. For the following analysis, sales were reviewed for each County sales ratio year dating back to 2009. The County's sales ratio year starts on October 1st and ends on September 31st of the following year.

For each year, only "qualified" sales were included. 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. The County Assessor's Office makes the determination of qualified sales for their annual sales ratio study.

In any defined year, the number of good sales that occur within the City may vary, and a 12-month sample may not always be a good indicator of the typical home value. However, the annual sample does provide insight into units that become available for purchase.

The County's qualified sales data primarily looks 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.

The sales records reviewed were for improved residential parcels with less than four units. While it is possible that some structures had more than one living unit, such as a duplex, it is assumed that the large majority of the sales are single family houses.

The actual sale price has been examined. This would not reflect any adjustments made by the Assessor's Office for items, such as personal property or contributions toward closing costs which may have been included in the transaction.

Table 20 Values for Recent Residential Sales - Appleton				
Sales Year	Number of Sales	Median Price	Highest Price	Lowest Price
2014	11	\$29,500	\$76,000	\$17,000
2013	9	\$30,000	\$70,000	\$15,000
2012	10	\$45,450*	\$127,000	\$10,000
2011	13	\$45,000	\$110,000	\$17,000
2010	12	\$45,000	\$140,000	\$13,500
2009	11	\$42,000	\$123,000	\$12,000

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

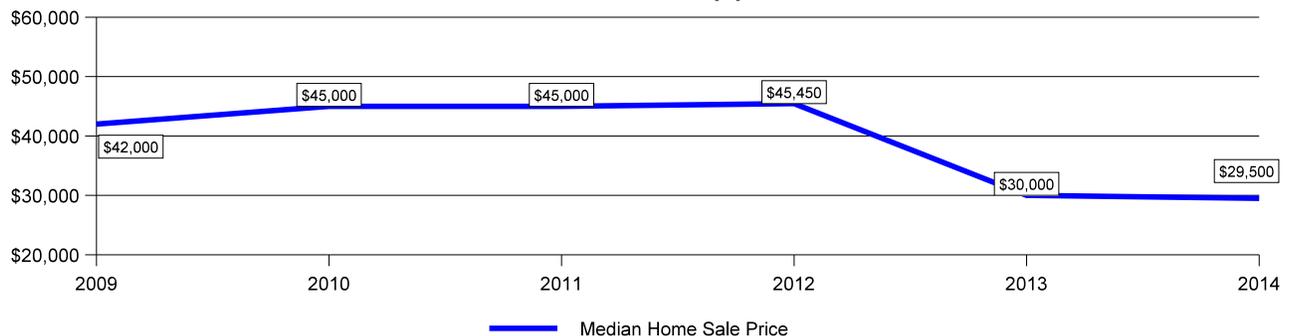
Based on the timing of the report it is possible that some 2014 sales were not yet recorded

* Calculated median

Since the number of annual home sales has varied from year to year, the median price in certain years may not be an accurate reflection of overall values. For example, in 2013 there were only nine good sales recorded. In some of the years with few sales, the addition or subtraction of only one sale from the annual total had the potential to significantly alter the midpoint number.

From 2009 to 2012, the median sale price had remained relatively stable, in a range between \$42,000 and \$45,500. However, in 2013 dropped to \$30,000 and was slightly below this level with the sales recorded in 2014.

Median Home Sale Prices in Appleton: 2009 to 2014



The table above also provided information of the highest and lowest annual sale prices. In the past two years there have been no sales for \$80,000 or more.

Over the past six years, the highest valued home sale was for \$140,000. In each of the years at least one sale was recorded for less than \$18,000.

An alternate home value estimate is available from the 2013 American Community Survey. This source places the midpoint owner-occupied home value at \$56,700, well above the median sale price that year of \$45,450.

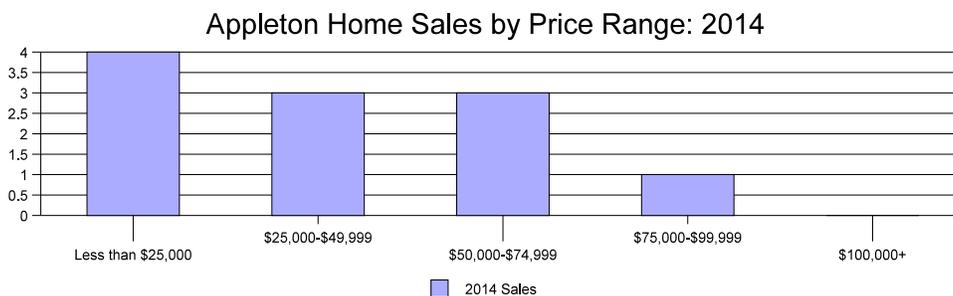
Home Sales by Price Range

The following table looks at single family houses that sold in a recent 12-month period, extending from October 1, 2013 to September 30, 2014. This information is from Swift County’s sales records and represents the sales ratio year. The County report was generated in early October and it is possible that some sales from September had not yet been recorded.

Table 21 Appleton Home Sales by Price Range: 2014		
Sale Price	Number of Sales	Percent of Sales
Less than \$25,000	4	36.4%
\$25,000 - \$49,999	3	27.3%
\$50,000 - \$74,999	3	27.3%
\$75,000 - \$99,999	1	9.1%
\$100,000+	0	0%
Total	11	100%

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

A majority of recent residential sales were priced less than \$50,000. Overall nearly 64% of the existing home sales in Appleton were in these lower price ranges. In the 12-month period reviewed, only one existing home sold for more than \$75,000.



Active Residential Listings

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Appleton and the surrounding area. In early November of 2014, there were 11 single family detached homes that were listed for sale that appeared to be within the city limits of Appleton. There were two additional properties listed for sale that were in the immediate area but based on address or lot size, appeared to be outside of the City.

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

Asking Price	Number of Listings	Percent of Listings
Less than \$25,000	2	18.2%
\$25,000 - \$49,999	5	45.5%
\$50,000 - \$74,999	2	18.2%
\$75,000 - \$99,999	2	18.2%
\$100,000+	0	0%
Total	11	100%

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

Based on the listings on Realtor.com, all of the houses currently being offered for sale in Appleton are priced below \$100,000. Overall, nearly 82% of the active listings are priced below \$75,000. In the recent 12-month sales period analyzed earlier, most of the existing home sales in Appleton in the past year were also for less than \$75,000.

Bank-Owned Sales

The sales records from Swift County also provide some information on the reason that some sales were rejected, and viewed as “unqualified” sales. One of the identified rejection codes was for “bank sales”. These would generally reflect sales of distressed properties, where the lender had obtained ownership, such as foreclosures. When the lender then sells these houses back into private ownership, they are not viewed by the County as fair market transactions.

The following table tracks the number of “bank sales” that were listed for each year, along with the median transfer price.

Sales Year	Number of Bank Sales	Median Price
2014	3	\$11,250
2013	7	\$8,000
2012	10	\$10,500
2011	4	\$13,850

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

Over the past four years, Appleton had more bank-owned home sales than any other city in Swift County. The highest number of bank-owned sales occurred in 2012, when 10 transactions were recorded, but the activity for 2014 is significantly lower than either of the prior two years, with only three bank-owned sales.

The actual median transfer price for bank sales was well below the median sale price for qualified sales. In 2012, when the largest number of bank-owned sales occurred, the median sale price was \$10,500 for bank-owned properties, compared to more than \$45,000 for fair market transactions.

Swift County Home Foreclosure Activity

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

In response to the growth in foreclosures late in the last decade, HousingLink and the Greater Minnesota Housing Fund began tracking mortgage foreclosure activity across the State. They have produced annual foreclosure reports since 2007. Their reports provide details on foreclosure activity at the County level dating back to 2005, as well as a comparison with other Counties in the State.

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

Foreclosures	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number	10	16	27	21	24	31	17	23	10
Rate	0.22%	0.35%	0.60%	0.46%	0.53%	0.68%	0.38%	0.51%	0.22%

Source: HousingLink; Community Partners Research

Based on the HousingLink data, Swift County did experience a significant increase in the number of home foreclosures, especially between 2005 and 2010, when the number more than tripled. However, after reaching a peak in 2010, the annual number of foreclosures has been declining, and the total for 2013 was equal to the level in 2005.

HousingLink also attempts to put the rate of foreclosure in perspective, by comparing the number of foreclosures to the total number of residential parcels in the County. The foreclosure rate in Swift County has remained relatively low over this time period. For comparative purposes, Swift County ranked 76th for the rate of foreclosure among Minnesota's 87 Counties in 2013 (1st being the highest foreclosure rate).

Housing Condition Survey

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the older existing single family housing stock in Appleton. Houses that appeared to contain more than one residential unit and single-wide mobile homes were excluded from the survey.

The City was divided into three segments for the analysis.

Northeast included the portion of the City that was north of Schlieman Avenue and east of Highway 59.

Southeast included the portion of the City that was south of Schlieman Avenue and east of Highway 59.

West included the portion of the City that was west of Highway 59.

Houses were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated based on a visual observation of the physical condition of the exterior of each structure, which is assumed to be a reasonable indicator of the structure's interior quality.

