

# Housing Needs Assessment 2020-2030

Prepared for the city of



Study conducted by



With funding provided by Compeer Financial

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## CITY ENGINEER

WHKS (Rochester, MN)

## AUTHOR

### **Cathy Enerson**

*Bachelor of Science in Business, Finance, Real Estate, Insurance and Economics  
University of Minnesota, Mankato.*

Cathy Enerson is a Community and Business Development Specialist with  
Community and Economic Development Associates (CEDA)

A special thank you to the community members who shared their time, needs,  
dreams, and facilities to create a community-driven, locally-focused report. Your  
input is greatly appreciated and has helped to inform this report.

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## SCOPE

The Housing Needs Assessment Update (2020-2030) for Spring Grove includes the following deliverables:

- Analysis of demographic/economic indicators of growth
- Analysis of income levels and their impact on future housing demand
- Breakdown of predicted housing demand
- Current housing supply trends
- Assessment of local, regional, and state housing tools
- Buyer characteristics
- Recommendations of reasonable housing goals that promote growth
- Successful “Sister Cities”, cities with similar assets

This report contains secondary research collected from sources including, but not limited to, the Environmental Systems Research Institute (ESRI), Minnesota Compass, the City of Spring Grove Engineering Consultant WHKS & Co., and State Housing Authorities. Research on current housing market statistics was collected from the Multiple Listing Service, referred to as North Star. ESRI data was used to project the population growth rate for the City of Spring Grove to the year 2030. Citations for the sources of information are found within each section of the report.

## PURPOSE

The purpose of the 2019 Spring Grove Housing Needs Assessment is to identify real opportunities to create additional housing opportunities within the City of Spring Grove, Minnesota. This report aims to identify what types of housing that are needed, how to develop property in a cost-effective manner, and discuss available resources to help aid with new housing programs and initiatives. Greater Minnesota faces unique challenges that affect the quality and availability of housing. Just as different regions of Minnesota vary greatly by industry and demographics, housing markets across the state differ too. As a source for community data, ESRI reveals the growth potential for Spring Grove. By identifying Spring Grove as a place to call home with a unified message, Spring Grove will continue to attract new residents and grow its population.

## KEY FINDINGS

Data reviewed for this study suggests Spring Grove will grow by approximately ninety-one (91) residents from a population of 1407 residents in 2018 to 1498 residents by 2030. Developing new housing in Spring Grove is necessary in order to accommodate this population growth.

Spring Grove will need 82 new housing units by 2030 in order to sustain projected growth and properly replace dilapidated housing.

- Forty-six (46) new housing units will need to be developed on new lots.
- Thirty-six (36) infill housing units will need to be constructed for the replacement of dilapidated homes on existing lots.

An abundant supply of potential infill sites with accessibility to infrastructure has been identified within Spring Grove which could grow the number of housing units. Local landowners, regional developers, and the city of Spring Grove have demonstrated a willingness to assist with the development of housing units.

Data on income levels in the City of Spring Grove indicates a large percentage, 58% percent of residents, fall into the “move up” and “executive” home buyer categories. Creating new housing available for move-up and executive buyers will allow existing homes to open up for purchase by new residents, first time home owners, or individuals looking to downsize. Areas within Spring Grove are well positioned for the development of single family homes for the “move up” and “executive buyer” groups. These areas are located in sites A-1, A-2, A-3 and A-4 on the Community Housing Development Map (Figure 21). Other areas still have potential to rise to the top based on landowner or developer’s willingness to proceed.

51% percent of predicted growth in those seeking housing can be attributed to the overlapping age groups labeled “Millennials”, and the “Brain Gain”. Ben Winchester, University of Minnesota Extension , describes the population aged

from twenty-five to forty-nine (25 to 49), rural residents that return to rural small towns after having spent time in urban centers, the Brain Gain. The Federal Reserve Board defines Millennials as members of the generation born between 1981 and 1996.

16% of households earn between \$35,000 to \$49,000. Putting 30% of household income towards housing costs means these households should be able to afford rents of \$815 to \$1,165 a month.

The portion of the population which currently rent may be attracted to newly constructed houses priced from \$150,000 to \$165,000 (assuming a 4% interest rate, 30-year mortgage, and a 3% percent down payment).

Predicted population growth of the La Crosse/Onalaska Metropolitan Service Area (MSA) is 4.8% percent. Growth in the MSA has a positive ripple effect on population growth in Spring Grove, which reinforces the demand for additional housing units in the City.

Areas B-1 and E-1 on the Community Housing Development Map (Figure 21) are suitable for detached patio homes which appeal to first-time buyers, and seniors. Affordable and attractive lots in this area may be well suited for detached patio homes. New affordable patio homes built for first-time buyers and seniors can attract new residents to Spring Grove from both rural areas outside the community and the Metropolitan Service Area, La Crosse, Wisconsin.

The City of Spring Grove owns land in highly developable areas within city limits. The City is well situated to request proposals from developers to build patio homes on sites identified as E-1, and multi-family workforce housing near the aquatic center on sites identified as C-1 on the Community Housing Development Map (Figure 21).

Through Tax Increment Financing (TIF) or Tax Abatement subsidies, the City can assist a developer willing to build additional multi-family housing units on the sites C-2 and D-1 on the Community Housing Development Map (Figure 21).

Increasing the number of single-family home sites, more accessible financing, and lower interest rates will make homeownership more attainable for all existing and new residents of Spring Grove.

## DEMOGRAPHICS

Future growth rates for the City of Spring Grove, as understood through ESRI data, are depicted in the tables below:

SPRING GROVE'S	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>GROWTH CHART</b>													
Total Population	1407	1414	1421	1429	1436	1444	1452	1459	1466	1474	1482	1497	1498
Households	637	641	644	648	651	655	659	662	666	670	674	677	681
Housing Units	688	692	696	699	703	707	711	715	719	723	727	730	734
Average Household size	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	
Average Number of Families	421	423	425	427	429	431	433	435	437	439	441	443	445
Average Family Size	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63
Owner Occupant Units	73.40%	73.58%	73.76%	73.94%	74.12%	74.30%	74.48%	74.66%	74.85%	75.03%	75.21%	75.39%	75.58%
Renter Occupied Units	19.20%	19.06%	18.92%	18.64%	18.50%	18.36%	18.36%	18.23%	18.23%	18.09%	17.96%	17.83%	17.56%
Vacant Homes	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%
Median Household Income	\$49,852	\$51,987	\$54,214	\$56,536	\$58,957	\$61,482	\$64,115	\$66,861	\$69,725	\$72,711	\$75,825	\$79,073	\$82,459
Average Household Income	\$72,253	\$75,383	\$78,648	\$82,054	\$85,608	\$89,316	\$93,185	\$97,221	\$101,432	\$105,825	\$110,409	\$115,191	\$120,180
Median Home Value	\$136,491	\$145,503	\$155,110	\$165,352	\$176,269	\$187,908	\$200,315	\$213,541	\$227,641	\$242,671	\$258,694	\$275,775	\$293,984
Average Home Value	\$244,329	\$260,805	\$278,392	\$297,164	\$317,203	\$338,593	\$361,425	\$385,797	\$411,813	\$439,582	\$469,225	\$500,866	\$534,641
Per Capita Income	\$30,844	\$32,170	\$33,552	\$34,994	\$36,498	\$38,067	\$39,703	\$41,410	\$43,189	\$45,046	\$46,981	\$49,001	\$51,107
Median Age	47.2	47.2	47.6	47.7	47.9	48.1	48.3	48.5	48.7	48.8	49.0	49.2	49.4
Population Over 18	80.10%	80.06%	80.02%	79.98%	79.94%	79.90%	79.86%	79.82%	79.78%	79.74%	79.70%	79.66%	79.62%

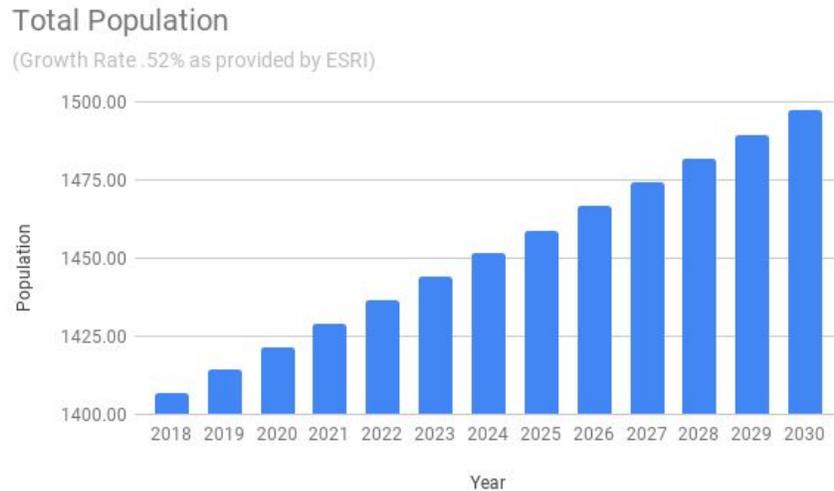
Figure 1: Projected Growth Rate for Spring Grove from 2018 to 2030 (ESRI/CEDA)

Growth Rates	
Population	0.52%
Households	0.56%
Housing Units	0.55%
Average Household Size	0.00%
Average Number of Families	0.47%
Average Family Size	0.00%
Owner Occupied Units	0.24%
Renter Occupied Units	-0.74%
Vacant Homes	0.00%
Median Household Income	4.28%
Average Household Income	4.33%
Median Home Value	6.60%
Average Home Value	6.74%
Per Capita Income	4.30%
Median Age	0.38%
Population Over 18	-0.05%

Figure 2: Projected Growth Rates by Housing Characteristics for the Spring Grove Population (ESRI/CEDA)

## POPULATION TRENDS

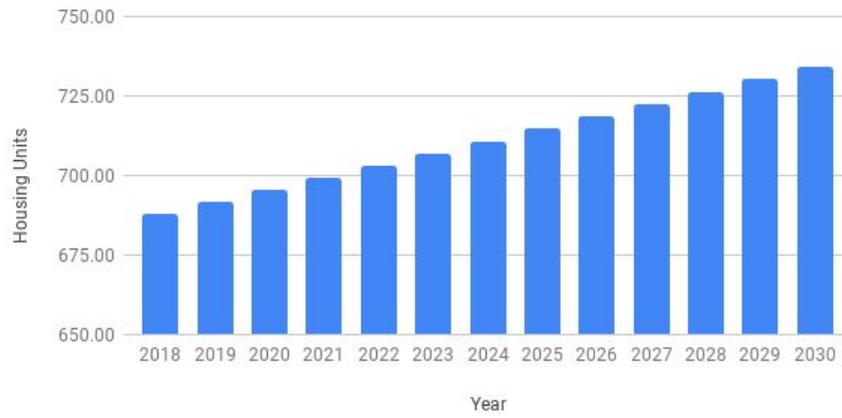
The projected population growth rate for Spring Grove is 0.52% percent per year. With 1407 residents in 2018, Spring Grove is expected to grow by ninety-one (91) persons to a population of 1498 by 2030 (ESRI). The population of 1407 residents in 2018 is projected to grow to a population of 1498 by the year 2030. The City can set a 10-year goal for population growth to 1500 people by 2030. In order to accommodate this projected increase in population, total housing units will need to expand from 688 units to 734, a total of forty-six (46) new units.



**Figure 3: Population Trend with a 0.52% percent Growth Rate  
(Source: ESRI/CEDA)**

### Housing Units

(Growth Rate .55% as provided by ESRI)



**Figure 4: Housing Trend with a 0.55% percent Growth Rate  
(Source: ESRI/CEDA)**

## HOUSEHOLD INCOME TRENDS

The largest employers in Spring Grove are in the health care, public education, and manufacturing sectors. In the surrounding region, agri-business is the predominant employer. Within three years, the average household income is expected to increase from \$72,253 in 2018 to \$89,316 by 2023. The average household in 2023 with an income of \$89,316 should expect to pay 25% to 30% percent of their net income toward their mortgage payment or rent.

The increasing trend of regional wages are not keeping up with the rising cost of new construction. In order to accommodate the need for new housing, the types and cost of housing must keep up with income trends. In 2023, after taxes, the average household income would likely spend \$1,691 per month for their mortgage or rent payment. Assuming an interest rate of 4% percent on a thirty (30) year mortgage, the average household income buyer in 2023 will be purchasing a new home, valued between \$250,000 to \$275,000. Community Housing Development map areas defined as E-1 - E-3, and areas B-1 - B-2 are well suited for development of housing that meets a 2023 income level of \$89,316.

ESRI data indicates 34% percent of Spring Grove household income is well positioned to attract new houses in a price category of \$340,000 and above. Houses in this price range could make up a third of the new homes needed to accommodate population growth. This data indicates the population with incomes sufficient to purchase homes in the planned subdivisions in the areas defined as A-1 and A-4 on the Community Housing Development map.

2018 Households by Income	
Household Income Base	637
<\$15,000	12.4%
\$15,000 - \$24,999	15.5%
\$25,000 - \$34,999	11.8%
\$35,000 - \$49,999	10.4%
\$50,000 - \$74,999	11.8%
\$75,000 - \$99,999	11.6%
\$100,000 - \$149,999	18.2%
\$150,000 - \$199,999	4.9%
\$200,000+	3.5%
Average Household Income	\$72,253
2023 Households by Income	
Household Income Base	655
<\$15,000	8.4%
\$15,000 - \$24,999	10.7%
\$25,000 - \$34,999	7.9%
\$35,000 - \$49,999	16.0%
\$50,000 - \$74,999	12.8%
\$75,000 - \$99,999	10.8%
\$100,000 - \$149,999	21.7%
\$150,000 - \$199,999	6.4%
\$200,000+	5.2%
Average Household Income	\$89,316

Figure 5: Household Income in 2018 and Project Household Income for 2023 (ESRI)

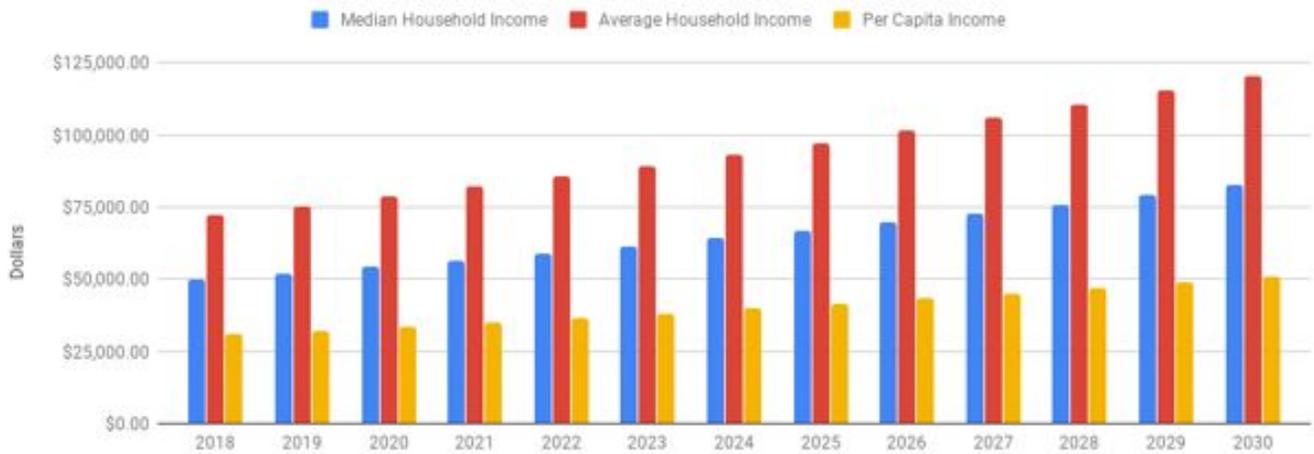


Figure 6: Median, Average, and Per Capita Household Income (ESRI/CEDA)

Figure 6, above, visualizes that average household incomes are expected to rise from \$72,253 in 2018 to \$120,180 by 2030. Median income is expected to rise from \$49,852 to \$82,459.28, and per capita income is also expected to rise from \$30,844 to \$51,106.69 over the same time period.



Figure 7: Growth Rate Median and Average Home Value (ESRI/CEDA)

Income represents the preceding year, expressed in current dollars. Household income includes wage and salary earnings, interest dividends, net rents, pensions, SSI and welfare payments, child support, and alimony.

Average home values in Spring Grove in 2018 were \$244,329. The average home value is predicted to increase to as much as \$534,641 by 2030.

