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City of Jackson

Demographic Overview

A demographic analysis section was provided earlier in this Study which examines the best available information for the City of Jackson and Jackson County. For the City of Jackson, annual estimates are available to the year 2008.

The estimates from the two official data sources show Jackson losing population from 2000 to 2008. The Minnesota State Demographer's Office estimates that the City's population decreased by 77 residents between 2000 and 2008, while the U.S. Census Bureau estimates show a larger loss of 196 people during this same time period. Where differences in estimates exist, we place the greatest confidence in those generated by the State Demographer.

The State Demographer's household estimate for the City of Jackson shows the addition of 28 households between 2000 and 2008. During this same time period there were approximately 50 new housing units constructed in Jackson, so it is probable that the Demographer's estimate represents a slight undercount of actual household growth.

The City of Jackson's average household size has decreased from 2.42 persons in 1980 to 2.15 in 2008.

Existing Housing Data

In addition to the demographic update provided earlier, this Study has also collected information about the housing stock in the City of Jackson. Updated items include:

- ▶ Housing unit construction
- ▶ Home sales
- ▶ Home foreclosure activity
- ▶ Housing condition analysis
- ▶ Rental housing data

Jackson New Housing Construction Activity

Table 1 Housing Unit Construction Activity - 2000 to 2008						
Housing Type	2000-2004	2005	2006	2007	2008	TOTAL
Single Family	21	7	5	4	3	40
Multi-Family	6	0	0	0	4	10
Total Units	27	7	5	4	1	50

Source: City Building Permits; U.S. Census Bureau; Community Partners Research

Jackson has continued to have ongoing housing unit construction activity during the decade. The level of single family home construction has been relatively consistent, although only three single family homes were constructed in 2008. Based on City records, 50 housing units have been constructed between 2000 and 2008. The 50 units include 40 single family homes and 10 units in duplexes. No multi family housing complexes were constructed in the City of Jackson from 2000 to 2008.

Not sure this is accurate. The City Building Official only has record of 1 duplex in 2008.

Home Sales

A Jackson Study conducted in 2006 reviewed County sales information for the 2005 calendar year. During this time period there were 60 improved residential sales of single family houses in the City of Jackson that were identified as a “qualified” sales by the Jackson County Assessor. 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 median sale price was \$65,500 in the 2005 sales sample. The average sales price was \$71,211. The highest valued sale in Jackson was for \$215,000 and the lowest valued sale was for \$13,500.

The 2009 Study has reviewed Jackson sales information for two time periods, from October, 2007, through September, 2008, and from October, 2008, through June, 2009.

There were 48 “qualified” sales during the 12-month period from October, 2007, through September, 2008. The median sales price for these sales was \$69,000, and the average sales price was \$72,125. The highest valued sale was \$227,000, and the lowest valued sale was \$11,000.

There were 19 “qualified” sales in Jackson during the nine-month period from October, 2008, through June, 2009. The median sales price for these sales was \$63,500 and the average sales price was \$75,632. The highest valued sale during this time period was \$183,000 and the lowest valued sale was \$14,000.

Table 2 Median Value of Residential Sales - Jackson			
Sales Period	Number of Good Sales	Median Sales Price	Average Sales Price
Jan, 2005 - Dec, 2005	60	\$65,500	\$71,211
Oct., 2007 - Sept., 2008	48	\$69,000	\$72,125
Oct. 1, 2008 - June 30, 2009	19	\$63,500	\$75,632

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

Home Foreclosure Activity

Starting in 2007, many national reports began to surface about the growing number of home foreclosures. Initially this was linked to the popularity of adjustable rate mortgages and the expansion of sub-prime mortgage lending. However, as many housing markets cooled and the national economy moved toward a recession, the foreclosure crisis spread to broader segments of the market.

While tracking current foreclosures is relatively easy, predicting future foreclosure activity is difficult. Delinquent borrowers have a number of different procedural steps that must be met before actual foreclosure occurs. Our research indicates that current foreclosure activity in Jackson County has been limited, but we cannot predict the future foreclosures that may occur.

HousingLink and the Greater Minnesota Housing Fund have been tracking mortgage foreclosure activity across the State. A report titled “Housing Foreclosures in Minnesota - February 2009 Supplement” provides details on foreclosure activity in Jackson County, as well as a comparison with other Counties in the State.

Table 3 Home Foreclosure Activity - 2005 to 2008					
	2005	2006	2007	2008	% Change 2007 to 2008
Jackson County	18	8	18	26	44%

Source: HousingLink; Community Partners Research

HousingLink reported an increase in the Countywide home foreclosure volume in the last year, with the number of foreclosures increasing by 44% between 2007 and 2008. For the year 2008, Jackson County ranked 62nd of Minnesota’s 87 Counties in the total number of home foreclosures.

HousingLink also attempted to put the rate of foreclosure in perspective, by comparing the number of foreclosures to the total number of owner occupied homes in the County. In this comparison, Jackson County ranked 50th in the largest percentage of home foreclosures, with an estimated rate of 0.56% in 2008.

Housing Condition Analysis

A housing condition analysis was not conducted as part of this Study, however, the condition of the homes in two Jackson neighborhoods were surveyed in the 2006 Jackson Study.

In June, 2006, Community Partners Research, Inc. Representatives conducted a visual ‘windshield’ survey of single family/duplex houses in two selected neighborhoods in the City of Jackson. The neighborhoods were identified with the assistance of City staff. The visual survey rated 263 single family/duplex structures in these two neighborhoods. Houses that appeared to contain three or more residential units were excluded from the survey.

County Road

The first neighborhood, identified as the East Neighborhood, is located east of the river. The southern boundary is South Ashley Street and Oak Street. The eastern border is Highway 23. The northern border is the industrial park, and Riverside Drive south of Ballard Avenue. The second neighborhood is the Central neighborhood, which is immediately west of the downtown area. The eastern border is Third Street. The northern border is North Highway, and the southern border is South Highway. The western boundary is Sixth Street.

Houses were rated in one of four levels of physical condition, as defined below. The survey analyzed only the physical condition of the visible exterior of each home. Exterior condition is assumed to be a reasonable indicator of the structure’s interior quality. Dilapidated houses are generally considered beyond repair. Major Repair houses need multiple major improvements such as roof, windows, sidings, structural/foundation, etc., and may or may not be economically feasible to rehabilitate. Minor Repair houses are judged to be generally in good condition and require less extensive repair, such as one major improvement. Houses in this condition category will generally be good candidates for rehabilitation programs because they are in a salable price range and are economically feasible to repair. Sound houses are judged to be in good, ‘move-in’ condition. Sound houses may contain minor code violations and still be considered Sound.

Table 4 Windshield Survey Condition Estimate - 2004					
Neighborhood	Sound	Minor Repair	Major Repair	Dilapidated	Total
East Neighborhood	45/25.6%	83/47.2%	42/23.9%	6/3.4%	176
Central Neighborhood	29/33.3%	38/43.7%	19/21.8%	1/1.1%	87
Total	74/28.1%	121/46.0%	61/23.2%	7/2.7%	263

Source: Community Partners Research, Inc.