Dilapidated was the lowest rating used and indicates that major renovation is needed to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and may be candidates for demolition and clearance.

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

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

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

Table 25 Windshield Survey Condition Estimate - 2014

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Northeast	65 / 39.2%	55 / 33.1%	36 / 21.7%	10 / 6.0%	166
Southeast	138 / 52.3%	83 / 31.4%	33 / 12.5%	10 / 3.8%	264
West	59 / 38.3%	31 / 20.1%	46 / 29.9%	18 / 11.7%	154
Total	262 / 44.9%	169 / 28.9%	115 / 19.7%	38 / 6.5%	584

Source: Community Partners Research, Inc.

The large majority of the houses in Appleton were rated within one of the top two condition categories. Citywide, nearly 45% of the houses received the highest condition rating. However, more than 26% of the houses need more significant repair. There were 38 houses citywide that were rated in very poor condition, which may be suitable for demolition and clearance.

The largest percentage of houses in poor condition was in the **West** portion of the City, where nearly 42% of all rated houses were in the two lowest condition categories. There were 18 houses in this area that received the lowest condition rating, more than any other neighborhood.

In the **Northeast** neighborhood, nearly 28% of houses were in the two lowest categories. There were 10 houses in this neighborhood that were rated as dilapidated.

Fewer than 17% of the houses in the **Southeast** neighborhood were in the two lowest categories, and more than 52% of the houses were rated in the top category. However, there were still 10 houses rated as dilapidated in this neighborhood.

Nine mobile homes were also identified in Appleton, and not included in the table above. Five of these were clustered in a single area and four were scattered throughout the community. Although no mobile homes were given a dilapidated rating, most of these were older units and most were in need of repair.

Rental Housing Inventory

Total Unit Inventory - Census Bureau

According to the 2010 U.S. Census, there were 256 occupied rental units and at least 62 unoccupied rental units in Appleton, for a total estimated rental inventory of 318 units. The City's rental tenure rate was at 37.8%, based on renter-occupancy households, well above the Statewide rate in 2010 of 27% rental. The City's rental rate could have been even higher, if some of the 62 vacant units had been occupied.

At the time of the 2000 Census, the City had 247 occupied rental housing units and at least 58 vacant rental units, for an estimated inventory of 305 units. The City's rental tenure rate was at 33.9% in 2000.

Between 2000 and 2010, the City added nine renter-occupancy households, and 13 rental housing units. Overall, the City had a reduction of 61 owner-occupancy households while adding nine renter-occupancy households during the decade.

After the 2000 Census was conducted, a rental four-plex was built by the County HRA. This is the only new construction rental project that can be identified from building permit reports during the decade. The remaining net growth in rental housing probably resulted from some unit conversion, as houses that had previously been used for owner-occupants switched to rental use.

Since 2010, it is possible that there have been some further changes in the tenure mix within the existing housing stock, but no new units have been constructed, based on building permit issuance.

Multifamily Rental Housing Survey

There were eight multifamily rental properties identified in Appleton, including five market rate properties, two subsidized projects, and one senior housing with services apartment building.

Market Rate Summary

Only two of the five multifamily market rate projects were successfully contacted. Multiple attempts were made to contact the other properties, but they were unsuccessful.

The newest market rate project in Appleton was constructed by the Swift County HRA in the early 1980s. The units are town house-style with an attached garage. While this project is publicly-owned, it operates as market rate housing, with no income restrictions or occupancy limitations. The project is believed to have the highest rent structure in Appleton, for purely independent housing.

Units have either two or three bedrooms and have a one-car or two-car attached garage. Some units have one bathroom and others have two bathrooms. The monthly contract rent for two-bedrooms range from \$694 to \$750, with tenants paying all utilities. The three-bedroom unit is \$803 plus utilities. With the inclusion of tenant-paid utilities, two-bedroom gross rent levels would be estimated in a range between \$850 and \$925 per month.

Full occupancy was reported at the time of the rental survey, but the HRA indicated that very limited unmet demand exists, unlike Benson where a strong waiting list is maintained.

The other market rate project that was contacted is an older mixed-use downtown building with a very moderate rent structure. Full occupancy was reported.

In the 1990s, the prison corporation constructed a series of twin homes, to provide housing options for employees. In total, 11 twin homes with 22 units were constructed. Originally, it was hoped that these units could be sold to owner-occupants, but in 2015, all of these units are still offered as rental housing.

Repeated attempts were made to collect information about these twin home rentals, but only limited information could be obtained. These units appear to be at full occupancy, but information on the rent structure was not obtained. The first construction phase had created two-bedroom units, with approximately 900 square feet of living space and an attached one-car garage.

According to the American Community Survey, as many as 100 rental units are in single family houses, and other one and two unit structures. Presumably, the 22 rental twin homes would be included in this total. Rental options in one and two-unit structures would represent most of the market rate rental housing in the community.

Although no survey was conducted of smaller rental properties, such as single family homes, the American does continue to show a number of vacant units in the City. The estimated median gross rent in Appleton in 2013 was \$509.

Subsidized Summary

There are two subsidized projects in Appleton, one designated for senior/disabled tenant occupancy and one designated for general occupancy. Combined, these two projects have 61 units.

Diamond Village has 24 two-bedroom units, and is subsidized through USDA Rural Development. Nineteen of the units have access to project based rent assistance, allowing rent based on 30% of household income. In the remaining units a minimum rent of at least \$529 applies. Diamond Village reported full occupancy to the rental survey, but did not have a waiting list.

Riverview Apartments has 37 units and is designated for senior/disabled occupancy. It is HUD subsidized and has rent assistance available for all units, allowing tenants to pay rent based on 30% of income. There is insufficient demand for this project, and 14 units were vacant at the time of the rental survey. The project has had an occupancy waiver in the past allowing non-senior tenants to live in the building. That waiver has expired but it may be applied for again in the future.

Neither of the subsidized projects in Appleton is listed on the opt-out log maintained by the Minnesota Housing Finance Agency, and they are not at near-term risk of leaving their subsidy program.

Senior Housing with Services Summary

Appleton has two specialized options for seniors that need some level of services with their housing.

Appleton Area Care Center is a skilled nursing home, licensed for 50 beds in 2014. The facility had once been licensed for 84 beds but has gradually de-licensed over time, including three beds de-licensed since 2012. The annual occupancy rate is now very high and a waiting list exists. As a result of the de-licensing, most rooms are now available for single occupancy.

Apple Ridge Estates is a 31-unit apartment building offering seniors a housing with light services option. It is attached to the hospital and nursing home complex. Rent includes one daily meal, light housekeeping, utilities and a 24-hour emergency call system into the Care Center. Additional meals and services can be purchased as needed. There were five vacant units at the time of survey with these units used as offices, staff housing, guest room, etc. While these could be used as apartments if demand increases, typical occupancy is around 25 units.

Table 26 Appleton Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
HRA Four-plex 320-843-4676	2 - 2 Bdrm/1 Car 1 - 2 Bdrm/2 Car <u>1 - 3 Bdrm/2 Car</u> 4 Total Units	\$694 \$750 \$803 +utilities	No vacant units	Mostly seniors	Rental town house units in 4-plex configuration constructed in 2001 by the Swift County HRA. Amenities include in-unit laundry, attached garage (some 1-car some 2-car) and 1 or 1 3/4 bathrooms. Tenants pay all utilities in addition to rent. Project is available for general occupancy but most tenants are retired people. Two-bedrooms have 1156 to 1355 sq ft. Full occupancy reported but limited demand.
Westview Apartments 236 S Edquist	1 - 1 Bedroom 9 - 2 Bedroom <u>2 - 3 Bedroom</u> 12 Total Units	N/A	N/A	N/A	Unable to contact for 2014 survey - information presented is from prior surveys. Tenants pay heat in addition to rent.
Mahlen Apartments 320-289-0241	4 - 1 Bedroom 2 - 2 Bedroom <u>1 - 3 Bedroom</u> 7 Total Units	\$300 \$350-\$400 \$400 +electric	No vacant units	Mostly younger tenants	Older mixed-use building with commercial on main level and apartments above and in basement. Amenities include stove, refrigerator, AC, and heat included in rent; tenant pays electric. Owner reports full occupancy with most tenants being younger households.
DJ Apartments - Thielke, Snelling	2 - 1 Bedroom <u>14 - 2 Bedroom</u> 16 Total Units	N/A	N/A	N/A	Unable to contact for 2014 survey - information presented is from prior surveys. Two 8-unit apartment buildings near downtown. Tenants pay heat in addition to rent.
DJ Apartments - Schlieman	1 - 1 Bedroom <u>7 - 2 Bedroom</u> 8 Total Units	N/A	N/A	N/A	Unable to contact for 2014 survey - information presented is from prior surveys.

