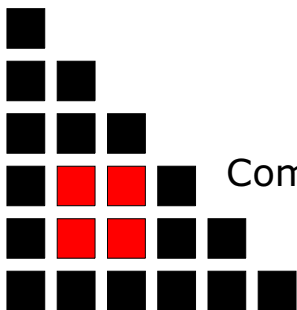


# City of Frazee HOUSING STUDY UPDATE

July 2019

An updated analysis of the overall housing needs  
of the City of Frazee, MN



Community Partners Research, Inc.

Lake Elmo, MN

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## **List of Sections**

	<b><u>Page</u></b>
<b>Introduction</b>	<b>2</b>
<b>Demographic and Projection Data</b>	<b>4</b>
<b>Existing Housing Data</b>	<b>21</b>
<b>Rental Housing Inventory</b>	<b>28</b>
<b>Senior Housing with Services Inventory</b>	<b>42</b>
<b>Employment and Local Economic Trends Analysis</b>	<b>50</b>
<b>Findings and Recommendations</b>	<b>59</b>
<b>Rental Housing Recommendations</b>	<b>65</b>
<b>Home Ownership Recommendations</b>	<b>76</b>
<b>Housing Rehabilitation and Other Issues</b>	<b>83</b>

# **Introduction**

## **Overview**

Community Partners Research, Inc., was hired by the City of Frazee in 2019 to provide an update of a comprehensive study, originally completed in 2015, of housing market conditions in the City and the surrounding area.

## **Methodology**

A variety of resources were utilized to obtain information for the Housing Study Update. Community Partners Research, Inc., collected and analyzed data from May to July 2019. Data sources included:

- U.S. Census Bureau
- Minnesota State Demographer
- Esri, Inc.
- Records and data from the City
- Records and data maintained by Becker County
- Data from the MN Dept. of Employment and Economic Development
- Data provided by the Multiple Listing Service
- Interviews with community leaders and City staff
- Interviews with people familiar with the area's housing conditions including bankers, realtors, property managers, and developers
- Area housing agencies
- Rental property owner surveys

## **Limitations**

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

This study was prepared by:  
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## **Section Table of Contents**

	Page
Demographic Data Overview	4
Population Data and Trends	6
Population by Age Trends: 2010 to 2018	8
Household Data and Trends	10
Average Household Size	11
Household by Age Trends: 2010 to 2018	12
Household Projections	14
Household Projections by Age of Householder	15
2017 Median Income Data	16
Household Income Distribution by Tenure	17
Estimated Income and Housing Costs - Renters	19
Estimated Income and Housing Costs - Owners	20

# **Demographic Data Overview**

## **Sources of Data**

A number of different demographic data sources have been used for this Study. These include the Census Bureau and the Minnesota State Demographer's Office. Community Partners research has also obtained demographic reports from Esri, Inc., a private data reporting service. Esri estimates are for the year 2018, with projections to the year 2023.

To supplement the decennial Census, the Census Bureau issues annual estimates through its American Community Survey Program. The American Community Survey estimates for the individual jurisdictions in Becker County are for the year 2017, and are based on surveys conducted over a five-year period from 2013 to 2017.

For most of the demographic variables, information is presented for the City, a surrounding market area and/or all of Becker County.

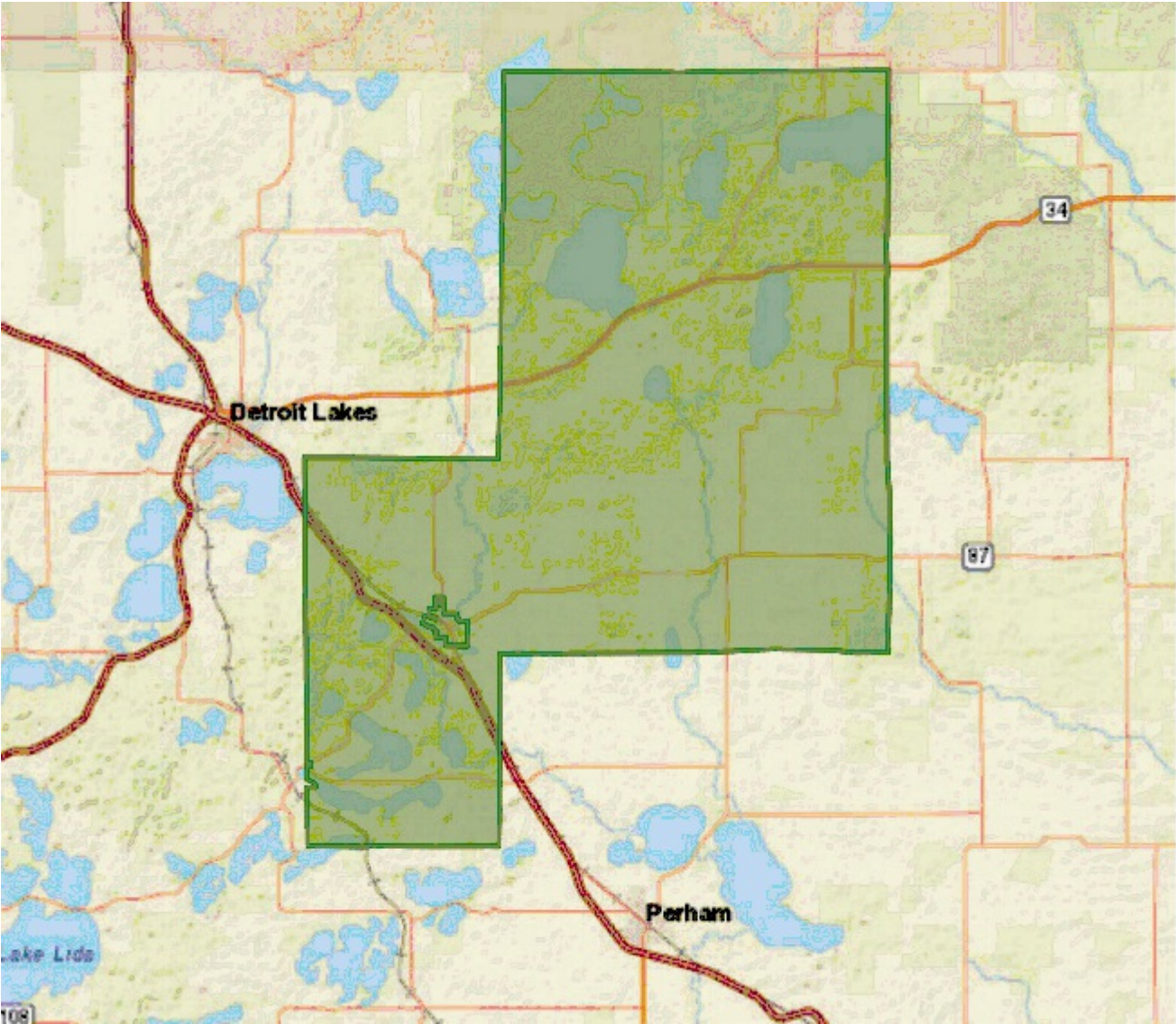
## **Market Area Definition**

Frazee is located along U.S. Highway 10. According to Mapquest, Frazee is located approximately 11 miles to Detroit Lakes to the northwest, approximately 12 miles away from Perham to the southeast, and approximately 8 miles from Vergas to the southwest. Both Detroit Lakes and Perham are larger communities than Frazee, and each offer a range of housing options. While Vergas is smaller, it too offers some specialized housing options, including housing with services for seniors.

With these other communities in the immediate area, Frazee has a rather compact primary market area. Even some of the adjoining rural townships also border with these neighboring cities, and residents of these township areas would tend to orient to multiple communities.

In forming a Primary Market Area, Community Partners Research examined the boundaries of the Frazee-Vergas School District. With no comparable community to the northeast of Frazee, the School District includes a number of rural townships in that direction. The Primary Market Area boundary used for this Study includes those townships that are largely included in the School District, while excluding townships that are split, and close to other large communities. Vergas and the areas around Vergas that are part of the school district have also been excluded, since that community has its own ability to offer attractive housing options.

As defined in this Study, the Market Area includes the City of Frazee, the Becker County Townships of Burlington, Evergreen, Height of Land, Shell Lake, Silver Leaf and Toad Lake, and the Otter Tail County Township of Hobart.



## Population Trends Analysis

At the time that this Study was completed, the most recent available estimates are for 2018. Esri’s estimates have been included in the following table, along with decennial census totals back to the year 1990.

<b>Table 1 Population Trends - 1990 to 2018</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2018 Esri
Frazee	1,176	1,377	17.1%	1,350	-2.0%	1,467
Market Area	5,074	5,615	10.7%	6,052	7.8%	6,489
Becker County	27,881	30,000	7.6%	32,504	8.3%	-

Source: U.S. Census; Esri

A 2018 population estimate exists from Esri, a national demographic data provider service. This placed the City’s population at 1,467 people in 2018, up by 117 people from the level counted by the 2010 Census.

When compared to other available sources, the Esri estimate appeared to be slightly high. The State Demographer’s estimate for Frazee showed 1,401 residents in 2017. The Census Bureau’s annual population estimate showed 1,392 people in Frazee in 2018.

One of the reasons that Esri is showing a slightly larger population level in Frazee is a different view of the average household size, as will be discussed later in this section. Esri believes that the average household size in the City has been growing larger in recent years, resulting in more people being added between 2010 and 2018.

In 2018, Esri estimated that there were 6,489 people in the combined Markey Area jurisdictions, up by 437 from the level counted in the 2010 Census. This estimate was higher than the State Demographer’s for 2017, which placed the Market Area at 6,287 people. Despite the one year time difference in the effective date, the State Demographer has a more conservative view of recent change. Once again, the difference is impacted by Esri’s belief that there are more people living in the average household.

Longer-term information can also be tracked for the jurisdictions that form the Market Area. From 2000 to 2010, the Market Area added a total of 437 residents.



Although no 2018 Esri estimate for Becker County was obtained for all of Becker County, the best available information shows solid growth Countywide. The State Demographer's 2017 estimate showed the County adding nearly 1,600 people from 2010 to 2017. The Census Bureau's 2018 showed the County adding nearly 1,900 residents between 2010 and 2018. While the entire County continues to grow rapidly, much of this is centered around the City of Detroit Lakes.

In their county-level estimates, the Census Bureau also identifies the individual components that contribute to population change. Between 2010 and 2018, the County has been adding most residents through in-migration, as more people moved into the County than moved out. Approximately 66% of the growth is attributed to in-migration, primarily from domestic locations. Natural change has also been a positive contributor, as the Census Bureau tracked more births than deaths in the County since 2010.

### **Race/Ethnicity**

At the time of the 2010 Census, approximately 88% of the people living in Frazee were identified as "White" for race. People that were Native American accounted for approximately 5.1% of the total population, and people identifying their race as "two or more races" represented 4.5% of the City's population. Less than 2.5% of the City's population was identified as Hispanic/Latino for ethnicity.

The 2017 American Community did include an estimate for race and ethnicity, but this was based on sampling and included a margin of error. According to this source, the percentage of City residents that were White had increased to nearly 92% by 2017. Only 1% of the City's residents were of Hispanic/Latino ethnicity, but these estimates may be low.

### **Group Quarters**

The 2010 Census recorded 59 Frazee residents living in group quarter's facilities. All group quarter's residents were living in skilled nursing homes.

The State Demographer's estimate for 2017 still showed 59 people living in group quarters housing in Frazee, unchanged from the 2010 Census. However, the skilled nursing home has de-licensed beds in recent years, and it is probable that fewer than 59 nursing home residents are present in 2019.



## Population by Age Trends: 2010 to 2018

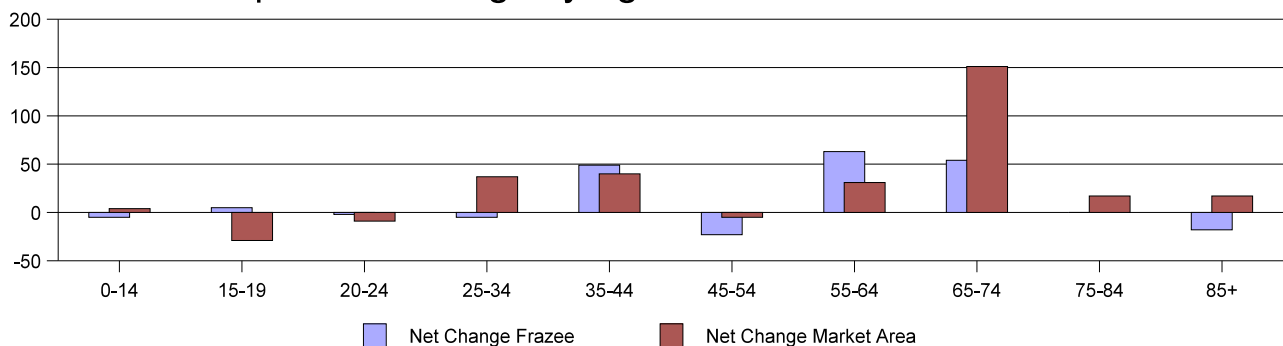
The following table compares population by age changes in the City and Market Area between 2010 and 2018. The 2018 estimates have been obtained from Esri and are compared to the age distribution reported in the 2010 Census.

<b>Table 2 Population by Age - 2010 to 2018</b>						
Age	City of Frazee			Market Area		
	2010	2018	Change	2010	2018	Change
0-14	302	297	-5	1,280	1,284	+4
15-19	79	84	+5	381	352	-29
20-24	76	74	-2	274	265	-9
25-34	187	181	-6	628	665	+37
35-44	139	188	+49	719	759	+40
45-54	174	151	-23	830	825	-5
55-64	143	206	+63	1,008	1,039	+31
65-74	95	149	+54	675	826	+151
75-84	89	89	0	325	342	+17
85+	66	48	-18	115	132	+17
<b>Total</b>	<b>1,350</b>	<b>1,467</b>	<b>117</b>	<b>6,235</b>	<b>6,489</b>	<b>+254</b>

Source: U.S. Census; Esri

It is important to note that Esri’s population estimates for Frazee and the Market Area are somewhat higher than other sources, including the MN State Demographer.

**Population Change by Age Between 2010 and 2018**



According to the 2018 Esri estimates, Frazee has added 117 people so far this decade. As a result, population changes have occurred within most of the defined age ranges.

In numeric terms, the largest net growth occurred within the empty-nester and senior citizen groups between 55 and 74 years old. Growth also occurred in some younger adult age groups between 35 and 44 years old. However, reductions occurred in most of the other defined age ranges.

For the entire Market Area, the strongest growth occurred among senior citizens, ages 65 to 74 years old. The township areas that surround the City of Frazee contain lakes and lake shore living opportunities. Presumably, the growth among seniors, reflects retirees that are living in the area.

## Household Trends Analysis

<b>Table 3 Household Trends - 1990 to 2018</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2018 Esri
Frazee	427	504	15.3%	540	7.1%	586
Market Area	1,782	2,090	17.3%	2,347	12.3%	2,507
Becker County	10,477	11,844	13.1%	13,224	11.7%	-

Source: U.S. Census; Esri

Esri is also showing stronger household growth since 2010. This source estimated that 586 resident households lived in the City in 2018, up by 46 households from the 2010 Census.

While the Esri estimate could be accurate, the level of household growth would be nearly double the growth in the City’s housing stock after 2010. However, there were more than 30 rental and ownership housing units in 2010 that were vacant at the time of the Census. If many of these were then occupied by 2018, it is possible that the City could have added 46 households so far this decade.

The 2017 estimate from the State Demographer’s Office identified 570 households in the City of Frazee, up by 30 households from the level counted in the 2010 Census. This level of household growth is reasonably consistent with the housing unit construction activity in Frazee so far this decade, along with the possibility that a smaller number of units that were vacant in 2010 may later have been occupied.

For the entire Market Area, Esri estimated that 2,507 resident households were present in 2018, up by 160 households from the 2010 Census. If Frazee is removed from the aggregated area, the remainder of the Market Area added 114 households over the decade, as most new households located within the rural townships.

The State Demographer showed 2,466 households in the combined jurisdictions in 2017. When adjusted for the one-year time difference, this estimate is generally similar to Esri’s, with the addition of 119 households after 2010. Once again, most of this household growth has occurred outside of Frazee.