The City of Jackson has received an SCDP Grant to rehabilitate homes in Jackson. However, only a small number of homes are being rehabilitated and there are still a significant number of substandard homes in the two neighborhoods and in other Jackson neighborhoods that weren’t surveyed.

Rental Housing

Total Unit Inventory

According to the 2000 U.S. Census, there were 437 occupied rental housing units and at least 88 vacant rental units in Jackson in April 2000. There were a few additional vacant units in the City that were not identified as either rental or owner housing, but it would appear that the total rental unit inventory was approximately 525 units in Jackson in 2000.

At the time of the 1990 Census, the City had 462 occupied rental units and 47 vacant units, for a total estimated inventory of 509 units. Between the 1990 Census and the 2000 Census, the City lost 25 renter households, but apparently added 16 rental units to the total inventory.

The 2000 Census also reported year of construction information for occupied rental housing. According to the Census, at least 31 new rental units were constructed in Jackson between 1990 and 2000. With an estimated net increase of only 16 units, despite the construction of 31 units, it would appear that some older rental units were also lost during the decade.

Since the 2000 Census was conducted, we believe that only one rental construction project has occurred, with the addition of four rental units in the Wedgewood complex. There have been some rental unit losses since 2000, due to demolitions, conversions or other causes, but no reliable information is available on lost rental housing. As a result, with the addition of the Wedgewood units, the estimated rental inventory in 2009 is approximately 529 units.

Pending Projects

We are aware of one pending rental housing development, Ashley Estates, that will add 24 market rate apartment units to the City. This project is being developed on a downtown site.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily rental buildings in the City. The survey focused on larger rental projects with six or more units. Information was collected in June and July, 2009. We did not attempt to collect information from smaller rental properties, such as single family homes, mobile homes and duplexes.

In total, we collected information on 297 rental units in all segments of the market. This represents approximately 56% of the City's total estimated rental inventory.

The breakdown of rental units by type that were contacted by the survey is as follows:

- ▶ 59 market rate units in four developments
- ▶ 12 tax credit units in one project
- ▶ 178 subsidized units in five projects
- ▶ 48 senior with services units in two projects

Market Rate Summary

We were able to identify four market rate rental properties in Jackson that have six or more units. These properties include Wedgewood Condominiums (20 units), Hillcrest Apartments (24 units), Evergreen Apartments (8 units), and 207 Second Street (7 units). We were able to contact all four properties. The four properties that were contacted have a combined total of 59 market rate rental units.

Occupancy/Vacancy

We found only one vacant unit for an overall vacancy rate of 1.7%. The vacancy was in the Second Street apartments. All of the owners and managers of the market rate projects reported excellent occupancy rates. In the 2006 Study, we found no vacancies.

Rental Rates

Rental rates in Jackson are generally very modest. The highest rental rates in the market rate segment are in Wedgewood Condominiums. This project is the newest in the City's market rate rental inventory. However, it was developed as a publicly owned project, and was later sold to a non-profit housing agency. As a result, even the gross rents in this project are relatively low. A two bedroom unit in Wedgewood has a contract rent of \$625 to \$665 per month, with the tenant paying all utilities. These units would have an estimated gross rent of \$825 or less.

The remaining three market rate projects have very low contract rents ranging from \$350 to \$420.

Tax Credit Summary

There is one rental project in Jackson that was built using federal low income housing tax credits, River Bluff Townhomes. River Bluff Townhomes was constructed in the late 1990s, and is owned by the Southwest Minnesota Housing Partnership. This project has 12 total units, and was designed for large families, with 10 three bedroom units and 2 four bedroom units.

Occupancy/Vacancy

At the time of our rental survey, there were no vacant units reported in River Bluff Townhomes. The manager reported full occupancy with a short waiting list. The project was also fully occupied at the time of the 2006 Study.

Rental Rates

The federal tax credit program places maximum rent limitations on assisted units. Eight of the 12 units in River Bluff Townhomes are designated for households earning 50% or less of the estimated County median income, and the remaining four units are for households earning 60% or less of median income.



pay

The rents for the River Bluff Townhomes are \$500 for a one-bedroom unit and \$520 for a two-bedroom unit. Tenants also pay heat and electricity. The rents at River Bluff Townhomes are well below maximum allowable limits.

River Bluff Townhomes are the only tax credit units in Jackson County.

Subsidized Summary

There are five federally subsidized apartment projects in Jackson. Combined, these projects have 178 units of subsidized rental housing. All of these units are available for general occupancy. One of the projects, River Valley Homes, was originally designated specifically for senior and disabled occupancy, but a later rule change opened this building to people of all ages.

Occupancy/Vacancy

At the time of our survey, nine units were vacant in these projects, for a vacancy rate of 5.1 %.

All of the reported vacancies were in one project, Rolling Hills Apartments. Rolling Hills has 48 total units, but these units are a mix of “deep subsidy” and “shallow subsidy” apartments. In this project, 32 units have rent assistance available, which allows tenants to pay rent based on 30% of their income. All of the rent assistance units are full. The remaining units do not have rent assistance, and the tenant must pay 30% of income or a basic rent amount established for the unit, whichever is greater. The basic rent for a one bedroom unit in Rolling Hills is \$365, and the basic rent for a two bedroom unit is \$395. The reported vacancies are in the shallow subsidy units.

In 2006, six vacancies were reported for a vacancy rate of 3.4%. As with the current survey, all of the vacancies were in the Rolling Hills Apartments project.

Rental Rates

As explained above, some subsidized projects have rent assistance available for very low income tenants, and some have a basic rent that must be paid by the tenant, regardless of income. Most of the subsidized units in Jackson do have rent assistance available for tenants, so lower income households pay rent based on 30% of income. However, both Rolling Hills and Riverine Apartments have some units without rent assistance.

Subsidized Unit Gains and Losses

Some subsidized projects around the State have met their contractual obligations to provide affordable housing and have been converting to market rate housing. Two projects in Jackson, Riverine Apartments and Sunrise Estates, have submitted the documents to pre-pay their mortgages and could opt-out of the subsidy program in the future and become market rate rental housing. However, at the time of this study, the projects have not opted out and are still operating as subsidized housing.

Senior Housing with Services

Jackson has two senior housing projects specifically constructed to provide some level of services.

The Pines is a 33 unit project providing housing with services for seniors. The project is affiliated with the Good Samaritan Center campus. The Pines can offer a range of housing options, from independent living to assisted living. The basic unit rent includes a light service package with a daily meal, weekly house keeping, emergency call system, extensive common space and planned activities. Additional meals and assisted living services can be purchased for an additional fee. The base rent is \$1,361 for a one-bedroom and \$1,698 for a two-bedroom unit. The Pines reported eight vacancies. The manager reported that there have been several vacancies for the past 18 months. At the time of the 2006 survey, there were four vacancies at the Pines.

Jackson also has a memory care housing option in The Lighthouse. The Lighthouse occupies a wing of the Good Samaritan Center, and was created in the late 1990s. The project currently has capacity for 15 residents, and was fully occupied at the time of our survey. Because the Lighthouse is part of the Good Samaritan Center campus, there is some flexibility in the number of residents it can accommodate at the Lighthouse.