Table 26 Appleton Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Diamond Village 550 E Thielke 507-345-1290	<u>24 - 2 Bedroom</u> 24 Total Units	\$529-\$655 30% of income	No vacant units	General occupancy	Rural Development and tax credit subsidized project built in the late 1980s or early 1990s. Two 12-unit buildings that are 2-level walkups. 19 units have access to rent assistance that allows rent based on 30% of income; remainder pay no less than basic rent or more than market rents listed - but some tenants have Vouchers. Manager reports no vacancies at time of survey but no waiting list. Although income limits had been too low for many prison workers, that closing impacted overall demand for housing and some vacancies can occur due to turnover.
Riverview Apartments 400 E Thielke 320-289-1204	34 - 1 bedroom <u>3 - 2 bedroom</u> 37 Total Units	\$592 \$691 30% of income	14 vacant units, 14 - 1 Bdrm	Senior/ disabled occupancy	MHFA/Section 8 subsidized senior apartment building constructed in 1978. Designated for senior/disabled occupancy but waiver in the past allowed younger tenants - waiver has expired but may be applied for again. All tenants pay rent based on 30% of income, up to maximum rents listed. Amenities include community room, community laundry and elevator. Persistent vacancy problems with 14 units vacant at time of survey.

Table 26 Appleton Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior Housing with Services					
Apple Ridge Estates 100 S Barduson St Pleasant View	20 - 1 Bedroom <u>11 - 2 Bedroom</u> 31 Total Units	\$871-\$948 \$998-\$1175	26 occupied units with 5 used for other purposes	Senior housing with services	Senior housing with services units attached to hospital and nursing home complex. Rent includes one daily meal, light housekeeping, utilities and a 24-hour emergency call system into the Care Center. Additional meals and services can be purchased as needed. Project amenities include underground parking, community rooms, chapel, dining room, guest room, exercise room, community laundry and library. Eight floor plans exist with 1-bedrooms ranging from 550 to 620 sq ft, and 2-bedrooms ranging from 765 to 825 sq ft; all have 1 bathroom. 26 units occupied at time of survey with remaining units used as offices, staff housing, guest room, etc., but these could be used as apartments if demand increases, but occupancy around 25 units is typical. Analysis underway to possibly add assisted living and memory care units.
Appleton Area Care Center	50 licensed beds	N/A	High occupancy rate, waiting list	Skilled nursing home	Municipal nursing home that is affiliated with the hospital and Apple Ridge Estates. The facility had once been licensed for 84 beds but has gradually de-licensed over time, including 3 beds de-licensed since 2012. Occupancy rate is now very high and a waiting list exists. Most rooms are now single occupancy.

Source: Community Partners Research, Inc.

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 limited. Employment opportunities are provided by a broad range of private and public business sectors. 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.

Employment and Wages by Industry

The following table shows the annual employment and average annual wages by major employment sector in 2013. It is important to note that the major employment sectors listed do not represent all employment in the County. Some groups, including self-employment, are not represented. This information is for all of Swift County.

Table 27 Swift County Average Annual Wages by Industry - 2013		
Industry	2013 Employment	2013 Average Annual Wage
Total All Industry	3,528	\$34,268
Natural Resources and Mining	105	\$40,508
Construction	152	\$32,760
Manufacturing	584	\$48,516
Trade, Transportation, Utilities	853	\$37,596
Information	44	\$26,988
Financial Activities	149	\$32,552
Professional and Business Services	145	\$28,860
Education and Health Services	843	\$30,264
Leisure and Hospitality	237	\$9,828
Other Services	98	\$22,152
Public Administration	316	\$34,436

Source: MN Department of Employment and Economic Development

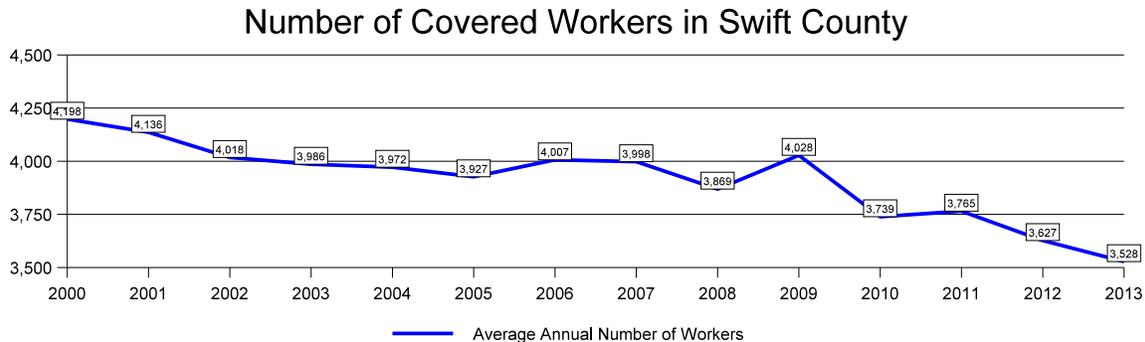
The average annual wage for all industry in calendar year 2013 was \$34,268. This assumes full-time employment at the average weekly wage rate. The highest paying wage sector was Manufacturing, at \$48,516. Manufacturing was also the third large employment sector. The lowest paying wage sector was Leisure and Hospitality, with an average annual wage below \$10,000.

Annual Covered Employment

Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker, it is possible to examine longer-term patterns. The following table displays the total number of workers reported in Swift County from 2000 to 2013, the last full year of data.

Table 28 County Average Annual Employment: 2000 to 2013			
Year	Total Covered Employment	Year	Total Covered Employment
2000	4,198	2007	3,998
2001	4,136	2008	3,869
2002	4,018	2009	4,028
2003	3,986	2010	3,739
2004	3,972	2011	3,765
2005	3,927	2012	3,627
2006	4,007	2013	3,528

Source: QCEW - MN Department of Employment and Economic Development



When viewed over a longer-term period, there has been a decline in the number of employees covered by unemployment insurance that are working in Swift County. The number of workers had remained relatively stable from 2002 to 2009. However, after 2009 the number of covered workers began to drop, and reached the lowest level in 2013. If 2013 is compared to 2000, there were 670 fewer workers covered by unemployment insurance, or a decrease of 16%.

The decrease can be attributed to the two largest cities in the County. In Benson, there was a decrease of 540 covered workers from 2000 to 2013, and in Appleton there was a decrease of 438 covered workers, presumably due to the closing of the prison. During this same time, the remainder of the County had some increase in covered employment.

Labor Force, Work Force and Unemployment

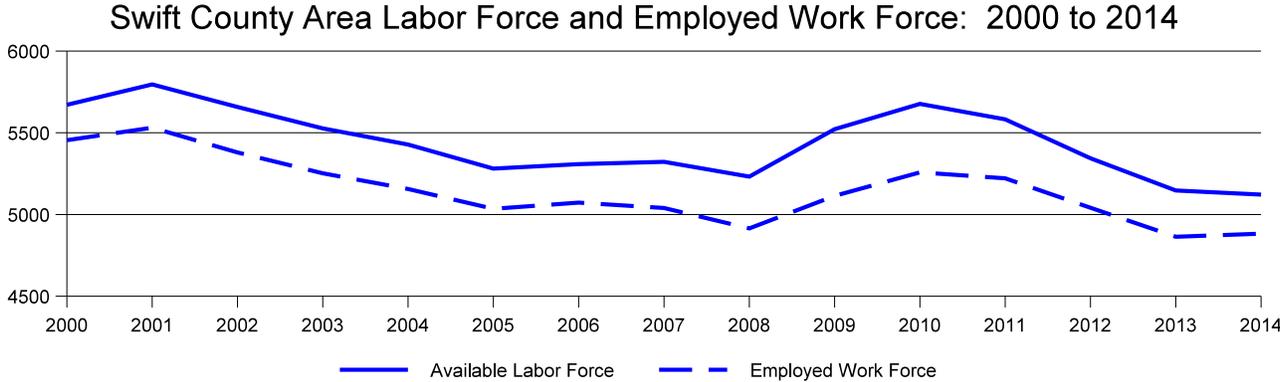
The Minnesota Department of Employment and Economic Development provides employment information at the county level only. The following table looks at statistics since 2000 for all of Swift County.