No County estimate was obtained from Esri, but according to the State Demographer, Becker County has consistently added households since 2010, continuing a long-term pattern of growth.

### Average Household Size

The following table provides decennial Census information on average household size dating back to 1990. The 2018 estimates from Esri have also been provided.

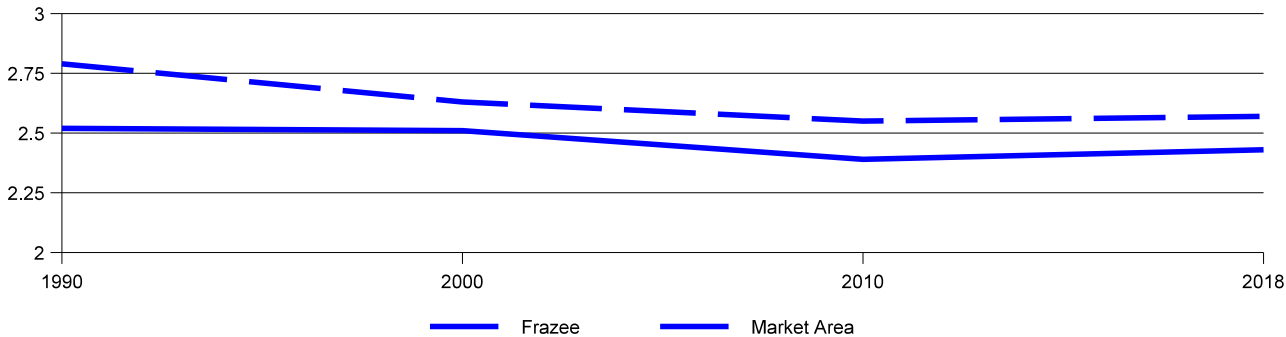
<b>Table 4 Average Number of Persons Per Household 1980 to 2018</b>				
	1990 Census	2000 Census	2010 Census	2018 Esri
Frazee	2.52	2.51	2.39	2.43
Market Area	2.79	2.63	2.55	2.57

Source: U.S. Census; Esri

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

In general, the average household size in Frazee had been growing smaller in recent decades, decreasing from 2.52 persons per household in 1990 to 2.39 persons in 2010. However, Esri believes that this pattern has since reversed, and the average household size had increased to 2.43 persons in 2018. It is important to note that the State Demographer’s most recent estimate showed that there has been a continued slight decrease in the average household size after 2010, and was down to 2.37 persons in Frazee in 2017.

Average Household Size: 1990 to 2018



The average household size for the Market Area has grown smaller over time, although it is still larger than in the City of Frazee. Once again, there is some difference on recent trends, as Esri is showing a small increase after 2010, while the State Demographer shows a continued decrease, to 2.53 persons.

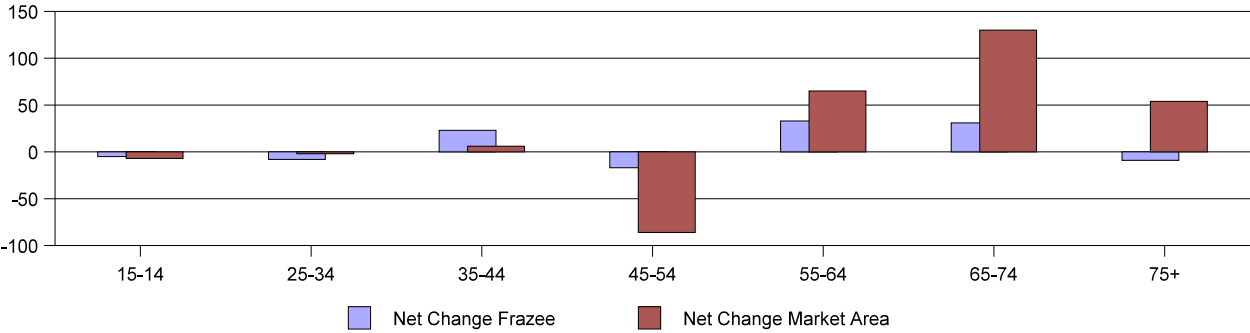
**Household Characteristics: Age Trends**

The following table compares households by age of householder in 2010 and 2018 for the City and the Market Area. The 2018 age-based estimates have been obtained from Esri.

<b>Table 5 Households by Age - 2010 to 2018</b>						
Age	City of Frazee			Market Area		
	2010	2018	Change	2010	2018	Change
15-24	34	29	-5	67	60	-7
25-34	89	81	-8	293	291	-2
35-44	77	100	+23	371	377	+6
45-54	104	87	-17	515	429	-86
55-64	88	121	+33	508	573	+65
65-74	57	88	+31	347	477	+130
75+	91	80	-9	246	300	+54
<b>Total</b>	<b>540</b>	<b>586</b>	<b>+48</b>	<b>2,347</b>	<b>2,507</b>	<b>+160</b>

Source: U.S. Census; Esri

**Change in Households by Age Between 2010 and 2018**



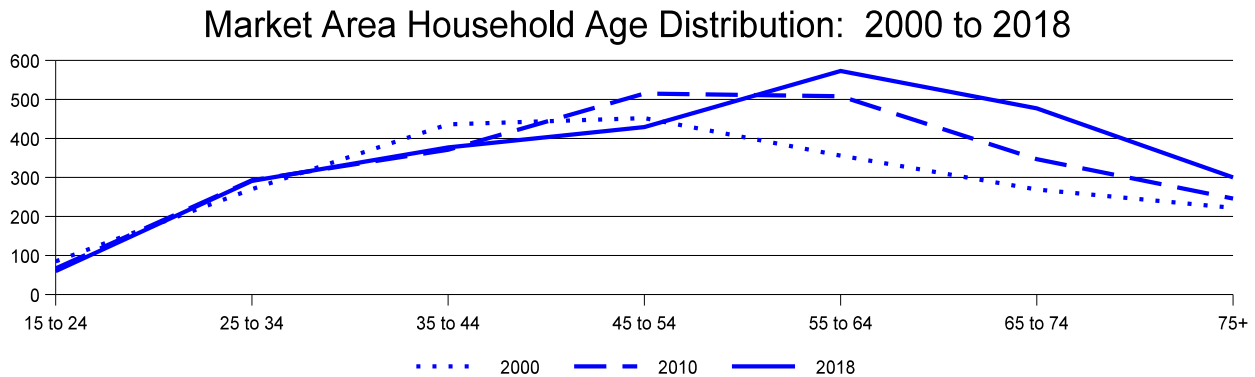
According to the estimates from Esri, Frazee has added 48 households from 2010 to 2018, an increase that is greater than other available sources. As a result, some of the growth within specific age ranges may be greater than the level that actually occurred. Between 2010 and 2018, most of the net increase can be attributed the households in the 20-year range between 55 and 74.

The only other age group to increase in size has been households age 35 to 44 years old.

Overall, the City had a net reduction of households age 54 and younger, and a net increase of households age 55 and older over the past five years.

Somewhat similar patterns were present within the entire Market Area, but growth among older adult households was even more evident. For the entire Market Area there was an increase of nearly 250 households age 55 and older, but a net loss of nearly 90 households age 54 and younger.

The line chart below tracks the progression of the large baby boom generation living in the Market Area, from 2000 through 2018. Over time, the number of older adult households has continued to grow. In addition to the aging pattern, more households have located in the Market Area, probably due to its attractiveness as a retirement location.



## Household Projections

The following table presents household projections prepared by Esri to the year 2023 for the City and the Market Area.

<b>Table 6 Household Projections Through 2023</b>			
	2018 Estimate	2023 Projection	Change
Frazee	586	615	+29
Market Area	2,507	2,607	+100

Source: Esri

The household projections from Esri expect that the City of Frazee will add 29 households from 2018 to 2023. If viewed as an annual average this would yield between five and six households per year. At this level of growth in Frazee would be consistent with the recent past, as Esri believes that the City has been adding an average of six households per year since 2010.

As tracked by Esri, the growth in Frazee from 2010 through 2018 would represent both a mix of new housing construction and the availability of older housing options that were vacant. Going forward to 2023, there is probably less vacant housing in the community, and to achieve the growth level projected, more new housing units will need to be constructed.

The entire Market Area should also continue to grow. According to Esri, the Market Area should add 100 households from 2018 to 2023, or approximately 20 households in an average year. The Esri forecast shows most of the Market Area growth occurring outside of the City of Frazee.

There does continue to be some potential vacant housing in the Market Area jurisdictions, much of this as “seasonal/recreational” housing that has not been used by permanent residents. According to the 2017 American Community Survey, as many as 775 housing units remain in for “seasonal/recreational” use. If some of these are occupied by permanent residents in the future, the Market Area could easily achieve the projected growth in households without a commensurate level of new unit construction. It is probable that growth in the rural townships will include a mix of both new construction and use of existing houses.



## Projected Households by Age

In the following table, Community Partners Research has examined Esri’s age-based household projections for the Market Area to the year 2023.

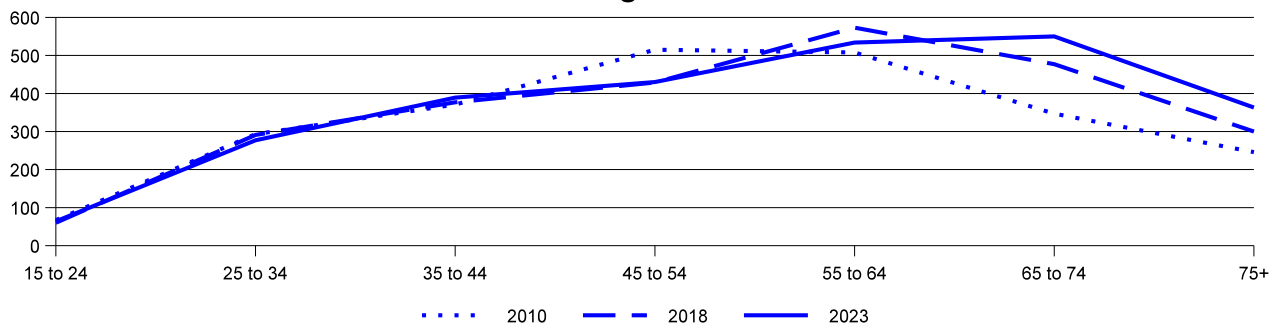
<b>Table 7 Market Area Projected Households by Age: 2018 to 2023</b>			
Age Range	2018 Estimate	2023 Projection	Change - 2018 to 2023
15-24	60	64	+4
25-34	291	277	-14
35-44	377	389	+12
45-54	429	430	+1
55-64	573	534	-39
65-74	477	550	+73
75+	300	363	+63
<b>Total</b>	<b>2,507</b>	<b>2,607</b>	<b>+100</b>

Source: Esri

The age-based projections to the year 2023 expect the Market Area to add 100 households over the five-year period. However, the changes with certain defined age ranges will vary widely. Most of the increase will be due to more households age 65 and older.

Overall, the Esri projections expect a decrease of 36 households age 64 and younger, but an increase of 136 households age 65 and older between 2018 and 2023. Although a reduction in non-senior households is being projected, some of the specific younger ranges may increase in size.

**Market Area Household Age Distribution: 2010 to 2023**



## 2017 Median Income Data

Median income estimates are available at the city and county level through the American Community Survey. Information for 2017 can be compared to 2012 to track changes over time. No medians are provided for the aggregated jurisdictions that form the Market Area.

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.

<b>Table 8 Median Household Income - 2012 to 2017</b>			
	2012 Median	2017 Median	% Change
Households			
Frazee	\$35,313	\$50,238	42.3%
Becker County	\$49,159	\$55,884	13.7%
Minnesota	\$59,126	\$65,699	11.1%
Families			
Frazee	\$39,545	\$56,500	42.9%
Becker County	\$58,807	\$67,665	15.1%
Minnesota	\$74,032	\$82,785	11.8%

Source: ACS

As tracked by the American Community Survey, there has been very substantial growth in the City’s median income levels in recent years. Both the median household income and the median family income in Frazee increased by more than 42% from 2012 to 2017. However, it is important to note that this is due in large part to the relatively low medians that existed in 2012. Since that time, the medians for the City have moved closer to the Countywide levels, resulting in a substantial change in the percentage growth. Still, in 2017 the median household and family income levels in Frazee remained below the comparable County medians, and well below the Statewide median levels.

The City’s estimated median household income was \$50,238 in 2017. If 30% of income was applied to housing costs, a household at the median could apply approximately \$1,255 per month, while a median income family could apply nearly \$1,415 per month.

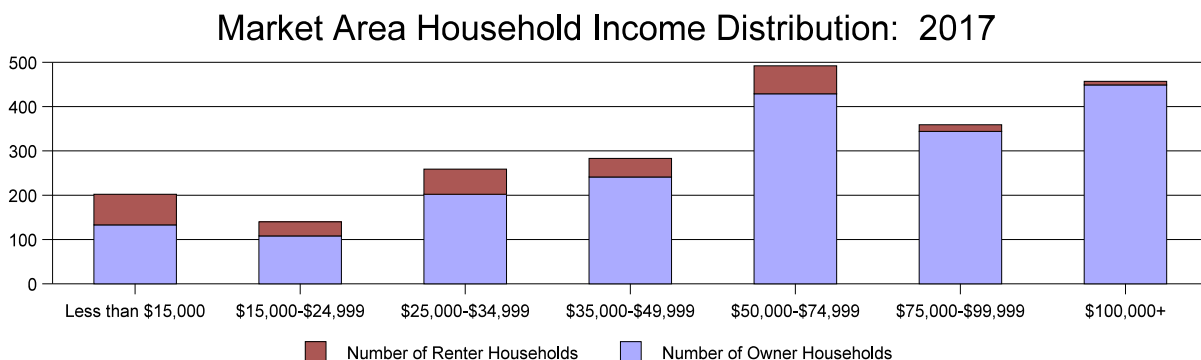
## Market Area Household Income Distribution by Tenure

The American Community Survey provides household income distribution estimates for the entire Market Area for 2017. However, this source shows substantially fewer households in the Market Area than the either Esri or the State Demographer. The American Community Survey showed fewer than 2,200 total households, while both of the other sources showed more than 2,460 resident households. As a result, the following distribution estimates are viewed as very conservative.

Much of the American Community Survey undercount appears to be for renter-occupancy households. In 2010, there were 405 renter households in the Market Area, compared to fewer than 300 in the 2017 estimates. The best available data would suggest that the number of renter households has probably increased since that time, rather than growing smaller. The owner household count may also be slightly low, but better matches the 2010 Census.

<b>Table 9 Market Area Household Income Distribution by Tenure: 2017</b>			
Household Income	Number of Owner Households	Number of Renter Households	Total
\$0 - \$14,999	133	69	202
\$15,000 - \$24,999	108	32	140
\$25,000 - \$34,999	202	57	259
\$35,000 - \$49,999	241	42	283
\$50,000 - \$74,999	429	63	492
\$75,000 - \$99,999	344	15	359
\$100,000+	449	8	457
<b>Total</b>	<b>1,906</b>	<b>286</b>	<b>2,192</b>

Source: ACS



Household income by tenure patterns are fairly typical, with most renters in the low and moderate income ranges, but most home owners having better incomes.

According to the 2017 estimates, more than 55% of all renter households in the Market Area had an annual income below \$35,000. For home owners, more than 64% had an annual income of \$50,000 or more.

Since the Market Area is an assembled geography, there is no estimated median by tenure. However, an approximate median can be extrapolated from the distribution data. For renter households in the Market Area, the approximate median household income in 2017 was \$32,370. For home owners, the approximate median was \$65,675, more than double the median for renters.

For the City of Frazee, the median income for all renter households was \$31,042 in 2017, compared to a median for owner households of \$59,375.

## Renter Housing Cost Burden

The American Community Survey includes information on housing costs for renter households. Generally, it is the goal of housing assistance programs to limit housing costs to no more than 30% of household income. This is especially true for lower income households, with limited amounts of income available for discretionary spending. When more than 30% of income is used for housing, this is often defined as a “cost burden”.

The following table examines the percentage of income required by Frazee renter households for monthly housing costs. Information is provided for renter households age 64 and younger, and households age 65 and older.