Table 5 Jackson Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Wedgewood Condominiums	<u>20 - 2 bedroom</u> 20 Total Units	\$625-\$665 plus utilities	No vacancies - short waiting list	Mostly senior citizens	Market rate apartments developed by the City from 1997 to 2001 later sold to SW MN Housing Partnership. Units are in four-plex configurations. One level living with attached garage. Units have dishwasher, garbage disposal, and laundry hook-ups. Tenants pay all utilities in addition to rent. Most tenants are seniors. Income limits apply to 20% of residents. No vacancies at time of survey, and vacancies are rare.
Hillcrest Apartments	1 - 1 bedroom <u>23 - 2 bedroom</u> 24 Total Units	\$350 \$375-\$420 +heat, electric	No vacancies	Mix of tenants	Three level apartment building. Upper floors have balconies. Tenants pay electric and heat in addition to rent. Coin laundry facilities available; garage available for extra fee. Manager reports full occupancy, however, there were vacancies in the winter months. Rents may increase according to manager.
Evergreen Apartments	6 - 1 bedroom <u>2 - 2 bedroom</u> 8 Total Units	\$350 \$380 plus utilities	No vacancies	Mix of tenants	Eight-plex constructed in 1978. Currently five units are rented by college students. Manager reports that units are usually fully occupied.
207 2 nd Street	5 - Efficiencies <u>2 - 1 bedroom</u> 7 Total Units	\$200 \$350	1- 1 bedroom unit	Mostly singles	Older house converted into small apartments in the mid-1960s. Rent includes all utilities. Originally intended for students, but most tenants now are working singles. Good occupancy history due to affordable rents. One vacancy at time of survey.
Tax Credit					
River Bluff Townhomes	10 - 3 bedroom <u>2 - 4 bedroom</u> 12 Total Units	\$500 \$520 +heat, electric	No vacancies, short waiting list	Mostly younger families	Tax credit town house project constructed in the late 1990s and owned by the SW MN Housing Partnership. Eight units are designated for households at or below 50% of median and 4 units at 60% of median income. Manager reports full occupancy and short waiting list.

Table 5 Jackson Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Rolling Hills Apartments	21 - 1 bedroom <u>27 - 2 bedroom</u> 48 Total Units	\$365-\$455 \$395-\$470 30% of income	9 vacant units	General occupancy	Rural Development subsidized project for general occupancy. Two buildings with 24 units each, built in 1977 and 1978. Approximately 32 units have rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic rents listed. Most vacancies are in units without rent assistance. A rule change prevents the project from renting to students unless they meet specific criteria. Since this rule change, there have been significant vacancies.
Sunrise Estates	33 - 2 bedroom <u>7 - 3 bedroom</u> 40 Total Units	\$618-\$635 \$671 30% of income	No vacancies, short waiting list	General occupancy	MHFA/HUD Section 8 New Construction subsidized town house units for general occupancy built in 1980. All tenants pay rent based on 30% of income. Rents listed are maximum rent caps for higher income tenants. Building was fully occupied at time of survey. Manager reports that there is some turnover, but waiting list fills units as they come available. Also, students can live in the project if they meet certain criteria.
Riverine Apartments	2 - 1 bedroom <u>14 - 2 bedroom</u> 16 Total Units	\$285-\$325 \$300-\$342 30% of income	No vacancies	General occupancy	Rural Development subsidized apartments for general occupancy constructed in mid-1970s. 11 units have rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents listed. No vacancies at time of survey.
River Valley Scattered Site	8 - 2 bedroom 15 - 3 bedroom <u>1 - 4 bedroom</u> 24 Total Units	\$489+ \$623+ \$652+ 30% of income	No vacancies, short waiting list	General occupancy	Public Housing scattered site units. Tenants pay rent based on 30% of income, up to maximum rents listed plus allowance for utilities. Fully occupied, five names on waiting list. Both units and waiting list has relatively high rate of turn over.

Table 5 Jackson Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
River Valley Homes	49 - 1 bedroom <u>1 - 2 bedroom</u> 50 Total Units	\$385 \$423 30% of income	No vacancies, waiting list	General occupancy	Public Housing high rise originally built for senior/disabled occupancy but HUD rule change allowed general occupancy. Tenants pay 30% of income, but not less than \$50 or more than maximum rents listed. Mix of tenants including seniors, disabled and students. No vacancies and 18 name waiting list.
Housing Choice Vouchers	Approximately 227 assisted households in seven counties with three households in Jackson	30% of income	Waiting list of 314 names including nine in Jackson County	N/A	HUD Housing Choice Vouchers provide tenant based assistance that can be used in any suitable rental unit. Tenant rent contribution is based on 30% of income with the assistance program paying the additional subsidy. The Worthington HRA administers the Program in seven counties. The Program assists 227 households. In 2009, there are three voucher households in Jackson. Waiting list of 314 for all counties including nine in Jackson County.
Senior Housing with Services					
The Pines	19 - 1 bedroom <u>14 - 2 bedroom</u> 33 Total Units	\$1,361 \$1,698 + services as needed	8 vacant units	Senior housing with services	Good Samaritan senior housing with services project with a la carte options that allow for independent to assisted living. Affiliated with nursing home. Basic rent includes light service package with daily meal, weekly house keeping, emergency call system, common space and planned activities. Additional meals and assisted living services available for additional fee. Eight units vacant at time of survey, and no waiting list. Lowered demand in recent years due to better in-home care options and competition in most surrounding communities. Also, manager reports that many of her tenants have moved to the nursing home. There have been several vacancies in the facility for the past 18 months.

Table 5 Jackson Multifamily Rental Housing Inventory					
Jackson Good Samaritan Center	Licensed for 68 beds including Lighthouse	Based on level of services	Two vacant beds	Skilled Nursing Home	Good Samaritan nursing home. Affiliated with the Pines senior apartments and the Lighthouse memory care housing. Licensing for 68 residents includes 15 in the Lighthouse.
The Lighthouse	15 resident capacity	Based on level of services	Full occupancy	Memory care housing	Memory care housing created in 1997 through conversion of one wing of Good Samaritan Center. 12 residents in shared occupancy and 3 private occupancy. Fully occupied at time of survey, but often have beds available due to turn over. Originally had only 1 private room, but more demand for private has dropped capacity from 17 to 15 residents.

Source: Community Partners Research, Inc.

Findings and Recommendations

Overview

Community Partners Research, Inc. completed a comprehensive housing study for the City of Jackson in 2006. This Update has examined the findings and recommendations made in the 2006 Study, and revised the recommendations to reflect the research completed in 2009.

Household Growth Compared to Previous Projections

In the 2006 housing study, we had projected that Jackson would have approximately 1,521 total households by 2009. The State Demographer's 2008 estimate was 1,515 households, thus, the 2006 household projection was accurate. At the time of the 2006 Study, we had projected near-term household growth of approximately five households per year, which also proved to be accurate.

Between 2006 and 2008, the City issued building permits for 16 new housing units, including 12 single family homes. We had projected the new construction of up to eight to 10 new housing units annually, however, with a slowdown in new housing construction, this projection was not achieved.