Table 29 County Labor Force and Employment: 2000 to 2014						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2000	5,671	5,455	216	3.8%	3.1%	4.0%
2001	5,796	5,531	265	4.6%	3.8%	4.7%
2002	5,658	5,380	278	4.9%	4.5%	5.8%
2003	5,527	5,252	275	5.0%	4.9%	6.0%
2004	5,428	5,156	272	5.0%	4.6%	5.6%
2005	5,281	5,035	246	4.7%	4.2%	5.1%
2006	5,308	5,073	235	4.4%	4.1%	4.6%
2007	5,322	5,040	282	5.3%	4.7%	4.6%
2008	5,232	4,915	317	6.1%	5.4%	5.8%
2009	5,522	5,114	408	7.4%	8.0%	9.3%
2010	5,677	5,258	419	7.4%	7.4%	9.6%
2011	5,582	5,221	361	6.5%	6.5%	8.9%
2012	5,344	5,041	303	5.7%	5.6%	8.1%
2013	5,147	4,864	283	5.5%	5.1%	7.4%
2014	5,122	4,883	239	4.7%	4.3%	6.2%

Source: MN Department of Employment and Economic Development

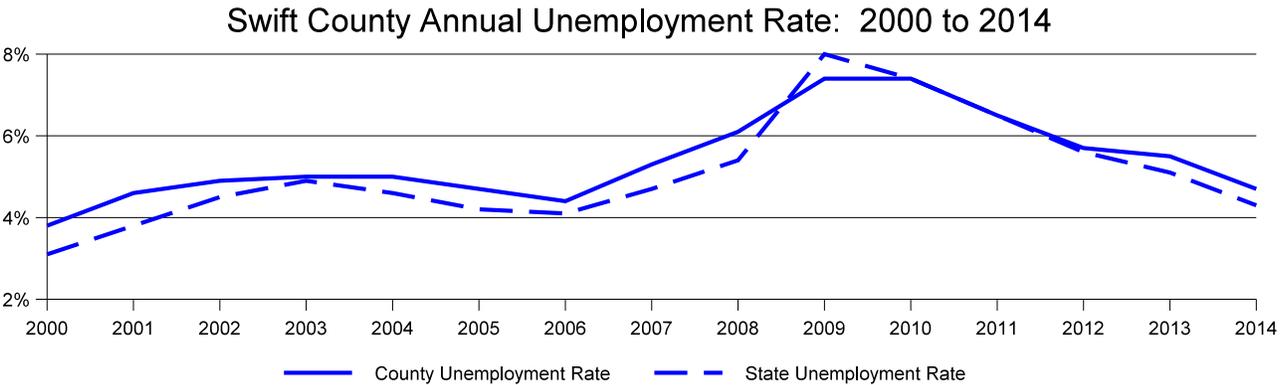
The Local Area Unemployment Statistics data (LAUS) tracks employment by place of residence. It shows how many residents are actively in the labor force, and their employment status, regardless of where they actually work.

There has been a long-term reduction in the size of the County’s available labor force. When comparing 2000 to 2014 the total labor force has decreased by 549 people, or 9.7%.



Although the long-term pattern has been a declining labor and work force, there has been some up and down movement over time. Between 2008 and 2010, both the overall labor force and the number of employed County residents increased in size. But after 2010, reductions occurred once again.

The County’s unemployment rate has fluctuated from year to year, with the lowest rate achieved in the year 2000 at 3.8%. The highest rate was then reached in 2009 and 2010, at 7.4%. Since 2010 the unemployment rate has been gradually decreasing, and dropped below 5% in 2014. However, the drop in the unemployment rate has largely been due to a smaller available labor force during this time, as there has also been a drop in the number of employed County residents over this time period.



Commuting Patterns of Area Workers

Information is available on area workers that commute for employment. The best information is from the Census Bureau’s 2013 American Community Survey. Travel time information has been examined for the City of Appleton, the second largest city in Swift County. The first table only examines people living in Appleton that traveled to work and excludes people that work at home.

Table 30 Travel Times for Appleton Residents - 2013		
Travel Time	Number	Percent
Less than 10 minutes	381	57.7%
10 to 19 minutes	121	18.3%
20 to 29 minutes	18	2.7%
30 minutes or more	140	21.2%
Total	660	100%

Source: 2013 American Community Survey 5-year estimates

A large majority of Appleton residents were commuting less than 20 minutes to work in 2013. Presumably, most residents commuting fewer than 10 minutes were working in the City or just outside the City limits. Overall, approximately 76% of Appleton residents commuted less than 20 minutes to work.

Travel time information is also available by location of employment. For people that worked in Appleton, the following travel times were identified.

Table 31 Commuting Times for Appleton-based Employees - 2013		
Travel Time	Number	Percent
Less than 10 minutes	443	51.6%
10 to 19 minutes	232	27.0%
20 to 29 minutes	59	6.9%
30 minutes +	124	14.5%
Total	858	100%

Source: 2013 American Community Survey 5-year estimates

For people that worked in Appleton, fewer than 15% traveled 30 minutes or more. Overall, nearly 79% of City-based employees traveled less than 20 minutes to work and either lived within the city or in a nearby jurisdiction.

Census On the Map

City-level Data

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2011, but provides a further breakdown of worker movement patterns. Information is provided for Benson and Appleton, the two largest cities in Swift County.

According to the report for Appleton, there were 468 people that were employed within the city limits in 2011. Of the Appleton-based employees, 159 also lived within the City. The remaining 309 employees lived outside the city limits and commuted for employment. The percentage of city-based workers that were also residents was 34%.

According to the report for Benson, there were 1,761 people that were employed within the city limits in 2011. Of the Benson-based employees, 774 also lived within the City. The remaining 987 employees lived outside the city limits and commuted for employment. The percentage of city-based workers that were also residents was 44%.

The **On the Map** reporting service can be used to make comparisons between communities in the region. The following table presents worker inflow information for other communities including Granite Falls, Montevideo and Morris. It looks at the percentage of people in each community that both lived and worked in their home city in 2011, as well as the percentage of workers that come from outside of each city.

Table 32 Employee Inflow Analysis - 2011				
City	Number of People Employed in the City	Percent Employees that also Reside in the City	Percent Employees that Live Outside of the City	Number Employees that Live Outside of the City
Benson	1,761	44.0%	56.0%	987
Appleton	468	34.0%	66.0%	309
Montevideo	3,554	41.3%	58.7%	2,086
Granite Falls	1,634	25.1%	74.9%	1,224
Morris	4,103	31.9%	68.1%	2,795

Source: Census Bureau, Center for Economic Studies

As indicated in the table above, 44% of the jobs based in Benson and 34% of the jobs based in Appleton were actually filled by people that live within each City. While these percentages may seem to be low, Benson outperformed other nearby communities, including Granite Falls, Montevideo and Morris, in attracting local workers to also live within the City. While Appleton had a lower percentage, it still had a higher percentage of City residents working in the community than in Granite Falls or Morris.

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

Table 33 Employee Outflow Analysis - 2011			
City	Number of Employed City Residents	Percent of Residents that Live and Work in the City	Percent of Residents that Leave the City for Employment
Benson	1,582	48.9%	51.1%
Appleton	615	25.9%	74.1%
Montevideo	2,605	56.4%	43.6%
Granite Falls	1,638	25.0%	75.0%
Morris	2,008	65.1%	34.9%

Source: Census Bureau, Center for Economic Studies

A small majority of employed Benson residents worked outside of the community, although nearly 49% of residents both lived and worked within the City in 2011. More than 74% of the employed residents of Appleton left that City to work.

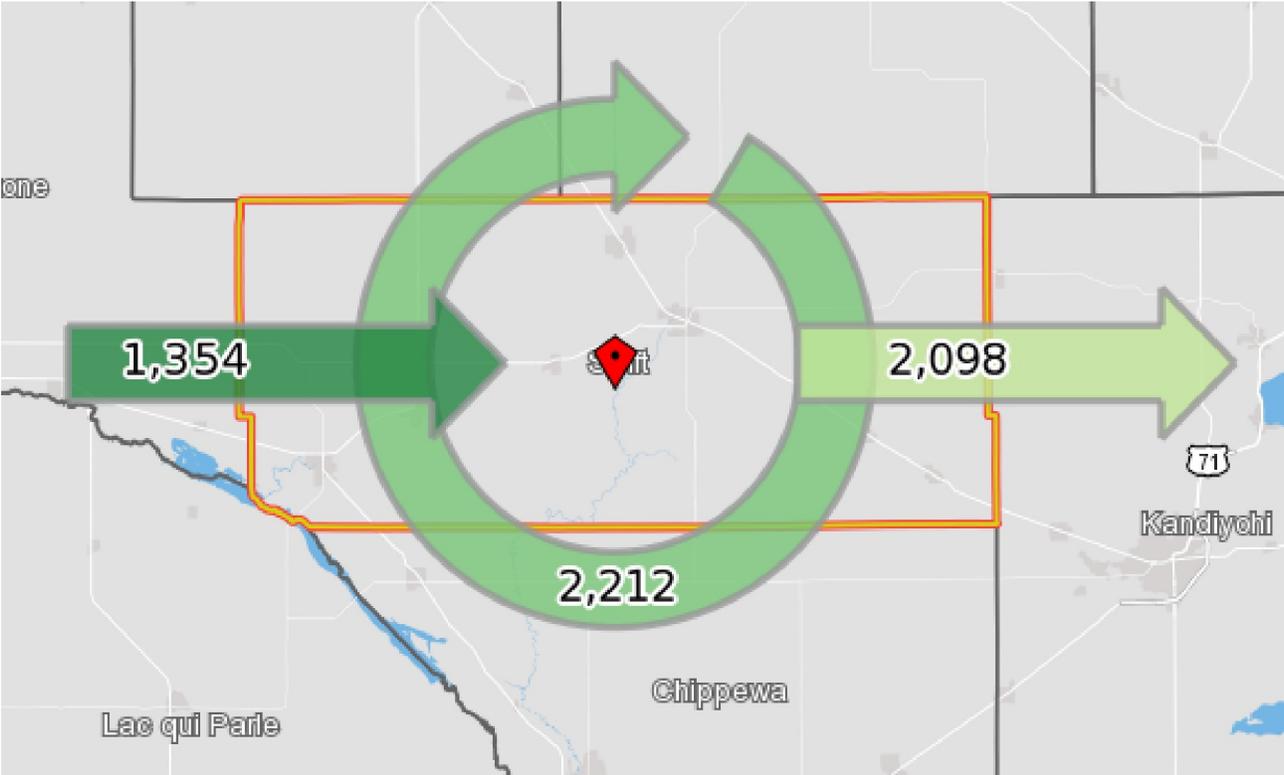
Among the nearby cities used for comparison, both Morris and Montevideo had a larger percentage of residents that both lived and worked within the community. Benson was in the middle of this comparison group, while a large majority of the residents of Appleton and Granite Falls left their home community for employment.