<b>Table 10 Frazee Renter Household Cost Burden - 2017</b>			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	52	12	64
20% to 29.9%	30	14	44
30% to 34.9%	15	0	15
35% or more	17	15	32
Not Computed	16	5	21
Total	130	46	176

Source: American Community Survey

The American Community Survey estimated that only 176 renter households were present in the City in 2017. This was probably an undercount of 50 or more households. However, it still provides some distribution information for rental housing costs.

Using a standard that 30% of income for housing defines a cost burden, nearly 27% of all renter households in the City were paying a disproportionately large share of their income for housing costs in 2017.

A rental cost burden was more common for senior citizen renters, as nearly 33% of households age 65 and older reported that they were paying 30% or more of their income. Among non-senior renters, approximately 25% were paying 30% or more of their income.

## Owner Housing Cost Burden

The American Community Survey also includes information on housing costs for home owners. The following table examines the percentage of income required by Frazee owner households for monthly housing costs. Information is provided for owner households with and without a mortgage on their home. Percentages are calculated for each column.

Percent of Income for Housing	Households with a Mortgage	Households without a Mortgage	Total
Less than 20%	100	91	191
20% to 29.9%	92	15	107
30% or more	17	13	30
Not Computed	0	0	0
Total	209	119	328

Source: 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 9% of all home owners reported that they paid more than 30% of their income for housing.

Cost-burdened home owners included both households that had a mortgage on their home and people without a mortgage. In these cases, it was generally a low annual income that has caused the cost burden, such as a retiree that lived on a fixed income.

## New Housing Construction Activity

<b>Table 12 Frazee Housing Construction Activity: 2000 to 2019*</b>				
Year	Single Family Detached	Single Family Attached	Multifamily/ Apartments	Total Units
2019*	1	0	0	1
2018	3	0	0	3
2017	2	0	0	2
2016	4	0	0	4
2015	2	0	0	2
2014	2	0	0	2
2013	2	2	0	4
2012	2	0	0	2
2011	2	0	0	2
2010	3	2	0	5
<b>Total 2010-2019</b>	<b>23</b>	<b>4</b>	<b>0</b>	<b>27</b>
2009	1	4	0	5
2008	2	0	0	2
2007	4	0	0	4
2006	2	0	0	2
2005	9	0	0	9
2004	10	0	0	10
2003	1	0	0	1
2002	6	0	0	6
2001	-	-	-	-
2000	-	-	-	-
<b>Total 2000-2009</b>	<b>35</b>	<b>4</b>	<b>0</b>	<b>39</b>

Source: City of Frazee; Census Bureau  
 \*2019 is through April



According to City records and Census Bureau reports, there have been 27 new single family housing units constructed in Frazee between 2010 and 2019. This includes 23 single family detached houses and four units in twin home/duplex structures. Throughout the time period reviewed there were no permits issued for multifamily structures with three or more units per building.

Looking back to the year 2002, permits have been issued for 66 housing units. There were no reports available on the Census Bureau's building permit website for 2000 or 2001, so it is possible that some additional units were built in the early part of that decade, but the lack of reporting is often due to no permit activity.

Since 2010, the City has been averaging between two and three new housing units per year through new construction. However, not all of these represent a net gain in the housing stock, as some of the homes were built on redevelopment sites, where an older house had been removed.

From 2000 to 2009, at least 39 new housing units were constructed. Much of this activity occurred in 2004, when 10 single family houses were constructed. Most of the home building in the 2000s did take place prior to the housing market correction which began to appear in 2007. From 2002 through 2007, the City was averaging more than five new units per year. From 2008 to 2015, the City averaged approximately three new units per year.

### **Age of Housing**

The American Community Survey includes an estimate on the age of housing in Frazee. For all housing units in the City, the estimated median year of construction was 1967.

Owner-occupied housing was older, with a median year of construction in 1957. For renter units, the estimated median year built was 1973.

## **Home Sales**

The Becker County Assessor's Office maintains residential sales records that date back many years. For the following analysis, sales were reviewed for each calendar year, dating back to the year 2005.

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 Becker County Assessor's Office makes the determination of qualified sales for their annual sales ratio study.

In any defined 12-month period, the number of good sales that occur with the City may be limited, and may not 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 look at existing homes. The information maintained by the Assessor is based on the comparison of taxable valuation to actual sales price. Since newly constructed houses do not generally have a prior value, they are not typically included in the sales sample.

The sales records reviewed were for improved residential parcels with less than four units. Some of the structures were identified as having more than one living unit, such as a duplex or a house with an accessory apartment, but the large majority of the sales are single family houses.

The adjusted sale price has been examined. This would reflect any adjustments made by the Assessor's Office for items, such as personal property, which may have been included in the transaction.

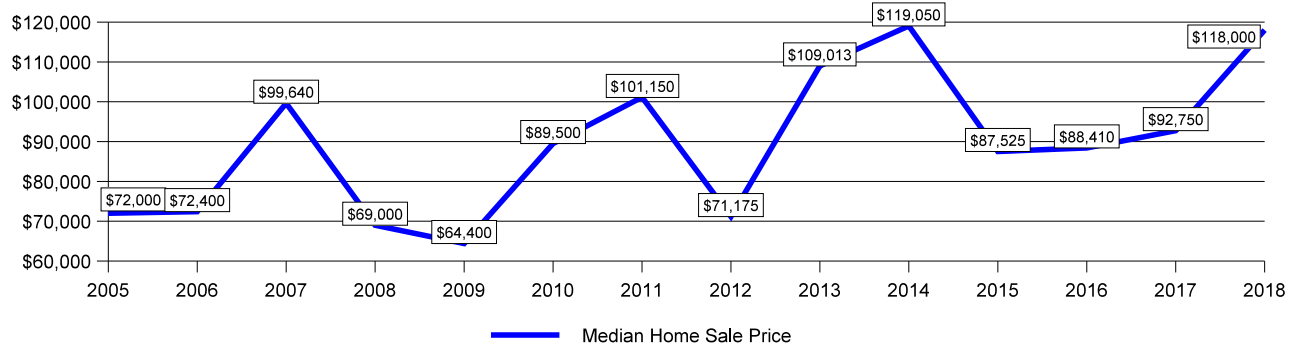
The sales sample was obtained in early May of 2019, and only three qualified sales had been recorded for 2019.

**Table 13 Median Value of Residential Sales - Frazee**

Sales Year	Number of Sales	Median Price	Highest Price	Lowest Price
2019*	3	\$131,000	\$320,000	\$50,000
2018	21	\$118,000	\$201,500	\$27,000
2017	22	\$92,750*	\$147,000	\$13,000
2016	18	\$88,410*	\$343,000	\$43,000
2015	16	\$87,525*	\$202,500	\$57,800
2014	12	\$119,050*	\$187,900	\$22,000
2013	16	\$109,013*	\$285,500	\$7,000
2012	6	\$71,175*	\$146,470	\$15,000
2011	11	\$101,150	\$181,450	\$60,500
2010	9	\$89,500	\$188,000	\$59,000
2009	5	\$64,400	\$123,000	\$51,600
2008	13	\$69,000	\$94,750	\$14,000
2007	17	\$99,640	\$160,000	\$45,253
2006	9	\$72,400	\$121,000	\$34,900
2005	17	\$72,000	\$169,500	\$26,500

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

\* Calculated median from the two closest sales

**Median Home Sale Prices in Frazee: 2005 to 2019**

Since the number of annual home sales can vary widely from year to year, the median price in certain years may not be an accurate reflection of overall values. However, when viewed over a longer period, certain trends emerge.

In Frazee, there can be large year-to-year changes in the median price. But the years with above-average median sales prices are rarely sustained.

Over the past five years, the median sale price was \$118,000 or more in both 2014 and 2018. But in the other three years, the median was below \$93,000. Frazee has a number of older houses as well as some newer construction. In any single year, the number of older homes that sell can vary, which impacts the median. For example, in 2018, when the median price was \$118,000, the median year constructed was 1945. In 2017, when the median sale price was \$92,750, the median year of construction was 1936.

Despite the year-to-year variation in the median price, overall home values in Frazee tend to be relatively moderate. In the 14-year period from 2005 through 2018, the annual median has not reached \$120,000.

The volume of annual qualified sales has also varied, from a low of only 5 sales in 2009 to a high of 22 sales in 2017. The number of good sales was above 20 in both 2017 and 2018.

The table above also provided information of the highest annual sale prices. Over the years reviewed, the highest valued sale was for \$343,000 in 2016. However, there have only been three years when a house has been sold for more than \$250,000.

In each of the years reviewed, at least one house in Frazee has sold for less than \$61,000.

An alternate home value estimate is available from the 2017 American Community Survey. This source places the midpoint owner-occupied house value at \$103,900. This amount was between the sales medians for 2017 and 2018.

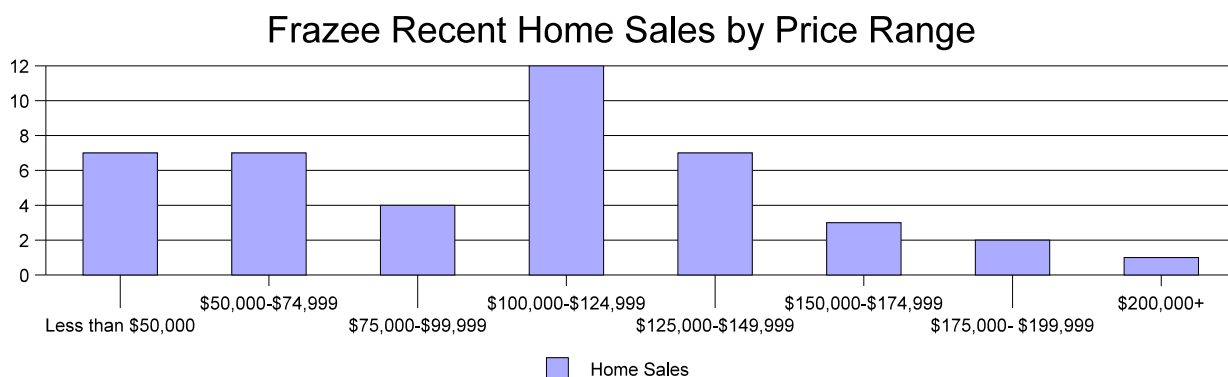
## Home Sales by Price Range

The following table looks at the price distribution of 43 single family houses that sold in Frazee in 2017 and 2018. This information is once again from Becker County's sales records.

<b>Table 14 Home Sales by Price Range: 2017-2018</b>		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	7	16.3%
\$50,000 - \$74,999	7	16.3%
\$75,000 - \$99,999	4	9.3%
\$100,000 - \$124,999	12	27.9%
\$125,000 - \$149,999	7	16.3%
\$150,000 - \$174,999	3	7.0%
\$175,000 - \$199,999	2	4.7%
\$200,000+	1	2.3%
<b>Total</b>	<b>43</b>	<b>100%</b>

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

Most of the sales activity in past 24 months occurred within the low and moderate price ranges, as nearly 70% of the sales were in the ranges below \$125,000. Only 14% of the recent sales were for \$175,000 or more.



## **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 Frazee. On May 9, 2019, there were only three or four homes listed for sale that appeared to be in the City limits.

A number of additional MLS listings appeared to be outside of the city limits of Frazee, but were in the immediate area. The analysts attempted to delete any rural listings, but it is possible that some of the houses in the following analysis are actually outside the city limits.

It is important to note that the active properties in the Multiple Listing Service (MLS) would generally be offered through a real estate agent. There are other properties that are posted for sale in Frazee that would not be part of the MLS, including most homes being offered "for sale by owner".

## **Residential Lots**

There is no definitive listing of all available residential lots in Frazee. However, it is known that lots exist in multiple areas of the City. There have been only a limited number of lots utilized since the 2015 Study was completed.

Most of the vacant lot inventory remains in the Red Willow Heights subdivision, which is still publicly-owned. This area was originally developed in the mid-2000s with 50 single family lots, plus four larger parcels suitable for multifamily construction. Fewer than 30 houses have been built, although some of the vacant lots were sold over time and are privately-owned in 2019. The estimated number of lots owned by the City's EDA is between 15 and 20, with pricing typically between \$8,000 and \$9,000.

A second residential development area in the southwestern portion of the City, known as Lakeview Terrace, also has a number of vacant lots. It is probable that between 15 and 20 lots are vacant, although some of these are not owned by the subdivisions developers, and may not be for sale. Some of the lots in Lakeview Terrace have been used for twin home construction. No pricing information was obtained in this area of the City.

According to City staff, there are additional residential lots in Frazee that are in scattered locations around the community. Some of these may be infill redevelopment parcels where a previous structure has been removed.



## **Rental Housing Data**

### **Census Bureau Inventory**

According to the 2010 Census, the City of Frazee had 227 occupied rental housing units, and at least 24 unoccupied rental units, for a total estimated rental inventory of 251 units. The City's rental tenure rate was 42% in 2010, well above the Statewide rental rate of 27%.

There is little evidence that the tenure pattern in the City has changed much since 2010. The only identified new rental construction in the City is a duplex built in 2010, although only one of these units may be in the rental stock in 2019. Any significant change in the overall rental inventory in Frazee would be due to tenure conversion, if some single family houses that had once been owner-occupied were later changed to rental use.

Although there is no information that indicates the rental inventory has increased, it is very possible that the number of renter-occupancy households has grown. At the time of the 2010 Census, as many as 24 vacant rental housing units were reported. In 2010 a national economic recession was underway. Continued economic improvement through 2019 has probably resulted in more demand for housing, and the vacancies that existed in 2010 are less likely to exist.

### **Rental Registration Data**

The City of Frazee has a rental registration program. In May 2019, there were 226 registered rental units. Although this represents an increase when compared to the registration totals obtained in previous research, the 2019 total is still below the estimated unit count derived from the 2010 Census of approximately 250 units.

According to City staff, units added to the registration program in recent years tend to be single family houses or mobile homes that are offered for rent. In some cases, these units have been converted from owner-occupancy to rental use. In other cases, these represent units that have not been properly registered in the past, but over time have been identified and added to the registration program.

The City also has an annual inspection requirement in place in 2019, focused on health and safety issues. While some units may initially fail this inspection, the corrective actions are generally easy to accomplish, such as the addition of a smoke detector or fire extinguisher.

## **Rental Housing Survey**

In May 2019, a telephone survey was conducted of multifamily rental projects in Frazee. The survey focused on rental properties with four or more units, although some smaller properties were also included.

The table that follows presents information for market rate, tax credit, subsidized, and senior housing with services developments separately.

Surveyed unit totals included:

- ▶ 63 market rate units in multifamily structures
- ▶ 58 market rate units in rental mobile homes
- ▶ 12 moderate rent tax credit units
- ▶ 2 subsidized housing units

The City also has some specialized senior units in assisted living and skilled nursing home facilities which have been examined separately in a later section of this document.

## **Market Rate Summary**

Market rate rental housing in Frazee exists in both multifamily projects, and in single family rentals, including clusters of rented mobile homes in mobile home parks.

Eight market rate multifamily properties were contacted, with a combined 63 rental units. The largest multifamily projects had 24 units, while the smallest had four units.

There were also three mobile home parks that were contacted. Within these parks, 58 mobile homes are used as rental housing.

## **Multifamily Unit Mix**

The specific bedroom breakdown of all the mobile home rentals was not obtained, but nearly all of these are believed to be either two-bedroom or three-bedroom units.

Bedroom mix information was obtained for all 63 units in the multifamily buildings, as follows:

- 1 Bedroom - 9 units (14.3% of market rate multifamily total)
- 2 Bedroom - 52 units (82.5%)
- 3 Bedroom - 2 units (3.2%)

### **Occupancy/Vacancy**

Within the multifamily segment, two vacant units were present of the 63 units surveyed, for a vacancy rate of 3.2%.

Within the mobile home segment, no vacant units were reported at the time of the survey, other than units that were in the process of being repaired.

### **Rent Structure**

The rent structure in Frazee can vary, reflecting the diversity in the housing stock. However, most units are in a moderate rent range. With the exception of the unit in the Rustad Duplex, all of the surveyed two-bedrooms had an estimated gross rent of \$825, or less, including tenant-paid utilities. All of the one-bedrooms had a gross rent of \$650 or less. Most of the three-bedroom inventory exists in mobile homes, and a gross rent of less than \$900 is typical, including an estimate for tenant-paid utilities.