The growth projections in the 2006 Study for all of Jackson County have proved to be high. In 2006, we had projected that the County would have 4,636 total households in the year 2008. The latest estimate, for 2008, shows 4,596 households Countywide.

In 2006, we had projected that the County would add four to five households annually. The Demographer's estimate shows a loss of approximately 10 households annually.

The limited number of new construction in Jackson is partially due to market conditions. The City has attractive lot options. With capacity for new home development, it is very possible that Jackson could see a higher level of new home construction in the future when housing and economic conditions improve. However, it must be recognized that even through the strong growth period that existed earlier in this decade, Jackson still averaged only five to six new single family homes annually.

Growth Projections to 2015

For this Update, we have created new projections for growth. These new projections expect slight overall household growth in Jackson County through 2015.

Between 2000 and 2008, Jackson County was averaging approximately five additional households per year, although, the household growth occurred during the first five years of the decade. Between 2008 and 2015, it is our projection that the entire County will continue average an increase of approximately five new households per year.

When examining the City of Jackson's household growth, we would expect the City to add approximately four households per year to the year 2015. Since the capacity to develop new housing exists in Jackson, it

is possible that actual housing unit growth will exceed our expectations, and the City may grow at a faster rate.

Projected Growth by Age Range

The previous housing study completed for Jackson County have tracked the changing age patterns of County residents, and have made projections about the expected changes in households by age. This Update has once again included an analysis of expected changes, with a forecast of the movement between 2005 and 2015.

Consistent with the most recent forecast contained in the 2006 Study, most of the net growth in households will be due to an increasing number of people in the 25 to 64 age ranges from 2005 to 2015. It is estimated that 102 households will be added in the 25 to 44 age range and 89 households will be added in the 45 to 64 age range. By the year 2015, nearly all of the large “baby boom” generation should be age 55 and older.

Conversely, household losses are projected in the younger adult age range of 15 to 24. It is projected that 63 households will be lost in this age range from 2005 to 2015. There will also be a loss of approximately 68 households in the 75 and over age ranges.

Rental Housing Recommendations

Findings: The City of Jackson has a relatively normal supply of rental housing units. At the time of the 2000 Census, there were 437 renter households living in the City. This represented over 29% of all households, compared to a State-wide rental tenure rate of approximately 25%. While the City's rental tenure rate was slightly higher than the State-wide rate, this is typical for Cities, which tend to offer rental options for a surrounding area.

In the 1990s, Jackson was able to expand the supply and quality of its rental housing stock, with the construction of two rental projects, Wedgewood Apartments and River Bluff Townhomes. Combined, these two projects added 32 high quality rental units to the City's inventory. However, there has been no new rental construction in Jackson since the last phase of Wedgewood was constructed in 2000.

It is important to note that both of these projects required significant public involvement. Wedgewood Apartments was developed by the City of Jackson as a publicly owned project, and then later sold to the Southwest Minnesota Housing Partnership, a nonprofit agency dedicated to affordable housing. The Housing Partnership developed the River Bluff Townhomes project, using federal low income housing tax credits and other public resources.

Due to the changing age make-up of the population in Jackson and the surrounding area, there has been lowered demand for rental housing opportunities, as demand for owner occupied housing has grown. Between the 1990 Census and the 2000 Census, Jackson lost 25 renter occupancy households, while the surrounding Market Area around Jackson lost 15 additional renter households. During this same time, all of Jackson County lost 128 renter households.

As part of this study, a rental survey was conducted. A total of 297 rental units were contacted. The survey showed that 5.7% of all the rental units surveyed were vacant. A 3% to 5% vacancy rate is considered a healthy market to allow for unit choice and availability. However, of the 17 vacant units reported, 16 vacancies were in two projects, Rolling Hills, a Rural Development project, and The Pines, a senior with services project. Only one vacancy was in the market rate projects.

Our projections would indicate that the City of Jackson is expected to add approximately four households per year over the next five years. Over a five-year projection period, this forecast expects 20 new households. Of these households, approximately 10 are projected to be rental households. We also believe that additional units are required to address pent-up demand in some segments of the market. Also, it is assumed that some rental units will be lost as a result of the City's rental inspection program. Some units may not pass inspection or the owners of units simply may choose to not register their units knowing they would not meet code and discontinue renting the units. Overall, we estimate that a total of 50 to 60 rental units are needed over the next five years.

We are recommending the construction of 50 to 60 rental units between 2009 and 2014. The proposed rental unit breakdown is as follows:

▶ General Occupancy Market Rate	28 to 32 units
▶ Senior with Services	0 units
▶ Subsidized/Tax Credit	10 to 12 units
▶ Student Housing	<u>12 to 16 units</u>
Total	50 to 60 units

1. Support the Construction of 28 to 32 Market Rate Apartment Units

Findings: City-wide, approximately 300 rental units, or 63% of all rental housing in the City, can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as income limits or age requirements. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

Although the City of Jackson has a good supply of market rate rental housing, most of this housing is not in traditional multifamily apartment units. Working with City records on multifamily housing, we could identify only four multifamily, market rate projects in the City that had six or more units. These properties were Wedgewood Condominiums (20 units), Hillcrest Apartments (24 units), Evergreen Apartments (8 units) and 207 Second Street (7 units), a large house converted into separate rental units. These properties have a combined 59 market rate rental units, or less than 20% of the overall estimated stock of market rate rental housing.

We believe that most of Jackson’s market rate rental housing is located in smaller structures, such as single family house, duplexes, and in accessory apartments that have been added onto other residential and commercial structures. While this rental stock provides an affordable option for many renter households, it is generally not of the same quality and does not have the same amenities as newer multifamily housing.

The only newer market rate project in Jackson is the Wedgewood Apartments, which was constructed in phases between 1997 and 2000. These units were developed as publicly owned rental housing by the City, but the units were later sold to the Southwest Minnesota Housing Partnership, a regional housing nonprofit group.

The units at Wedgewood have the highest contract rents in the market rate sector, with two bedroom units renting for \$625 to \$665 per month, with the tenant paying all utilities. With the inclusion of tenant-paid utilities, gross rents are \$800 or less for a two bedroom unit with garage. Some of these units do have income limits that apply to occupancy, since the project utilized some public financial assistance, but these income limits are sufficiently high that the project operates as market rate housing.

We were also able to collect rental rate information from the other three multifamily properties. The other market rate multifamily projects that we contacted had a lower rent structure. The largest market rate project in Jackson, Hillcrest Apartments with 24 units, has two bedroom contract rents of \$350 to \$420 per month, with tenants paying additional amounts for heat, electric and garage parking.

Our rental housing survey found only one vacancy among the 59 market rate units. All four of the projects reported good occupancy histories. In the 2006 Study, there were no vacancies.

Recommendation: We are recommending the development of 28 to 32 market rate rental units over the next five years. This recommendation includes the Ashley Estates project. A private developer is currently constructing a three-story, 24 unit market rate apartment building, Ashley Estates, in the downtown area. The project will have a mix of one, two and three bedroom apartments. This project will address the majority of the 28 to 32 unit recommendation.