## PREDICTED GROWTH RATE

ESRI data projects a population increase of 0.52% percent for the City of Spring Grove. The population of 1407 in 2018 is expected to grow to a population of 1498 by 2030. Overall this is a projected increase of ninety-one (91) residents. Based on population growth alone, Spring Grove will need a total of 734 housing units by 2030; the City had a total of 688 housing units in 2018. This difference accounts for an increased need of forty-six (46) new housing units in Spring Grove (ESRI). Additional growth will occur from the need for replacement housing. The MN Compass data suggests that as a County, Houston County has a replacement rate of 25% percent. Replacement housing describes the need for communities to replace homes which are no longer in a condition fit for residents and are beyond the point of rehabilitation. The Author through community conversation and a windshield

survey uses a modest figure of 5% percent for full replacement, the remaining 20% percent of the older housing stock is likely to be renovated given that residents in Spring Grove continue to be handy at home improvement projects sustaining the value of their older housing stock. 5% of all homes built before 1940 will likely need to be replaced, with 5% equating to thirty-six (36) housing units. **To meet the predicted growth rate, the demand for forty-six (46) new homes, and thirty-six (36) replacement homes, calls for eighty-two (82) housing units to be new built by 2030.** Crucial to Spring Grove's capacity to accommodate projected growth is the addition of new lots for housing.

ESRI predicts 74% of housing units would be owner occupied in 2023. 26% of the population would be rental housing units. Baby Boomers (persons 54-72 years old) wanting to downsize or change their style of home with an aim to maintain their independence longer in life are looking for specific types of housing. Housing unit types popular with Baby Boomers are twin homes (duplexes), patio homes, and market rate rental units. Buyers in the age range of 25 to 38 years old make up a large portion of new homebuyers today, many of which are first time homebuyers. Increased development of single-family home sites, accessible financing, and lower interest rates make homeownership more attainable for younger households. It is common for 25 to 38-year-old buyers to have pre-existing debt. Securing a zero-down payment USDA home loan through a qualified mortgage lender and sellers offering to cover closing costs for new buyers can assist them with a purchase. Such incentives and access to resources may encourage the transition from renters to homeowners. Spring Grove can educate, inform, and potentially create education programs financed through their own housing trust fund, and/or in conjunction with community banks to meet these needs. An affordable, newly-constructed patio home is likely to be attractive to the first time buyer.

SPRING GROVE'S													
GROWTH CHART	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
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Average Family Size	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63
Owner Occupant Units	73.40%	73.58%	73.76%	73.94%	74.12%	74.30%	74.48%	74.66%	74.85%	75.03%	75.21%	75.39%	75.58%
Renter Occupied Units	19.20%	19.06%	18.92%	18.64%	18.50%	18.36%	18.36%	18.23%	18.23%	18.09%	17.96%	17.83%	17.56%
Vacant Homes	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%
Median Household Income	\$49,852	\$51,987	\$54,214	\$56,536	\$58,957	\$61,482	\$64,115	\$66,861	\$69,725	\$72,711	\$75,825	\$79,073	\$82,459
Average Household Income	\$72,253	\$75,383	\$78,648	\$82,054	\$85,608	\$89,316	\$93,185	\$97,221	\$101,432	\$105,825	\$110,409	\$115,191	\$120,180
Median Home Value	\$136,491	\$145,503	\$155,110	\$165,352	\$176,269	\$187,908	\$200,315	\$213,541	\$227,641	\$242,671	\$258,694	\$275,775	\$293,984
Average Home Value	\$244,329	\$260,805	\$278,392	\$297,164	\$317,203	\$338,593	\$361,425	\$385,797	\$411,813	\$439,582	\$469,225	\$500,866	\$534,641
Per Capita Income	\$30,844	\$32,170	\$33,552	\$34,994	\$36,498	\$38,067	\$39,703	\$41,410	\$43,189	\$45,046	\$46,981	\$49,001	\$51,107
Median Age	47.2	47.2	47.6	47.7	47.9	48.1	48.3	48.5	48.7	48.8	49.0	49.2	49.4
Population Over 18	80.10%	80.06%	80.02%	79.98%	79.94%	79.90%	79.86%	79.82%	79.78%	79.74%	79.70%	79.66%	79.62%

Figure 8: Projected Growth Rate for Spring Grove from 2018 to 2030 (ESRI)

Predicted urban growth in La Crosse, Wisconsin, is a potential source of growth for Spring Grove’s population. This is referred to as a ripple growth effect, as surrounding communities experience an influx of residents from the growth of a major regional city. Spring Grove’s housing and population goals are dependent on the provision of housing.

As new residents move to La Crosse, some will be attracted to Spring Grove as a place of residence, some of whom will account for Spring Grove’s predicted population growth. La Crosse’s growth rate is predicted to be 4.8% percent through 2030. According to the most recent United States Census estimates the population of La Crosse, Wisconsin, is 51,567. The median age for La Crosse residents is 28.3 years. Based on data from the 2017 American Community Survey, there were 22,405 households in the city of La Crosse in 2017, with an average household size of 2.25 people. The homeowner vacancy rate was 2.2% percent and median rent was \$747/month. The median income for households in La Crosse, Wisconsin is \$42,243, while the mean household income is \$56,443. **There is an opportunity for Spring Grove to attract younger residents around the age of twenty-five to thirty-five (25-35) years old from La Crosse, Wisconsin.** In addition to creating new lots for housing, Spring Grove will need to showcase to existing residents the opportunities to find the right size and price of new housing units that accommodate their lifestyle needs.

Olmsted County (Rochester), is expected to increase its population by a staggering 15% percent over the same time 10-year period as this study examines. Much of the growth is due to the Destination Medical Center (DMC) project. The DMC project in Rochester aims to create economic and employment growth through 2034 and beyond. The DMC is defined as “the largest public-private economic initiative in Minnesota and the catalyst for growth in Rochester”. There is potential for a ripple effect to impact Spring Grove, as there are opportunities for businesses related to the DMC project that are able to work from home could locate themselves in Spring Grove. Promoting the community of Spring Grove and it’s housing opportunities is most important in cities such as La Crosse Wisconsin, Decorah Iowa, and Rochester, Minnesota.

## HOUSING UNITS

- 2018 Total Units: 688
- 2030 Units to Meet Demand: 734
- Persons per housing unit: 2.15

The amount of new housing units that are needed for Spring Grove to accommodate projected growth totals eighty-two (82) housing units. Of the eighty-two (82) housing units needed, forty-six (46) are expected to be new builds and 36 of the units will consist of infill replacement housing.

Figure 10 provides a visual of Spring Grove’s population as it pertains to different age cohorts. The age group of twenty five to thirty-nine (25-39) year olds, known as “Millennials”, and thirty to forty-nine (30-49) year olds known as the “Brain Gain” make up a large portion of the current population. These age groups are expected to make up a large portion of the future home buyers. The twenty-five to forty- nine (25 - 49) year old age group as home buyers is just as vital to Spring Grove’s long term housing plans as the Baby Boomer generation. used in this report. Figure 10 further emphasizes the importance of marketing the community to the specific age cohorts.

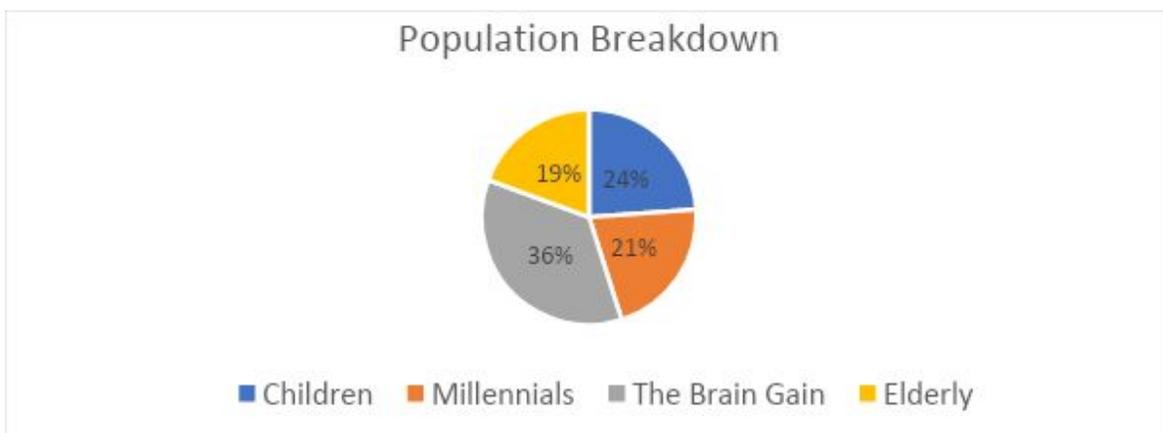


Figure 10: Home Buyer Categories (Ben Winchester)

Ben Winchester, St. Cloud-based University of Minnesota Extension rural sociologist predicts the next five years will provide a big wave of change across rural Minnesota. According to the Blandin Foundation Rural Pulse Study of Minnesotans (Source), more rural residents are choosing to remain where they live while urban residents increasingly, considering moving to smaller Minnesota towns.

<b>2018 Owner Occupied Housing Units by Value</b>	
Total	507
<\$50,000	5.7%
\$50,000 - \$99,999	21.1%
\$100,000 - \$149,999	31.8%
\$150,000 - \$199,999	6.1%
\$200,000 - \$249,999	1.8%
\$250,000 - \$299,999	6.5%
\$300,000 - \$399,999	7.7%
\$400,000 - \$499,999	8.1%
\$500,000 - \$749,999	6.1%
\$750,000 - \$999,999	3.9%
\$1,000,000 - \$1,499,999	0.8%
\$1,500,000 - \$1,999,999	0.0%
\$2,000,000 +	0.4%
Average Home Value	\$244,329
<b>2023 Owner Occupied Housing Units by Value</b>	
Total	526
<\$50,000	2.5%
\$50,000 - \$99,999	7.8%
\$100,000 - \$149,999	17.7%
\$150,000 - \$199,999	29.1%
\$200,000 - \$249,999	5.9%
\$250,000 - \$299,999	1.3%
\$300,000 - \$399,999	2.5%
\$400,000 - \$499,999	8.2%
\$500,000 - \$749,999	13.7%
\$750,000 - \$999,999	9.9%
\$1,000,000 - \$1,499,999	1.0%
\$1,500,000 - \$1,999,999	0.0%
\$2,000,000 +	0.6%
Average Home Value	\$338,593

Figure 11: 2018 Percent of Occupied Housing Units by Value and 2023 Projections for Spring Grove (Source: ESRI)

<b>2018 Housing Units</b>	<b>688</b>
Owner Occupied Housing Units	73.4%
Renter Occupied Housing Units	19.2%
Vacant Housing Units	7.4%
<b>2023 Housing Units</b>	<b>707</b>
Owner Occupied Housing Units	74.3%
Renter Occupied Housing Units	18.5%
Vacant Housing Units	7.4%

Figure 12: 2018 Types of Housing Occupants and 2023 Projections for Spring Grove (Source: ESRI)

## DEMAND SUMMARY

<b>Household Incomes</b>	<b>Housing Rent/Mortgage Price Levels</b>		<b>Housing</b>	<b>2023</b>	<b>New Demand by 2030</b>
	<b>Incomes</b>	<b>Low</b>	<b>High</b>	<b>Type</b>	<b>Percent</b>
<b>\$0-\$34,999</b>	\$338	\$875	Rental	26%	21
<b>\$35,000-\$49,999</b>	\$170,588	\$223,529	Modest	16%	13
<b>\$50,000-\$74,999</b>	\$223,529	\$294,118	Move-Up	13%	11
<b>\$75,000-\$99,999</b>	\$294,118	\$341,176	Move-Up	11%	9
<b>\$100,000-\$150,000+</b>	\$341,176	\$376,471	Executive	34%	28

Figure 13: Projected housing unit demand based on population and income levels for 2020-2030 (ESRI/CEDA)

Per Figure 13: The population earning an income of \$0-\$34,999 per year predominantly belongs to the renter population in Spring Grove. 26% percent of renter households in Spring Grove belonged to the \$0-\$34,999 income bracket. Twenty-one (21) housing modestly-priced housing units are needed.

16% percent of the population will need thirteen (13) modestly-priced housing units, many of these buyers are the “first-time” buyer making \$35,000-\$49,999 per. Creative housing and financing products will be necessary to assist and encourage households in this income group transition from renting to homeownership. Access to resources such as a first-time home buyer program and

a zero down payment and new housing styles like the detached patio home are important to create accessible and affordable homes. Detached patio homes are an ideal type of housing for first-time buyers.

Creating a land trust with City-owned land could be a successful program for Spring Grove; the City can create conditions that allow a modest home buyer to afford new construction, or assist the Baby Boomer population in moving from large homes to modest homes. Constructing detached patio homes for those wanting to downsize begins to free up existing homes for new residents and existing renters. Educating the population in these two income levels once new products and financing are available would be beneficial to the City of Spring Grove. Through education programs the City can demonstrate to current and potential residents the affordability of housing in Spring Grove, which mortgage programs are available, teach the homebuying process, and showcase what new housing stock is being developed in the City.

Those making \$50,000-\$74,000 are generally “moving up” from renting or their first home to a modest home that fits their living needs. This group most resembles the State’s median income wage earners. They make up approximately 13% percent of the Spring Grove housing market and need approximately eleven (11) housing units. A second “move-up” group makes up 11% percent of the market, earns in the \$75,000-\$99,999 level, and includes those who work in Spring Grove or elsewhere and have not been able to find available newly constructed housing in Spring Grove. **The lack of new housing construction in Spring Grove is largely due to the shortage of new residential lots.** Some retirement and second home buyers are also expected to seek housing in this price range. Figure 13 indicates a smaller subdivision consisting of approximately nine (9) lots for \$300,000 – \$340,000; new construction homes would be ideal for these groups.

An estimated thirty-four (34%) percent of the market includes management personnel, retirees returning to the area, rural households moving to town as empty nesters, and the growing dual income high wage earning population; this population is also known as the “Brain Gain” group. This portion of the population

is expected to be in the market for “executive” housing. New construction housing will appeal to this population. New construction allows the buyer to customize the home to their lifestyle, which for some will be a lifestyle of working from home. This segment understands that the cost of energy efficiency found in new construction is a benefit to their budget and lifestyles. A three-year supply of housing lots is a standard to allow for adequate consumer choice but not prolonged carrying costs for the developer. Using industry standards, twenty-four (24) lots over roughly each three (3) year period should be developed in order to keep pace with demand.

## WORKFORCE COMMUTE

Figure 14, to the right, indicates 591 persons commute from homes outside the city to jobs into the city. A survey conducted by CEDA of employers and employees in Spring Grove indicated that employees who work in Spring Grove and live outside the community commute on average ten minutes to work. Residents commuting out of Spring Grove travel much further distances to places such as La Crosse, Wisconsin and Decorah, Iowa.

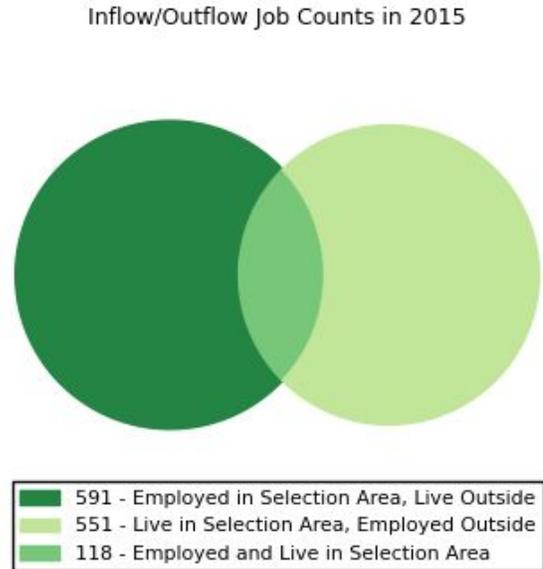


Figure 14: Commuting Data for Spring Grove (ESRI/CEDA)

For residents that commute to La Crosse or Rochester for employment, Spring Grove should want to consider the provision of a commuter bus or explore the potential for a community ride-share program. Buses and ride share programs could be promoted in La Crosse as a way to attract residents to move to Spring Grove and commute to La Crosse for work. LeRoy, Minnesota is an example of a community which had success in providing a bus service to Rochester, their major regional employment center.

## SENIOR HOUSING

The aging population will need a range of senior housing options in addition to the options that already exist. There are three existing residential facilities specifically for seniors ages 50 and above. Market rate rentals for seniors are fewer in number and difficult to secure. Many seniors want to downsize their home, travel, and

remain independent; remaining in larger homes creates a burden of maintenance and cost which seniors might not be prepared for.