The remaining rental unit in the Rustad duplex probably represents the upper end of the identified rent range in Frazee, although it could not be contacted in 2019. In 2015, the contract rent was \$875, with tenants paying all utilities. The twin home was constructed in 2010 as for-sale units. When they were slow to sell, the developer made the units available as rental housing. One was later sold and one is still offered for rent in 2019. The unit has approximately 1,500 square feet, an attached 2-car garage, and amenities and features typical in a single family home.

## **Tax Credit Summary**

Frazee has one rental project that received federal low income housing tax credits. Maple Avenue Apartments was placed in service in 1997 and operates as income-restricted, moderate rent housing. The project has completed its initial 15-year compliance requirement and in 2012 entered into its extended compliance phase.

## **Unit Mix**

Maple Avenue has 12 units, with nine two-bedroom apartments and three three-bedroom apartments. All 12 units are tax credit assisted, so income limits and rent caps apply. However, in the extended compliance phase existing tenants do not need to be income-certified annually.

## **Occupancy/Vacancy**

According to the property manager, all units were fully occupied at the time of the survey and a short waiting list is maintained.

About 1/3 of the residents had tenant-based rent assistance Vouchers in May 2019.

## **Rental Rates**

The federal tax credit program places maximum rent limitations on assisted units. For 2019, maximum gross rents for older existing units at 60% of median income were as follows:

<u>Bedroom Size</u>	<u>Maximum Allowable Rent</u>
Two-Bedroom	\$1,032
Three-Bedroom	\$1,192

The estimated gross unit rents at Maple Avenue are below \$575 for a two-bedroom, and below \$650 for a three-bedroom apartment. This rent structure is lower than the federal limits set for units at 35% of median income.

The maximum rents allowable at 60% of income under the tax program are above the prevailing rates for most market rate units in Frazee. It is probable that in order to stay competitive with other rental projects in the City, the tax credit units charge rents that are well below the maximum federal limits. Tax credit projects also have income restrictions that apply, which reduces the potential tenant base, also requiring a lower rent structure to remain competitive.

The Maple Avenue Apartments project is also owned and managed by a nonprofit housing agency, and serves a mission of providing affordable housing.

## **Subsidized Summary**

In 2019, Frazee has only one remaining rental project that provides subsidized rental housing, and this only represents two HUD Public Housing units.

There had previously been another project, Rivercrest Apartments, but this completed its affordable housing requirements in 2016 and was converted to traditional market rate housing. Rivercrest had been subsidized through USDA Rural Development and had 24 affordable units.

At the time of opt-out, most of the tenants were offered some form of rent assistance, although some of this was only guaranteed for 12 months. All tenants were advised to apply for the HUD Voucher Program, to gain access to tenant-based Vouchers. When contacted, approximately seven of the tenants in Rivercrest had some form of Voucher assistance, either through the mitigation efforts or the County Voucher Program.

## **Unit Mix**

The HUD Public Housing units in Frazee both have three bedrooms in scattered site houses.

## **Occupancy / Vacancy**

There were no unoccupied units reported on the date of the survey. The waiting list for the Public Housing units is not necessarily site-specific to Frazee. Applicants are placed on a waiting list for any of the Public Housing that exists in Becker County.

## **Rental Rates**

The Public Housing units have access to operating subsidies, allowing tenants to pay rent based on 30% of income.

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

In addition to the Public Housing units with project-based rent subsidies, Frazee also has 31 households being assisted with HUD Housing Choice Vouchers. Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts. The rent assistance is administered by the MMCDC for the Becker County EDA.

Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month. In 2019, there are 63 County households outside of Detroit Lakes using Vouchers, with nearly half of these living in Frazee.

When tenant-based rent assistance is combined with the Public Housing, there are 33 households with access to some form of subsidized housing. This probably represents between 13% and 15% of all renter households in the City.

<b>Table 15 Frazee Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Occupancy Type</b>	<b>Comments</b>
<b>Market Rate</b>					
Rivercrest Apartments 101-103 Rivercrest Dr	2 - 1 Bedroom <u>22 - 2 Bedroom</u> 24 Total Units	\$550 \$675 +heat, electric	No vacant units	Mix of tenants	Formerly a USDA Rural Development project that converted to market rate housing in 2016/17 when mortgage was paid off. Two buildings with 12 units each constructed in 1977. Buildings are 3-level split entry without elevator - main floor units do not require stairs and are popular with seniors/disabled tenants. Some tenants may have been provided with temporary rent assistance but all tenants were encouraged to apply for HUD Vouchers through County HRA. In 2019, approximately 4 RD tenants remain, due to ongoing turnover, with 3 additional Vouchers also being used. Amenities include AC, community laundry, off-street parking and garage for extra fee. Tenants pay heat (electric) and electricity in addition to rent. Owner reports full occupancy and good demand. A mix of tenants reported including seniors, disabled and working-age.
Baer Building Lake St and Main Ave	2 - 1 Bedroom <u>6 - 2 Bedroom</u> 8 Total Units	N/A +heat, electric	N/A	N/A	Unable to contact in 2019 - information presented is from prior surveys. Rental units on upper level of downtown commercial building that dates to approximately 1900. Rental units were probably created in the 1980s. Rent includes water, sewer, hot water and garbage, with tenant paying gas heat and electric. Units are described as average size with 1 bathroom. Coin laundry and off-street parking available.
Feldt's Main 112 E Main	2 - 2 Bedroom <u>2 - 3 Bedroom</u> 4 Total Units	\$750 \$650 includes utilities	No vacant units	Mix of tenants	Former boarding house from the 1930s that was converted into apartments in the 1970s, and remodeled in 2018. Tenants pay electric but other utilities included in rent; free laundry facilities. Manager reports a mix of tenants, including families with children and retirees. All units were occupied on date of survey and stable tenants with little unit turnover. Rents have increased by \$150 from 2015 survey.



<b>Table 15 Frazee Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Occupancy Type</b>	<b>Comments</b>
<b>Market Rate</b>					
115 N Lake St	1 - 1 Bedroom <u>3 - 2 Bedroom</u> 4 Total Units	\$500 \$750	2 vacant units	Mix of tenants	Only limited information provided by property manager. Four unit apartment building. Rent includes heat but tenant pays electric. Two units were vacant at time of survey due to turnover. No comparable rent information available from 2015.
107, 108, 110 N Lake St 218-334-2252	4 - 1 Bedroom <u>1 - 2 Bedroom</u> 5 Total Units	\$600 \$750	No vacant units	Mix of tenants	Five rental units in older downtown buildings originally constructed for commercial use and later converted to housing. Some units are ground level and others are upper floors. Rent includes all utilities. Owner reported full occupancy and good demand - many inquiries are looking for more bedrooms. A mix of tenants including seniors and working age people. No comparable rent information from 2015.
201 E Main 218-334-2380	<u>4 - 2 Bedroom</u> 4 Total Units	\$500 +electric	No vacant units	Mix of tenants	Former creamery building from the 1920s that was converted into mixed-use commercial and residential building in the 1990s. Rental units are on upper floor and accessed by stairs. Rent includes heat, central AC, water, sewer and garbage, with tenant paying electric. Amenities include coin laundry and off-street parking. Units are estimated at 900 sq ft with 1 bathroom. Owner reported full occupancy but finding tenants that can pass screening can be difficult at times. Mix of tenants reported. Rents have increased by \$25 from 2015.
701 W Ash	<u>4 - 2 Bedroom</u> 4 Total Units	\$625 +heat, electric	No vacant units	Mix of tenants	Town house-style rental units constructed in the late 1990s. Units are 2-level with bedrooms and bathroom upstairs. Garage parking, water, sewer and garbage included in rent, with tenant paying heat (gas) and electricity. Amenities include stove, refrigerator, dishwasher, AC and in-unit laundry hookup. Sq ft not available but all units have 1 bathroom. Mix of tenants reported. Manager reported full occupancy. Rents have increased by \$50 from 2015.

<b>Table 15 Frazee Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Occupancy Type</b>	<b>Comments</b>
<b>Market Rate</b>					
Royer Apartments 201 W Cedar	<u>6 - 2 Bedroom</u> 6 Total Units	\$550 +heat, electric	No vacant units	Mix of tenants	Split-level apartment building constructed in 1979 - all units require stairs. Rent includes water, sewer, garbage and cable, with tenant paying heat (electric) and electricity. Amenities include stove, refrigerator, wall AC and detached garage. Most tenants are working age, with some working in Frazee and others commuting for employment. No vacant units at time of survey, but open units can be difficult to fill due to tenant screening. Rents have increased by \$5 from 2015.
Rustad Duplex	<u>1 - 2 Bedroom</u> 1 Total Units	N/A +utilities	N/A	N/A	Unable to contact in 2019 - information presented is from prior survey. One half of a twin home that completed construction in 2010 - units were originally listed for sale, but then were made available for rental. One half has since sold and the other still used for rental. Tenants pay all utilities in addition to rent. Units are one-level with attached two car garage. Amenities include all appliances including dishwasher, microwave and disposal. One unit has laundry and the other has hookup. Units have approximately 1500 sq ft and 2 bathrooms.
601 2 <sup>nd</sup> St SW	<u>1 - 1 Bedroom</u> <u>3 - 2 Bedroom</u> 4 Total Units	\$495 \$515-\$545 +electric	No vacant units	Mix of tenants	Apartment building constructed in the 1960s. Rent includes heat, hot water, water, sewer and garbage, with tenant paying electric. Amenities include stove (gas), refrigerator, coin laundry facilities and off-street parking. Owner reports a general mix of tenants. Full occupancy reported - 1 year lease required which helps limit turnover. Owner does tenant screening and many applicants in recent years are rejected for poor rental or credit histories. One-bedroom rents have increased by \$20 and 2-bedrooms by \$0-\$10 from 2015.

<b>Table 15 Frazee Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Occupancy Type</b>	<b>Comments</b>
<b>Market Rate</b>					
Senior Villas	1 - 1 Bedroom <u>7 - 2 Bedroom</u> 8 Total Units	\$455 \$568-\$708 +electric	No vacant units, waiting list	Senior-designated independent housing	Rental units constructed in 1999 by the Frazee EDA and later sold to the Frazee Care Center. Independent, market rate housing for seniors, defined as age 55 and older. Units are in one-level building with detached garage parking. Rent includes heat, water, sewer, garbage and maintenance, with tenant paying electric, cable and phone. All units have 1 bathroom. Community laundry available and affiliation with the care center provides access to activities. Full occupancy reported with a long waiting list, but limited unit turnover. Higher rent for 2-bedrooms reflect second occupant. Rents have increased slightly from 2015 survey.

<b>Table 15 Frazee Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Occupancy Type</b>	<b>Comments</b>
<b>Mobile Home Rentals</b>					
Albertson Lake Mobile Home Community	2 - 2 Bedroom <u>16 - 3 Bedroom</u> 18 Units	\$550-\$650 \$650-\$700 +gas, electric	Some units vacant for repairs	Mix of tenants	Mobile home park with 31 total lots and 29 mobile homes - 11 are privately-owned and 18 are owned by park and used as rentals. Rent includes lot, sewer, water and garbage, with tenant paying gas and electric. Owner reports a mix of tenants including people that work in Frazee, Perham and Detroit Lakes. A few units were intentionally vacant at time of survey for repairs - while demand is good many applicants cannot pass screening standards. Rents are approximate based on size, condition and age but higher rents are for refurbished units. Rents are up by \$100 to \$200 from 2015 survey.
Feldt's Trailer Court 515 Main Ave E 218-334-5063	2 Bedroom <u>3 Bedroom</u> 22 Total Units	\$600 \$675-\$725 +heat, electric	No vacant units	Mix of tenants including families	Mobile home park with 33 total lots and 31 mobile homes - 9 are owner-occupied and 22 are rentals. Rent includes sewer, water and garbage, with tenant paying gas and electric. Manager reports a general mix of tenants, but many are working age and commute as far as Fargo for employment. All units occupied at time of survey and good demand. Some 3-bedrooms have 2 bathrooms and are at higher rent listed. Rents have increased by \$125-\$150 from 2015 survey.
Town Lake Estates 612 2 <sup>nd</sup> St SE 218-334-5063	2 Bedroom <u>3 Bedroom</u> 18 Total Units	\$600 \$675-\$725 +heat, electric	No vacant units	Mix of tenants with many older households	Mobile home park with 21 total lots and 20 mobile homes - 2 are owner-occupied and 18 are rentals. Rent includes sewer, water and garbage, with tenant paying gas and electric. Manager reports a general mix of tenants, but many are older tenants. Working-age tenants primarily commute for employment, with some as far as Fargo. No units vacant at time of survey and good demand. Some 3-bedrooms have 2 bathrooms and are at higher rent listed. Rents have increased by \$125-\$150 from 2015 survey.

<b>Table 15 Frazee Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Occupancy Type</b>	<b>Comments</b>
<b>Tax Credit/Moderate Rent</b>					
Maple Avenue Apartments 401 W Maple Ave	9 - 2 Bedroom <u>3 - 3 Bedroom</u> 12 Total Units	\$515 \$580 +electric	No vacant units, waiting list	All units designated for households below 60% of median	Apartments constructed in 1997 using low income housing tax credits. Project entered extended compliance in 2012. All units serve households at or below 60% of median income. Rent includes heat, water, sewer and garbage, with tenant paying electric. Manager reported full occupancy and a short waiting list. Approx. 1/3 of tenants use Vouchers. Rents have increased by \$40 from 2015 survey.
<b>Subsidized</b>					
Public Housing Scattered Site	<u>2 - 3 Bedroom</u> 2 Total Units	\$753 30% of income	No vacant units, waiting list	General occupancy	HUD Public Housing units in two single family houses. Project-based assistance allows tenants to pay rent based on 30% of income up to flat rent listed. Fully occupancy reported and a waiting list exists for Public Housing options in Becker County, but not site-specific for individual communities.
Section 8 Housing Choice Vouchers	31 households in Frazee	30% of income	N/A	N/A	Formerly the Section 8 Existing Program, HUD Housing Choice Vouchers provide tenant-based rent assistance that can be used in any suitable rental unit. Tenant rent contribution is based on 30% of income, with the assistance program paying additional subsidy. In May 2019, 31 households in Frazee were participating in the Becker County program. Program has 63 Vouchers in use for areas outside of Detroit Lakes with nearly half of these in Frazee. Waiting list exists with 61 households that meet preferences.

Source: Community Partners Research, Inc.

## **Senior Housing with Services Summary**

### **Unit Inventory**

As used in this Study, senior housing with services defines a housing project where the basic monthly rent amount is either inclusive of certain service offerings, such as a daily meal or weekly housekeeping, or these services are readily available, even if purchased separately.

There are two State-licensed providers of senior housing with services in the City of Frazee. The City has a skilled nursing facility, Frazee Care Center, and an assisted living project, Frazee Assisted Living. These two projects are affiliated, and the campus also includes the Senior Villas, eight independent living apartment units. The Senior Villas are for independent living, and are not State-licensed as a housing with services provider.

### **Light Services/Congregate Senior Housing**

There are no housing projects in Frazee that specifically address the lighter care segment of the senior market, by offering services such as a daily meal, laundry and light housekeeping.

The Frazee Care Center complex does include eight units of independent senior housing that is located across the street from the Care Center/Assisted Living facilities. While residents do not receive services, this project can serve as an initial step to seniors that may someday move into one of the higher levels of care offered in Frazee. It would be possible for residents of the Senior Villas to privately contract with a home health care agency to purchase these types of services.

The Senior Villas were originally constructed in the late 1990s by the Frazee EDA and then later sold to the Care Center. These units have a very moderate rent structure and have a high rate of occupancy with limited turnover. In both 2015 and 2019, a waiting list for occupancy was reported.

## **Assisted Living**

Assisted living providers are able to offer a high level of care and services for their senior residents. Although some facilities will offer a bundled package of services with the monthly rent, and others will sell the services “a la carte”, the assisted living providers are able to offer a significant assistance with daily living activities. Assisted living will have 24-hour on-site staffing, and the availability of skilled nursing. All meals are available, as well as the ability to assist with medications.