Although our household projections do not show a significant demand for new market rate units due to household growth, we believe that a combination of pent-up demand for high quality rental units, and the need to upgrade and replace some of the older rental stock justifies a new project. This proposed development has the added advantage of completing a redevelopment project in the City. Ashley Estates will give the City approximately 44 high quality rental units, when combined with the 20 units in Wedgewood. These two projects would still represent fewer than 10% of all rental housing in the City.

While we are supportive of this project, it should be noted that the introduction of 24 new units at one time could result in some short-term market saturation. When the Wedgewood project was constructed, the units were constructed in phases over a three year time period, which allowed for the units to be successfully absorbed. Also, the proposed rent structure for Ashley Estates is significantly higher than the current rent structure for any other market rate projects in Jackson, thus, Ashley Estates may have a long absorption period.

Although Ashley Estates will have rents that are at the highest level in the community, we would expect that this project will have an impact on opening up less expensive options in the community. With only limited growth projected in the number of renter households in Jackson, this project will probably attract a large share of tenants from existing housing options in the City. As some tenants choose to upgrade their housing, they will vacate older, less expensive housing options, which can then be filled by students and moderate income renters that are looking for a more affordable option.

With the development of Ashley Estates, we have still identified a need for four to eight additional units over the next five years. We would primarily recommend the construction of two to three bedroom units with a rent structure more moderate than the Ashley Estates rent structure to accommodate moderate income households. A project design and rent structure similar to the Wedgewood Condominium project would be ideal. These units should be constructed after the Ashley Estates units have been successfully absorbed.

2. Need for 12 to 14 subsidized/tax credit rental units

Findings: There are five subsidized projects and one tax credit rental project in the City of Jackson. These six projects have a total of 190 units.

Currently, there are no vacancies in five of the projects and several projects have waiting lists. Rolling Hills Apartments, a Rural Development project, is the only subsidized project with vacancies and currently

has nine vacancies. These vacancies are in units that do not have rent assistance.

Additionally, rental housing has been lost due to a number of factors including demolitions and conversions.

It is estimated that over 140 renter households in Jackson County are paying over 30% of their income for housing. Most of these households are low income households.

It is projected that Jackson County will add approximately 25 households over the next five years. Of this total, approximately 10 households will be rental households and a significant percentage of these rental households will be low income households.

Jackson has a very strong employment base with 10 employers having over 50 employees and a total of 16 employers with over 25 employees. AGCO Corporation employs 1,000 people. This strong employment base assures a stable or growing population.

No subsidized or tax credit rental projects have been constructed in Jackson since River Bluff Townhomes, a 12-unit tax credit project that was constructed in the late 1990s.

Jackson and Jackson County have only one project that has received federal low income housing tax credits, River Bluff Townhomes. This project has also attracted other subsidies in addition to tax credits. As a result, eight of the 12 units in the project have been designated to serve households at or below 50% of the median income level, with the remaining four units serving households below 60% of median income. The rent levels being charged at River Bluff are at an even lower level. The three bedroom townhomes have a contract rent of \$500, with tenants paying heat and electric. This results in an estimated gross rent of approximately \$635 per month, which is below the 45% of median income threshold established for the tax credit program.

Our rental survey found no vacancies in River Bluff Townhomes and the manager reports a short waiting list. The project has only three and four bedroom units, and as a result, there is a somewhat restricted market in Jackson.

There are five federally subsidized apartment projects in Jackson. Combined, these projects have 178 units of subsidized rental housing. All of these units are available for general occupancy. One of the projects, River Valley Homes, was originally designated specifically for senior and disabled occupancy, but a later rule change opened this building to people of all ages.

The 178 subsidized units represent approximately 40% of all renter households in the City. This is a very high percentage of subsidized housing, based on our experience in other communities. However, at the time of our survey, four of the five subsidized projects were fully occupied.

Nine vacancies were reported in Rolling Hills Apartments. Rolling Hills has 48 total units, but these units are a mix of “deep subsidy” and “shallow subsidy” apartments. In this project, 32 units have rent assistance available, which allows tenants to pay rent based on 30% of income. All of the rent assistance units are full. The remaining units do not have rent assistance, and the tenant must pay 30% of income or

a basic rent amount established for the unit, whichever is greater. The basic rent for a one bedroom unit in Rolling Hills is \$365, and the basic rent for a two bedroom unit is \$395. All of the vacancies are in the units that do not have rent assistance.

We found two subsidized projects that was at risk of being lost. Riverine Apartments, a 16 unit project subsidized by USDA Rural Development, and Sunrise Estates, a 40-unit MHFA/HUD Section 8 Project, have filed a Resident Impact Statement with the Minnesota Housing Finance Agency, indicating their intent to pre-pay their mortgage and opt-out of the Rural Development Subsidy Program. However, both projects are still operating as subsidized projects.

Recommendation: We recommend the development of 12 to 14 subsidized/tax credit rental units over the next five years.

Based on our experience in other communities, we would normally expect to see between 22 and 30 tax credit units in a city the size of Jackson. With only 12 units at River Bluff Townhomes, there are some indications that this segment of the market is under served.

Also, based on our rental housing survey, there is currently unmet demand for “deep subsidy” rental housing in Jackson, despite the large number of units that are already present in the community. All of the deep subsidy units were at full occupancy, and waiting lists existed at some projects.

Additionally, up to 56 subsidized units could be lost if Riverine Apartments and Sunrise Estates opt out of their subsidy programs.

We recommend that the majority of the new units are two-bedroom units and rents are as affordable as possible, preferably affordable for households with incomes below 50% of area income.

The Southwest Minnesota Housing Partnership, which developed the River Buff Townhomes, has been very successful in securing other funds, in addition to tax credits, to serve lower income households.

3. Monitor the Need for Senior Housing with Services

Findings: Jackson has one senior housing project, The Pines, that can provide a flexible option for seniors, from both independent living with light services to assisted living. The Pines was constructed in the late 1980s, and has 33 total senior housing units.

Because services can be purchased a la carte, as needed by the residents, the project allows seniors to “age in place”, by gradually adding services as their life-cycle needs change. Approximately half of the tenants are receiving assisted living services, and the remainder are just accessing the lighter service package of a daily meal, weekly housekeeping, and similar services.

At the time of our rental survey, there were eight vacant units in the Pines. There was no waiting list for occupancy. According to the manager, there are more options for seniors to receive in-home services through home health care provider agencies, and this had resulted in a delay for some elderly households

to actually move into a senior complex.

It is also possible that increased competition in neighboring communities has had some impact on demand. Over the last few years there has been a significant change in the availability of senior housing with services options in the Minnesota communities that surround Jackson. Lakefield, Heron Lake and Sherburn all have senior with services projects.

There is also one project in Jackson, The Lighthouse, that provides specialized housing for people with memory loss issues. This project was created when a wing of the Good Samaritan Center was converted into memory care units. The Lighthouse currently has capacity for 15 residents, and was fully occupied at the time of our survey. Because the Lighthouse is part of the Good Samaritan Center, there is some flexibility in the number of residents the Lighthouse can accommodate. The Lighthouse is the only housing that we could identify in Jackson County that was specifically designed for memory care needs.