- Tweeten Lutheran Health Care is located at 125 5<sup>th</sup> Ave SE. Services include nursing care, skilled care, long term care, adult day care, and 10 -12 memory care units. Thirty - eight (38) units of the facility were 40 - 45% percent occupied at the time of this report. Tweeten Lutheran Health Care, and Gunderson, are each unique care facilities.
- Spring Grove Assisted Living is located at 130 5<sup>th</sup> Ave SE. The multi-family residence offers twenty (20) assisted living units owned by a local developer. The developer indicated the units at the time of this report are full.
  - The developer of the assisted living apartments indicated he would consider developing additional senior housing units in the D-1 zone on the Community Development Housing map. The interest is contingent on assistance or an incentive, in the form of a subsidy, from the City. The City has the power to offer a tax abatement type incentive to the developer. Given there are no market rate senior living units, the City could make the subsidy contingent that new units reflect a mix of rents based on income and the market rate.
- The Spring Grove Manor, located at 129 Maple Dr., offers 31 units of age restricted (50+ years old) low income/affordable housing. At the time of this report all 2-bedroom units were occupied, and three 1-bedroom units were available.

Marketing quality senior care units to communities outside Spring Grove could attract additional families and new residents that require skilled care for family members to the community. **Open units in skilled care attached to a clinic are rare, and this represents an exciting opportunity for Spring Grove to build upon and market senior housing around the region.** Using an alumni newsletter, the community can market this important asset to those that may want to retire in Spring Grove, or live in Spring Grove near an elderly parent that requires skilled care. It is recommended, based on the ESRI data for projected growth and housing needs, that the community of Spring Grove build a minimum of eight (8) senior housing units suitable in the D-1 area on the Community

Development Map. It is recommended, based on the ESRI data for projected growth and housing needs, the community of Spring Grove build a minimum of twelve to eighteen (12-18) market rate housing units suitable in the C-1 area on the Community Housing Development map. With incentives, landowners should be more inclined towards allowing development of housing.

## CURRENT MARKET CONDITIONS

North Star Multiple Listing Service provides data summarizing the current pending and sold properties within the City of Spring Grove. Figure 16 summarizes residential and multi-family properties pending or sold in 2018 - 2019.

### Counts of Comparable Properties

Pending: 2

Sold: 23

Median: \$132,800

Total: 25

## Table Summary of Comparable Solds

This page summarizes the comparable sold listings in this market analysis.

### Sold Listings

Address	List Price	Sale Price	\$ Change LP to SP	% Change LP to SP	Sold Date	DOM	CDOM
237 4Th Avenue	\$45,000	\$35,000	\$-10,000	-22.22	09/20/2019	11	11
119 2Nd Avenue	\$52,000	\$50,000	\$-2,000	-3.85	05/24/2019	267	267
422 S Division Avenue	\$59,500	\$52,500	\$-7,000	-11.76	05/31/2019	99	99
122 3Rd Avenue	\$75,000	\$80,000	\$5,000	6.67	07/12/2019	10	10
123 3Rd Avenue	\$81,000	\$78,000	\$-3,000	-3.70	10/25/2018	73	73
211 2Nd Avenue	\$92,500	\$92,750	\$250	0.27	08/17/2018	7	7
401 S Division Avenue	\$92,900	\$92,900	\$0	0.00	04/04/2018	136	136
138 2Nd Avenue	\$97,000	\$85,000	\$-12,000	-12.37	06/13/2019	112	112
420 3Rd Avenue	\$104,900	\$104,900	\$0	0.00	05/08/2018	16	16
140 2Nd Avenue	\$115,000	\$108,000	\$-7,000	-6.09	04/18/2019	13	13
327 2Nd Avenue	\$115,000	\$115,000	\$0	0.00	11/21/2018	20	20
22092 County 19	\$119,000	\$114,000	\$-5,000	-4.20	09/20/2019	130	130
232 1St Avenue	\$122,900	\$121,500	\$-1,400	-1.14	07/16/2019	1	278
233 3Rd Avenue	\$130,000	\$130,000	\$0	0.00	10/26/2018	36	36
123 4Th Avenue	\$135,000	\$119,000	\$-16,000	-11.85	06/13/2019	179	179
208 Goodview Drive	\$145,000	\$139,000	\$-6,000	-4.14	08/16/2019	78	78
144 Goodview Drive	\$155,000	\$145,000	\$-10,000	-6.45	11/27/2018	90	90
152 2Nd Street	\$172,500	\$160,000	\$-12,500	-7.25	07/20/2018	1	220
321 1St Avenue	\$214,900	\$200,000	\$-14,900	-6.93	10/01/2018	154	154
255 Goodview Drive	\$225,000	\$225,000	\$0	0.00	06/07/2019	10	10
403 3Rd Avenue	\$228,000	\$228,000	\$0	0.00	11/13/2018	55	55
20232 Norgard Drive	\$230,000	\$230,000	\$0	0.00	02/14/2018	72	72
17611 Nine Oaks Drive	\$350,000	\$350,000	\$0	0.00	05/31/2018	270	270
<b>Average</b>	<b>\$137,265</b>	<b>\$132,850</b>	<b>-\$4,415</b>	<b>-4.13</b>		<b>80</b>	<b>102</b>
Median	\$119,000	\$115,000	-\$2,000	-3.70		72	78
Minimum	\$45,000	\$35,000	\$5,000	6.67		1	7
Maximum	\$350,000	\$350,000	-\$16,000	-22.22		270	278

Figure 16: Summary of Comparable Residential Housing Sales in Spring Grove.  
 On average, listings were sold in 80 days for \$132,850

The listings used in this analysis can be summarized as follows:

- Priced between \$35,000 and \$350,000
- 2 to 4 bedrooms
- 1 to 3 bathrooms
- 897 to 3,628 square feet (\$38 to \$184 per ft<sup>2</sup>)
- Built between 1880 and 2002 (17 to 139-year-old units)

Pending Listings											
Address	Price	Bds	Bth	TFSF	\$/Sq	Built	Style	Stories	Off Market	DOM	CDOM
194 W Main Street	\$92,000	2	1	1248	\$74	1921	SINGF	1HALF	10/16/2019	14	14
324 S Division Avenue	\$130,000	3	2	2190	\$59	1978	SINGF	1	10/04/2019	9	9
<b>Averages:</b>	<b>\$111,000</b>	<b>2.5</b>	<b>1.5</b>	<b>1719</b>	<b>\$67</b>	<b>1950</b>				<b>12</b>	<b>12</b>

Figure 17: Summary of Pending Comparable Residential Housing Listings

It is important to understand how to market new construction homes and the community to buyers. Figure 18 defines the top two methods buyers are using to find homes. Online websites/phone apps, and real estate agents are by far the most important sources. Spring Grove will want to keep its online information current, and just as important to keep area and regional real estate professionals informed.

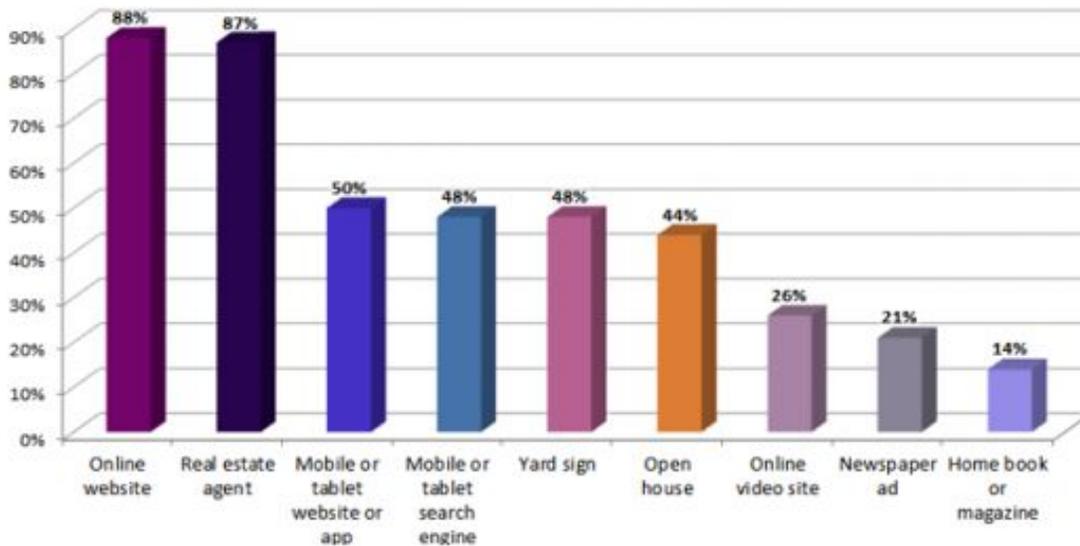


Figure 18: Sources and Methods of US Homebuyers in 2014 (National Association of Realtors)

### Multi-Family Transfers Per Multiple Listing Service Data

Closed date is 1/1/2017 - 10/1/2019

Zero (0) pending or sold multi-family properties

### County Sales Data: October 2018 to October 2019

Through the Minnesota Department of Revenue (Source) it was possible to determine sales data in Spring Grove from January 2018 to October of 2019. 56 housing units sold in the Spring Grove jurisdiction ranging in price from \$50,000 - \$228,000. Between January 1, 2019 - October 31, 2019 there were no recorded duplex or apartment sales. For the same time period 2 residential/investment purchases were recorded; one sale for \$80,000 and the other sale for \$75,000. The jurisdiction area used by the Minnesota Department of Revenue considers all properties with a Spring Grove address in their reporting, therefore some sales reported in the data took place outside city limits.

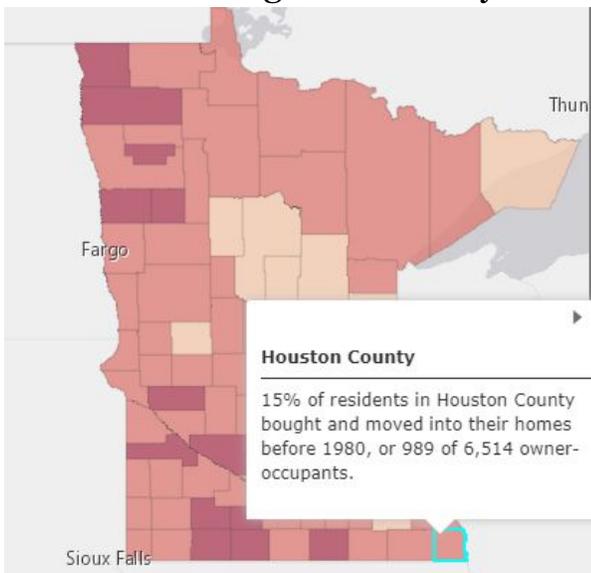
## HOUSTON COUNTY HOUSING STORY MAPS

This section describes housing activity in and around Spring Grove and examines the amount and types of housing within Houston County. These story maps should reinforce community decision making with respect to housing. The following maps from Wilder Maps and Minnesota Compass examine four facets of housing in Greater Minnesota: old homes, new homes, second homes, and stationary homes. Each type of housing has long term implications for the area's economy and residents. Minnesota Compass is a social indicator project that measures progress in Minnesota and its communities. Led by Wilder Research, Minnesota Compass provides nonpartisan, credible information and tracks trends in topic areas such as education, economy, workforce, health, housing, and a host of others. For this analysis, Minnesota Compass used data from the U.S. Compass Bureau's 2013 -2017 American Community Survey.

### Stationary Residents

MN Compass defines long-term owner-occupants as those people who purchased their homes before 1980 and have remained in them since the purchase. Long-term owner-occupants provide stability to a community as household turnover is limited. These homes are typically the owners largest financial asset and the physical condition of their homes is often well maintained. Because long-term owner-occupancy is not always permanent, these residents can at times

also signal potential household turnover and deferred maintenance. Eventually homes that belong to stationary residents will transition to new residents. With



these homes in private ownership for long periods of time, issues regarding the condition, marketability, and timing for sales on the housing market may be raised. Communities looking to maintain their quality of life and entice new residents to their areas must consider the demographic trends of residents and the impact these trends will have on their communities' housing, workforce, and economy. In greater Minnesota, 13% of owner-occupied

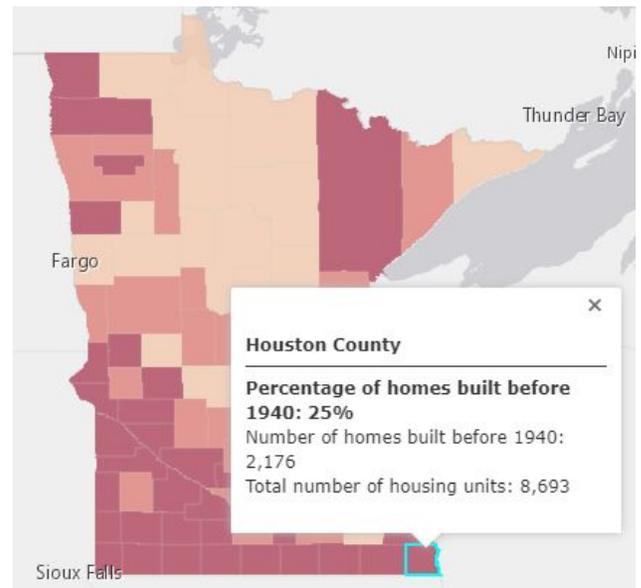
households moved into their homes before 1980. Through an informal CEDA *windshield survey* (driving and recording observations through the community) it was determined that a large percent of these older homes in Spring Grove appear to be well maintained. A number of homes in the City appear to be in need of exterior maintenance, which could possibly imply a need for energy improvements and interior rehabilitation. It is recommended Spring Grove's EDA, every five to seven years, can request from the State of Minnesota a housing rehabilitation grant in order to promote the maintenance of the older housing stock. Today's interest rates are low and home values are high, which complicates the housing market. It is recommended that the City of Spring Grove educate and inform stationary residents about MN Housing and USDA housing loan and grant programs to help maintain their homes. It is possible to fix up these homes even with a limited budget prior to selling and residents should be encouraged by the City. This will make older homes in Spring Grove more attractive to the 25-39-year-old first-time home buyers. State, local, and USDA fix-up and repair programs for older homes can be further enhanced with the use of local bank financing. It is recommended the community create a housing task force and spend 15-20% percent of their resources on fix-up, repair and homeowner education.

## Old Homes

Aging housing stock is a relatively common feature in regions around Minnesota. Many of these homes, which for the purposes of this report are defined as homes constructed before 1940, may have undergone modernization over the decades. The likelihood that some older homes may lack updated amenities is quite strong. The future housing task force could focus some of their efforts, along with 15-20% of the potential housing trust fund, to help modernize these older homes so they may appeal to buyers. To make older homes more attractive to potential buyers, it is recommended that the community encourage existing homeowners to begin work on deferred maintenance projects. Significant amounts of deferred maintenance can deter and discourage potential home buyers. Policymakers, business owners, and economic development professionals, among others, should wrestle with these issues as they look to attract and retain the next generation of families to their community.

### Older Housing Story Map

Older housing units make up 25% of Houston County’s housing stock, which is a significant number considered to be replacement housing. Given that the number of housing units is 688, and 25% are likely built before 1940, the number of units considered replacement housing are approximately 172 units. Many of the homes in this category in Spring Grove have been well maintained and should be an affordable option for first time home buyers. Based on the author’s windshield survey and speaking with area rental owners it was determined that a good deal of the older housing stock units are in good condition. Likely 5% percent of the older housing stock could be torn down, 5% percent of the 744 housing units predicted to be needed by 2030 equates to thirty six (36) additional homes. The number of homes replaced over the next ten years will be contingent on local assistance and



the willingness of the homeowner. For the remaining older housing stock, economic rehabilitation tools from the USDA, State of Minnesota Small Cities Block Grants, and local community programs can be promoted and utilized to maintain this important and affordable housing product. Approximately 15-20% percent of a potential housing trust funds could be dedicated to the reduction of dilapidation and blight. Funds would be used to purchase homes and tear down homes. A possible “Land Trust” program could be created to preserve and maintain homes over the next ten (10) years. A case study and local project scenario has been included with this report. The community could invest a total of 30-40% percent of their trust funds on both the stationary, and older home inventory, while investing 60% percent to build new construction.