### **Unit Inventory**

Frazeo has one provider of senior assisted living. Frazeo Assisted Living has 19 efficiency apartment units. The units have a private bathroom, and a small refrigerator and kitchen cupboards.

The facility is connected to the Frazeo Care Center skilled nursing home, and is affiliated with Vergas Assisted Living in the neighboring community of Vergas, which has 15 similar efficiency apartments.

### **Occupancy/Vacancy**

Frazeo Assisted Living reported a high rate of occupancy, with a waiting list. Ongoing turnover in frail elderly units can result in some periods of vacancy while a new resident prepares to move in, but the facility indicated that they are typically full. Vergas has had a similar occupancy pattern.

### **Rental Rates**

Rental rates for assisted living can vary widely depending on the actual level of services provided in the basic room and care package. In Frazeo Assisted Living, tenants pay a monthly rent and then add a service package, which results in typical total price of \$2,400 or more depending on services needed. All meals, laundry, light housekeeping and 24-hour staffing provided.

Frazeo Assisted Living does accept residents with County Elderly Waiver assistance or similar public programs. Some assisted living facilities will not accept residents on County assistance because of the low reimbursement rate. In other assisted living facilities, the number of assisted residents may be capped, or restricted to existing private-pay residents who have later depleted their financial resources. The assisted living projects in Frazeo and Vergas do not cap the use of County assistance programs.

## **Skilled Nursing Homes**

Skilled nursing homes have historically represented the most service-intensive form of senior housing. This segment of the market has been in transition, however, as other forms of senior housing, such as assisted living, have grown in availability and become the preferred option for many seniors.

Telephone interviews with administrators of nursing homes in Minnesota have highlighted the fact that nursing home residents are staying for shorter periods of time, and many nursing homes have designated a significant share of their beds for other uses, including short-term/rehabilitation stays.

### **Unit Inventory**

There is one State-licensed skilled nursing home in the City. Frazee Care Center is licensed for 60 beds in 2019, down from 74 beds at the time of the 2015 Study. This facility had once been licensed for 104 beds, but has gradually downsized over time. The reduction in licensed beds has allowed for more rooms to be offered as private occupancy.

In 2015, the downsizing was partially attributed to the difficulty of maintaining adequate staffing. The facility can provide heavy care levels but needs adequate staff ratios, which have been difficult to maintain, given a shortage of staff. In 2019, with licensing down to 60 beds, staffing concerns appear to be less of an issue.

Ten beds in one wing are set-aside for transitional care stays, but the facility can also be flexible and adjust the bed utilization as needed. There is no dedicated area for memory loss residents but the facility does have wander-guard system for people that may have memory issues.

### **Occupancy/Vacancy**

In 2019, typical bed utilization was reported in the high 40s, but this can change due to demand and turnover.

### **Rental Rates**

No information was collected on daily rates. Rates are generally impacted by State policy of reimbursement.



## **Senior Demographics and Market Share**

Housing with services projects can attract seniors of any age, but typically have the greatest utilization by older seniors. To better analyze the market share for the various forms of housing in Frazee, Community Partners Research has compared the supply of various types of units to demographic data for older seniors, age 75 and above, residing in the defined Market Area. This Market Area includes the City of Frazee along with seven nearby townships.

The analysts recognize that the potential market area for specialized senior housing in Frazee may extend beyond this defined area. However, other nearby cities also offer specialized senior housing, including Detroit Lakes, Perham and Vergas. In Detroit Lakes and Perham, hospitals also exist, along with larger senior care campuses, that can offer a range of housing with services options.

Utilization and occupancy rates in these neighboring cities are generally very high, and it can be argued that unmet demand does exist in the larger region. While this may be true at any specific point in time, the analysts recognize that the larger communities of Detroit Lakes and Perham are preferred locations for specialized senior housing, and that future projects are likely to advance to development in response to unmet need.

As a result of the competition that exists from other communities in the immediate area, the recommendations made in this Study have primarily focused on the locally-generated demand from the Frazee Market Area.

### **Senior Demographic Estimates**

The Market Area does provide a reference for comparative information, including the expected age patterns over the next five years. At the time of the 2010 Census, there were 958 senior citizens (age 65+) living in the Frazee Market Area, including 381 people age 75 or older. There were 59 residents identified in group quarters, which would have been the Frazee Care Center.

Esri has generated 2018 demographic estimates, including population by age. These estimates showed 1,300 senior citizens, age 65 and older, including 474 older seniors, age 75 and above. Through the first eight years of the current decade, the total senior population has increased by nearly 36%, although the older senior population had increased by only 24.4%. Most of the senior growth has been in the younger ranges, between 65 and 74 years old.

## **Senior Households**

For senior-headed households, there were 593 households in the Market Area that had a householder age 65 or older at the time of the 2010 Census. Of these households, 246 had a householder age 75 or older.

By 2018, the number of senior-headed households had increased by 184 households according to Esri, or 31%. For older seniors, age 75 and above, there was an increase of 54 total households between 2010 and 2018, or growth of 19.2%.

It is important to note that the demographic statistics would include seniors already residing in senior housing, including the Frazee Care Center and Assisted Living facilities. Adjustments to the senior population and the number of senior-headed households will be made for each of the different housing types reviewed. For example, when examining the seniors that form a potential market for assisted living unit, it is necessary to subtract the seniors that already reside in more service intensive housing, such as nursing homes.

## **Senior Demographic Projections**

Esri has also generated projection data, which have been reviewed by the analysts. For the Market Area aggregation, the age-based forecasts from Esri would point to net growth of approximately 110 older senior citizens, age 75 and above, between 2018 and 2023. For households, growth of between 60 and 65 older senior households is projected through the year 2023 in the Frazee Market Area.

More substantial numeric growth is projected in the number of younger seniors, between the ages of 65 and 74 years old. Longer-term, this group will represent additional market potential for specialized senior housing. But through the year 2023, this Study has focused on seniors age 75 and older.

## **Market Share**

### **Skilled Nursing Beds**

In Frazee, 50 of the nursing home beds are offered for longer-term stays, with the remaining 10 beds oriented to transitional care stays. Over time, this facility has gradually de-licensed beds, and since 2015, has added the transitional care wing. As a result, the number of people using the Care Center as a permanent residence has continued to decrease.

Bed utilization can vary, but an assumption has been made that approximately 40 to 45 beds are typically being occupied by longer-term nursing home residents. However, there are as many as 50 long-term beds available. When compared to the estimated population of older seniors in Market Area in 2018, the total supply of longer-term nursing home beds would require a capture rate of approximately 10.5% of the total population of older seniors age 75+.

Although the required capture rate for the skilled nursing beds in Frazee is still relatively high, this percentage has dropped over time. The de-licensing of beds combined with growth in the target market has continued to decrease the percentage required to fill the available beds. De-licensing has also allowed for more single occupancy rooms, which makes the beds more marketable. Despite these improvements, the Frazee Care Center did have some unused capacity when contacted in the 2019 survey.

While calculations have been performed on the market share for nursing homes, there has been a long-standing moratorium on adding beds, and any new nursing home facilities are typically limited to replacing existing beds, rather than adding to the total inventory. As a result, no additional capture by nursing homes would be expected in the future. Instead, it is possible that the supply of longer-term occupancy beds may continue to decrease.

### **Assisted Living**

When examining market demand for assisted living, the supply of units has been compared to the number of older senior households. Older seniors living in some other intensive form of senior housing, such as nursing homes, would not be counted as a household by the Census Bureau or in the Esri data.

In the Frazee Market Area there are approximately 300 older senior households, age 75 and above, that are estimated to be present in 2018. This group has been growing somewhat since 2010, based on aging patterns for the area, and should continue to grow by approximately 12 to 13 additional households per year through the year 2023.

There are 19 efficiency assisted living apartments available in Frazee Assisted Living. At the time of the 2010 Census, a capture rate of approximately 7.7% of all older senior households would have been required to maintain full occupancy. In 2018, based on the Esri estimates, this percentage would have dropped to approximately 6.3%. By 2023, a capture rate of only 5.2% would be needed, based on the current unit inventory.

In 2019, Frazee Assisted Living reported a high rate of occupancy and a waiting list. As the area's population of older seniors continues to grow in the foreseeable future, the occupancy rate in the facility should remain strong.

Frazee Assisted Living does accept seniors receiving County assistance programs, including Elderly Waiver. The use of this assistance is not capped. Due to the reimbursement rates, some assisted living providers are private-pay only, or will limit the number of residents that use assistance programs. The willingness in Frazee to accept lower income seniors with public assistance probably contributes to the high occupancy rate being reported.

**Table 16 Frazee Senior Housing with Services Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Senior Villas	1 - 1 Bedroom 7 - 2 Bedroom 8 Total Units	\$455 \$568-\$708 +electric	No vacant units, waiting list	Senior-designated independent housing	Rental units constructed in 1999 by the Frazee EDA and later sold to the Frazee Care Center. Independent, market rate housing for seniors, defined as age 55 and older. Units are in one-level building with detached garage parking. Rent includes heat, water, sewer, garbage and maintenance, with tenant paying electric, cable and phone. All units have 1 bathroom. Community laundry available and affiliation with the care center provides access to activities. Full occupancy reported with a long waiting list, but limited unit turnover. Higher rent for 2-bedrooms reflect second occupant. Rents have increased slightly from 2015 survey.
Frazee Assisted Living	19 - Efficiency 19 Total Units	\$2400+ depending on level of services	Typically full with a waiting list	Assisted Living	Senior assisted living project that is affiliated with the Frazee Care Center. Units are efficiency apartments with large accessible bathrooms. A small refrigerator and cupboards are provided. Tenants pay monthly rent and then adds a service package which results in typical total price of \$2,400 or more depending on services needed. All meals, laundry, light housekeeping and 24-hour staffing provided. Project generally has a high rate of occupancy and a waiting list. County Elderly Waiver assistance is accepted and use is not capped.
Frazee Care Center	licensed for 60 beds	N/A	Between 45 and 50 beds typically occupied	Skilled nursing home	Skilled nursing home constructed in 1971 and physically attached to Frazee Assisted Living and affiliated with the Senior Villas independent housing. Facility had once been licensed for 102 beds, but gradual de-licensing has occurred and now with 60 beds - this has allowed for more private occupancy rooms. One wing with 10 beds is set-aside for transitional care stays. Facility does have wander-guard system for people with memory loss. The facility can provide very specialized ventilator care, which may help to attract some residents from a larger geographic area. Typically between 45 and 50 beds are occupied. Facility can provide heavy care levels but needs adequate staff ratios.

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

There are jobs available within Frazee, as well as large employment centers within a reasonable commuting distance of the City. Detroit Lakes, Perham and New York Kills are all within 25 miles of Frazee. A longer drive, of an hour or more, would be required to reach the Fargo-Moorhead area.

## Labor Force, Work Force and Unemployment

The Minnesota Department of Employment and Economic Development provides labor force and employment information at the County level for all of Becker County. Due to the size of the community, similar information is not available specifically for Frazee. The following table looks at information for the County since 2010. This data tracks County residents by where they live, regardless of the location of their employment.

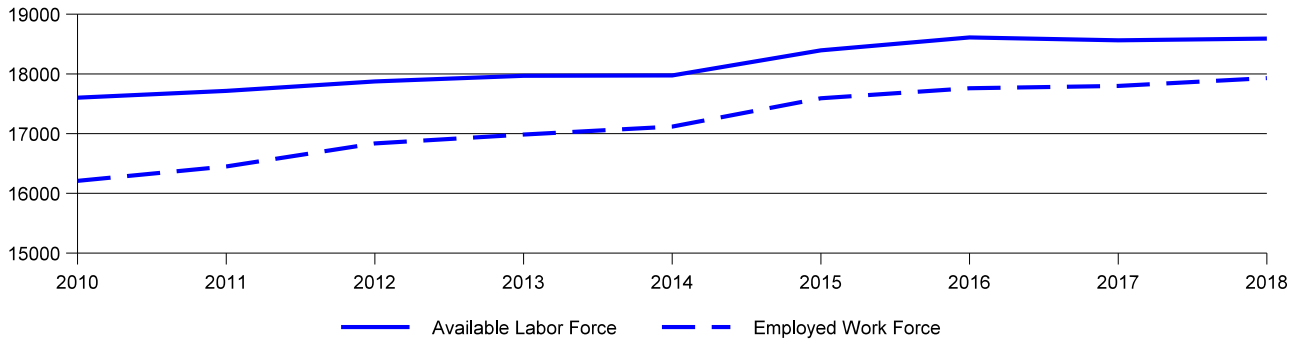
<b>Table 17 Becker County Labor Statistics: 2010 to 2018</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2010	17,602	16,210	1,392	7.9%	7.4%	9.6%
2011	17,715	16,451	1,264	7.1%	6.5%	8.9%
2012	17,873	16,836	1,037	5.8%	5.6%	8.1%
2013	17,969	16,985	984	5.5%	5.0%	7.4%
2014	17,973	17,117	856	4.8%	4.2%	6.2%
2015	18,395	17,593	802	4.4%	3.7%	5.3%
2016	18,610	17,760	850	4.6%	3.9%	4.9%
2017	18,562	17,799	763	4.1%	3.4%	4.4%
2018	18,591	17,930	661	3.6%	2.9%	3.9%

Source: MN Department of Employment and Economic Development

There has been growth in the size of the County’s available labor force over the current decade. When comparing 2018 to 2010, the available resident labor force increased by nearly 1,000 people, or 5.6%.

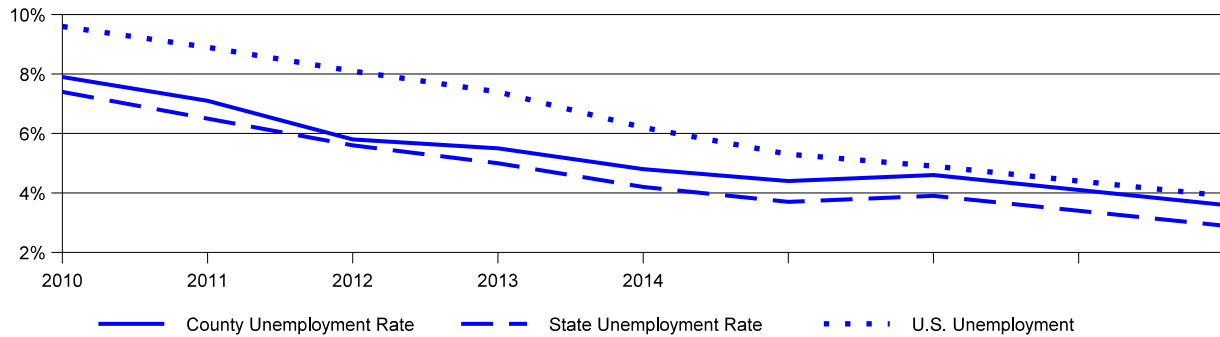
The County’s employed work force has also increased in size. From 2010 through 2018, the number of employed County residents increased by more than 1,700 people, or 10.6%. With greater growth in employment than in labor force, the County’s unemployment rate has dropped through the decade, and was at 3.6% in 2018.

### Becker County Labor Force and Employed Work Force



Despite the downward movement in the County’s unemployment rate, it has remained above the Statewide rate throughout the current decade. However, the County’s rate has been consistently below the national average.

### Becker County Annual Unemployment Rate: 2010 to 2018





## **Employment and Wages by Industry**

The following table shows the annual employment and average annual wages by major employment sector for 2018, the last full year of data. Because of the size of the community, only a few industry sectors are listed.

The table only provides information for the City of Frazee. The previous table, which provided information on the County’s labor force, represents the location of the worker by their home residence. The following table, represents the location of the job.

<b>Table 18 Frazee Average Annual Wages by Industry - 2018</b>		
Industry	Employment	Average Annual Wage
Total All Industry	237	\$24,544
Trade, Transportation, Utilities	83	\$24,908
Leisure and Hospitality	16	\$10,227
Public Administration	25	\$27,040

Source: MN Department of Employment and Economic Development

Due to the limited number of covered workers in the City, the detailed reporting on industry sectors showed only three groups. Trade, Transportation and Utilities was the dominant industry sector, representing more than 35% of all covered employment in the City. The average annual wage in Frazee for all industry in 2018 was \$24,544.