Swift County Data

The **On the Map** reporting service can also be used to track worker movement at the Swift County level.

According to the report there were 3,566 people that were employed within Swift County in 2011. Of the County-based employees, 2,212 also lived within Swift County. The remaining 1,354 employees lived outside the County and commuted in for employment. The percentage of County-based workers that were also residents was 62%.

Although a majority of the County’s residents both lived and worked within Swift County, a number of residents also left the County for employment. The On The Map source identified 4,310 County residents that were employed in 2011. Of this group, 2, 098 people were employed outside of the City limits. In percentage terms, 51.3% of residents also worked within the County, while 48.7% worked elsewhere. According to this data, Swift County exported more residents to work in other locations than it imported to fill County-based jobs.



Community Overview: Appleton

Appleton is the second largest city in Swift County. Appleton is located near the western border of the County, and is approximately 25 miles southwest of Benson, and is approximately 25 miles from Montevideo, 30 miles from Morris, and 24 miles from Ortonville.

The City has multiple job opportunities within the community and is the second largest employment center in Swift County. However, the largest single employer that had once operated in the City, a privately-owned prison, closed in 2010, resulting in a loss of jobs. According to news reports, the prison had once employed as many as 400 people at its peak, although the employment level in 2009 may have been closer to 120 people.

It is possible to track the change in local employment through standardized statistical sources. In 2013 (the last full year of data), there were 544 workers employed in Appleton that were covered by unemployment insurance. This number of covered workers was down from 917 employees in the year 2007, when the prison was operational. The reduction of more than 370 covered workers from 2007 would be generally consistent with the reported loss of prison employment.

A data source that exists for worker movement is through the Census Bureau's Center for Economic Studies. This source tracks worker inflow/outflow and how many local jobs are filled by City residents. In 2007, when total employment in the City was higher, 347 City residents were working within the City, while 511 Appleton-based jobs were filled by people not living in the City. By 2011, after the prison had closed, there were 159 City residents that were employed within the community, with 309 local jobs filled by non-residents. Based on this data source, the reduction in job options within the City, attributed to the prison closing, directly impacted both residents and non-resident commuters to Appleton.

Summary of Growth Trends

According to news reports, the closing of the prison occurred in early 2010, shortly before the 2010 Census was conducted, although a gradual down-sizing had been underway in prior years. As tracked by the decennial censuses, between 2000 and 2010 Appleton had a reduction of 53 resident households.

Since 2010, the best available estimates point to continued population and household losses, with the State Demographer's most recent estimate showing an annual average loss of two to three households per year.

Over the past 15 years, only nine new housing units were added to the community, based on building permit reports. During this time it appears that some mobile homes were removed. It is also known that some older housing may have been demolished. Although there have been some minor changes in the overall housing supply, the net reduction in resident households since the year 2000 has largely resulted in an increased level of housing vacancy. Between 2000 and 2010 there was an increase of 43 vacant housing units in Appleton.

In addition to an overall loss of resident households, there has also been a shift toward more rental housing. From 2000 to 2010 the City had a net reduction of 61 owner-occupancy households, but a net gain of nine renter-occupancy households. The growth in renters exceeded any rental housing construction, so the increase was due to the occupancy of formerly vacant units, or to tenure conversion, as houses that had once been owner-occupied changed to rental use.

Despite some short-term growth that followed the initial opening of the prison, Appleton does have a long-term pattern of household losses. However, the scale of losses has been limited. Dating back to the year 1990, the City has averaged a reduction of approximately two households per year.

Summary of Household Projections

Going forward, this Study has examined various projection scenarios. The most realistic forecast would expect the City to lose an average with two or three households per year through the remainder of this decade, consistent with longer-term patterns.

It should be noted that these projections do not anticipate the re-opening of the prison, although that possibility does exist. According to City staff, the owner of the prison continues to respond to opportunities by submitting proposals, including a possible federal prison contract. Ongoing maintenance of the facility is also being done, which would allow for future use.

Summary of Growth Projections by Age Group

This 2015 Study has tracked aging patterns of County residents. Changes within the age distribution of resident households will have an impact on housing demand, even in areas with limited growth, as housing needs and expectations can change as people age.

The analysts examined age-based household projections from ESRI, Inc., a private data reporting service. The ESRI projections extend to the year 2019. When compared to the County's household distribution patterns at the time of the 2010 Census, the ESRI projections can be used to predict household changes within defined 10-year age groupings throughout the current decade.

<u>Age Range</u>	<u>Change in Households 2010 to 2019</u>
24 and younger	-39
25 to 34	-2
35 to 44	-80
45 to 54	-201
55 to 64	+50
65 to 74	+188
75 and older	-65

Based on the ESRI projections, Swift County will see a decreasing number of younger adult households for the remainder of this decade. In the age ranges 54 and younger, a net reduction of more than 320 households would be expected.

Conversely, net growth of more than 170 households would be expected in the age groups 55 and older, largely tracking the movement of the baby boom generation through the aging cycle.

While these projections continue to show an aging of area residents, it should be noted that Appleton has been impacted by a large older population for many years. According to the 2013 estimates from the State Demographer's Office, the average household size in Appleton is very small at only 1.98 persons per household. Appleton is one of only five cities Statewide that had an average household size below 2.0 persons in 2013, yet more than 1,000 residents.

In the year 2000, nearly 52% of all households in Appleton had a householder that was age 55 or older. By 2010, this had increased to more than 57% of all households in the City. By 2019, the projections from ESRI expect nearly 61% of all households to be within these older adult age groups.

Summary of Findings on Housing Demand and Tenure

There are various demand-generators that can be examined to help determine future housing needs in Appleton. The following summaries are provided, prior to making specific unit recommendations.

Household Growth

A primary demand generator is household growth. However, the projections examined for this Study do not expect overall household growth within the Appleton area over the next several years. Instead, the loss of two to three households per year is possible. It should also be noted that economic development activities, such as a future re-opening of the prison, could potentially generate some future household growth in the community, but near-term patterns indicate probable household loss.

Demand Created by Age Progression Patterns

Although the total number of households living in the community may not increase, the changing age patterns have the potential to generate age-appropriate housing demand. As detailed on a previous page, the number of households age 55 and older should continue to increase through the remainder of this decade.

While the number of older senior households, age 75 and above, may decrease over the next few years, some growth would be expected in the 55 to 74 year old age groups. Unlike older seniors, households in the 55 to 74 year old ranges tend to live very independently, and increasingly look for housing options that are age-appropriate. Based on past tenure distribution patterns within these empty-nester and senior age groups, there should be increased demand for at least 25 to 35 rental units Countywide serving these age ranges.

Even more rental units could be justified if a higher percentage capture rate is achieved. This would be especially true within the 65 to 74 year old age range, where only 15% to 16% of households Countywide were renters at the time of the 2010 Census. If the rental tenure rate increased to even 17% within this age group, an additional 30 or more units could be needed, since this is the 10-year age group expected to increase substantially in size during the current decade.

It is important to note that this potential demand is based on Countywide changes. In Appleton, a fairly high percentage of households in the 55 to 74 year old age groups are already renting their housing, so unmet demand would be less of a factor. Also, the actual net increase in households in the 55 to 74 year old age groups is projected to be between 30 and 35 total households in Appleton between 2010 and 2020. Based on historic tenure patterns, the growth from renter households age 55 and older would only yield demand for approximately 10 additional rental units in Appleton by the end of this decade.

Although some pent-up demand should develop through the year 2020, the Swift County HRA's rental units in Appleton, representing the newest units in the City, have limited evidence of unmet demand in 2014. According to HRA staff, a high occupancy rate has been maintained, but unlike Benson, there has not been an active waiting list for the units in Appleton.

It is important to recognize that the growing demand for rental housing from households in the 55 to 74 year old age ranges, will potentially be offset by expected reductions in the number of households age 54 and younger. To the extent that there are fewer young adult renters within the local market, overall demand for rental housing may not increase, despite increase rental use by older adult households.

However, units that appeal to younger renters will often not be attractive or suitable for older adult renters. For example, multi-story walkup apartment buildings can often serve younger renters, but would have less appeal to older renters that prefer barrier-free housing. As a result, the demand created from older renters, age 55 and above, will be oriented to different types of rental housing than would be accessed by younger renters.

It is also important to note that even though there will be fewer younger adult households in the Appleton area, this potentially may not result in reduced rental demand. In recent years, overall tenure patterns have been heavily oriented to rental housing. Despite the fact that historic tenure rates have shown that more than 62% of all Appleton households have owned their housing unit, the net change in households between 2000 and 2010 showed the City losing 61 owner households and gaining nine renter households. To the extent that younger households forego entering the home ownership market, rental demand could be sustained despite a net loss of younger adult households.