## Second Homes

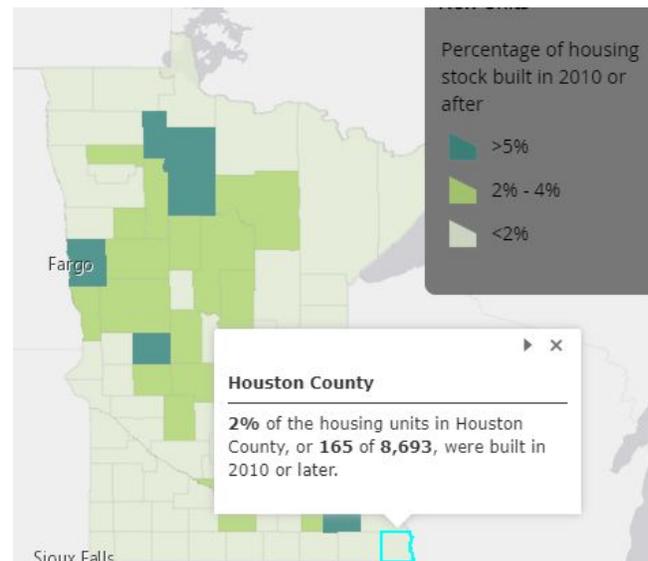
Second homes include seasonal, recreational, and occupied housing units which are not the owners primary residence. Second homes can be an asset to an area’s property tax base. However, second homes can obscure the market for year-round dwellings by indicating higher levels of vacant housing. Communities that rely on the economic and tax activity associated with secondary homes must discuss these questions as they develop strategies for investing in their areas. Second homes pose unique challenges. Issues may even extend to the succession plans for homes that have been owned by multiple generations of the same family. These are scenarios which could impact Spring Grove given 7.4% percent of its homes fall into the secondary housing category (ESRI). The Spring Grove EDA or housing task force, using community development grant funds and Explore Minnesota programing, could decide to create an incentive program marketed to all non-homestead classified properties which would encourage a wider rental program including rental registration. A lodging tax could repay the EDA for initial start-up costs to establish the non-homestead program. There is the possibility that these property owners, over time and with a new generation of owners, may want to market their properties as vacation rentals through online sites. Since 7.4% percent of the homes fall into this category, the author advises appropriating a smaller percent of a housing trust fund or other resources to second home

succession planning. The amount gained from taxing vacation rentals or if a hotel were to be built could be placed in a fund for tourism. This tourism fund could be used to attract more people to local tourism-based events and encourage the use of vacation properties in Spring Grove. It is recommended the community consult with Explore Minnesota, a state tourism agency, on their tourism and vacation rental initiatives. If Spring Grove ever established a chamber of commerce, such an organization could include tourism as one of its missions based on attracting and retaining residents to build Spring Grove’s commerce and visitor base. While tourism is important, the most critical objective for Spring Grove is to build housing and develop new lots to accommodate projected population growth. Providing rental housing, patio homes, and residential areas for the move - up and executive buyers is at a critical point for Spring Grove; residential lots are nearly impossible to come by for new construction. Growing the number of residents is needed to sustain area commerce.

## New Homes

The rate at which new homes are being built varies greatly among counties. New housing is defined as having been constructed in 2010 or later. It is considered indicative of local economic growth, particularly when new housing being built outpaces abandoned and demolished housing. The key component to future economic growth

for Spring Grove is to create more housing. Community feedback, as well as input from developers and landowners indicate a desire for more housing and economic growth. Spring Grove should dedicate 60% percent or more of its potential housing trust funds toward increasing the number of new homes, as well as towards replacement housing in order to grow the number of housing units and subsequently the population. The story map above shows that only 2% percent of housing units were built in 2010 or later. This is too low a percentage of



newly-added housing units to grow population or keep up with replacement housing needs.

The data from the MN Compass Story Maps found above factor into the recommendations made throughout this report and are also addressed in community recommendations and case studies.

## RENTAL MARKET CONDITIONS

Spring Grove currently has sixty-five (65) rental units, thirty-one (31) units house those that are fifty (50) years old and older and must be income eligible. Eight (8) market rate housing units were found within two- and four-plexes (no age or income restrictions). Twenty- six (26) homes are currently owned by a local developer and are used as rental homes. Given the average household size is 2.15 persons, the majority of rental units require two bedrooms, with variation between one and three bedrooms for the renter being nearly even. Current occupancy rate is 96% percent. Inquiries at the time of this report revealed three open apartments in the age and income restricted apartment building, Spring Grove Manor. The greater need for new rental units falls in the category of market rate workforce rental units. The population earning an annual income of less than \$34,999 (26% of the population) are likely to be renters. An additional eighteen to twenty-four (18 - 24) rental units are expected to be needed by the year 2030 to satisfy rental demand. Some of the rental units can be built as market rate senior housing. The aging Baby Boomer population and the rising cost of new construction homes could shift the number of needed rental units upwards if wages do not correspond to new construction home prices. 16% percent of households which earn from \$35,000 to \$49,000 should afford to pay rents of \$815-\$1,165, or approximately 30% percent of their household income towards housing.

It was made apparent through discussions with rental property owners in the Spring Grove that rent for a four-plex in 2019 was approximately \$650 per month. Rental homes are renting for \$450 - \$1,000 per month. Building new construction rental units with a tax increment financing subsidy (TIF), could with the cost of today's new construction keep rents for new construction ranging from \$750/per month to \$1,000/per month. New apartments could attract new residents with dual incomes or those moving to the community before securing their homeownership. Some of these renters will be single housing, hold persons with disabilities and a caretaker for a family member. An affordable apartment is the best option for these renters to remain independent. All new units should be ADA

compliant, a portion of which should be fully handicap compliant. Building a twelve to eighteen (18 -24) unit apartment building will attract new residents setting up success for the move up buyer housing developments.

### Spring Grove Affordable Housing and Fair Market Rents

It will be important to understand fair market rents when considering whether Tax Increment Financing is appropriate for new construction projects. Below are snapshots which highlight market rent data for the City of Spring Grove.

Fair Market Rents are used to establish the payment standards for the Housing Choice Voucher Program.

#### 2020 Fair Market Rents

# Bedrooms	Studio	1	2	3	4
Monthly rent	\$540	\$629	\$829	\$1,152	\$1,455

#### Income Qualifications

% of Median Income	1 Person	2 Person	3 Person	4 Person	5 Person
30%	\$16,550	\$18,900	\$21,350	\$25,750	\$30,170
50%	\$27,550	\$31,450	\$35,400	\$39,300	\$42,450
80%	\$44,050	\$50,350	\$56,650	\$62,900	\$67,950

Figure 19: Fair Market Rents and Income Qualifications for HUD Rental Assistance in Spring Grove (MN Housing)

Affordable housing program eligibility is always determined by one's income. Each household's income is compared to the income of all other households in the area. This is accomplished through a statistic established by the government called the

Area Median Income, most often referred to as AMI. The AMI is calculated and published each year by HUD. HUD often uses an area larger than a city to determine the AMI because HUD anticipates those searching for housing will look beyond individual cities during their housing search. For Spring Grove, the AMI is calculated from all households within Houston County with La Crosse as its MSA. In Spring Grove, HUD calculates the Area Median Income for a family of four as \$78,600. The AMI for Houston County determines a household making the maximum income for the expected household size of the unit would only pay 30% percent of their income for rent, (Source: HUD Multi Family Housing Limits). The expected household size for a two-bedroom apartment is three people. Figure 19 indicates the maximum income for a three person household at 60% percent of the AMI in Spring Grove is \$42,480 a year, or \$3,155 a month. **To determine the maximum rent in the table below HUD multiplies the monthly maximum income, \$3,155 by 30% percent to get a maximum rent of \$1,022 a month.**

Rent for units in the program include a utility allowance which is determined by the average monthly cost of utilities paid directly by residents. Spring Grove has an opportunity to build twelve to eighteen (12-18) units of affordable rental housing for those downsizing or wanting to work or live in Spring Grove. Economy of scale for the developer's return on investment will determine if one large or several smaller multi family apartment complex(es) can be built. If workforce needs increase due to new business or expansion, focus on workforce multi-family housing to assist the growth of an existing business, or attract a new business to the community.

Rental assistance is a type of housing subsidy that pays for a portion of a renter's monthly housing costs, including rent and tenant paid utilities. This housing assistance can come in the form of Section 8 Housing Choice Vouchers, project-based Section 8 contracts, public housing, USDA Rental Assistance (in Section 515 properties) as well as HUD Section 2020.

Spring Grove features two multi units apartment buildings offering forty-two (42) apartment units with rental assistance. Households typically pay no more than 30% percent of their income towards rent. Occupants must be of age 50 years old and older. There are no advertised market rate apartments for those under age fifty.



At Spring Grove Manor there are thirty-one (31) housing units, currently three of the apartments are vacant. The multi-family apartment building is located at 129 Maple Drive. The units are income based, one to two (1-2) bedroom apartments. Occupants must be fifty (50) years old or older.



Tweeten apartments are 100% percent occupied, located at 150 5th Ave SE. The multi-family apartments are income based, one to three (1-3) bedroom unit elderly supportive housing for residents sixty-two

(62) years old or older.

## COMMUNITY ENGAGEMENT

### Spring Grove Workforce Questionnaire

Ninety (90) emails were sent to Spring Grove employers, asking employers to engage themselves and their employees in a poll about their commute to work, and housing needs. The purpose of the questionnaire was to determine if there is a need for housing for those that are commuting into Spring Grove for work.

In 2019, when asked if the respondents to the workforce questionnaire that live in Spring Grove would build, 29% percent (8 of 28 respondents) indicated they would move into a new construction home thus opening up existing homes for the young move-in buyer and or renter.

When asked if those that live outside of Spring Grove were inclined to move into the City, the responses indicated that most would not. A few replies indicated if they were to move into the City, they would like a townhome or other unique style of housing that is currently not available. The majority of the respondents indicated that they would not move into the city. Most replied, moving into the City was not a good fit for them, they were already living within ten minutes of Spring Grove. The respondents did however reply that the City would benefit young people if homes under \$150,000 were available for them to purchase.

### Introduction to the Survey Questions and Responses

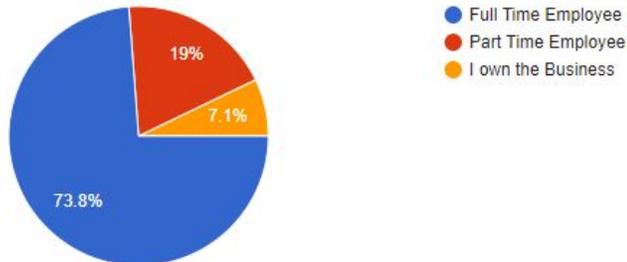
*“A study of future housing needs and recommendations for the City of Spring Grove is underway. Funding was underwritten by Compeer Financial and the Spring Grove EDA/City. The author of the study, Cathy Enerson, would like to primarily gather information on persons commuting to Spring Grove for work and living elsewhere. The following questions are designed for all business owners and employees to answer. We would appreciate it if all employees or business owners regardless of where they live would answer the following questions. Please distribute by email to employees. If no email is on file please provide a way for the employee to reply to the attached pdf, scan the replies, and return their replies to [cathy.enerson@cedausa.com](mailto:cathy.enerson@cedausa.com).”*

### **Are you employed in, or own a business, in Spring Grove as a Full Time or Part Time Employee?**

- Full Time Employee
- Part Time Employee
- I own the Business

Are you employed in, or own a business, in Spring Grove as a Full Time or Part Time Employee?

42 responses

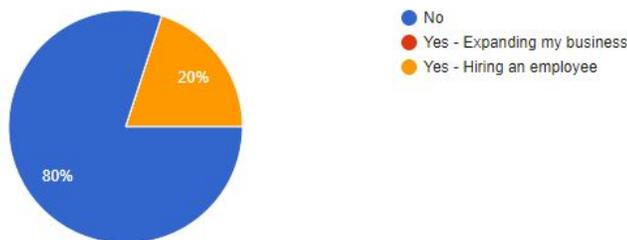


**Question for Employers. Employer is a lack of housing in Spring Grove preventing you from expanding or hiring an employee?**

- No
- Yes - Expanding my business
- Yes - Hiring an employee
- Inside city limits
- Outside city limits

Question for Employers. Employer is a lack of housing in Spring Grove preventing you to expanding or hiring an employee?

10 responses

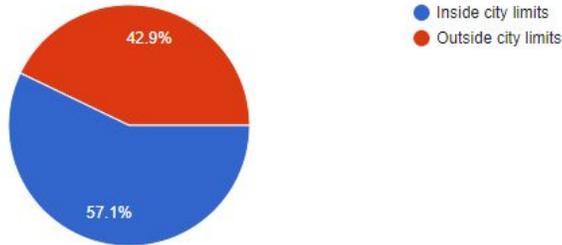


**Do you live inside or outside the City of Spring Grove?**

- Inside city limits
- Outside city limits

Do you live inside or outside the City of Spring Grove?

42 responses

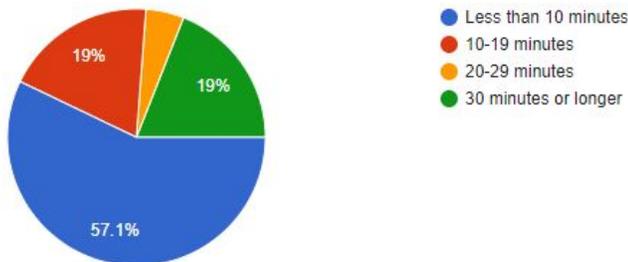


**If living outside of city limits, how long is your commute between home and work in Spring Grove?**

- Less than 10 minutes
- 10-19 minutes
- 20-29 minutes
- 30 minutes or longer

If living outside of city of limits, how long is your commute between home and work in Spring Grove?

21 responses

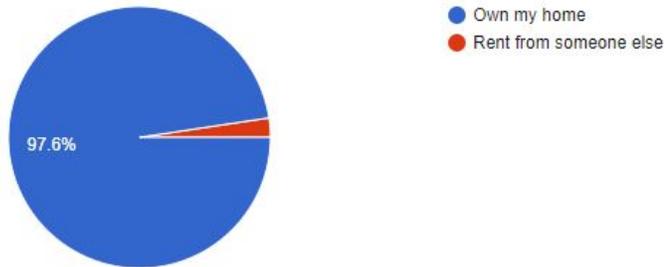


**Currently do you own your home or rent from someone else?**

- Own my home
- Rent from someone else

Currently do you own your home or rent from someone else?

42 responses

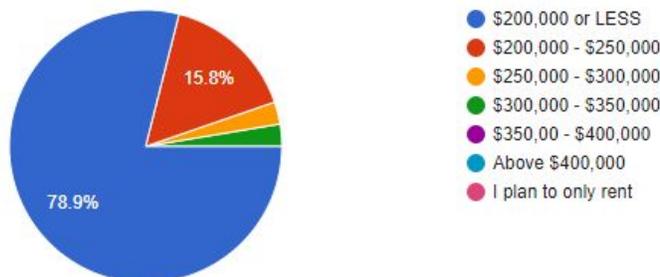


**Which price point for owning a home in Spring Grove best fits your needs?**

- \$200,000 or LESS
- \$200,000 - \$250,000
- \$250,000 - \$300,000
- \$300,000 - \$350,000
- \$350,00 - \$400,000
- Above \$400,000
- I plan to only rent

Which price point for owning a home in Spring Grove best fits your needs?

38 responses



**If you are a renter, should an existing home come on the market under \$150,000, would you move from a rental to a home?**

- Yes
- No

- Yes, but to a more expensive home

### ***Lack of data, inconclusive***

#### **If you rent, do you rent for**

- For \$500 or less per month
- For \$501 - \$800 per month
- For \$801 - \$1,000
- For \$1,000 - \$1,300
- Over \$1,300

### ***Lack of data, inconclusive***

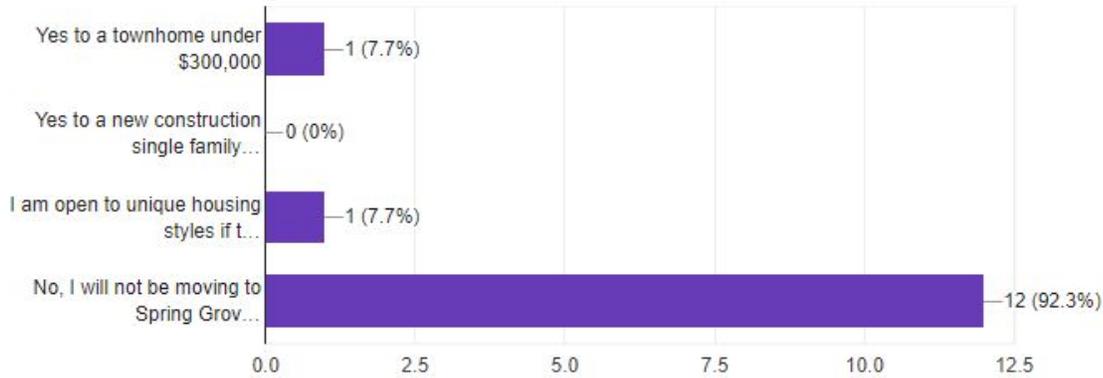
Due to the lack of residents both renting and working in Spring Grove who responded to the above two questions regarding rents, there is a lack of sufficient data to make conclusions for those two questions. However, one of the respondents indicated he/she would switch from rental to homeownership if housing units under \$150,000 were available for purchase. Rent for the small number of renters that responded is under \$800.00 per month. One respondent pays under \$500.00 per month for rent.