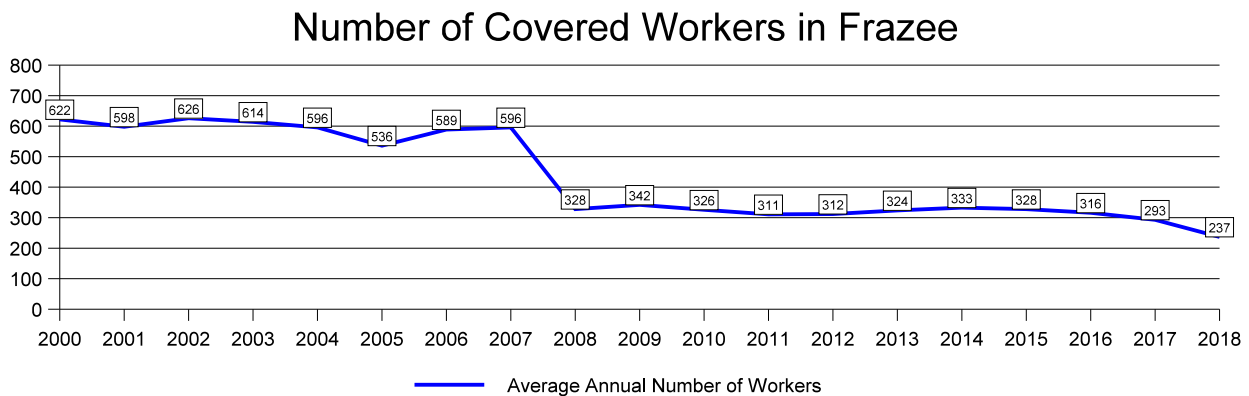
It should be noted that the average wages in Frazee tend to be low. For all of Becker County in 2018, the average annual wage for all employment was approximately \$38,600.

## Frazee 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 in the employment level. The following table displays the total number of workers reported in Frazee back to the year 2000.

<b>Table 19 Frazee Average Annual Employment</b>			
Year	Total Covered Employment	Year	Total Covered Employment
-	-	2009	342
2000	622	2010	326
2001	598	2011	311
2002	626	2012	312
2003	614	2013	324
2004	596	2014	333
2005	536	2015	328
2006	589	2016	316
2007	596	2017	293
2008	328	2018	237

Source: QCEW - MN Department of Employment and Economic Development



The number of covered workers reported in Frazee has continued to drop over time. Much of the reduction occurred between 2007 and 2008, but some decrease has also happened in the past two years.

Past research has been unable to specifically define the cause of the large employment reduction from 2007 to 2008. It would therefore appear that this may be a reporting issue. For example, some positions in the City at both the school and the skilled nursing home may have been contracted to an outside service provider around this time, and it is possible that these positions were reported by a different entity and were no longer attributed to Frazee.

Although job reductions within the City are not desirable, many residents actually commute out of Frazee for employment, as will be detailed in the next section.

## Commuting Patterns of Area Workers

While a number of jobs exist within Frazee, most City residents commute for employment. The best information on commuting patterns is from the 2017 American Community Survey, and has been examined for the City. The first table only examines travel time for City residents, and excludes people that work at home.

<b>Table 20 Commuting Times for Frazee Residents - 2017</b>		
Travel Time	Number	Percent
Less than 10 minute	90	15.8%
10 to 19 minutes	244	42.7%
20 to 29 minutes	121	21.2%
30 minutes +	116	20.3%
Total	571	100%

Source: American Community Survey

Based on travel time, it would appear that the large majority of Frazee residents were leaving the City for employment in 2017. Given the City’s size, a travel time of 9 minutes or less would be required to reach the job options that exist within the community. However, more than 84% of the City’s residents were traveling 10 minutes or more for employment. More than 41% were actually traveling 20 minutes or more.

Travel times are also listed by location of employment. For people that worked in Frazee, the following travel times were identified.

<b>Table 21 Commuting Times for Frazee Employees - 2017</b>		
Travel Time	Number	Percent
Less than 10 minutes	147	20.1%
10 to 19 minutes	216	29.6%
20 to 29 minutes	224	30.7%
30 minutes +	143	19.6%
Total	730	100%

Source: American Community Survey

It is important to note that the American Community Survey estimate shows substantially more people working in Frazee than reported by other sources, including the QCEW data. Since the American Community Survey is based on sampling, there is a margin of error that applies to each estimate.

Many of the people that worked in Frazee in 2017 lived within the immediate area, as nearly 50% had a travel time of less than 20 minutes. This would include people that both lived and worked in Frazee. However, nearly 20% of people employed in Frazee had a commute time of 30 minutes or more.

## Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is also based on reports for the year 2015, but provides a further breakdown of worker movement patterns.

According to the report for Frazee, there were 261 people that were employed within the city limits in 2015. Only 24 of these Frazee-based employees actually lived within the City. The remaining 237 employees lived outside the City limits. The primary identified jurisdictions supplying workers to the City were Erie Township, Detroit Lakes, Burlington Township and Lake View Township.

Conversely, most Frazee residents left their home community to work elsewhere. In 2015, more than 96% of the City's employed residents actually worked outside the city limits. Among the locations listed for outbound commuters were Detroit Lakes, Detroit Township, Perham and Fargo. Excluding people that both lived and worked in Frazee, approximately 47% of Frazee's employed residents were working in Detroit Lakes.



# **Findings and Recommendations**

## **Overview**

The Housing Study completed by Community Partners Research in 2015 had provided information on demographic and housing market conditions for Frazee and the surrounding area. This 2019 Update has followed the format of the original document but has provided the newest information of demographic and growth patterns as well as housing market conditions.

Prior to addressing the specific housing recommendations, some summary information has once again been presented, based of the details in the previous demographic, existing housing and employment sections contained in earlier sections of this document.

## **Growth Trends Summary**

The Demographic section of this report has presented information on the current estimates for the City and the surrounding area, referred to as the Frazee Market Area. In general terms, Frazee has experienced some past growth in population and households, but the level of growth has been moderate, especially over the last few years.

Some slightly different recent estimates exist, but from 2010 through 2018, it is probable that Frazee has been adding an average of approximately four to six new households per year. This estimated level of growth is greater than the actual number of housing units that have been added through new construction. Part of the growth in households is the result of some vacant housing that had existed in 2010 being occupied through the course of the current decade.

While occupancy of formerly vacant housing has helped the City to grow in the recent past, adding households in the future will be more dependent upon the expansion of the overall housing supply. Since 2010, the City has been averaging approximately three housing units per year through new construction. However, some housing losses have also occurred during this time, and the net growth in the housing stock has been less than three units per year.

There has probably been a greater level of household growth in the aggregated jurisdictions that form the Frazee Market Area, which includes nearby townships. Once again, there is some difference in the recent estimates, but the entire Market Area has been averaging between 17 and 20 new households per year since 2010. This would include the estimated growth within the City of Frazee, but most of the area's net growth has been located outside the City limits.

There is no available information on housing construction activity in the rural townships. However, the area around Frazee has historically contained a large number of seasonal/recreational housing units. Some of the permanent household growth in the townships may be due to the conversion of seasonal use housing into occupancy by permanent year-round residents. The availability of attractive rural and lake front locations has helped to attract and retain households, including retirees.

## **Growth Projections Summary**

A primary method for projecting future household growth is based on the continuation of past trends and patterns. For both Frazee and the Market Area, a relatively consistent annual average growth pattern has existed since the year 2000. As a result, a similar expectation has generally been applied for growth going forward.

According to Esri's projection for the year 2023 for Frazee, average annual growth of approximately six households per year would be expected. For the entire Market Area, including Frazee, an approximate average of 20 households per year is being projected.

It is certainly possible that actual growth may be above or below these levels. It is also probable that annual growth will not be linear, and that individual years will not match the five-year average. But these forecasts do form a reasonable basis for projecting housing unit needs caused by household growth. Additional demand-generators will also impact housing needs, including unit replacement and the need for certain types or styles of housing that are not being adequately supplied within the area.



## **Summary of Growth Projections by Age Group**

The Demographic section of this Study presented projection information on anticipated changes by age group over the next few years. This information can be informative in determining the changes that will be expected due to age patterns of the area population.

In general terms, most of the projected net growth between 2018 and 2023 will occur among people age 65 and older. In 2010, approximately 25% of all households in the Frazee Market Area had a head of household that was age 65 or older. By 2018, these senior-headed households represented nearly 31% of all households. By 2023, the Esri projections indicate that more than 35% of all households in the Market Area will be headed by a person age 65 or older.

The largest age-based changes will occur in the specific age group between 65 and 74 years old. This would reflect many of the “baby boomers”, nearly all of whom will be age 60 or older by the year 2020. Some growth is also expected in the number of older senior citizen households (age 75+) over the next five years.

Some minor growth is projected within select younger 10-year age groups, but overall, there will probably be a small net reduction in the number of households age 64 or younger living in the Frazee Market Area. This forecast is based on a continuation of past patterns, as locally and regionally there have been a declining number of younger residents. These patterns could change if a substantial number of younger households migrate to the area, but the age cohort trailing behind the baby boomers was much smaller in size, and locally and regionally there are fewer young adults than in the past.

## **Summary of Housing Unit Demand and Tenure Projections**

Frazee is located between two of the region's primary employment centers, Detroit Lakes and Perham. While there are jobs within Frazee, it appears that most City residents leave the community for their primary employment.

As a "bedroom community" to the larger cities in the area, Frazee has been adding more renter households than owner-occupancy households in the recent past. The City's rental tenure rate was at nearly 42% in 2010, and had been increasing over time. A reliable tenure estimate does not exist in 2019, but renter-occupancy housing continues to represent a fairly large share of the options in Frazee.

The reliance on rental housing in the City is also impacted by the high rates of owner-occupancy housing that exist in the townships that surround Frazee. Increasingly, renters have oriented to housing located within the City, while home owners have moved into housing in the surrounding townships.

From a perspective of market potential, the past patterns indicate that Frazee continues to have the ability to capture most of the rental demand from the immediate area, but only a limited share of the demand for owner-occupancy housing. The rural areas and lake shore settings that surround Frazee hold a very strong attraction for prospective home owners.

In the rural areas outside of Frazee, the impact of seasonal use properties must also be considered when examining potential Market Area growth. In 2017, as many as 775 housing units may have been present within the Market Area townships that were used as seasonal/recreational properties. Over time it is possible that some of the projected household growth will be able to use existing housing, by converting it to year-round use. This could allow for expansion of permanent resident households without the need for a commensurate level of new unit construction.

## **Projected Housing Demand by Tenure**

There are multiple methods available for converting projected household growth over the next few years into expected tenure preference. Based on historical tenure patterns for the area, most of the Market Area demand would come from owner-occupancy households, as nearly 83% of all households owned their unit in 2010.

Age-based tenure patterns would be reasonably similar to historic tenure preferences, as most of the net household growth is expected to occur within the age ranges that have traditionally had high rates of home ownership. If future households maintain the tenure preferences that are similar to previous groups, then most Market Area demand would exist for ownership options.

However, the actual tenure patterns that emerged in the City of Frazee in recent years have not followed historical precedent. Between 2000 and 2010, all of the City's household growth was caused by renter households. This may have been due in part to economic factors near the end of the decade, including a national recession and a collapse in the national housing "bubble". But shorter-term patterns do point toward greater demand for rental housing than owner housing in Frazee. Conversely, nearly all of the demand in the township areas around the City would be oriented to owner-occupancy units.

After examining different possibilities, Community Partners Research has made tenure forecasts that incorporate the most recent patterns present in the community along with age-based projections. We would expect that growth-generated demand within the entire Market Area will create the need for approximately 12 to 14 owner-occupancy units per year, and approximately six to eight renter-occupancy units. Nearly all of the rental demand would be expected within the City of Frazee, while most of the owner-occupancy demand would be located in the surrounding townships.

While household growth will be a primary demand-generator for new construction, there are other factors that will also contribute to building activity. Pent-up demand will be a contributing factor for additional rental housing development. This is most evident in the goal to attract more of the regional worker force to live in the City. In recent years, there has been very limited availability of rental housing in Frazee, Detroit Lakes and Perham.

It is important to note that we have estimated potential demand in the City of Frazee. In the specific recommendations that follow, we have made an actual construction forecast that also incorporates current economic and market conditions, which have tended to suppress building activity to a lower level for certain types of housing.

It is also probable that the five-year projections will not necessarily result in a consistent level of annual construction. For example, rental production is most likely to occur in larger phases of construction, as rental housing will nearly always be in multifamily structures. Year-to-year home building is also likely to vary, although over a five-year period, the projected average should be achievable.

## **Rental Housing Recommendations**

**Overview:** Rental housing is a very important part of the local market within Frazee. At the time of the 2010 Census, nearly 42% of all households in the City were renting their housing. This percentage has probably been increasing since that time, although reliable housing tenure estimates are difficult to obtain between the decennial censuses.

Despite the growth of renter households, Frazee has had very little rental housing development in recent decades. In 2010, a twin home was constructed and one of these units has been used as rental housing. The last identified multifamily rental construction dates to the late 1990s, including an eight-unit senior apartment project developed by the Frazee EDA. This project was later sold to the Frazee Care Center and is operated as the Senior Villas.

With very few newer units, nearly all of the options in the City have a low to moderate rent structure. Comparative data exist in the American Community Survey. In 2017, the median gross rent for all units in Frazee was \$688, while the median in Detroit Lakes was \$753 and the median in Perham was \$734.

Property owners/managers contacted in the rental survey often commented on the relative affordability of rental housing in Frazee when compared to other area communities. As a result, some Frazee renters elect to live in the community to access affordable housing and then commute to nearby employment centers for their job.

Excluding the unit in the Rustad twin home, all of the surveyed two-bedrooms had an estimated gross rent of \$800 or less, including an allowance for tenant-paid utilities. The prevailing rates are generally well below the costs associated with newer rental housing, including the more recently constructed apartment buildings in Detroit Lakes.

The City also tends to have only small rental complexes. According to the American Community Survey, more than 56% of the rental unit inventory exists in one or two unit structures, primarily mobile homes of single family houses. Only 26% of the rental stock is in buildings with four or more units.

There are only two rental buildings, Rivercrest Apartments (24 units) and Maple Avenue Apartments (12 units), that have more than eight units in a single project. Both of these were constructed as federally-assisted income-restricted housing, although Rivercrest has now left its subsidy program. No larger-scale conventional rental projects have ever been constructed in Frazee.

Looking at the growth potential for the City to the year 2023 yields a reasonable projection of approximately six to eight additional rental households in an average year. Over the five-year period, between 30 and 40 additional rental units would be indicated to keep pace with expected growth.

This growth-generated projection assumes that Frazee will continue to capture nearly all of the rental demand created from the immediate Market Area. This has been the case in the recent past, and is likely to continue in the future, as the rural areas around the City represent a strong attraction for home owners, but limited potential for renters.

In addition to unit needs created by overall household growth, additional demand potential exists from unmet need, as the vacancy rate for rental housing in Frazee is low. This is consistent with the surrounding region, as job growth has continued to create demand for affordable housing in other nearby communities including Detroit Lakes, Perham and New York Mills.

To address unmet need, at least ten additional rental units would be recommended in Frazee. However, most of the pent-up demand exists for units that would be defined as affordable, since nearly all of the rental housing in the City has a low to moderate rent structure.

There is also a strong possibility that unit replacement needs exist in Frazee, as much of the rental stock exists in older units. However, this need is difficult to document. The City does have in place a rental inspection program that annually examines units for health and safety issues. Since existing units have passed this inspection, they are deemed to be suitable for occupancy, although the age and condition of a portion of these units may justify unit replacement in the future. Once again, this housing primarily has a lower rent structure.

This combination of factors including projected growth, pent-up demand and possible unit replacement would point to the need to create at least 40 to 50 additional rental housing units over the next five years in Frazee. If all of these units are produced and successfully absorbed, additional production could occur later in the five-year projection period.

The following recommendations address specific segments of the Frazee rental market.

## **1. Promote the Production of Market Rate Rental Housing**

**Findings:** The research for this Study indicates potential rental housing demand for approximately 40 to 50 total units over the next five years. This housing could serve the area's growing population of empty-nester and senior households, age 55 and older. It could also serve work force housing needs, by attracting renter households that currently are employed within the immediate region.