Potential Demand from Unit Replacement

There will always be some level of unit replacement that is required, as each year some existing housing will be removed from the usable inventory. A variety of factors can contribute to unit loss, including demolition, obsolescence, natural disasters, or redevelopment activities. Forecasts of future losses are difficult to accurately predict, but past history can be an indicator.

An examination of past Census records shows that Appleton did not experience any loss of rental units between 2000 and 2010. A comparison of rental unit growth to rental housing construction between 2000 and 2010 indicates that the local rental inventory grew by a larger number than newly constructed units. This would probably have been due to some level of unit conversion, as houses that had once been owner-occupied changed to rental use, effectively negating any unit removal that may also have occurred.

For the purposes of this Study, no allowance has been made for unit replacement in the local rental market. It is important to recognize that this is based on overall unit availability, and does not imply that all existing units represent housing that is in standard condition. It is probable that some sub-standard units should be replaced, but they currently are available for occupancy.

It is also important to recognize that unit replacement has been viewed in terms of overall supply and demand. There is no available information on the value or pricing of lost units. For example, it is reasonable to assume that any rental units that are lost each year may represent the lower end of the housing stock, in condition, quality and price. While they may be replaced by conversion or new construction, there is no guarantee that the replacement unit has the same monthly gross rent amount.

There is also limited evidence of lost owner-occupancy housing, despite the fact that tenure conversion probably reduced the number of older houses available for owner-occupancy. Between 2000 and 2010, there were approximately five single family detached houses built in Appleton. During this time, Appleton experienced a net reduction of 61 owner-occupant households.

Going forward, unit replacement is not considered to be a significant contributor to overall demand for owner-occupancy housing. However, older homes that are demolished or converted to rental use are probably lower-valued houses that cannot be replaced by new construction.

Rental Housing Recommendations

Overview: The City of Appleton has historically had a large supply of rental housing units. According to the 2010 Census, the City's rental tenure rate, based on renter-occupancy households, was nearly 38%, above the Statewide average in 2010 of 27% rental. In 2010, Appleton had the highest rental tenure rate of the cities in Swift County.

Actual rental demand has been greater than owner-occupancy demand in the recent past, as tracked by changes in tenure patterns. From 2000 to 2010, the Census recorded net growth of nine renter-occupancy households in Appleton, compared to net loss of 61 home owners. As a result, the overall rental tenure rate increased from 33.9% in 2000 to 37.8% in 2010.

The growth in renter-occupancy households in the previous decade was greater than the level of new rental unit construction. While a rental four-plex was built, there is also evidence that the rental inventory increased in size from tenure conversion, probably due to older single family housing changing from owner to renter occupancy. As a result, renter household growth was accommodated, despite limited new construction.

The following observations and recommendations are made concerning the rental housing market in Appleton.

1. Potential Demand Exists for Additional Market Rate Unit Development

Findings: No new multifamily rental housing has been constructed in Appleton in many years. The last project that can be identified was developed by the Swift County HRA, when a four-unit project was constructed in 2002. In the 1990s, some rental twin homes were developed by the prison corporation, as part of their effort to supply housing for the expanding work force at that time.

Although the Swift County HRA units are publicly-owned, they operate as conventional, market rate rental housing. The HRA's units have different floor plans, with three two-bedroom units and one three-bedroom unit. The HRA's units in Appleton have a successful past history. However, HRA staff did indicate that only limited demand exists, and no waiting list tends to be present in Appleton. Similar units in Benson had a waiting list with 14 names at the time of the research for this Study.

The Swift County HRA's units generally represent the upper end of the prevailing rental range in Appleton, at least for conventional multifamily housing. These units are town house-style, with an attached garage, in-unit laundry, large floor plans and other modern rental amenities. While the rents for these newer units are very reasonable based on their quality, they are generally well above the rates for older apartments in Appleton.

The Swift County HRA units have a rent structure that is typically between \$0.65 and \$0.75 per square foot of living space. This is a gross rent calculation, and reflects the inclusion of tenant-paid utilities. Units are relatively large, with more than 1,150 square feet of living space in the two-bedroom units, plus a one or two-car garage.

No direct information could be obtained from the rental twin homes, despite repeated attempts to contact the manager. Based on previous surveys, these units have approximately 900 square feet of living space, and an attached garage. The occupancy in these units is generally believed to be high, although turnover occurs, according to second-hand reports. The rent structure for these units is believed to be in a moderate range, and lower than the HRA's units, although this could not be confirmed.

Recommendation: The research completed for this Housing Study would generally support the construction of a limited number of additional market rate rental housing units in Appleton, similar to the successful past project developed by the County HRA. Some additional units can be justified based on an assumption that growth-generated demand from households age 55 and older will continue to result in the need for age-appropriate housing options in Appleton.

Demographic data have shown that overall household growth has not been occurring in recent years. However, an aging population has continued to create demand for housing that appeals to older households, as the number of households age 55 and older has been increasing. The fact that no new independent living rental housing has been built in more than 10 years also points to the need for new unit construction. The existing projects offering high quality options have a good occupancy history, showing that demand is present.

The findings of the research completed in 2014 could support the construction of additional rental units Countywide through the remainder of this decade, primarily to serve the growing number of households age 55 and older. As the second largest City in the County, approximately four to six additional market rate units would be appropriate for Appleton by the year 2020.

This recommendation is based on the assumption that very attractive pricing can be achieved in new units. Newly built rental housing will be in direct competition with the existing Swift County HRA units and the twin home rentals originally built by the prison corporation. These projects have been successful by offering amenities associated with single family living, including an attached garage, private entrances, one-level living and low-density building designs.

There will probably be a price disparity between the projects that already exist and the costs associated with new construction. As stated above, the estimated rent per square foot for the HRA's units is generally less than \$0.75, a price that probably cannot be replicated in future projects.

The analysts are aware of some units that are being constructed in other cities that could serve as a model for future construction in Appleton. Some communities in western and northern Minnesota have had recent success with new construction of patio homes, with a two-car attached garage. Gross rents are below \$850 for a two-bedroom unit with one bathroom and approximately 800 square feet of living space, and less than \$1,000 for a three-bedroom unit with 1 ½ bathrooms and approximately 1,100 square feet.

Although the gross rents being achieved in these patio home projects are not significantly different from the current pricing for high quality units in Appleton, the floor plans are substantially smaller. For two-bedroom rentals, the difference may be more than 300 square feet, when compared to the options in the HRA's four-plex. One compensating factor could be the presence of a second garage stall for all units, a feature that has been popular with senior renters in Appleton and Benson.

Appleton's existing high quality projects are all designated as general occupancy housing, although the HRA's units have primarily been occupied by retired households. We would recommend that any future units also be offered as general occupancy housing, although they should be designed with features and amenities that will appeal to older renters.

The calculated demand for additional rental units is based on a growing number of households in the 55 to 74 year old age ranges. To be successful, newly constructed units will need to attract these empty-nester and senior households that elect to move away from home ownership.

2. Continue to Monitor the Need for and Availability of Subsidized Housing Resources

Findings: There have been no changes in the supply of federally subsidized rental housing in Appleton in recent decades. No new construction has happened in many years, with Diamond Ridge dating to the late 1980s.

The City has two rental developments that can offer project-based subsidized housing. Combined, these projects have 61 units, with 24 offered as general occupancy housing and 37 oriented to senior and/or disabled tenants.

Most of the subsidized units in Appleton can serve very low income people and charge rent based on 30% of the tenants' household income. There are five units in Diamond Village Apartments where tenant households pay 30% of income, but not less than a basic rent level established for the unit. The base rent for a two-bedroom in this project is \$529. All of the units in Riverview Apartments can access project-based rent assistance.

In December 2014 there were also 26 households in Appleton that were participating in the Housing Choice Voucher Program. The Voucher rent assistance program is tenant-based and allows participants to pay rent based on income. It is possible that some of this tenant-based assistance could be used in Diamond Village in one of the units without project-based assistance, but only a very limited level of overlap probably occurs with other types of very affordable housing.

Between the tenant-based assistance and project-based subsidized housing, there are approximately 107 renter households in Appleton that have access to some form of subsidized housing in 2014. This represents more than 40% of all renter households in the City. Based on comparable communities, this represents a large percentage of subsidized housing.

The supply of subsidized units oriented to senior/disabled renters exceeds demand. At the time of the rental survey, there were 14 vacant apartments in Riverview. In the past, this project has obtained an occupancy waiver which allows younger tenants, but that waiver had expired in 2014, contributing to the vacancy issues.

Full occupancy was reported in Diamond Village, although the manager reported that vacancies can sometimes occur. The closing of the prison was cited as having a negative impact on demand. Although many prison workers could not income-qualify for subsidized housing, they contributed to overall demand for housing in the City.

The Swift County HRA did report a waiting list of 61 names in December 2014 for the Housing Choice Voucher Program. These households on the waiting list were currently living in Swift County or another adjoining county. Local residents receive a waiting list preference. Benson, with 34 participating households, and Appleton with 26 households accounted for most of the Voucher usage in the County. Further details on the waiting list were not obtained.