The City has one nursing home, Good Samaritan Center, that is licensed for 68 beds, including the 15 beds in the Lighthouse wing. The other nursing homes in Jackson County are in Lakefield (43 beds) and Heron Lake (35 beds). We did not contact nursing homes as part of our rental housing inventory.

Recommendation: Based on our research, we would recommend that the City monitor the need for additional housing with services. There are some vacancies in the City's existing project, The Pines, and there is capacity in both assisted living and housing with light services in the neighboring communities.

When The Pines was constructed, it was one of the only providers of specialized senior housing with services in the area, but during this decade, there has been a substantial addition of units in both Lakefield to the west and Sherburn to the east. This has effectively reduced the market area for The Pines to a smaller geographic area that immediately surrounds the City of Jackson.

The projections for Jackson County do not show growth in the older senior population, age 75 and above, through the year 2015. The State Demographer's age-based projections expect the population of older seniors in Jackson County to decrease between 2005 and 2015. With increased competition from projects in the region and with the increasing popularity of home health care, we do not expect to see an increase in demand for senior housing with services over the next five years.

4. Need for 12 to 16 Student Housing Units

Findings: Minnesota West Community and Technical College is located in the City of Jackson. There is no on-campus student housing available. Most of the privately owned rental projects contacted in the rental survey indicated that they had some student renters. Many of the students are residing in some of the City's subsidized rental projects, including Sunrise Estates and River Valley Homes.

In 2006, a proposal had surfaced to construct a student housing project that would have been configured as suites, with total capacity for 24 residents. However, this project has not proceeded to construction.

The need for student housing can be impacted by a number of factors, including the mix of 'traditional' to

‘non-traditional’ students, and the College’s recruitment patterns. For example, our population by age projections show a declining population of children within much of southwestern Minnesota in future years. A decline of younger residents in the immediate region could potentially affect the recruitment of students from nearby communities. If the College needs to recruit students from a larger geographical area to maintain a stable enrollment, then demand for student housing could actually increase despite little change in overall enrollment. Conversely, if fewer young, ‘traditional’ students are available, the College may recruit more ‘non-traditional’ students. Non-traditional students, such as people making mid-life career changes, most often live within the immediate vicinity of the College, and generally have housing secured before enrolling. An expansion of non-traditional student enrollment could actually result in less demand for student housing.

The Jackson HRA has done preliminary planning on developing a 16-unit student housing project. Currently, 10 to 12 students are living in River Valley Homes. River Valley Homes has a 23-person waiting list.

Recommendation: We recommend the development of 12 to 16 student housing units in the City of Jackson. Housing for students is currently provided in a broad range of local options in Jackson, including market rate housing and some of the City’s subsidized projects. Students represent a relatively steady annual demand for rental housing, and have greatly contributed to the high rate of occupancy in most multifamily projects. A small student housing project will provide a new housing option for students, open up affordable units for low/moderate income households and can be absorbed into the market without having a detrimental impact on existing rental projects.

A successful student housing project will require affordable rents that are competitive in the Jackson market. Also, good management is critical.

If the student housing project is successful, additional phases should be considered.

5. Continue to apply for Housing Choice Vouchers/Section 8 Existing Program allocations when available from HUD

Findings: The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income renter households. The program requires participating households to contribute from 30% to 40% of their adjusted income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community, provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community.

Although the federal government provides almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades.

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

At the time of this Study, only three households in Jackson, and eight households in Jackson County are receiving tenant-based rent assistance. The Program is administered in Jackson County by the Worthington HRA, and the distance to Worthington may be a factor in the relatively low rate of participation in Jackson.

The 2000 U.S. Census showed a substantial number of Jackson renter households with a housing cost burden. It is estimated that there are over 140 renter households in Jackson that were paying more than 30% of their annual income for rent. Most of these households had annual incomes below \$25,000. This further verifies Jackson's need for additional Housing Voucher Assistance.

Recommendation: From a practical standpoint, the Housing Choice Voucher Program is the single best way that Jackson can provide affordable housing. HUD does not make new incremental assistance available every year, but when new allocations are authorized, we would encourage the community to work with the Worthington HRA, which administers the program in the region, to apply for additional units.

It would also be appropriate to promote the availability of this Program in the community, in an attempt to increase the utilization rate by Jackson residents.

6. Maintain and preserve the existing supply of subsidized housing

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

This subsidized housing represents the most affordable option available to lower income households. Since most of these units charge rent based on income, even extremely low income households can afford their housing.

Most of the subsidized stock is privately owned. In some communities, privately owned subsidized housing has been lost as owners have the ability to opt-out of subsidy contracts after their original obligations have been met. Subsidized housing that is lost cannot be cost-effectively replaced with the low income housing production resources that are available today.

Jackson has two projects, Riverine Apartments and Sunrise Estates, that have filed the documents to pre-pay their mortgages and opt-out of their subsidy programs. These projects have 56 affordable units. However, at the time of this study, both projects are still operating as subsidized projects.

Recommendation: MHFA tracks subsidized housing in Minnesota that is at risk of being lost. Owners of subsidized housing that are considering the option to drop their subsidy contract must notify MHFA and the tenants prior to taking any action. At the time of this Study, Riverine Apartments and Sunrise Estates are on the MHFA list. We recommend that the City of Jackson and local housing agencies assess the status of the Riverine Apartments and Sunrise Estates to determine if a strategy is needed to preserve the projects as affordable subsidized housing.

The City of Jackson and the local housing agencies should also check with MHFA on an ongoing basis to determine if any other Jackson subsidized housing projects are considering the option to drop their subsidy contract.

Home Ownership Recommendations

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in the City of Jackson is estimated to be \$63,500 based on recent sales activity. The low home values in Jackson provide an excellent market for first time buyers and households seeking moderately priced homes.

Our analysis of area demographic trends shows an increasing population of households in the traditionally strong home ownership age range of 55 to 64 years old. While many of these households already own their housing, those households at the lower end of the age range that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home. Also, households in this age range represent a strong potential market for trade-up housing.

Jackson is also projected to experience growth in the 25 to 34 age range. This age range represents a strong first time home buyer market.

Also, Jackson has a significant number of ethnic and racial minority households. These households have a lower rate of home ownership than white households. There is an opportunity to increase the rate of home ownership of ethnic and racial minority households.

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

Findings: We continue to believe that affordable home ownership is one of the major issues facing Jackson in the immediate future. Home ownership is generally the preferred housing option for most households and most communities. As discussed previously, the demographic make-up of Jackson and the Jackson Market Area are conducive to the promotion of home ownership opportunities. There are a number of strategies and programs that can be used to promote home ownership in Jackson. The Southwest Minnesota Housing Partnership and the other area housing agencies have an excellent reputation in providing home ownership programs, and will continue to assist with this effort.

First time home buyer assistance, down payment assistance, low interest loan and home ownership training programs can help to address affordable housing issues. Other programs including employer assisted home ownership programs, purchase/rehab programs, the MURL Program and a local downpayment assistance program can also assist households with purchasing a home. The City has a large supply of houses that are price eligible for these assistance programs. The home value estimates used in this study indicate that a large majority of the existing stock currently is valued under the purchase price limits for the first-time home buyer assistance programs.