There are no examples of multifamily rental development in Frazee in nearly 20 years. However, there are successful projects in nearby communities that can potentially serve as a model for a potential project in Frazee.

In 2014, both Perham and New York Mills created high quality town houses, with attached garages and amenities associated with single family housing. In the opinion of the analysts, these units are very attractive for the gross rent being charged. In most communities, housing of this quality would command a higher monthly rent. At the time they were constructed, these units had a gross two-bedroom rent below \$850, and three-bedrooms at approximately \$1,000 per month. These rents have not changed in New York Mills, but are approximately \$100 higher in Perham by 2019.

A different style of rental housing has also been built in apartment buildings constructed in Perham. A number of development phases have been completed, with the most recent, Southfork Apartments, opening in 2018. This building has 24 units, in one and two-bedroom configurations. Estimated gross rents are below \$750 for a one-bedroom and below \$875 for a two-bedroom. This building is still in its initial occupancy phase.

While both styles of rental unit development have very attractive prices for newly built housing, in most cases this would still require that a renter household have an annual income of \$35,000 or more to afford a two-bedroom. According to the American Community Survey, approximately 45% of all Frazee Market Area renter households had an annual income of \$35,000 or more in 2017.

Frazee and the surrounding Market Area do have a growing percentage of older adult households, in the age ranges 65 and above. These households often own their housing, but those looking to rent can generally afford a higher monthly amount for housing. Attracting these owner households into a rental unit would help to expand the potential market for newly constructed housing.

**Recommendation:** The demand calculations presented above yielded the potential need for 40 to 50 additional rental units in Frazee over the next five years. Approximately 50% of this recommended production would be recommended in the traditional market rate segment, or approximately 20 to 25 high quality units.

While different development concepts could be considered, the successful models of both town house-style rental projects and apartment buildings in Perham could serve as a model that could be replicated in Frazee. If these units are examined on a price per square foot basis, with the amenities and features offered, they would be viewed as a very reasonably-priced option.

However, based on the total monthly cost, these units would typically appeal to households with an annual income above \$35,000. In 2017, the median household income in Frazee for renter households was less than \$35,000, making rents above \$850 very difficult for a majority of existing renter households.

The analysis of renter household incomes contained in the 2017 American Community Survey does indicate that approximately 45% of all renter households in the Market Area had an annual income of \$35,000 or more, and form a potential market for moderate to higher-priced rental housing. The size of the potential market would increase if some current home owners can be attracted to new rental units.

In 2019, the Frazee Market Area has no directly comparable housing to the units being recommended, as no new construction has proceeded in recent decades. If up to 25 high quality units were constructed, it would still represent less than 10% of all rental options within the City's rental housing inventory.

If newly-built units do achieve a stable, sustained occupancy pattern, it may be possible to consider another phase in the future. If evidence of unmet demand develops, such as a waiting list for the existing projects, then another phase of development could be considered later in the five-year period.

In the past, some redevelopment opportunities have existed within the downtown area, and that these sites could potentially incorporate market rate housing. The analysis completed in this Housing Study is not site-specific. The unit recommendation is based on expected demand factors. As a result, it may be possible to build a portion of the recommended units in the downtown area, if an attractive location exists.



However, one of the development models cited is based on a single family-style rental unit, that is one level with an attached garage. This type of housing has proved to be very popular with active senior renters. In the Perham project, most of the tenants are retirees. Downtown rental development may need to be in a multi-story structure, which may not allow for attached parking.

## **2. Look for Opportunities to Replace Very Affordable Income-Based Rental Housing**

**Findings:** At the time of the 2015 Study, Frazee had 26 units of federally-subsidized rental housing, representing more than 10% of all rental options within the City. However, as identified at that time, the largest project in the City was in the process of ending its subsidy contract. By 2017, Rivercrest Apartments had converted to conventional market rate housing. In 2019, Frazee has only two rental units with project-based rent subsidies, in Public Housing scattered sites.

Prior to its opt-out, all of the 24 units in Rivercrest Apartments were able to offer project-based rental assistance, allowing income-eligible tenants to pay rent based on 30% of household income. Although tenant-based assistance may have been offered to tenants when the subsidy contract ended, by 2019 only seven households in Rivercrest were still utilizing some form of rent assistance. Even with some added Vouchers, there are fewer households benefitting from rent assistance in 2019 than had been participating in 2015, before Rivercrest left its Rural Development contract.

It should be noted that the Rivercrest Apartments does still offer a relatively moderate rent structure. However, these rents are still higher than the amounts in place in 2015, when project-based assistance could be offered.

**Recommendation:** The City should continue to look for opportunities to secure additional income-based rental housing. While federal funding for new construction is not likely, there may be resources in the future that could help the City obtain some project-based assistance that would preserve very affordable options for lower income residents.

In the near-term, HUD Housing Choice Vouchers represent the most practical way to assist very low income renters. Nearly half of the available Vouchers in the Becker County Program are being used in Frazee. However, some growth in Voucher use has not replaced the lost units that resulted from Rivercrest's conversion to market rate housing.

### **3. Promote Affordable Rental Housing Creation When Possible**

**Findings:** A previous recommendation had addressed the potential for developing additional rental housing in Frazee to serve moderate to higher income households, typically with an annual income of \$35,000 or more. However, the majority of existing renters in the City have an annual income below this level. The economics of new housing construction will generally require substantially higher gross rental rates than otherwise exist in independent rental housing in the community. The higher housing costs therefore serve to limit the number of new units that can be feasibly absorbed in a smaller community.

Approximately 35% of all existing Market Area renter households have an annual income below \$25,000, and would generally need a rental unit with a gross monthly rent below \$625. The City would benefit from the creation of rental units in the future, provided some of these are affordable to lower income renter households.

Creating rental housing units with a very affordable rent structure through new construction will generally require a significant financial subsidy. These types of development resources are not typically available to small communities, unless they come from locally-generated sources. As a result, expanding the supply of affordable rental housing has not been occurring in most small cities.

The inability to generate affordable units through new construction becomes magnified when some lower income households are able to access tenant-based rent subsidies. The Housing Voucher Program has maximum rent levels that apply to the use of this assistance. The current payment standard for a two-bedroom rental unit is \$685. Any newly developed units above this gross rent limit would not be available to Voucher holders.

Since adding affordable units can generally not happen through new construction, the supply of affordable units has remained fixed, or possibly declined in recent years, unless older housing has been converted from owner to renter-occupancy.

**Recommendation:** In the opinion of the analysts, Frazee would benefit from affordable rental housing creation. The demand calculations presented previously had indicated that between 40 and 50 rental units should be added over a five-year period. Approximately half of these would be recommended within the higher rent structure typically associated with new market rate housing. But additional units in a lower rent structure are also needed.

More affordable rental housing would help attract residents to the community, could expand the available labor force, and would ease housing pressure caused by low vacancy rates. However, there is no easy way to address the financial gap between affordable rental housing and the costs associated with building new units.

This Study would encourage the City to look for ways to add to the affordable rental supply, through better utilizing existing structures, such as downtown buildings with unused space, or by securing grant assistance that is intended for affordable rental housing. Target rents for affordable units should be at or below the levels allowed by the Housing Voucher Program.

In this recommendation we have largely focused on the end-price for units. It is important to recognize that any new unit, created through conversion or new construction, must be viewed by the prospective tenant as an attractive place to live, with a desirable floor plan and amenities that are compatible with the price. Proposed projects would therefore need to be evaluated on a case-by-case basis.

In Frazee, there is evidence that older houses and mobile homes that had been owner-occupied have shifted to rental use over time. While this does effectively create some additional rental options, it reduces the affordable home ownership opportunities. It can also negatively impact community stability, as fewer home owners often result in more household turnover and fewer residents with long-term ties to the community. Ideally, the expansion of affordable rental housing would not result in a reduction of affordable ownership housing.

#### **4. Promote a Modest Expansion of Senior Housing With Services**

**Findings:** Frazee does have some specialized senior housing, serving residents as they move through the aging cycle. The primary housing options are the Frazee Care Center, a skilled nursing facility that is licensed for 60 beds in 2019, and Frazee Assisted Living with 19 efficiency apartments. There are also eight independent living apartments in the Senior Villas project, which is nearby but not physically connected to the specialized care facilities.

Over time, the Frazee Care Center has downsized significantly, as it was once licensed for 104 beds. Changing demand as well as more desire for private occupancy rooms has resulted in many facilities that have de-licensed beds in rural Minnesota. In 2019, fewer than 50 skilled nursing beds are typically utilized, and some of these are for shorter-term transitional care stays.

There have been no recent changes to the Frazee Assisted Living facility. There is an affiliated project in the nearby City of Vergas that has 15 assisted living units that are similar to the project in Frazee. Combined, these two projects have 34 efficiency units for seniors needing assistance with daily living.

Although the Frazee area has a relatively high percentage of senior residents, there is a fairly small primary market area that surrounds the City. The City of Perham is approximately 12 miles southeast of Frazee and the City of Detroit Lakes is approximately 11 miles to the northwest. Both Perham and Detroit Lakes are larger communities. Both have hospitals, services and amenities not present in Frazee. Both also have larger senior housing campuses providing an array of specialized housing. Vergas, 8 miles to the southwest, has an affiliated assisted living facility. As a result, there is a limited geographical area that contains seniors that would primarily orient to Frazee for advanced housing with services.

While the Market Area designation used earlier in this Study may not be a perfect indicator of overall demand, it does provide an informed look at planning for specialized senior housing. Based on 2018 estimates from Esri, there are 474 older senior citizens, age 75 and above, residing in the Market Area jurisdictions. This population of older seniors has been increasing since 2010.

Patterns are similar for households headed by older seniors. In 2018, there were an estimated 300 households with a head-of-household age 75 or older living in the Market Area. According to Esri, there has been an increase of 54 older senior households from 2010 to 2018.

The projections contained in this Study anticipate some further growth in the number of older seniors through the year 2023. For the Market Area aggregation, the age-based forecasts from Esri would point to an increase of approximately 110 older senior citizens, age 75 and above, over the next five years. This should result in approximately 60 to 65 additional households headed by a senior age 75 or older.

Older seniors tend to represent the primary target market for specialized senior housing. There is even larger-scale growth expected within the younger senior ranges, age 65 to 74, indicating growing demand for specialized housing after the year 2023. Using the current estimates for senior population and households, the current estimated capture rates for the existing providers are as follows.

**Skilled Nursing Beds** - When compared to the older senior population in Market Area, the total supply of longer-term nursing home beds would require a capture rate of approximately 10.5% of the total population of older seniors (age 75+). In 2019, unused beds are typically available in Frazee. The nursing home can provide very specialized ventilator care, which may help to attract some residents from a larger geographic area. Despite the ongoing reduction of licensed beds, unused capacity has generally existed within this housing segment.

**Assisted Living** - There were approximately 300 older senior households, age 75 and above, that were estimated to be present in 2018 in the Frazee Market Area. There are 19 efficiency assisted living apartments available in Frazee Assisted Living. In 2018, a capture rate of approximately 6.3% was required to maintain full occupancy. This facility reported a high occupancy rate and a waiting list. County assistance programs are accepted, allowing access by low income seniors, which probably contributes to the relatively high capture rate.

**Recommendation:** Based on the research completed for this Update, we would continue to recommend some limited additional development of specialized senior housing in Frazee through the year 2023. The City does not have any units that offer only light services. There are also no units specifically designed for people with advanced memory care housing needs. Some unmet demand will for a limited expansion of assisted living.

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

**Assisted Living** - With 19 units currently available, only a limited expansion can be justified to the year 2023 based on projected growth within the target market of older senior citizens. With the projected addition of approximately 60 to 65 additional households age 75 and older through the year 2020, an expansion of approximately four to six assisted living units would be required to maintain the current capture rate.

**Memory Care Housing** - Frazee does not have any current provider of housing specifically designed for people with memory care needs. The Frazee Care Center does indirectly serve some of this population in its skilled nursing beds. The Care Center has Wander-gard technology and features designed for security. However, a specific memory care project could be justified based on the size of the primary target population. To serve locally-generated demand, the development of a memory care facility with approximately 8 to 10 beds would be recommended.

Specialized memory care housing does exist in Detroit Lakes, New York Mills and in Perham.

***Light Services/Congregate Housing*** - Frazee does not have any current provider of housing specifically designed for more independent seniors that would look to have light services available with their housing. Lighter services would typically include a daily meal, weekly light house keeping, laundry services and an emergency call system. It is possible that residents of the Senior Villas may be contracting privately for certain services, but they are not offered directly through the housing project. Based on the size of the older senior population residing in the Frazee Market Area, and the other housing offerings with more intensive services, the development of a lighter services project in Frazee, with up to 20 units would be recommended.

There are examples of lighter services projects in nearby communities that could serve as a model in Frazee, including the Briarwood Apartments in Perham, or The Madison and Winchester on Washington, both located in Detroit Lakes.

At the time of the 2015 Housing Study, some discussions were underway with private developers that were looking at Frazee as a possible location for a larger-scale specialized senior campus. This regional concept was based on serving seniors that might otherwise look to communities such as Detroit Lakes, Perham, New York Mills or Vergas for specialized housing. However, this project did not proceed. The analysis contained in this 2019 Update is once again based on locally-generated demand from the Frazee Market Area. While a larger-scale project may be possible, the analysts have assumed that there are other cities in the region, including Detroit Lakes, that would be a more suitable location.

## **5. Continue to Promote the Housing Voucher Program**

**Findings:** The Housing Choice Voucher Program is federally funded through HUD and provides tenant-based rent assistance to income-eligible households. With this assistance, the household applies approximately 30% of their income to housing costs, with the Voucher contributing the remaining amount. As a result, even very low income households can achieve an affordable monthly payment for housing.

The Voucher Program for Becker County is administered by MMCDC, and can be used in jurisdictions outside of Detroit Lakes. The City of Detroit Lakes has a separate program. In the Becker County program, approximately 63 households are being assisted in May 2019, and 31 of these Vouchers are being used in Frazee.

As detailed in a previous recommendation, the conversion of Rivercrest Apartments from a subsidized project to market rate housing resulted in a substantial reduction in the very affordable rental options in Frazee. Some of the Vouchers in use in the City in 2019 may be the result of mitigation efforts that were taken to protect Rivercrest tenants when the conversion occurred, but overall, Frazee did experience a net reduction in the subsidized resources for lower income tenants.

**Recommendation:** At the time of the 2015 Housing Study, there were approximately 49 renter households in Frazee that had access to some form of deep subsidy housing, either through project-based or tenant-based assistance programs. By 2019, the number of assisted households had decreased to 33 renter households, with the removal of Rivercrest Apartments from the available supply.

In 2019, nearly all of the subsidized resources available to Frazee residents are in the form of portable rent assistance Vouchers. With a large number of low and moderate income renter households, this is an important program as the City attempts to offer affordable housing for its residents.

Frazee is already the most successful small community in Becker County for Voucher use. The City has been a preferred place for renters to live, due in part to its relatively affordable rental stock and the location near both Detroit Lakes and Perham. While a significant increase in Voucher funding is unlikely in the near future, it is important to continue to promote this affordable housing resource for lower income renters living in the City.



## **Home Ownership Recommendations**

**Overview:** The City of Frazee has experienced only a limited amount of new home construction and development in the past two decades. Building permit records exist for the years 2002 onward. Over this time, 66 single family units have been constructed in detached single family houses or attached units including twin homes. Excluding partial-year activity for 2019, the City has average approximately four single family housing starts per year over this longer time period. But the strongest years were prior to 2006, and from 2007 to 2018, the annual average dropped three single family starts per year.

The experience in Frazee is generally consistent with other small cities in the area, as the level of new home construction in the early 2000s was not sustained, and by the late 2000s significantly fewer houses were being built. This largely mirrored broader regional and national trends. While some recovery has occurred, the home building activity has not returned the levels of the mid-2000s.

Although single family construction and home ownership growth has been limited in Frazee, the surrounding Market Area jurisdictions have been more successful. Most of the estimates that exist after 2010 show more household growth occurring in the surrounding townships than within the City. The rural areas are primarily oriented toward home ownership opportunities. It is important to note, however, that some of the growth in the townships may be due to the conversion of seasonal/recreational housing into occupancy by year-round residents.