Recommendation: There is conflicting evidence on the need for very affordable subsidized housing in Appleton. Statistics on income and rent burden do show that more than 50% of renter households in Appleton need to apply 30% or more of their income for rental housing. This is generally defined as a “housing cost burden”. However, Appleton also has a relatively large supply of income-based housing, with more than 40% of all renters having access to some form of subsidized housing. There are persistent vacancy issues in the subsidized units for senior/disabled renters, and no long waiting list for general occupancy units.

With very few resources available to expand the deep subsidy housing inventory, we would recommend that the community attempt to preserve its existing resources, and monitor opportunities to add units as needed in the future.

The demographic projections through 2020 show the potential for reduced demand for family subsidized housing, due to a declining number of households in the age ranges 54 and younger. However, this assumes that an overall decrease in the number of households will also result in a decrease of lower income households.

Net growth is expected to occur among senior and near-senior households, although this is primarily from households in the 55 to 74 year old group. The projections used for this Study actually expect a decreasing number of households age 75 and older through the year 2020. A growing number of senior households may help to improve the occupancy rate in Riverview.

While the need for new development should be monitored, it will be important to preserve the stock of existing subsidized units. In 2014 there was no evidence that any existing projects were at risk of leaving the subsidized program. Neither of the existing projects was on the subsidized housing opt-out list maintained by the Minnesota Housing Finance Agency. Despite the vacancy issues in Riverview Apartments, these units could not be replaced if they eventually left their subsidy program.

3. Findings on Specialized Senior Housing

Findings: Appleton has two specialized options for seniors that need some level of services with their housing. Appleton Area Care Center is a skilled nursing home, licensed for 50 beds in 2014. The facility had once been licensed for 84 beds but has gradually de-licensed over time, including three beds de-licensed since 2012. The annual occupancy rate is now very high and a waiting list exists. With reduced licensing, most rooms are now used for single occupancy.

Apple Ridge Estates is a 31-unit apartment building offering seniors a housing with light services option. It is attached to the hospital and nursing home complex. Rent includes one daily meal, light housekeeping, utilities and a 24-hour emergency call system into the Care Center. Additional meals and services can be purchased as needed. There were five vacant units at the time of survey with these units used as offices, staff housing, guest room, etc. While these could be used as apartments if demand increases, typical occupancy is around 25 units.

In 2014, Appleton Area Care Center senior complex was exploring the possibility of expanding their campus to add assisted living and memory care options. If developed, this would offer a “continuum of care” campus for Appleton seniors, providing a range of housing from largely independent to very full-service care.

A project-specific analysis has been conducted which is being used to define the size and scope of this proposed expansion. Community Partners Research did not have access to the project-specific research that has already been done. However, some general observations are offered, based on the research that has been included in this document that pertains to specialized senior housing.

Community Partners Research examined a fairly compact primary market area around Appleton, which included eight townships and four small cities, in addition to the City of Appleton. This area generally extended approximately eight to ten miles from Appleton, and included jurisdictions in four different counties. While a larger primary market area probably exists, Appleton’s location near Benson, Montevideo, Morris and Ortonville does impact its ability to attract seniors from a large area.

The total population of this assembled area was 3,064 people at the time of the 2010 Census. This population total included 731 people age 65 and older, and 414 people age 75 and older. Typically, seniors age 75 and older are the target market for specialized senior housing.

The senior population totals would have included people living in the Appleton Area Care Center. If an assumption is made that approximately 50 older seniors already were occupants of higher-service housing, then there were approximately 365 seniors, age 75 and older, that were a potential target market for specialized senior housing in 2010. Also included in this total would be the residents of Apple Ridge Estates.

Depending on the type and cost of housing, various capture rates could be applied. However, if a 2% capture rate is used for specialized memory care housing, then approximately 7 beds could be justified. If a 5% assisted living capture rate is applied to older seniors not living in other forms of higher-service housing, then approximately 18 beds would represent an approximate target for assisted living. While these are general calculations for planning, they do represent capture rates that have been achieved by these types of specialized housing.

It is important to note that the age-based projections used for this Study do expect the population of older senior citizens to decrease in size through the remainder of this decade in Swift County. After 2020, the number of older seniors should begin to increase once again as the baby boomers move through the aging cycle, but near-term demand would be slightly lower than the general guidance calculated from 2010 demographic totals.

Recommendation: As part of this Swift County Study, Community Partners Research did not specifically analyze specialized senior housing in Appleton. Specific research has been completed by the Appleton Area Care Center, and this more detailed analysis will be used for any project that advances. Community Partners Research has offered only observations, based on the broader review of demographic data for Appleton and Swift County.

In general terms, the proposed project being considered by the Appleton Area Care Center is believed to be consistent with the summary analysis provided above. A memory care housing option with seven or fewer units is being considered, along with an assisted living facility with 18 or fewer units. As stand-alone projects, it may not be feasible to proceed with development at this limited scale. However, as an addition to the existing senior housing and hospital complex, this may be a practical expansion of housing with services for Appleton area residents.

It should be noted that the Swift County-Benson Hospital Foundation is also proposing to move forward with a specialized senior housing project. The primary market area reviewed for this project did not include Appleton, but did include many of the Swift County jurisdictions that are east of Appleton.

Home Ownership Recommendations

The City of Appleton has not had any significant level of new housing construction in many years. A review of building permit activity dating back to the year 2000 shows five or fewer single family houses being constructed in the City over a 15-year period. A few additional houses may have been built in the late 1990s, but this was partly in response to flooding in 1997, and a subsequent buy-out program of flood-prone structures.

In the 1990s, when the prison was expanding, the prison corporation had built some speculative single family homes for employees. However, the number of homes built was limited. Instead, a series of twin homes were developed, and offered as rental housing. The prison corporation had once intended to sell these twin home units individually to owner-occupants, but all 22 units are believed to be in the rental stock in 2014.

In addition to limited home building activity in Appleton in recent decades, there has also been a decline in the overall rate of home ownership. As measured by the decennial censuses, the City of Appleton had a net decrease of 61 home owner households between 2000 and 2010. At the same time there was a net gain of nine renter-occupancy households.

Part of the decrease in home owners may be attributable to a reduction of mobile homes in the community. As many as 20 owner-occupied mobile homes may have been present in 2000, but removed by 2014. However, even with a probable reduction in owner-occupied mobile homes, there was also a reduction in home ownership in traditional detached single family houses.

Going forward to the year 2020, this Study has assumed that no significant demand will be created from overall household growth in Appleton. Instead, it is probable that there will be a declining total number of households in Appleton, with a possible average loss of two to three households per year. This assumes that the prison will remain closed.

Some potential demand for new housing could be created by the age progression patterns, including an increasing number of households age 55 and older. This could generate some demand for age-appropriate ownership housing options. However, there has been no market evidence that owner-occupancy units such as town houses or twin homes will succeed in Appleton.

There is also a very large price gap that exists between the prevailing values for existing houses in Appleton, and the probable cost of new construction. This wide value gap will tend to suppress any significant level of new construction, especially in alternative forms of housing such as attached single family units for ownership.

There is evidence that tenure preference patterns will continue to shift toward rental housing, even among older adult households that have traditionally owned their unit. As a result, it is probable that Appleton will see actual demand for less than one single family home per year over the next few years. Any new construction will probably be in the form of a custom single family detached home.

4. Continue to Promote Programs that Assist with Home Ownership

Findings: The houses in the City are generally in a very low to moderate price range. Two sources of information exist on home values. The American Community Survey estimated that the median value for owner-occupied units was approximately \$56,700 in 2013.

This value estimate is actually higher than the median from recent home sales activity. Over the past six years, the annual median sale price has ranged from approximately \$30,000 to \$46,000. Based on these two data sources, it would appear that most existing single family homes in Appleton would be valued below \$60,000.

According to the American Community Survey, approximately 69% of the houses in the City were built before the year 1960, and more than 90% were built before 1980. The age of this single family stock contributes to the affordable price for most homes.

Over time there is some evidence that single family houses have been changing tenure, from owner to renter-occupancy. However, with net growth of only nine renter households from 2000 to 2010, the scale of tenure conversion has been limited.

The demographic projections used for this Study do not expect any growth in the number of younger adult households in Appleton. Instead, it is probable that there will be a decreasing number of households age 54 and younger through the remainder of the current decade. While some younger households may still look for affordable new construction options, most of the entry-level

home ownership demand will be met through the existing home market, especially given the large supply of very affordable existing houses in Appleton. While affordable prices for existing homes may discourage new construction, they can provide attractive options for first-time home buyers.

Recommendation: Appleton should continue to promote the availability of affordable ownership options in the City and utilize available assistance programs for home owners. As housing market conditions deteriorated late in the last decade, State programs supporting very affordable home ownership programs were often cut back or eliminated. However, in 2014, there was some evidence of renewed interest in home ownership incentive programs. The Southwest MN Housing Partnership has been active in securing assistance for gap financing and other home buyer programs for certain communities within its service area. If these efforts are successful in other communities, they can possibly be replicated in Appleton.