Recommendation: Jackson should utilize all available home ownership assistance programs for home ownership. The community should also explore the possibility of obtaining specific program set-asides from some of the mortgage programs offered through the Minnesota Housing Finance Agency. Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher

participation limits for income and purchase price, and the flexibility for more local design and control.

The City should continue to work with the Southwest Minnesota Housing Partnership and other area housing agencies to continue to develop and implement home ownership programs. Local financial institutions can also have a significant role in assisting households.

Mortgage programs should continue to be developed that include all households and not just first time home buyers to encourage trade-up housing activity. Potential funding sources for home ownership programs include Rural Development, the Minnesota Housing Finance Agency, FANNIE MAE and the Greater Minnesota Housing Fund.

8. Involvement in the Emerging Markets Homeownership Initiative (EMHI) to increase minority home ownership

Findings: Jackson and Jackson County have attracted many racial and ethnic minorities, and international immigrants in recent years. Employment opportunities, quality of life and other factors have resulted in a population that is increasingly diverse.

Based on 2008 U.S. Census population estimates, there are 280 Hispanic or Latino people and 254 non-white, non-Hispanic/Latino people living in Jackson County. Home ownership rates for all racial and ethnic minority groups are typically lower than the home ownership rate for white, non-Hispanic households.

The newly arriving populations, particularly international immigrants, may have barriers, such as language, culture, and asset accumulation that hinder them in their attempt to purchase a home.

Recommendation: Recognizing the potential to assist with expanded home ownership, the State of Minnesota has started the Emerging Markets Homeownership Initiative (EMHI). The long-term vision of the initiative is to eliminate the gap in home ownership rates between emerging markets and white, non-Hispanic households.

With a growing population of racial and ethnic minority residents, it would be appropriate for the City to continue to participate in the program development process and to access program resources in an attempt to increase the rate of home ownership in the community.

The Southwest Minnesota Housing Partnership is very active in EMHI and is a leader in developing and implementing EMHI programs. The City should continue to work with the Southwest Minnesota Housing Partnership to increase home ownership among ethnic and racial minority households.

9. Continue the City's Down Payment Assistance Program

Findings: The City of Jackson has a down payment assistance program known as the Community Purchase Partnership Program. In the 2006 Study, we recommended revamping the program to encourage participation. The City has made program changes, however, according to the City's EDA Director, the down payment assistance program is still not utilized.

It is estimated that there is at least \$90,000 in the Community Purchase Partnership Program fund. The City has the option to change the program to address the City's current needs.

Recommendation: We recommend that the City of Jackson and the Jackson EDA coordinate with the Southwest Minnesota Housing Partnership to determine why the program is not being utilized and take the appropriate steps to promote and increase program participation. This program could have a significant impact on the City's housing market including the sale of existing homes and the construction of new homes.

Single Family Housing Development

Findings: The City of Jackson has experienced some single family housing construction in recent years. Over the past six years, the City has averaged approximately five new single family homes per year. These homes have been primarily in the form of detached single family units, with some twin home construction also occurring.

The attractiveness of the community and the strength of the local economy should result in the continued construction of new homes annually. However, the City's home values for older, existing houses are relatively low, and this may act as a deterrent in increasing the number of new homes that can be constructed annually.

Household growth projections for Jackson indicate demand for owner-occupied housing construction. Most of the growth that is anticipated over the next five years will be among households in the age ranges between 55 and 74 years old. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced and trade-up housing. These age ranges are also often looking for housing options such as twin homes and town homes. There is also growth projected among younger households, in the 25 to 34 year old range. This group typically represents first time home buyers.

Our projections expect that the City will add approximately five new households per year, in an average year, through the end of this decade. However, we believe that greater growth potential does exist, if the City successfully captures a larger share of the regional market.

It is our opinion that if the City, local housing agencies and housing developers continue to be proactive, as many as six to eight new houses could be constructed annually in Jackson.

10. Lot Availability and Development

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Jackson. There was no definitive list of lots available but our most reliable estimates indicated that a minimum of 14 buildable lots are available in August 2009.

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace, based on annual lot usage. Using our projections that between six and eight new houses will be constructed per year, the city should have approximately 15 to 20 residential lots available to meet the expected demand. This could include lots that are currently buildable, as well as lots in the advanced planning stages that could be available for the next construction season.

Using this standard, the City's current residential lot inventory is not adequate to meet future demand. However, the Jackson EDA is constructing a 2nd phase of the Sunset View Subdivision, which will include 22 lots. This development will address projected demand.

While lot availability may be an issue for the City in the future, it should be stated that developers and the

EDA have demonstrated that they can respond to market demand, as the EDA is currently responding with its Sunset View 2nd phase development. They have been able to develop an adequate supply of lots to facilitate on-going construction activity.

11. Continue to Promote Lot Sales and Home Construction in the Sunset View Subdivision

Findings: The Jackson EDA's 31 lot single family first phase Sunset View Subdivision has only five unsold lots.

The EDA was committed to developing a second phase when 70% of the lots in phase one were sold. The sales were achieved and the Jackson EDA is developing a second phase, which includes 12 twin home lots and 10 single family lots.

The EDA has developed a Spec Builder Program to increase lot sales and home construction. The EDA is also actively marketing the lots in both phases of the Sunset View Subdivision.

Additionally, a developer is constructing two model homes in the second phase subdivision. The homes will be affordable with a price of approximately \$130,000.

The EDA also owns land adjacent to the phase one and phase two Sunset View Subdivisions that will accommodate a third phase lot development.

Recommendation: As previously stated, the goal of the City should be six to eight new housing starts per year. Of this total, we are projecting that five to six homes will be constructed in the Sunset View Subdivision annually. To achieve this goal, the EDA must continue to be very proactive in promoting and marketing the Sunset View Subdivision.

The EDA should continue with its Spec Builder Program. The EDA should also attempt to involve local employers in the sale and marketing of the lots.

The EDA, area housing agencies and local financial institutions should also develop a plan that ensures that all financing mechanisms are available to potential home buyers. These assistance programs should be publicized and be user-friendly.

12. Monitor the need to develop an Affordable New Home Subdivision

Findings: Providing affordable new construction ownership options in Jackson is a priority issue. The City's median household income in 2009 is \$42,360. While this income matches up fairly well with the price of the existing housing stock, households at or near the median income level generally do not have the financial ability to afford the costs associated with new housing construction. Assuming that a household can afford to purchase a house that is approximately 2 ½ times their annual income, a household at the median income level could afford to purchase a house of \$105,900 or less. This leaves a significant gap between affordability and the costs associated with new ownership housing construction,

which will generally be more than \$130,000.

Also, Jackson has a large number of older existing houses that are relatively low valued. Based on sales in 2009, the median sales price was \$63,500, and the average sales price was \$75,632. A large value gap exists between the prices for most existing homes and the typical price for a newly constructed home.

Some communities have found it appropriate to become actively involved in affordable new housing construction programs available through the Greater Minnesota Housing Fund, the Minnesota Housing Finance Agency, and/or the Minnesota Small Cities Development Program.

In the 2006 Study, we recommended the development of a 10 to 12-lot affordable subdivision.