#### **If you do not live in Spring Grove, would you be inclined to move to Spring Grove if attractive new construction housing was available?**

- Yes, to a townhome under \$300,000
- Yes, to a new construction single family homes which is likely to cost \$325,000+
- I am open to unique housing styles if the new home would cost less than \$200,000
- No, I will not be moving to Spring Grove regardless of housing options

**If you do not live in Spring Grove, would you be inclined to move to Spring Grove if attractive new construction housing was available?**

13 responses

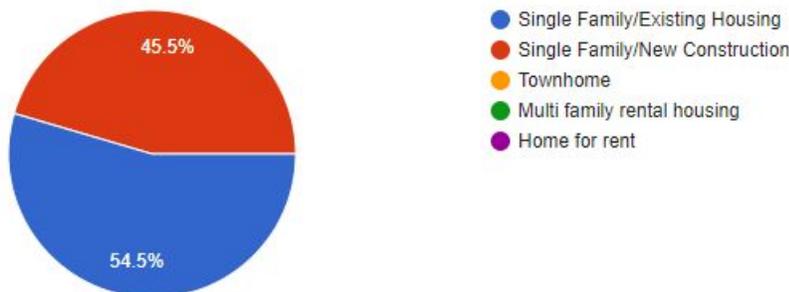


**If you do not live in Spring Grove, and you would move to Spring Grove what type of housing would you require?**

- Single Family/Existing Housing
- Single Family/New Construction
- Townhome
- Multi-family rental housing
- Home for rent

**If you do not live in Spring Grove, and you would move to Spring Grove what type of housing would you require?**

11 responses



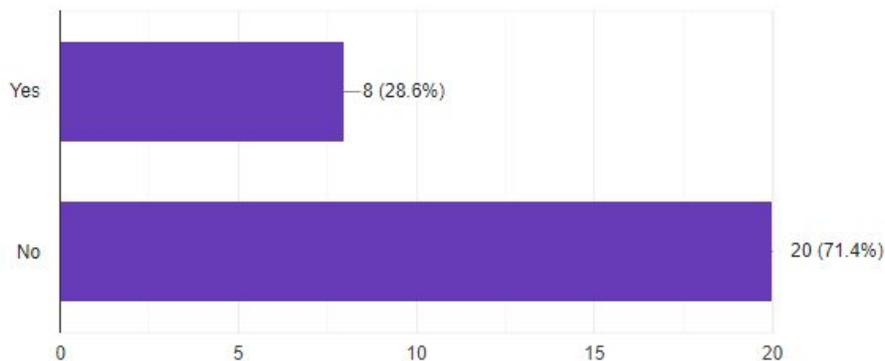
## If you already live in Spring Grove, would you be inclined to build in Spring Grove?

- Yes
- No

*Please add any additional factors that would prevent you from moving to Spring Grove, for instance you might reply, I like my children’s school, I would not move until my children are out of school. I cannot find childcare, etc...*

If you already live in Spring Grove, would you be inclined to build in Spring Grove?

28 responses



29% percent (8 of 28) of the respondents that live in Spring Grove would build, and move into new construction.

### Spring Grove Public Meetings

Business owners, developers, realtors, and community members were engaged in a series of three community meetings to uncover areas within the City suitable for additional housing units. During the community engagement sessions, participants were asked to circle five areas on the current city zoning map (Figure 20) where they would like to see future housing developed. Participants were asked what type of housing they think the community needs to be developed in Spring Grove (such as: apartment, senior housing, townhome, condo, single family home, hobby farm, or other). During the first meeting community members

identified twenty-two (22) areas within Spring Grove currently undeveloped that may or may not be suitable for housing.

CEDA, after consulting with city engineers, WHKS, and Spring Grove Public Works, met with community members for a second time to share with community members that all but one of the areas identified as land for potential housing development has nearby infrastructure. At the second community meeting a new housing product, the detached patio home, was introduced. This style of home was well received. The product was introduced as cost effective for both the land developer and the home buyer. Detached patio homes do not share a common wall, need less land mass, in most cases do not have a basement, and can be customized within community lot lines and zoning set-backs. Spring Grove owns land suitable for detached patio homes. Community meetings were vital in the creation of an enhanced zoning map referred to as the Spring Grove Community Housing Map (Figure 21). During the third community meeting, participants were introduced to local and state housing tools. Participants were introduced to the Governor's Housing Task Force Recommendations and Goals (Figure 24) to develop housing.

CEDA encourages community members to create a community housing task force to further rank and develop housing sites. This process will include determining land owner's willingness to sell property for housing developments, as well as determining the price per acre to pay for land options. The proposed housing task force is advised to take into account the data within this report, future feasibility cost studies, land options, existing housing tools, and create concept plats to produce community-driven housing developments that correlate to the newly developed Spring Grove Community Housing Map (Figure 21), and Map Key (Figures 22 & 23).

Located on Maple Drive there is a 1.65 acre parcel which has been recently sold to a builder who would like to build four housing units. Infrastructure for these four (4) units can be accessed from the street, development costs are minimal. Four (4) new lots can be developed at a cost under \$14,000 per lot. Given that new home

construction averages \$120 - \$155 per sq. ft. An 1100 sq. ft. patio home with a small storm shelter can likely be developed on these four (4) lots for approximately \$150,000. The detached garage will add another \$30,000 to the price of the home. Buyers may have the ability to bring sweat equity to the project, assist with the construction of the garage, or home.

During community engagement, community members used the following Spring Grove Zoning Map.

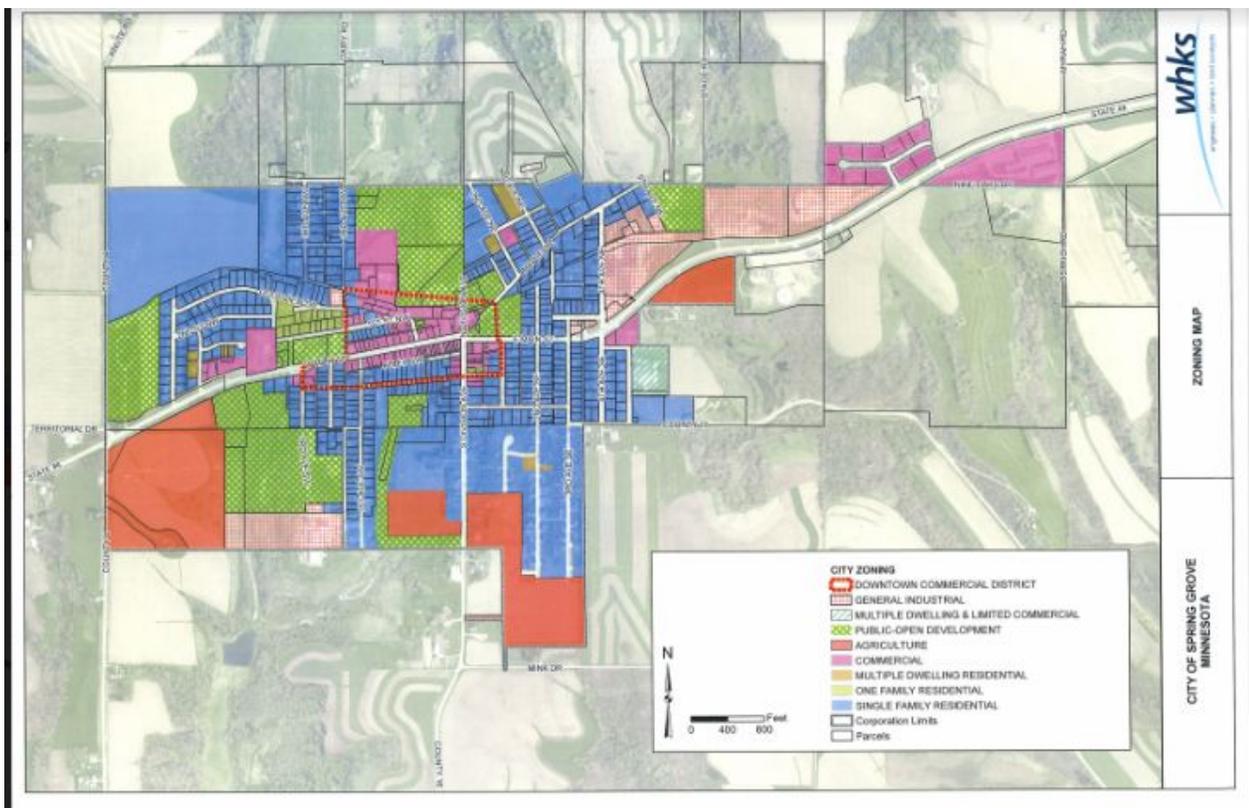


Figure 20: Spring Grove Zoning Map - Source: WHKS

Community members at the second meeting additionally were introduced to Spring Grove Utility maps which can be found in the Appendix of this report. The utility maps were used to indicate why some areas within the City are less likely to be developed. Several land owners who attended the community meetings indicated that they are willing sellers to assist with community growth. The City is a land owner and has areas within the City for future housing development. Using a request for proposal Spring Grove can market City land for development.

Based on community input and accessible utilities WHKS altered the existing zoning map (Figure 21). The map showcases the results of the combined efforts of CEDA and community members.

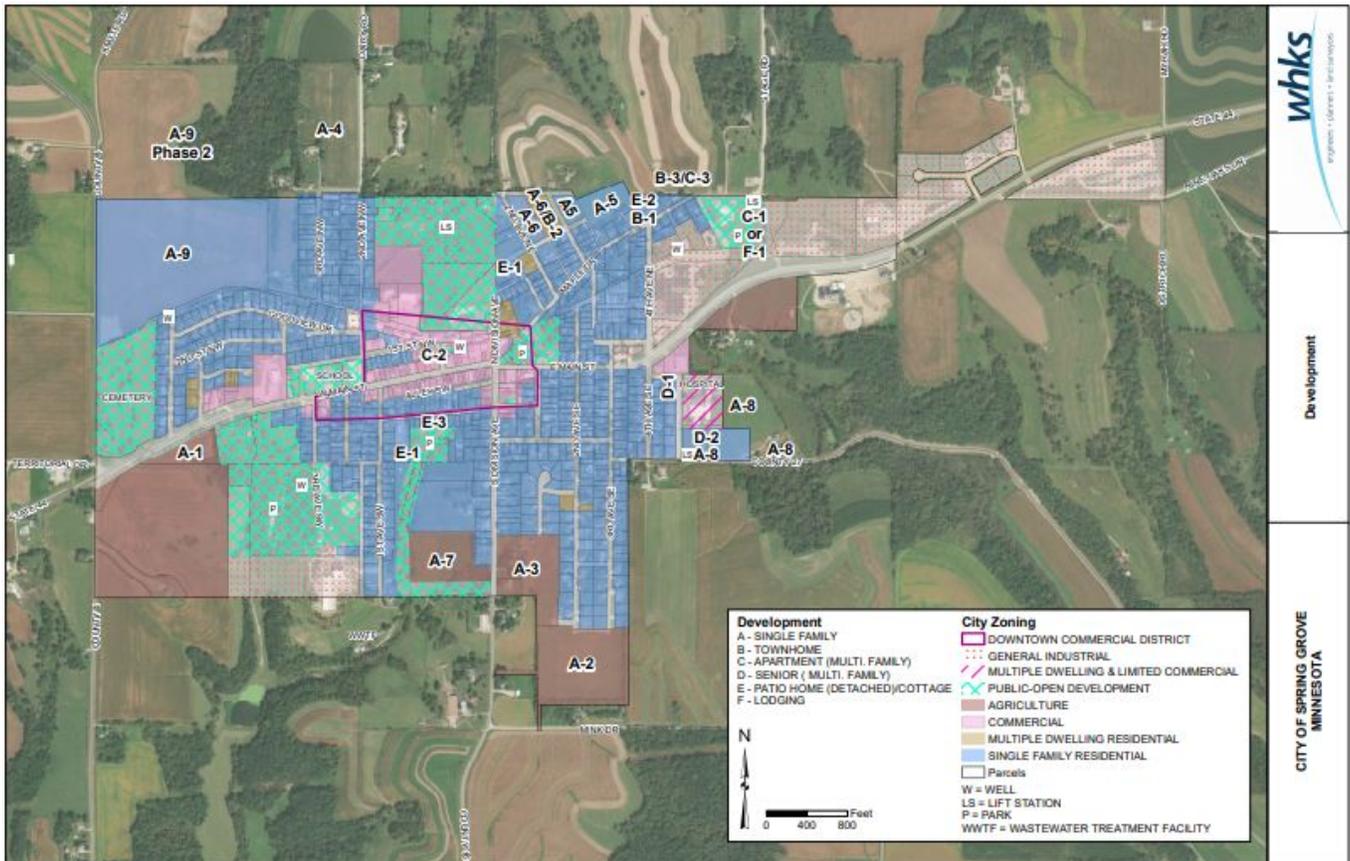


Figure 21: Spring Grove Community Development Housing Map - Source: WHKS

## Map Key

### A = Areas suitable for Single Family Homes

Area on the Map	A-1	A-2	A-3	A-4	A-5	A-6	A-7	A-8	A-9
<b>Property</b>	West Main St.	South end of 2nd & 3rd Ave SE	South of 1st Ave SE Cul de sac	East of 3rd Ave NW & 6th st outside the city	Ease side of 3rd Ave NE 2 parcels	West side of 3rd ave & 4th st NE	West side of South Division Ave	North Co Rd 27, & East of 5th Ave SE	North of 5th Ave NW
<b>Parcel</b>	26056 3001	26071 0000	26071 1000	13012 5001	26028 3001 & 26061800 0	26028 4000 & 26029 3000	26062 4001	26058 1003	26062 1000
<b>Owner</b>	J.C Land Mgt LLP	Ro-ANN Inc. Bender	Curtis Bender	Michael Wiste	Brent Sherburne	Landstrom & Don Rogich	South-Cody Stoen	James Gray	David Morken
<b>Current Zoning</b>	AG	AG	AG	AG	S.F.	S.F.	S.F.	AG	S.F.
<b>Water</b>	Across the Hwy	Yes	Nearby	Nearby	Yes	Partial	Nearby	Nearby	Nearby
<b>Sewer</b>	Across the Hwy	Yes	Nearby	Nearby	Yes	Partial	Nearby	Nearby	Accessible
<b>Other</b>	More costly infrastructure, willing owner			Outside current City limits					Elevation changes, affecting gravity flow

Figure 22: Spring Grove Community Development Housing Map Key 1

Source: CEDA

**B = Twin home, 3 or 4 plexes**  
**D = Multi Family Senior Units**  
**F = Hotel or Lodging**

**C = Multifamily Apartment**  
**E = Detached Patio Home**

Area on the Map	B-1	B-2	B-3	C-1	C-2	C-3	D-1	D-2	E-1	E-2	E-3	F-1
<b>Property</b>	Maple Drive	3rd Ave NE	Maple Dr & West of Stage Road	Eastern portion of the Aquatic Center	West of City Hall	West of Stage Rd	5th Ave SE, 2 lots West of the Hospital	5th Ave SE, South of the Hospital	South of 1st St. SW Roveru d & 1st ave NE near Garden	Maple Drive Same as B-1	1st St. SW, infill area	Hotel/ Lodging East of Aquatic Center Same as C-1
<b>Parcel</b>	26062 2000	26028 4000	13014 7000	26057 2000	26004 2000	13014 7000	26043 7000	26058 1003	26052 3000 & 26029 6000	26062 2000	Multi-owners	26057 2000
<b>Owner</b>	Joshua Myhre	Steven Land-som	Paul Solum	City	Terry Sag-dalen	Paul Solum	J.C Land Mgt LLP	James Gray	City	Joshua Myhre	Multi-owners	City
<b>Current Zoning</b>	S.F.	Multi Dwelling	AG	Public	Comm .		S.F.	S.F.	S.F.	S.F.	S.F.	Public
<b>Water</b>	Yes	Yes	Nearby	Nearby	Yes	Yes	Yes	Yes	Nearby	Nearby	Yes	Nearby
<b>Sewer</b>	Yes	Yes	Nearby	Nearby	Yes	Nearby	Yes	Yes	Yes	Nearby	Yes	Nearby
<b>Other</b>			Out-side city limits		Area for Apartment + Comm-ercial	Buffer s Comm-ercial & Gen-eral Indust-rial			Recom. to begin with 26029 6000			

Figure 23: Spring Grove Community Development Housing Map 2  
 Source: CEDA

The City of Spring Grove, as a landowner, may decide to consider a land trust model as a tool to hold the initial cost of a home or lot lower. With a city lien placed on the value to the land, Spring Grove can potentially recoup land or infrastructure initial costs when the property is resold, or within a specified amount of years. Repayment for the land can be placed back into the land trust or into a Spring Grove housing development fund.