One of the largest employers in Appleton, the Municipal Hospital and Care Center, has an interest in encouraging its employees to purchase a home in the immediate area. Although there are few recent examples of employer-assisted housing programs, the Greater Minnesota Housing Fund is still willing to work with communities.

In the City of Perham, a large local employer has created an employee home ownership assistance fund that is being matched by other resources, including the Greater Minnesota Housing Fund. This assistance can be applied to a down payment and other closing costs. In Perham, this assistance has largely been oriented to new construction, but it may be possible to structure a similar program that focuses on existing homes. Given the moderate values that exist in Appleton, an employer-assisted fund could represent a significant percentage of the down payment/closing cost requirements.

Mortgage lending standards have also started to ease, partly in response to the difficulty of first-time buyers in entering the home ownership market. By lowering the down payment requirements for FHA loans, it is possible that a greater level of activity may return to the more affordable market segment.

5. Some Limited Demand Will Exist for Moderate to Higher Priced Homes

Findings: Although some potential demand may exist in the entry-level segment of the market, demographic patterns strongly support moderate to higher-priced housing. The aging patterns for Appleton and Swift County continue to show growth in the number of older adult households, most in the 55 to 74 year old age ranges. At the same time, trend-based projections would point to a declining number of younger adult households.

People age 55 and older have historically shown a strong preference for home ownership. In their peak earning years, and with time for asset accumulation, households in the 55 to 74 year old age groups tend to represent market potential for housing that is age-appropriate and contains amenities typical of the trade-up segment of the market.

At the time of the 2000 Census, households in the age groups between 55 and 74 years old represented approximately 26% of all Swift County households. By 2010, these older adult age groups represented nearly 32% of all households. Trend-based projections to the year 2019 point to more than 39% of all households in these age ranges. These percentages were even higher in the City of Appleton, which has historically had a large number of older residents

The primary limiting factor that will impact new home construction in the moderate to higher price ranges is the low values for existing houses in the community. Over the past years, the median home sale price has never been above \$60,000. Over the past six years, no existing home sales have occurred for more than \$140,000. A person electing to build a higher-valued home faces the prospect that the home may not appreciate significantly in value over time.

It is important to note that the positive market forces, such as the advancing baby boomers, have been gradually evolving in recent years, but have not resulted in increased demand for trade-up and/or age-appropriate housing in Appleton. Over the previous 15 years, the City has averaged less than one new single family housing start per year, as actual demand has not been present.

Recommendation: Although very limited future housing construction would be expected in Appleton, any construction that will occur will probably be in the form of moderately-priced custom homes. Speculative construction is unlikely given the limited demand that will exist. Based on the construction forecasts, the City will continue to average less than one single family home per year.

Since households age 55 and older will typically already own a house, the decision to build a new house will also be based in part on economic conditions. The perceived strength of the local economy will have an impact on the confidence to invest in new housing in the community. Older households looking at new construction will typically need to sell their existing home, generally of lower value. The projected decrease in the number of households age 54 and younger through the year 2020 would imply some reduced future demand from younger buyers for lower priced houses.

6. Findings on Lot Availability and Development

Findings: There has been no new subdivision development activity that can be identified in Appleton in many years. However, with very limited new housing construction since 2000, a residential lot inventory does remain available in 2014.

One of the newer subdivisions in Appleton is known as Duncan's Addition. This area was developed in the 1990s, in response to the growing work force that followed the opening of the prison facility. While a specific lot inventory was not available, City sources estimated that between five and ten vacant lots remain in Duncan's Addition. These lots may not be actively listed for sale, due to limited demand in recent years, but they would be suitable for new house construction.

There are also lots that are scattered throughout the community. Some of these potential building sites were created when an older home was demolished and cleared. At least one of the available infill lots is owned by the City's EDA.

Recommendation: Community Partners Research uses a standard that a 2 ½ year supply of lots represents an adequate inventory, based on annual construction usage. Using our projections that fewer than one new house will potentially be constructed in an average year, Appleton has an adequate inventory of residential lots to meet near-term demand.

Unless new housing construction in the future substantially exceeds our projections, we do not anticipate the need for additional subdivision development within the City for the next few years. If demand does accelerate, it is possible that some of the existing development areas could make some infrastructure investments to bring additional improved lots into the local market.

If the prison were to re-open in the future, more construction activity could potentially occur. However, it is important to note that even during the peak years of employment at the prison, very few new houses were built in Appleton. Instead, many workers either rented or commuted from another location.

7. Monitor Home Foreclosure/Bank-Owned Sales Trends

Findings: Starting in 2006 and 2007, home foreclosures, short sales, and bank-owned real estate sales became an increasing problem across the State. In Appleton, bank-owned home sales have remained as an issue in recent years.

Over the past four years, Appleton had more bank-owned home sales than any other city in Swift County. The highest number of bank-owned sales occurred in 2012, when 10 transactions were recorded. However, the activity for 2014 is significantly lower than either of the prior two years, with only three bank-owned sales identified when reports were obtained from Swift County.

The actual median transfer price for bank sales was well below the median sale price for open market sales. In 2012, when the largest number of bank-owned sales occurred, the median price was \$10,500 for bank-owned properties, compared to more than \$45,000 for fair market transactions.

There are probable explanations for the increased volume of distressed transactions in 2012. The prison closed its active operations in Appleton in early 2010, and bank-owned sales in 2012 could have been a reaction to the subsequent job losses. In some other Swift County communities it was reported that banks have been slow to re-sell acquired homes, resulting in the above-average number of sales in the past few years.

In addition to losing individual home owners, foreclosure activity can impact the broader housing market. The actual median transfer price for the bank-owned sales was well below the median sale price for fair market transactions. The low median home sale prices for open market sales since 2009 may have been negatively impacted by the distressed sales activity during these years.

Recommendation: Although there are few direct City actions that can be taken concerning home foreclosures, the City may want to monitor this trend. The Swift County Assessor's Office can produce annual reports of sales transactions of bank-owned homes.

While the final disposition of bank-owned home sales cannot be easily tracked, it is possible that some of the lower-valued properties are being sold to investors, and converted to rental use. Property tax classifications may help to identify whether bank-owned home sales have been purchased for owner or renter occupancy.

Findings on Rehabilitation and Other Housing Issues

8. Findings on Housing Rehabilitation

Findings: The research completed for this Study included a housing condition survey of the City. The visual “windshield” survey divided the City into three neighborhoods. Some additional statistical information is also available through the 2013 American Community Survey.

The majority of the houses in Appleton were rated within one of the top two condition categories. Citywide, nearly 45% of the houses received the highest condition rating. However, more than 26% of the houses need more significant repair. There were 38 houses citywide that were rated in very poor condition, which may be suitable for demolition and clearance.

The largest percentage of houses in poor condition was in the west portion of the City, where nearly 42% of all rated houses were in the two lowest condition categories. There were 18 houses in this area that received the lowest condition rating, more than any other neighborhood. This neighborhood included all houses west of Highway 59.

In the northeast neighborhood, east of Highway 59 and north of Schlieman Avenue, nearly 28% of houses were in the two lowest categories. There were 10 houses in this neighborhood that were rated as dilapidated.

Fewer than 17% of the houses in the southeast neighborhood, south of Schlieman and east of Highway 59, were in the two lowest categories, and more than 52% of the houses were rated in the top category. However, there were still 10 houses rated as dilapidated in this neighborhood.

According to the American Community Survey, the median year of construction for all owner-occupied housing in Appleton is 1945. This represents a relatively old housing stock, with a majority of the houses more than 65 years old. While age of housing is not always an indicator of condition or quality, older housing will generally need more maintenance and repair to remain in sound condition.

The estimated median year of construction for renter-occupancy housing in the City is 1977. Although rental housing is newer than owner-occupied units, a majority of the City’s rental housing is more than 35 years old. Rental housing can often require more maintenance than owner-occupancy units. The age of the City’s rental stock would indicate that ongoing efforts will be required to monitor the condition of this housing.

Recommendation: The City has been actively addressing its housing rehabilitation needs. In 2015, an application will be submitted for a Small Cities Development Program (SCDP) grant that will include a housing rehabilitation activity. Specific information about this application was not obtained, but Appleton is working with the Upper Minnesota Valley Regional Development Commission, and experienced rehabilitation grant agency.

Given the age of much of the City's housing, ongoing efforts will be required to address housing rehabilitation in an effort to preserve this most affordable housing stock.

9. Demolish and Clear Substandard Structures

Findings: The housing condition survey that was completed as part of the Study found that most single family houses in Appleton are generally in good condition. Overall, nearly 74% of the houses were rated as sound, showing no exterior deficiencies, or needing only minor repair.

However, there were 38 houses rated in the lowest condition category. These dilapidated houses are probably too deteriorated to repair, and may be suitable for demolition.

There have been substandard houses and possibly mobile homes that have been removed from the community over time. Some of this has been done privately, as a neighboring property acquired and cleared a substandard structure. In other cases, there has been public involvement, including activity by the City's EDA.

Recommendation: Ongoing efforts to clear severely substandard structures are encouraged. This will help to enhance the appearance and appeal of the community as a residential location. Cleared lots may have redevelopment potential for lower priced housing.