Going forward, the household growth projections used for this Study expect some limited demand for owner-occupied housing construction to the year 2023 in Frazee. The forecasts for growth-generated demand should yield the potential for approximately 12 to 14 additional owner-occupancy units per year for the entire Market Area. While most of this projected growth will probably continue to occur within the surrounding townships, Frazee has the potential to capture a share of this expected growth.

Some additional production may also be needed for unit replacement or pent-up demand for certain unit styles, but we would not expect this additional production to be large. Overall, a realistic projection would be for the average annual construction of between three and five owner-occupancy housing units per year within the City.



The demand forecast and recommendations that follow are specific to the City of Frazee. Different issues impacting home ownership will be addressed in the individual recommendations that follow.

## **6. Promote the Attractive and Affordable Lot and New Home Options in the City**

**Findings:** Like many communities in Minnesota, the strong construction activity that existed in the early and mid-2000s generated interest from the private sector. In Frazee, a private developer created a relatively large subdivision, known as Red Willow Heights. Lots were improved in phases in 2003 and 2006, with a mix of single family detached, twin home and larger multifamily parcels. In total, at least 50 lots were created for single family construction.

Initially, this subdivision was successful. However, as home construction and lot sales slowed later in the decade, the subdivision encountered financial difficulties. Eventually, the ownership of the remaining unsold lot inventory transferred to the City through a deed in lieu of foreclosure process.

In 2019, the City's EDA still owns approximately 15 to 20 lots in the Red Willow Heights subdivision. In addition, there are also some vacant lots in this subdivision that are privately owned. The EDA's lots are typically being offered for \$8,000 to \$9,000. In the past, the City has been willing to assist with speculative home construction by deferring special assessments until the houses are sold.

A second residential development area in the southwestern portion of the City, known as Lakeview Terrace, also has some vacant lots. It is probable that between 15 and 20 lots are vacant, although some of these are not owned by the subdivision's developers, and may not be for sale. Lots in Lakeview Terrace have been used for single family detached and twin home construction. No pricing information was obtained in this area of the City.

According to City staff, there are additional residential lots in Frazee that are in scattered locations around the community. Some of these may be infill redevelopment parcels where a previous structure has been removed. An area nonprofit, MMCDC, has used one larger infill redevelopment parcel to construct four new houses in the City in the past four years.

**Recommendation:** The projections being used in this Study do indicate stable home ownership demand over the next five years. While most of the demand will probably be met through housing options in the rural areas around Frazee, the City should continue to capture a portion of the new construction, especially in the lower and moderate price ranges. Annual production of three to five owner-occupancy housing units per year continues to be a realistic forecast for new construction demand in Frazee.

Although some higher-priced construction may occur within the City, we would expect to see most of the higher priced homes locate in the township areas around the City. In most cases, houses constructed in Frazee will be within the moderate to lower price ranges, generally defined as \$350,000 or less. While the Market Area does have a number of owner households with an annual income of \$100,000 or more, only 10% of these households live within the City of Frazee. Most of the higher income households continue to reside in the rural areas.

The City has at least 25 vacant lots in newer subdivisions. This should represent at least a five-year supply of attractive options. New subdivision development should not be needed within the next five years unless the annual demand for new houses exceeds our projections.

The City and private developers have been proactive in promoting affordable ownership opportunities through speculative home construction and through incentives that can be offered, in addition to affordable lot prices. These efforts should be continued, as the City attempts to reduce the publicly-owned lot inventory.

## **7. Support Very Affordable New Home Construction**

**Findings:** In 2016, MMCDC began constructing more affordable houses in Frazee, using a redevelopment parcel. Two houses were constructed and successfully sold. In 2018 and 2019, two additional houses were built. One of these is currently listed for sale, and the second is still under construction.

These are modest homes, with a split-entry design and approximately 936 sq ft of living space per level. To keep the initial costs low, the lower level is not finished. An optional two-car detached garage can also be added later, depending on the financial ability of the home buyer.

Despite the cost-cutting efforts being applied, these homes have had a higher development cost than can be charged to the end buyer, based on a property appraisal. The two houses that were previously sold needed an approximate cost write-down of \$48,000 each, which came from supplemental grant programs. These houses were sold for \$165,500, despite a total development cost of approximately \$213,000.

The more recently built houses have been appraising at a higher amount, and presumably will require a smaller value gap subsidy. But neither of these houses has yet been sold, so the actual sales price may still need to be adjusted.

**Recommendation:** The projections used for this Study do expect some continued demand for entry-level home construction, but this demand will probably remain at only one or two homes per year. MMCDC is an established partner in working with the community to address this most affordable market segment.

The difficulty in continuing with this approach will be securing adequate funding for the development subsidy that is needed. The two successful sales needed approximately \$48,000 each in cost write-downs. While it is hoped that the next two houses will need less outside assistance, that is yet to be determined, since neither had been sold at the time of the research for this Update. Future construction will therefore be dependent on the outside assistance that can be secured.

Despite the difficulties in making this affordable project work, it has helped to achieve multiple community goals, including the redevelopment of a blighted area, the provision of more affordable home ownership options, and adding to the number of home owners living in Frazee. To the extent that adequate outside funding can be secured, this effort should be supported.

Based on actual market evidence, a realistic goal would be to construct one affordable house per year. Both redevelopment parcels and lots in the City-owned subdivision are potential locations for future homes.

## **8. Promote the Affordable Existing Housing Stock in the City**

**Findings:** Although lower values for existing homes serve as a deterrent to new construction, older homes do offer a very affordable home ownership option. This Study tracked the sales activity in Frazee back to the year 2005. Over the past 14 years, the median home sale price in the City has only exceeded \$110,000 in two years, 2014 and 2018.

The highest annual median price was achieved in 2014, at \$119,050, followed by \$118,000 in 2018. But for the three years from 2015 through 2017, the annual median was below \$93,000.

Comparative home value information from the American Community Survey indicates that prices in Frazee are substantially lower than in Perham or Detroit Lakes. According to the American Community Survey, the median value for an owner-occupied home in Frazee was \$103,900 in 2017, compared to \$138,200 in Perham and \$167,000 in Detroit Lakes. Lower-valued existing homes can represent a very attractive ownership option for potential home buyers in the larger region.

**Recommendation:** Frazee has job opportunities within the City and can also serve as a bedroom community to the region's larger employment centers. One of the community goals is to attract a larger share of the regional worker force to live in the City. Promotion of the affordable ownership options can help achieve this goal. Frazee does have a competitive advantage in attracting home buyers, with lower average values for single family houses.

There is some evidence that over time, some of the City's older, lower-valued homes have been purchased for use as rental housing. While this expands rental options, it is probably in the City's best long-term interest to attract home owners, and increase the rate of home ownership.

Promotion of affordable options is encouraged. As will be discussed later in this section, programs and assistance that can be offered to improve the quality and condition of older houses will also make this affordable stock more appealing to potential home buyers.

In 2019, there are still some financial incentives for home ownership in Frazee. Known as Home Ownership for Me (HOMe), this program can provide up to \$8,000 in incentives for income-eligible households. The funds are in the form of a deferred payment loan and can be used for the purchase of an existing home.

At the time of the 2015 Study, MMCDC had also been offering special financing options that combined the home mortgage and rehabilitation assistance into a single loan. Borrowers could purchase a house in need of repair and make the necessary improvements with the rehabilitation component. However, this program was rarely used and has since been discontinued. It is possible that it could be offered again in the future.

## **9. Promote Attached Single Family Ownership Housing Development**

**Findings:** In the past, Frazee was seeing some construction activity in attached single family housing units. From 2009 to 2013, records indicate that four twin homes were constructed, with eight total units. Although all of these were probably intended as owner-occupancy housing, at least one has never been sold and has been used as rental housing. When originally constructed in 2010, the unit was listed at \$160,000 before it converted to rental use.

Lots for additional twin home construction exist within the City's two newest subdivisions, but since 2013, no additional twin home construction has proceeded.

Prior to the housing market correction in the late 2000s, many communities were seeing increased construction activity in twin homes and town house units. There were multiple factors contributing to the growth in demand. One factor was cost savings, as reduced land, infrastructure and construction costs per unit resulted in a lower end sale price. Another factor was lifestyle preference, as no/low maintenance housing appealed to the growing number of empty-nester and senior citizen households.

However, as national economic and housing market conditions began to change, construction activity slowed significantly. Alternative housing products, such as attached single family, often suffered the greatest hit. When people became concerned about owning or investing in new construction, they became even more concerned about less traditional products.

As housing markets have recovered, some communities are experiencing improvement in attached housing construction. The age-based projections used for this Study continue to show strong overall net household growth between 2018 and 2023 in the age ranges 65 years old and older. Growth will be strongest in the 10-year range between 65 and 74 years old. This age range has maintained a relatively high rate of home ownership. Younger seniors and empty-nesters also represent the primary target market for attached single family housing that offers no maintenance or low maintenance living.

**Recommendation:** The demand calculations used for this Study do expect that overall demand for single family housing should maintain an annual average level of three to five units per year. As confidence returns, some of the demand should be met through attached single family housing, such as twin homes and town house units. We would expect demand for attached housing products to continue to grow throughout the projection period to 2023.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes. These existing homes then become available for younger families. It is important for the community to offer a range of life-cycle housing options.

Most communities experiencing some rebound in attached housing construction have found the greatest success in the more moderate price ranges. Design features conducive to older adult households, such as one-level living, are well-suited to the growing target population.

## **10. Findings on Home Foreclosure/Bank-Owned Sales Trends**

**Findings:** At the time of the 2015 Study, the City had just emerged from the problems associated with distressed home sales. Starting in late 2000s, home foreclosures, short sales, and bank-owned real estate sales had become an increasing problem across the State. As tracked in the 2015 Study, these issues were ending in Frazee, as only one bank-owned home sale was recorded in 2014, and only one had occurred in 2015.

As part of the research on this issue, the Becker County Assessor's Office was contacted. According to their records, only two bank-owned residential sales had been recorded in Frazee since October of 2017. There are no indications that distressed home sales have re-emerged as an issue for Frazee. As economic conditions continue to improve, there has been a general upward trend in home values in Frazee, indicating good demand for houses in the community.

## **Rehabilitation and Other Housing Issues**

### **11. Promote Owner-Occupied Housing Rehabilitation**

**Findings:** The annual American Community Survey contains an estimate of the age of the housing stock. For owner-occupancy units, the estimated median year of construction was 1957. Based on this estimate, more than 50% of the single family units in Frazee are more than 60 years' old.

The ACS has estimated that nearly 120 owner-occupied housing units in Frazee were constructed before 1940. This represented nearly 36% of all owner-occupancy units in the City. This was much higher than the Countywide rate for pre-1940 owner-occupancy housing of approximately 14%.

While age does not always indicate a need for rehabilitation, older housing does require more maintenance to remain in good condition. If investments in maintenance and improvement are deferred, older housing can quickly slip into disrepair.

**Recommendation:** Frazee has been successful in the past in securing funding and delivering programs for owner-occupied housing rehabilitation, although the last larger-scale program may have ended in 2009. The primary funding source for concentrated neighborhood rehabilitation programs is the Small Cities Development Program (SCDP), administered by the MN Department of Employment and Economic Development (DEED).

For several years, the SCDP program had moved away from larger grant awards that were focused on neighborhood impact. Instead, smaller annual awards were made to support sustained rehabilitation activity. The program has changed back, and larger awards are again being made, allowing for targeted neighborhood projects.

With a sizable single family inventory of older, lower valued homes, ongoing efforts will be required to maintain and improve the existing housing stock. Older houses often provide the most affordable ownership option for area families. The median income levels in community also tend to be relatively low, potentially making more households eligible for assistance. Efforts to improve the quality and condition of older housing can greatly benefit the community as it tries to expand the affordable options for residents.



## **12. Promote Rental Housing Rehabilitation**

**Findings:** While most of the households living in Frazee own their unit, the City does have an above-average rental rate, and the rental tenure rate has probably been increasing. In recent decades, demand for rental housing has exceeded demand for home ownership in the community.

The City has a mix of rental options, but a large share of the conventional market rate options exist in smaller structures, including a large number of rental houses and mobile homes.

Much of the rental stock is older housing. According to the American Community Survey estimates, approximately 40% of the City's overall rental stock was constructed before 1960. All of this older housing is in structures with one to four rental units per structure, including single family homes. Most of the City's rental mobile homes were constructed before 1980.

**Recommendation:** Although a specific housing condition survey was not completed as part of this Study, there is evidence that Frazee contains rental housing that could benefit from repairs and upgrades. The City has participated in rehabilitation grant programs in the past, including some that addressed rental housing.

When possible, "spot" rehabilitation should be encouraged to maintain the condition and quality of rental houses and mobile homes, helping to assure that renter households have access to decent, safe and sanitary housing. If left to deteriorate, older housing may eventually be removed from Frazee, resulting in a possible loss of households and population.

It may also be possible to pursue a targeted grant application to address citywide rehabilitation needs. The Small Cities Development Program allows communities to apply for resources that can have a larger impact on housing conditions.

It is important to note that the City has an annual inspection requirement for rental housing that focuses on health and safety issues. The inspections do not fail a unit for general deterioration, unless it represents a health or safety hazard. According to staff, most inspection failures are easily corrected, such as adding a smoke detector or fire extinguisher.



### **13. Promote Mobile Home Park Improvement**

**Findings:** Community Partners Research did not conduct a unit-by-unit condition survey of the mobile homes in the City's mobile home parks, but a general visual inspection was made. The parks often contain older mobile homes, with some in poor condition. Based on the American Community Survey estimates, the large majority of the mobile homes in the City were built before 1980. The estimated median value was only \$11,300 in 2017. It is doubtful that lower-valued mobile homes in substandard condition can be economically rehabilitated.

In addition to the poor condition of some of the mobile homes, there are problems unique to mobile home parks, including the tendency for units to decrease in value as they age, and the concentration of a large number of households in a compact area.

**Recommendation:** Addressing the issues created by substandard mobile homes is not easily solved. Some communities have rehabilitated older units, but this is difficult to accomplish because of the type of construction of mobile homes, and it is rarely cost effective. Some communities have established programs that provide for the purchase and removal of substandard mobile home units, provided a newer unit is purchased to replace the acquired dwelling. While this approach can work well in upgrading the stock, it can be expensive, especially if there are a large number of homes in poor condition.

Consistent with the 2015 Study, we would continue to recommend initiatives aimed at mobile homes in Frazee. Some communities have initiated innovative programs that address mobile home conditions and mobile home park issues. We recommend that the City or area housing agencies consider the implementation of the following ideas:

- ▶ **Operation Safe Mobile Home Park** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished or salvaged. The owner could then use the funds from the sale to help purchase a new home. In some cases, housing agencies have provided funding for down payment assistance or gap financing programs to purchase new mobile homes. Also, mobile home dealerships have participated with buying the salvaged homes.

- ▶ ***Time of Sale Inspection Program*** - This inspection program is designed to provide safe living conditions to community residents through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale. All identified safety hazards must be corrected before the unit is sold and/or occupied. In Frazee, many of the mobile homes are in the rental stock and are annually inspected under the rental licensing program.
- ▶ ***Cooperative/Land Trust*** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.

#### **14. Acquire and Demolish Dilapidated Structures as Needed**

**Findings:** This 2019 Update did not include a visual housing condition survey. However, secondary evidence would indicate that some substandard housing may exist in Frazee. Over time, some single family units have either been removed from the usable housing inventory, or have been converted to rental use.

At the time of the 2015 Study, the City had identified a redevelopment area that included substandard structures and was working with MMCDC on a redevelopment plan. Since that time, the site was cleared and four affordable single family houses were constructed on the parcel. However, the total development cost per house exceeded the appraised value, and subsidies were needed to fill the gap between the cost of construction and the final sale prices.

**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.

In the recent past, it has been more difficult to secure grant funding for demolition and reuse. However, the SCDP program has placed renewed emphasis on neighborhood impact, and this may present an opportunity for grant funds to be used. MMCDC has also been successful in the past in securing Impact funding from the Minnesota Housing Finance Agency.