Land owners indicated a willingness to develop or sell land for housing found within the areas defined as: A-1, A-2, A-3, A-7, E-1 (two areas owned by Spring Grove), A-7, and D-1. Land outside the city limits, A-4 and A-9 are also suitable for development offering nearby infrastructure.

### Detached Patio Home

Today, a variety of people want the benefits of apartment or condo living but also need the space, affordably, and flexibility provided by single-family homes. These include retirees who want freedom to travel, and younger families who want to spend their free time doing something other than yard work. The rendering below showcases a detached patio home, without a garage. Detached patio homes can be built with or without garages and with or without an association fee. The homes can be constructed in the traditional row style construction or located in a cluster.



The attached garage can be the access to a storm shelter. An attractive and affordable housing product is the 1067 two (2) bedroom ranch w/attached garage, or a three (3) bedroom detached patio home which requires a two foot wide lot than the

two bedroom ranch (Source: America's Best House + Plans). While patio homes have been around for decades, changes in lifestyles have made them more desirable than ever before. Many say that detached patio homes combines the best features of a single-family house with the convenience normally found in

townhouses or condo. Patio homes are fully detached single-family houses that are laced together in their clusters by small yards or patios. Many patio homes have only a storm shelter. This style of home was well received during the community meetings (more well received than shared wall townhomes).

Reasons people like a patio home:

1. No exterior maintenance
2. Shared amenities - design around common assets
3. Open floor plans
4. Stylish exteriors, unique to each home

# HOUSING DEVELOPMENT TOOLS

In 2018 Minnesota’s Governor brought together housing experts throughout the State to produce a report outlining thirty (30) goals and recommendations to grow and preserve community housing stock. Figure 24 depicts a summary of the Governor’s task force goals and recommendations. Spring Grove housing task force can use the recommendations to assist with setting community goals.

**More Places to Call Home: Investing in Minnesota’s Future  
Goals and Recommendations**

 <b>COMMIT TO HOMES AS A PRIORITY</b> <small>Create a broader and stronger public commitment to the urgent need for more homes that are more affordable to more Minnesotans.</small>	 <b>PRESERVE THE HOMES WE HAVE</b> <small>Keep the homes we already have, especially those that are most affordable.</small>	 <b>BUILD MORE HOMES</b> <small>Build 300,000 new homes by 2030, across all types, prices, and locations to stabilize prices and meet demand.</small>	 <b>INCREASE HOME STABILITY</b> <small>Assist twice as many people at risk of losing their homes because of rent increases, evictions, and heavy cost burdens.</small>	 <b>LINK HOMES AND SERVICES</b> <small>Build stronger links between where we live and the services we may need to live stable lives.</small>	 <b>SUPPORT &amp; STRENGTHEN HOMEOWNERSHIP</b> <small>Create pathways to sustainable homeownership, with a focus on removing barriers for households of color.</small>
<p>Like roads and bridges, homes are building blocks—assets that will be around for decades. By investing in our homes, we improve outcomes in education, health, and economic opportunity. Homes are our starting place.</p>	<p>Let’s begin by securing our existing assets. The most cost-effective way to provide homes that are affordable for Minnesotans is to maintain and preserve the homes and apartments we already have.</p>	<p>Minnesota has built a reputation of livability and opportunity, with homes people can afford as a key ingredient. To ensure our neighborhoods and communities remain strong and healthy, we need to use all the tools and innovation at our disposal to enable the private sector to build to meet the demand.</p>	<p>When you lose your home, you lose your community—and the consequences of this major life disruption can last for decades. By doubling our investment in rental assistance, promoting voucher acceptance, preventing displacement, and improving protections for renters, we can reverse this trend, so kids learn, parents earn, and communities grow stronger.</p>	<p>At some point in our lives, most of us will need a helping hand. Many of us will be seniors who require assistance to stay in the place we’ve long called home. Other Minnesotans have experienced trauma or need health services. We can achieve better outcomes in a more cost-effective way when we coordinate services to meet people where they live.</p>	<p>Our wealth and our retirement savings are concentrated in our homes. Most Minnesotans want to own a home, and everyone who can sustain homeownership should be offered the tools, coaching, and access to financing they need to make this investment in their own future and in our communities.</p>
<ol style="list-style-type: none"> <li>1.1 Launch a <b>public-private partnership</b> to forecast demand, set goals and measure progress.</li> <li>1.2 Create <b>dedicated, government funding sources</b> for affordable homes in addition to current funding sources.</li> <li>1.3 Invite all Minnesotans to <b>recognize</b> homes as a central and critical part of the economic and social well-being of all residents and communities in Minnesota.</li> </ol>	<ol style="list-style-type: none"> <li>2.1 Expand and streamline existing rental rehabilitation programs to preserve critical rental assets.</li> <li>2.2 Incentivize private-market owners to keep rental units affordable to low-wage families by using targeted support from local and state government.</li> <li>2.3 Support and expand existing home-rehabilitation tools and programs at the state and local levels to serve more homeowners who need to make improvements.</li> <li>2.4 Substantially increase support for rehabilitation of public housing, much of which is experiencing notable deterioration.</li> </ol>	<ol style="list-style-type: none"> <li>3.1 Position Minnesota as a national leader in the advancement of housing innovation and technology.</li> <li>3.2 Grow the pool of talent in Minnesota’s building trades to enable the sector to meet current and future demand.</li> <li>3.3 Increase the capacity of local leaders to implement tools and solutions to address the <b>home-affordability</b> needs of their communities.</li> <li>3.4 Expand the <b>range of housing types</b> across Minnesota communities.</li> <li>3.5 Create a statewide review panel to evaluate regulations related to building standards, land use, and environmental stewardship for their impact on housing affordability.</li> </ol>	<ol style="list-style-type: none"> <li>4.1 Enhance and expand state and local rental assistance programs to complement federal programs that are too small to meet the need.</li> <li>4.2 Define and crack down on <b>predatory rental practices</b>, including excessive evictions and poor condition of rental units.</li> <li>4.3 Strengthen <b>protections for renters</b> in the private market.</li> <li>4.4 Increase the speed and flexibility of emergency resources to prevent people from losing their homes.</li> <li>4.5 Expand and enhance programs that help people <b>navigate the systems</b> to find homes and vital housing resources.</li> <li>4.6 Incentivize the acceptance of rental assistance vouchers by the private market.</li> <li>4.7 Prioritize investments needed to achieve the goals in <b>Heading Home Together: Minnesota’s Action Plan to Prevent and End Homelessness</b>.</li> </ol>	<ol style="list-style-type: none"> <li>5.1 Provide a <b>dependable stream of funding</b> for social services that help households maintain stable homes.</li> <li>5.2 Provide access to a full range of services for families and individuals <b>transitioning into stable homes</b> before, during, and after the transition.</li> <li>5.3 Improve health outcomes and reduce costs for tenants by developing better partnerships between health care and housing providers.</li> <li>5.4 Advance the Housing Supports program for residents with disabilities by <b>identifying gaps</b> and potential program enhancements to ensure statewide coverage.</li> <li>5.5 Expand programs and providers who assist individuals in finding, securing, and retaining affordable rental homes.</li> </ol>	<ol style="list-style-type: none"> <li>6.1 Focus on increasing access to homeownership resources for the large number of <b>income-ready households of color</b> who want to buy.</li> <li>6.2 Promote <b>alternative models</b> of building wealth through homeownership, such as community land trusts, cooperatively owned housing and manufactured home parks.</li> <li>6.3 Encourage employers and foundations to support home purchases.</li> <li>6.4 Increase funding for financial education and counseling programs that expand the capacity of households to pursue homeownership.</li> <li>6.5 Expand mortgage products and provide extra support to local community banks to expand financing options.</li> <li>6.6 Expand available down-payment assistance programs.</li> </ol>

Figure 24: Governor of Minnesota Housing Task Force Summary of Goals and Recommendations

Spring Grove’s potential local housing task force or housing committee can begin by taking into account the recommendations from the Governor’s Task Force, and the suggestions from CEDA’s Spring Grove housing report.

## Potential Tools Recommended for Planning and Development

- Form a local Housing Task Force
- Review zoning and subdivision ordinances and match those to a revised and updated zoning map
- Develop a “New Construction Housing Incentive”
- Designate city parcels into concept plats
- City engineers can begin feasibility studies for Spring Grove concept plats
- Contact the local utility provider, MiEnergy to determine if Spring Grove and MiEnergy would like to use a loan to assist with the cost of infrastructure
- City owned, or city optioned, land can be presented for the purpose of request for proposals from builders interested in building within all of or smaller phases of the entire development
- When a project begins to emerge, contact Minnesota Housing Partnership and Greater Minnesota Housing Finance to provide technical assistance, loans, and grants
- Create a local tax abatement program to fund infrastructure and or model homes
- Create homebuyer education programs with the local EDA and the local bank
- Potentially develop a local land trust using features within the National Land Trust Program; the national program may be too restrictive and or costly, so a local hybrid program is recommended. (Caution do not associate land trust models with low income, as wages are not keeping up with new construction prices.) The land trust creates affordable housing units for working adults.
- Collaborate with Spring Grove Communications to develop housing incentives and or infrastructure cost share programs

## Multi-Family Tools

- “Local Tax Increment Financing” (TIF) for multi family projects
- State of Minnesota Workforce Housing Grant Program
- Housing bonds
- A housing levy is a valid housing tool, however the size of Spring Grove may

deter the use of a housing levy

## Agencies to Assist with Single Family & Multi-Family Housing

Greater Minnesota Housing offers:

- Technical Assistance
- Loans for Pre Construction
- Loans for Construction

Minnesota Housing offers:

- Funding to assist with acquisition and rehabilitation
- Home ownership education & counseling
- Impact Fund to help fund a qualifying project
- Tax credits
- Minnesota Equity Fund
- Workforce Housing Grant

## Home Buyer Programs

- USDA Rural Housing Loans (no money down) for existing homes and new construction purchases
- Habitat For Humanity mortgage assistance
- Local bank market rate financing

## Rehab Housing Projects

- Historic Tax Credits - partner with experience agencies like SEMCAC, Three Rivers and Southwest Minnesota Housing Partnership
- USDA House Repair Loans & Grants for existing loans
- Create local rental license and inspections programs
- Bluff Country Housing Redevelopment Authority and CEDA assist with Small Cities Block Grants
- Habitat For Humanity rehab homes

## Explanation of Housing Development Tools

### Greater Minnesota Housing Finance (GMHF)

Greater Minnesota Housing developed the Home At Last (HAL) program. Initially, the HAL program focused primarily on cost - reduction strategies designed to build affordable homes with a minimum amount of public and private subsidy.

Strategies to decrease costs included:

- Selecting sites located near existing infrastructure
- Reducing lot sizes
- Designing efficient streets
- Implementing cost-effective home designs
- Building in volume

While working with several communities in greater Minnesota, it became apparent that high home costs were only part of the affordable housing problem. Local leaders were also concerned about creating neighborhoods that were assets to the communities, neighborhoods that would remain attractive and livable over time. GMHF responded by consulting with architects to develop several home and neighborhood design strategies that would add value and livability to new neighborhoods at reasonable costs. Since that time, the HAL program has evolved to incorporate more extensive landscaping, more attractive home designs, and better plans for neighborhood amenities such as parks and trails. Implementing these and other design strategies adds amenities that are often absent in typical affordable housing developments. The inclusion of such amenities allows HAL neighborhoods to:

- Be an asset to the surrounding community
- Mature and grow over time with minimal added costs to the homebuyers
- Provide amenities to lower-income homeowners that they otherwise may not be able to purchase later
- Maintain value over time
- Attract middle-income buyers to mixed-income developments

GMHF helps developers and communities be more effective and better meet local and regional affordable housing and community development needs, putting public resources for affordable housing to the best use. GMHF will assist with early planning, market studies, and project development.

### GMHF Multifamily Permanent Financing Products

- Permanent Loans provide longer term, amortizing debt for new construction and preservation projects
- Tax Increment Financing (TIF) Loans
- Capitalize long-term tax increment financing (TIF) income stream to help pay for up-front development costs
- The Mezzanine Loan Program provides flexible loan capital that maximizes debt, leverages equity, and reduces subsidies for the construction of new workforce/family rental housing
- Gap Loans for multi-family projects provides longer-term, very-low-interest, subordinated cash-flow loans for new construction and preservation developments

GMHF program officers may help Spring Grove wade through the extensive forms to put your project's best foot forward and give it the maximum chance of successfully securing state funding. GMHF can explain the full range of financing available and help determine which types of debt and equity products make the most sense for an individual developer's product. GMHF can help create affordable single-family homes that use design to contain the cost of housing and create welcoming communities. GMHF has often provided expert testimony to city council and other elected bodies that help build a more balanced and researched case in support of proposed housing developments that face neighborhood opposition.

GMHF partners with the Minnesota Housing Partnership to develop Housing Institutes where regional housing partners have the opportunity to collaborate for over a year on local housing needs, sometimes resulting in innovative, on-the-ground developments. It is important to understand that local employers should be viewed as partners in providing assistance through potential funding of

a community housing trust fund. Employers should be invited to participate with Spring Grove's housing task force. Spring Grove can utilize GMHF to help bring local employers to the table to explain the ways local businesses can engage to expand local housing to meet their hiring needs. GMHF and Minnesota Housing partnership are available to help Spring Grove tap into the capacity they have to raise dollars to dedicated into a housing trust fund. Minnesota Housing Partnership is dedicated to doing so.

### Minnesota Housing

The Minnesota Housing Impact Fund provides funding for developers and administrators of single-family, owner-occupied affordable and workforce housing activity in communities. Resources are available through a competitive request for proposal published each spring. Eligible applicants include cities. Income limits exist, household income cannot exceed 115% percent of the State's area median. All projects must supply or improve owner-occupied, single-family housing and comply with "Green Communities Criteria". Eligible uses include, acquisition, rehabilitation and resale of existing housing, owner-occupied rehabilitation, new construction, including demolition or removal of existing structures to rebuild. Spring Grove can decide if the Community Fix Up Initiative is a Minnesota Housing program the community would like to use in dilapidated areas. Minnesota Housing has funds for interim financing in the form of short-term, low-interest bearing loan made to assist an administrator with acquiring, demolishing, rehabilitating or constructing owner-occupied housing, deferred loans, which include interest-free deferred loan financing to help eligible homeowners bridge affordability gaps not covered by first-mortgage or other funding sources, grants provided on a limited basis to bridge value gaps between a project's total development cost and its fair market value or for other eligible activities where recapture of loan funds proves infeasible or unaffordable.

### Minnesota Equity Fund

The Minnesota Equity Fund is a new social enterprise tool designed to raise equity capital from Minnesota corporations and banks to invest in well designed, high quality, sustainable affordable housing developments throughout Minnesota.

The fund is a subsidiary social enterprise of the Greater Minnesota Housing Fund. Minnesota Equity Fund (MEF) works with for-profit and nonprofit developers to access tax credit equity financing for their developments. MEF syndicates two kinds of tax credits: Low-Income Housing Tax Credits and state and federal Historic Tax Credits. Securing these funds is competitive, using an agency to assist is more effective. Developers seeking tax credits are encouraged to contact MEF to discuss their projects and financing needs. This is a fund that is less likely to be used for a project with less than twenty-four (24) housing units. MEF invests in the following types of housing:

- Low-Income Senior Housing
- Historic Preservation
- Rural Development Preservation
- Mixed-Use and Mixed-Income Housing

Minnesota Housing Partnership, a non profit agency familiar with many of the housing agencies and tools mentioned in the report can provide knowledge needed to create and preserve housing and community assets including:

- Single Family
- Multi-family
- Special Needs Housing
- Supportive Housing
- Transitional Housing
- Culturally Relevant Housing
- Monitoring and Compliance
- Building a “Trust Fund”

## USDA Programs

### Single-Family Housing

USDA housing programs give families and individuals the opportunity to buy, build, repair, or own safe and affordable homes located in Spring Grove. Eligibility for these loans, loan guarantees, and grants is based on income and varies according to the average median income for each area.