Recommendation: We do not recommend the development of an affordable home subdivision at this time. The slow economy has greatly reduced the demand for an affordable subdivision.

Also, lots are available in the second phase of the Sunset View Subdivision for affordable homes.

The City of Jackson, the Jackson EDA and area housing agencies should continue to monitor the need for an affordable subdivision.

13. Promote town house, twin home and cooperative housing development

Findings: Jackson has experienced limited attached housing development in recent years. Based on building permit reports, we believe that 10 attached housing units, in the form of twin homes, have been built in Jackson between 2000 and 2008. This represents approximately 20% of all single family housing starts over the last six years. Many communities have seen attached housing take an increasingly large share of new construction activity over the last decade.

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

The number of Jackson County households in the 55 to 74 year old age groups is expected to increase between 2009 and 2015. Household growth from empty-nester and younger senior households should result in increased demand for attached single family units throughout the region. It is likely that demand for attached housing units will also be dependent on the product's ability to gain additional market acceptance among the households in the prime target market, and among other households, such as single professionals and single parent families.

The second phase of the Sunset View Subdivision includes 12 lots for twin homes.

Recommendation: Twin homes and town homes have been a popular option in most communities and it is our projection that these products continue to be successful in Jackson with the proper location, price point and design. In larger communities with high land prices, it is common to see that 30% to 40% of

new housing construction is in the form of attached single family, such as town houses and twin homes. Attached housing construction in communities with lower land costs has continued to rise, but is typically less than 30% of all new construction.

As stated above, Jackson has had some recent construction of attached single family housing, and the Jackson EDA is developing 12 lots for twin home development, which will accommodate 24 units. It is our opinion that there is adequate demand for the construction of approximately two to four twin home units annually.

The twin home housing option is currently very limited in the community, and we see significant County-wide household growth in the primary target market, of households age 55 to 74 years old.

For twin home development to be successful, the following should be considered:

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

14. Continue the Spec Builder Program

Findings: The Jackson Economic Development Authority has in coordination with local financial institutions, developed and is implementing a Spec Builder Program for the construction of spec homes in the EDA owned Sunset View Subdivision and is planning to implement the Program in the 2nd phase of the Sunset View Subdivision.

A spec builder who participates in the Spec Builder Program receives up to a \$125,000 interest free construction loan for six months. Also, the spec builder pays an initial \$2,000 for a Sunset View lot and pays the balance for the lot after the house is sold.

The Spec Builder Program is an excellent Program that provides the following:

- ▶ Encourages spec builders to construct homes in the Sunset View Subdivision
- ▶ Reduces the development costs for spec builders
- ▶ With more builders, the Subdivision will have a variety of homes sizes, designs, and price ranges
- ▶ The subdivision will have a larger market and more publicity as each builder will generate its own market and publicity
- ▶ There will be more Community involvement as each spec builder will have a variety of suppliers, subcontractors, etc.

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- ▶ Spec builder construction activity will generate additional lot sales and home building as construction activity usually generates additional construction. Also, households will gain confidence in the Jackson housing market when they see that spec builders have confidence in the market

Recommendation: We recommend that the Jackson EDA and the local financial institutions continue to implement the Spec Builder Program on an ongoing basis.

Housing Rehabilitation

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

The City of Jackson and area housing agencies have been active in housing rehabilitation activities over the years. However more emphasis will be needed in the area of rehabilitation. Nearly all new housing construction has been occurring in a price range that is beyond the affordability level for most Jackson households. Housing options for households at or below the median income level will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair will be required. Without rehabilitation assistance, there is a chance that this affordable stock could shrink, creating an even more difficult affordability situation at the same time the City experiences population and household growth.

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

15. Promote rental housing rehabilitation programs

Findings: Jackson has rental properties that need repair. Over 90% of the City's rental housing stock is over 20 years old. The rental properties in need of repair include single family homes and small and large apartment buildings. With the low value of existing homes and the high demand for rental units in Jackson, the City has a high percentage of single family homes that are rental units. It is difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants. The rehabilitation of older rental units can be one of the most effective ways to produce decent, safe and sanitary affordable housing.

The City of Jackson has recently developed and is implementing a Rental Inspection Program which is increasing the need for rental rehabilitation.

The City of Jackson has recently been awarded SCDP funds for rental rehabilitation. To date, five rental units have been rehabilitated and seven units are currently being rehabilitated utilizing these SCDP funds.

Recommendation: The City should continue to seek SCDP grant funds for rental rehabilitation that allow for program design flexibility that could make a program workable. The Small Cities Development Program (SCDP) provides funds for a rental rehabilitation program that is structured by the community. The SCDP Program is being successfully implemented in Jackson.

The City and area housing agencies should also apply for other state and federal funds that can be utilized for rental rehabilitation.

16. Promote on-going owner-occupied housing rehabilitation efforts

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

The affordability of the Jackson housing stock will continue to be the major attraction for families that are seeking housing in the area.

The Minnesota Small Cities Development Program (SCDP) continues to be the major source of funding for housing rehabilitation. Jackson has recently received SCDP funds for housing rehabilitation. Ten homes have been rehabilitated and four homes are currently being rehabilitated with the SCDP funds.

The quality of the housing stock in two Jackson neighborhoods was surveyed in 2006. According to the Condition Survey that was conducted in 2006, 121 homes need minor repairs and 61 homes need major repairs in the two older neighborhoods that were surveyed. Approximately 69% of the homes in the two neighborhoods need repairs. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink. Although the City of Jackson has been awarded an SCDP Grant and single family rehabilitation is being undertaken, a great demand for housing rehab still exists.

Recommendation: We recommend that the City of Jackson continue to apply for SCDP funds to rehabilitate homes on an on-going basis. The SCDP Program has a maximum of \$600,000 for Single Purpose applications and \$1.4 million for Comprehensive applications that address several of the City's needs.

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

17. Continue the Rental Registration and Inspection Program

Findings: The City of Jackson has adopted and is implementing a Rental Registration and Inspection Program.

In 2006, we recommended the adoption and implementation of a Rental Registration and Inspection Program. We made this recommendation as it is was our opinion that the condition of some of the rental housing in the City of Jackson was having a detrimental impact. Neighborhood deterioration and low property values are two results of low quality rental units. Additionally, with the high demand for low rent rental units and the existing low property values in Jackson, it was our opinion that the housing conditions would worsen.

Recommendation: We recommend the continued implementation of the Rental Housing Registration and Inspection Program to assure that all rental units in Jackson comply with housing laws and codes. The Rental Housing Registration and Inspection Program will assure that Jackson rental units are safe and sanitary, thus, removing blighted and unsafe conditions.

18. Acquire and Demolish Dilapidated Structures

Findings: Our housing condition survey conducted in 2006, identified seven homes in two Jackson neighborhoods that are dilapidated and too deteriorated to rehabilitate. It is assumed that there are also dilapidated homes in other neighborhoods that were not surveyed. To improve the quality of the City's neighborhoods and to maintain the appearance of the community, these structures should be acquired and demolished.

Recommendation: The City and area housing agencies should identify resources to acquire and demolish severely dilapidated structures. Also, it is possible that some of the vacant lots could be utilized for new development.