## Homeownership Programs

Low interest, fixed-rate homeownership loans are provided to qualified persons directly by USDA Rural Development. Financing is also offered at fixed-rates and terms through a loan from a private financial institution and guaranteed by USDA Rural Development for qualified persons. Neither one of these home loan programs require a down payment. Contact the Faribault, Minnesota USDA regional office.

### Home Repair Program

Single Family Housing Repair Loans and Grant programs provide funds to elderly and very-low-income homeowners to remove health and safety hazards, perform necessary repairs, improve or modernize a home, make homes accessible for people with disabilities, or make homes more energy efficient so these very-low-income families use less of their income on utility bills.

### Multi-Family Housing Preservation Grant

The USDA accepts applications for the Housing Preservation Grant program to make housing repairs for low- and very-low-income rural residents. Eligible applicants include city or county governments, public agencies, federally recognized Indian tribes, and nonprofit and faith-based organizations. USDA does not provide funding directly to homeowners under this program.

### Multi-Family Housing Loan Programs

Through the Multi-Family Housing Loan Guarantee program, USDA Rural Development works with qualified private-sector lenders to provide financing to qualified borrowers to increase the supply of affordable rental housing for low- and moderate-income individuals and families in eligible rural areas and cities.

The Multi-Family Housing Direct Loan program provides competitive financing for affordable multi-family rental housing for low-income, elderly, or disabled individuals and families in eligible rural areas.

Multi-Family Housing Rental Assistance provides payments to owners of USDA-financed rural rental housing on behalf of low-income tenants unable to pay their full rent.

It will be important for Spring Grove to provide education and access to these housing rehabilitation opportunities, and avoid creating similar local programs.

## Local Tools

### Housing Trust Funds

The Minnesota Legislature included provisions to encourage communities to establish housing trust funds in a Jobs and Economic Development omnibus bill that passed during the 2017 legislative session. The legislation allows local governments to establish a housing trust fund or to participate in a joint powers agreement to establish a regional housing trust fund. The provisions in the Omnibus legislation for local housing trust funds includes: The development, rehabilitation and financing of affordable housing, rental assistance, down payment assistance, and homeownership counseling. Uses include:

- The ability to award funds through grants or loans
- Has a limit of 10% for administrative expenses
- Offers the ability of a local government to assign the administration of the housing trust fund to a nonprofit organization
- Requirement for annual reporting made available to the public

The legislation also lists potential revenue sources including but limited to bond proceeds, appropriations from local government, investment earnings of fund, housing and redevelopment authority levies, state and federal funds, and private contributions. (Source: Michael Anderson, Housing Trust Fund Project of Community Change). Spring Grove is highly encouraged to create a local housing trust fund for future legislative appropriations that provide matching funds or grants to communities using housing trust funds.

## Custom Tax Abatement

A custom, local tax abatement can be used when the project is better off without income qualifications. The local school and county will receive new income from the tax base created, and the city retains the existing tax base on existing market value of the land and or property. Some cities have property tax abatement programs that eliminate or significantly reduce property tax payments on a home for years or even decades. The purpose of these programs is to attract buyers to locations with lower demand, such as areas of the inner city that are in the midst of revitalization efforts. Some cities offer tax abatements citywide, while others only offer them in designated areas. Some cities limit these programs to low-to-middle-income property owners, but many programs have no income restrictions. Below are just some examples of actual property tax abatement programs in the United States.

**City of Cleveland:** Newly constructed single-family homes receive a tax abatement of 100% percent of the increase in real estate property tax for fifteen (15) years. In other words, owners only pay property tax on what the land was worth before it was improved with the new construction.

**City of St. Louis:** New construction on vacant land or a gut rehabilitation of an existing building is eligible for a property tax abatement lasting five to ten years. During this period, the property tax rate is frozen at the value of the property before the improvements.

**City of Portland, Oregon:** Single-family, owner-occupied homes in selected neighborhoods designated as Homebuyer Opportunity Areas are eligible for a ten (10) year property tax abatement on the value of improvements from rehabilitation or new construction. Property owners only pay tax on the value of the property before the rehabilitation or new construction. In Portland, the property's sale price must be \$350,000 or less for 2017. This amount is adjusted annually.

City of Philadelphia: New construction and rehabilitated housing are eligible for a ten (10) year tax abatement. Property owners in Philadelphia are exempt from paying taxes on the value of the improvements for ten (10) years and only pay tax on the value of the property before the rehabilitation or new construction.

City of Des Moines, Iowa: Property tax abatement percentages vary depending on the type of improvement and property location. New additions and renovations of less than \$40,000 anywhere in the city are eligible for a 115% percent abatement for ten (10) years. New construction and rehabilitation projects are eligible for abatement for six (6) years anywhere in the city on a declining schedule; properties in other specified locations are eligible for a ten (10) year abatement.

### Custom Tax Increment Financing (TIF)

TIF is a local tool approved by the legislature to recapture the tax base to provide a better return on investment for the project developer. The future income can be injected into the project as upfront funding aid to the developer's financing, or paid in future increments using several repayment methods. Used after the project is completed, TIF assists with a return on investment for the developer. During the infancy of a housing project when for instance a multifamily housing project experiences lower occupancy rates, the use of TIF provides a projected source of profit that can be identified when demonstrating cash flow to the bank. TIF has income restrictions, it is best used for projects that fit within Spring Groves area adjusted area median income for low and moderate housing projects.

Minnesota allows several different types of TIF districts. The legal restrictions on how long increments may be collected, the sites that qualify, and the purposes for which increments may be used vary with the type of district. Redevelopment is used to redevelop blighted areas with a duration of twenty-five (25) years. Renewal and renovation TIF redevelop areas with obsolete uses and has a duration of fifteen (15) years to recapture new tax base. Housing to assist low to moderate income housing has a twenty-five (25) year duration. Consult with the city financial advisor to see which TIF best fits each individual project.

## Local Land Trust

Community land trusts (CLT) provide long-term affordable housing by owning the land of a particular property but selling the home on the land to an income-qualified buyer. The homeowner then leases the land from the CLT through a ninety-nine (99) year, renewable ground lease, or Spring Grove can create its own program. What may make more sense for city owned land is to create a semi land trust model. The city would provide the land at a set value to the project, take a lien or lease on the land during the first new construction project, then repay itself when there is a name or title transfer of ownership, in which case the lien comes due and payable to the city. The city would work with its attorney and financial advisor to set up a semi land trust model that works for city owned land to create new and affordable homes in dilapidated areas. This type of project would be used to supply affordable homes to income qualified individuals using already existing city assets. If infrastructure is required to be installed to service the property, the city may want to create an infrastructure development TIF.

## Small Cities Development Program (SCDP)

The Small Cities Development Program is part of the Community Development Block Grant Program administered by the U.S. Department of Housing and Urban Development and is funded by Congress. The program helps pay for rehabilitating houses and commercial buildings and updating public infrastructure in small cities and counties.

To be eligible for Small Cities funding, a project must meet one of three objectives: benefit people of low and moderate incomes, eliminate slum and blighted conditions, or eliminate an urgent threat to public health or safety. Cities with populations under 50,000 are eligible for grants under the program. The grant fund program is generally used for owner-occupied housing rehabilitation, multi-family rental rehabilitation, rental home rehabilitation, commercial building rehabilitation, and public facility improvements. CEDA and the Bluff County HRA are agencies able to assist Spring Grove with a Small Cities grant application.

## CASE STUDIES

### Spring Grove Construction of an Eighteen (18) Unit Apartment Building

The following case study provides a case for building an apartment complex for the workforce housing rental units in areas identified on the Spring Grove Community Development Housing Map (Figure 21) labeled C-1 and C-3. C-1 is next to the aquatic center, C-3 is privately owned land across from the aquatic center. TIF financing has income restrictions, however these restrictions are not difficult to meet when developing an affordable multifamily workforce housing project. Use 60% percent adjusted median income rent rates as explained earlier in the report to meet the TIF requirement.

Source: Jamie Judish, Mike Bubany, CEDA

Housing tools used:

- Local Tax Increment Financing (TIF)
- Greater Minnesota pre and final construction financing
- Consider Minnesota Housing's multi-family housing tools

Details: 18 units

- Construction Cost: 12 – 2 bedroom, 1 bath units at 950 square feet, 6 – 1 bedroom, 1 bath units at 800 square feet units Housing
- Total building = 16,200 square feet, base build cost of \$120/square foot Base build cost = \$1,944,000.
- Exterior site cost estimate: Surface parking for 24 cars, flatwork, drainage, etc. - \$75,000
- Land Purchase Price: \$45,000 \*\*\*ESTIMATE\*\*\*
- Architectural/Engineering/Etc.: \$30,000
- Permits, Fees, Misc. Expenses: \$2,000
- Development Fee (2.5%): \$52,600

**Total Estimated Project Cost: \$2,148,600**

Operating Assumptions:

- 5% percent vacancy and credit loss rate – mostly full all the time
- 6% percent property management fee of gross
- Annual insurance estimate - \$7,000
- Annual utility estimate - \$15,000 (gas, water, sewer, garbage, phone/ internet)
- Annual maintenance estimate - \$12,000
- Annual legal/advertising - \$5,500
- Property taxes estimate (1.25% percent project cost) - \$26,957.50

**Financing:**

- 20% percent down payment
- 80% percent financed
- Loan rate 4% percent
- 20 year amortization

**Rent:**

<b>Bedrooms</b>	<b>With TIF Applied</b>	<b>Without TIF Applied</b>
1	\$775	\$900
2	\$950	\$1125

**Benefits of TIF for this project:**

Taxes returned to the developer each year indicate to the developer’s bank and developing partners a steady return on investment. The developer in the multi-family case study is willing to learn more about Spring Grove’s goals. The developer is willing to partner with local developers, builders, and land owners. Spring Grove could also decide to form its own local development group to partner with outside developers and investors.

C-3 is a suitable area for an apartment building, but can also be considered as a suitable area for a row or rows of affordable townhomes with shared green space.

## Northfield Townhomes – Infill Development

(Source: Greater Minnesota Housing Fund Rebuilding Better Neighborhoods)

### The Strategy:

Three Rivers Community Action designed Spring Creek Townhomes in 2011 while putting together the financing. The idea was to create larger apartments for the many families who were struggling to find affordable housing in Northfield. Three Rivers worked to bring together a host of funding sources. The local Housing Redevelopment Authority (HRA) donated the land. The city of Northfield offered \$1 million in tax increment financing (TIF). Greater Minnesota Housing Fund provided a \$4.6 million construction loan. Minnesota Housing awarded Low Income Housing Tax Credits. More than \$5 million in equity was raised by the National Development Council Corporate Equity Fund, a frequent partner of Three Rivers. The First National Bank of Northfield also provided financing.

### The Results:

The twenty-eight (28) townhouses include four two-bedroom units, 20 three-bedroom units, and four four-bedroom apartments. The complex has spacious rooms, attached garages, plenty of storage, and two bathrooms in every unit. All the apartments house families earning less than 60 percent of the area median income. Many of the households are headed by single women, and many residents are people of color and have disabled family members. The property houses at least fifty (50) children. Rents range from \$705 to \$865 a month, several hundred dollars less than comparable townhouses or single-family homes in Northfield. The complex has a waiting list of over thirty (30) families. Spring Creek has several notable green features. The apartments have Energy Star appliances, feature green building design and received LEED Silver certification (a designation of the U.S. Green Building Council). Susan Strandberg, the nonprofit's community development officer, says the impact of the townhouse development cannot be underestimated. "I think the fact that they were able to rent them up quickly speaks to the need for larger, affordable homes in Northfield," she says. "People were ready to move in the day they were finished." Strandberg continues: "People

driving past notice Spring Creek. It’s a beautiful development that has architectural detail, nice colors, and an attractive presence.” Spring Creek Townhomes employed community-based planning along with strong local, state and national financial resources. In looking at construction, Three Rivers chose sustainable materials and pursued LEED certification to demonstrate that green principles can work in affordable housing.

#### Lessons Learned:

Research showed larger units were needed. Northfield demonstrated the need for multi-bedroom housing through a housing research study. The study showed how expensive housing had become and how little was available for families. The city of Northfield used the recession to purchase land at bargain prices, with an understanding it would be used someday for affordable housing. Taking advantage of market conditions can reduce the cost of future projects.

Spring Grove has demonstrated a need for a downsizing and starter home product. The community has indicated that although a townhome is a good use of land, the mindset of owning a detached home in place of a townhome with a shared wall is still preferred by the residents. A detached patio home complex can offer an affordable housing product the community desires. Spring Grove can utilize its own land located on the community development map as E-1, located near the community gardens and Roverud Park to jump start this project. Using Greater Minnesota Housing financing, a local builder, and tax abatement or tax increment financing to pay the city back for infrastructure investments this is a viable project for the City of Spring Grove. The case study above brings in an agency for tax credits and uses TIF; these same tools could be considered for a townhome project in areas such as B-1 or E-2. The housing partner, Three Rivers, in the example may require the projects be large enough to be valuable to their agency.

#### [Rochester – Revitalizing a Neighborhood](#)

(Greater Minnesota Housing Fund Rebuilding Better Neighborhoods Source)

### The Strategy:

Kutzky Park's revitalization started in 2005 when neighborhood leaders tapped the Rochester Area Foundation for ideas as to how it could work to help restore the neighborhood. The Foundation's successful First Homes program had by that point met its goal of providing 875 affordable housing units in Rochester. The goal of First Homes is to build affordable workforce homes and apartments in southeast Minnesota communities.

### The Results:

By 2008 the effort saw twenty-three (23) rehab projects, including a two story craftsman style condo project, the first residential addition to the neighborhood in twenty (20) years. An apartment known mainly for keeping the police occupied was torn down and replaced by four owner-occupied condos.

### Lessons Learned:

Land trust model contains costs. A key to the revitalization in Kutzky Park has been the community land trust model in securing affordability for many residents. This project stimulates reinvestment. New investment is stimulated across the neighborhood when dilapidated or blighted properties are demolished and well-designed new affordable housing is built in its place. Together these efforts serve to stabilize and revitalize the whole area. Done well, demolishing one single-family home can create opportunity to build at higher density and be more attractive. But critical mass is required to create neighborhood revitalization momentum and spur private investment. Long-term planning is required. Investing time and resources on the front end to assemble property over the course of several years was time consuming and required deep real estate experience. Overall the effort required major commitment and patience. A long-term plan was necessary to attract funding commitments from the local government. Layers of funding were required. A multi-year commitment by the Rochester Area Foundation helped cover the several-year stretch of this revitalization effort. Significant gap money was also required in order to achieve attractive, excellent quality design as well as the affordability targets.

## Spring Grove Revitalization

### Single Family Homes - Detached Patio Homes - Villas

Areas owned by Spring Grove provide parcels for affordable, attractive dense single family and multi family housing. Rehabilitation is recommended for an area on the Community Housing Development Map (Figure 21) identified as to E-3. Spring Grove using the case study above, can assist homeowners in this area when rehabilitation of the home is no longer feasible. The Spring Grove housing committee may create a unique buy-out program, use a proposed housing trust fund, and a land trust format, TIF or tax abatement to tear down dilapidated homes infilling area E-3 with new construction. It is possible the current homeowner in the E-3 area may want to purchase the newly created home in exchange for using their existing home credit. To keep the costs lower, Spring Grove may consider a lien on the land, then repay itself back for the land cost when the property is sold to the second owner. Other repayment sources included a land lease model like a land trust, or repayment using redevelopment TIF.

New construction infill housing is possible in areas referred to on the Community Housing Development Map (Figure 21) as B-2/E-2. Immediate infill is possible if the community would like to work with a local builder willing to build four patio homes on Maple Street. The land owner indicated the current obstacle to moving ahead with construction is financing the model home. Spring Grove can begin by contacting Greater Minnesota Housing Finance (GMHF) to determine if the project meets the eligibility requirement of their construction financing program to fund the construction. Another possible method of financing begins by contacting the city financial advisor to determine if an interfund loan to the Economic Development Authority repaid by tax abatement, or TIF is feasible for funding the model home. Or look into the use of the EDA's revolving loan funds to fund the first model home.

The first step to developing City owned land at E-1, the Roverud Park area, is to decide where to move the city storage shed and how relocating the shed and the

necessary infrastructure to create the number lots will cost. WHKS be would be a resource to draw a concept plat. The EDA would be a resource to create a Spring Grove request for proposal to attract a developer to build at the site. Both parcels referred to as E-1, city owned land next to parks, can be used to develop affordable 1000-1100 sq. ft. detached patio homes. The cost of the new infrastructure could be paid back monthly through an assessment on the owners sewer and water bill, or use TIF. To keep the initial purchase price lower, a land trust lease model could be used to defer the cost of the lot.



Figure 25: CEDA

The area near Roverud Park, E-1, offers an area best suited for infill through demolition and new construction. Photo Source: Courtney Bergey Swanson



Figure 26: CEDA

## The Value of Community Meetings

After a school in Grand Rapids, Minnesota, was demolished in the mid-2000s, the Grand Rapids Housing and Redevelopment Authority stepped in and bought the property for about \$2 million. A local builder, Black Bear Homes, quickly signed on to build Crystal Lake Estates, composed of all single-family homes. When initial plans came to light for “affordable housing” at the site some neighbors expressed concerns about the quality of the homes and the character of prospective residents and homebuyers. GMHF created architectural designs that fit with the surrounding neighbors. The streetscape of Crystal Lake Estates featured sidewalks and roads. GMHF and other partners revealed plans for the development at several well attended community meetings. Ultimately, the neighbors supported the development after seeing renderings showcasing front porches and traditional neighborhood design. (Source: Greater Minnesota Housing)

## Twelve Executive Style Single Family Homes

### Swenson Subdivision

Spring Grove could use tax abatement to fund a community infrastructure cost share program to to pay for infrastructure to assist the developer and to keep the cost for the developer to develop lots affordable.



This case study assists with the development of lots for eight (8) executive homes and, four (4) twin or detached executive style patio homes with attached three car garages.

Figure 27: CEDA

### **Requirements of the Developer**

A business subsidy agreement could be created between Spring Grove and the developer in which a cost share agreement is established for infrastructure. In return the builder will build new homes on three (3) lots per year. Spring Grove could additionally require the developer to maintain a builder's model at all times. As part of the agreement the City could consider a \$15,000 deferred loan for infrastructure costs to be forgiven through tax abatement.

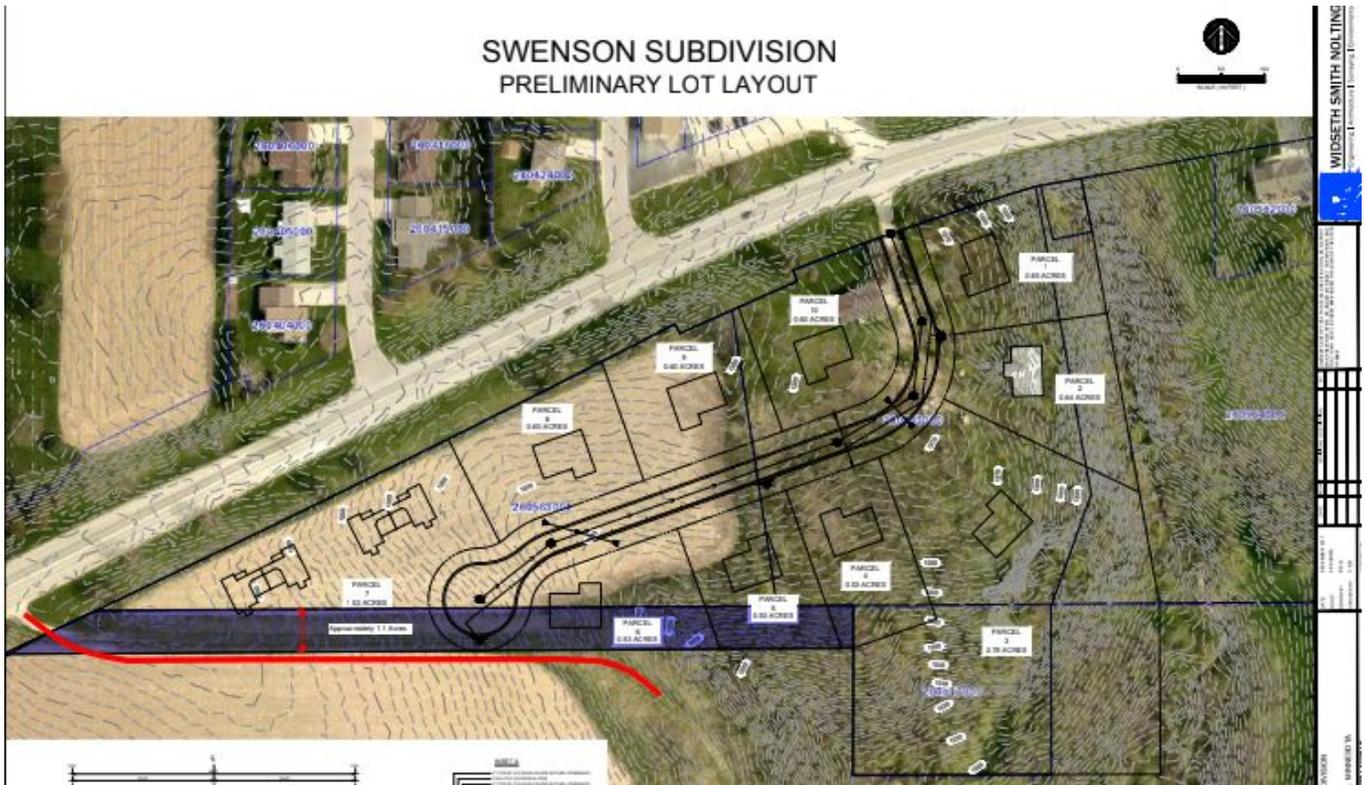


Figure 28: CEDA

## Revitalizing Old Buildings

### The Strategy:

Fergus Falls school district’s community education director formed a citizen’s committee and held a series of brainstorming sessions and planning meetings. Consensus grew around the concept of turning a former building into an arts center. The school district and citizens’ committee knew little about arts housing, so it turned to Minneapolis-based Artspace, the nation’s leading developer of housing for the arts. Artspace has completed more than fifty (50) projects around the country, including several in smaller cities such as the Kaddatz Artist Lofts in Fergus Falls . Greg Handberg, senior vice president of properties at Artspace, said the organization needed about \$750,000 to plan a restoration of the building.

### The Results:

The question of whether there were enough artists and arts organizations to fill the space was answered. All 37,775 square feet of artist studios and commercial space filled prior to the building’s opening with arts organizations, artisans, arts-friendly

organizations, and creative businesses. The rest of the building consists of the live/work studio spaces that quickly leased. The art space strengthens the community by bringing in artists from elsewhere.

#### Lessons Learned:

Community input is a lever. Without the initial push of the school district's progressive vision of collecting community input the Franklin Arts Center would never have happened. Planning grants help. Even small cities have access to foundation money and development expertise that can pay for national experts such as Artspace to lend financial, management, and marketing expertise. Artists can help revitalize communities by saving old buildings and committing to living and working in them. Old schools can easily find new uses vital to communities. Perseverance matters. This type of project takes a lot of time and patience.

Project Planners: Artspace, Blandin Foundation, Brainerd Lakes Area Development Corporation, Brainerd Public Schools, City of Brainerd, Crow Wing County, Greater Minnesota Housing Fund, Miller Dunwiddie Architects, Minnesota Department of Employment & Economic Development, National Equity Fund, National Park Service/Minnesota State Historic Preservation Office, U.S. Bancorp. Key strategies include mixed-use, historic preservation, adaptive reuse, organizing artists. (Source Greater Minnesota Housing)

Spring Grove using the Fergus Falls case study may one day consider revitalizing a downtown building. There are opportunities to entice businesses from older downtown buildings to the industrial park. A housing bond is an income source to fund for projects that injects a diverse, young, and/or retiree population interested in the arts to Spring Grove's downtown buildings.

## THE EFFECTS OF THE 25- 49 YEAR OLDS

### Key Points to Attracting 25 - 49 Year Olds to Rural Housing:

People migrate to rural communities for a simpler life, safety and security, affordable housing, outdoor recreation and quality schools. Community members can work together to attract newcomers and create a quality of life that all residents enjoy. A large share of these consumers desire a housing product below \$300,000

Over a third of all rural buyers seeking single family homes want homes under 2,000 sq. ft., and some studies suggest under 2,400 sq. ft. Many, particularly childless households and mature families, are willing to accept a smaller lot and smaller home to get the quality and location they want.

Both childless and mature families are more likely to accept smaller lot sizes, verses young and growing families, narrower lots with alternative garage styles are acceptable if the price point appeals to the buyer.

Bedroom count is another way to reduce home size and cost. Although three-bedroom homes are by far the most popular size, nearly 20% percent of childless households, and 11% percent overall homebuyers are seeking a house with two or fewer bedrooms. More households, and particularly young couples, would consider a two-bedroom option if it were priced attainably.

The next generation of homeowners wants smart, stylish homes that enable them to connect with friends and family. Making space livable through smart technology and integrated design. Features like the ability to preheat an oven or unlock the front door from your smartphone is the new norm in home convenience.

Storage is important; linen closets, a walk-in pantry, and garage storage are the top storage items. Exterior, lighting, and outdoor living is also important.

Modern traditional is the most preferred style, followed by style on a budget, casual organic, and modern. Space that feels like a relaxing retreat for entertaining. Using outdoor space for meals and to decorate as they would their living and dining rooms. Walkable neighborhoods are important to this and many other age groups, and areas for pets are important. Golf courses are out but access to organic produce and farming is in.

Informal layouts, and space that functions well, are preferred--not just square footage for its own sake. And this age group is very much into cooking as entertainment (cooking outdoors is part of that trend).

### Effects of Ninety -Nine (99) New Residents

Why is the Brain Gain population important to Spring Grove? Ben Winchester, University of Minnesota Extension, found that high school graduates often leave small towns. They go to college, or get jobs in the city. However census data shows that many come back to rural areas, often in their thirties and forties. They come with college degrees, work experience, professional contacts, and children. Some lifetime city dwellers also move to rural areas. The Brain Gain residents are eager to make a new life in a rural community. What could ninety-nine (99) Newcomers mean to the Economic Impact of Spring Grove Minnesota? This question was examined using Ben Winchester's study of new residents in the five counties of Southwestern Minnesota who were asked to complete surveys regarding their household spending, as well as expenditures related to business ownership. Attracting ninety-nine (99) new residents to a community such as Spring Grove appears to be hopeful for the existing residents and businesses. His analysis is based on ninety-nine (99) newcomer households which represent one-hundred and fifty (150) working-age adults and fourteen (14) newcomer-owned businesses. Here are the study's key findings:

- The surveyed newcomers reported \$6.6 million in household income in 2009 and 2010. This equates to an average household income of \$66,000

- New, expanded, or relocated businesses owned by the newcomers reported spending \$108,000 in the region
- The total economic impact of the surveyed newcomers' business and household spending is \$9.1 million, encompassing 174 jobs and \$7.2 million in labor income (including wages, salaries, and benefits)
- As per Ben Winchester, the average newcomer household contributed \$92,000 in economic activity to the region in 2009/2010
- Top industries impacted by the presence of newcomers in the community include wholesale and retail trade, food and drinking establishments, housing, and health care

## RECOMMENDATIONS

CEDA recommends Spring Grove work to supply eighty-two (82) newer, contemporary housing units including single family and rental properties to satisfy both the increase in demand for all varieties of housing. Rental units would have an overlapping appeal to younger people moving to the community as well as to those downsizing. By creating a smaller, affordable home for seniors, existing homes within the community will open up to become opportunities to attract new residents. The move up and executive home proves to be a product buyers need for ongoing population growth. To meet the need to replace dilapidated housing and create new housing units Spring Grove can do the following:

Create a community housing task force that supports the Economic Development Authority's desire to increase the number of, and variety of homes thus increasing population

Contact each landowner identified on the Spring Grove Community Housing Map (Figure 21) to identify the landowner's willingness to sell land or become developers

Invite landowners to participate in the housing task force meetings

Continue to rank the housing development sites

On desirable sites, create concept plats, properly zone each parcel for the appropriate use, create a certificate of survey, and market these parcels to developers and builders

Review the zoning map for accuracy, and create a future zoning map while updating the comprehensive plan

The community housing task force should take into account the community findings, tools for development, and the Governor's Housing Task Force 30 recommendations and goals to develop and preserve community housing

Create a new construction housing incentive for detached patio homes on E-1 & E-3. xample of an incentive:

- No upfront land cost
- Free pool pass for a year
- Free Internet service for one year
- Free pre-homebuyer education for one year
- Free post-homeowner education for one year
- Up to an identified dollar amount for energy efficiency rebates

Contact GMHF with a builder or developer's project to discuss preconstruction and construction financing specific to the project

Fund an "Infrastructure Cost Share" program for Developers, perhaps assign certain revolving loan funds toward the cost share program

To ensure a fair process for all, create a business subsidy program for cost sharing

Contact MiEnergy with a complete list of public infrastructure needs. MiEnergy will need an idea of the areas and costs for new infrastructure in order to apply for additional revolving loan funds to support funding the installation of new infrastructure to support new construction. MiEnergy has currently lent out all its revolving loan funds, however has indicated that the firm is willing to assist and potentially apply for new funds.

For areas with dilapidation, speak with Minnesota Housing and/or Greater Minnesota Housing Sherpas to participate in their acquisition and rehabilitation program

Create a Housing or Development Trust Fund (Follow the Minnesota Housing Partnership trust fund manual)

Define who and what programs will receive housing trust funds, be consistent and fair program to all builders and developers

Study the trends and effects of the Veterans Home project, a Fillmore County initiative, to determine the effect of potentially 139 health care workers needed within driving distance to the State Veterans Home

Study the housing needs for those in LaCrosse seeking a rural residence

Create a mix of housing suggested in the recommendations, and as suggested by the unique demographics and wages using new incentives and or city owned property(s)

Use the guidelines from this report to build homes that are attractive to older residents downsizing, while also offering homes and lot sizes most desired by the twenty- five to forty-four (25-44) year old buyers

Work with Minnesota Housing to secure acquisition and rehabilitation assistance to tear down homes beyond the assistance of the Small Cities Development Block Grant assistance program

Share one consistent message, decide how the City, EDA, Chamber/Business Organizations, and potential tourism group will share joint information with the public to attract potential new residents to Spring Grove

Use concept maps and/or survey maps to attract and market to developers for properties the city may place in a land option contact

Market Spring Grove concept plats to area home builder's associates, LaCrosse Area Builders, NE Iowa Area Builders, Realtors, Lumber Yards

Keep a three (3) year supply of lots on hand, develop twenty-four to thirty (24-30) lots

Properly zone three infill areas for smaller lots to develop sixteen (16) single family homes sites to build sixteen (16) detached patio homes

Goal for Senior Housing Units: Build eight to nine (8-9) housing units

Goal for multi-family workforce: Build a twelve-eighteen (12-18) unit apartment complex

Goal: Build a total of 28 executive style homes

For the Swenson subdivision, the developer and city will want to discuss land trades, easements, and infrastructure cost sharing to develop eight (8) single family move up and executive homes.

Hold bi-annual pre and post homeownership community educational sessions

Encourage realtors to market properties in advance of construction to attract a qualified pre sold buyer and to ensure a pre-approved bank loan for the builder/developer

Consider purchasing a bus to transport workers to the nearest park and ride, with the goal to create your own park and ride to La Crosse or Rochester. LeRoy, Minnesota is currently providing its own bus service to Mayo Clinic.

Use the fall sports programs for promotion and to attract people to education sessions

Use the School's alumni contact list to educate alumni quarterly about new housing opportunities and other community information that may bring them

back to the community. The goal is to recapture the “Brain Gain”, especially to the 25-45 (young families), and attract those that lived in Spring Grove to retire in Spring Grove, 56-70 (Baby Boomers)

Continue to provide and promote adequate child care and transportation resources to attract new families

Showcase the community’s unique assets, inviting new people of all demographics to recreate and visit Spring Grove

Promote the following:

- Housing incentives
- Residential lots for sales or in the development process
- Promotion Spring Grove residential developments at LaCrosse and NE Iowa home builders shows or events
- The community video
- Promote Spring Grove housing using key words during online users housing search for homes in LaCrosse, Wisconsin or Decorah, Iowa
- Create and promotes a showcase of homes tour

Develop around organic farming and energy

Begin to locate the farm and land preserve for future growth. Once a land option has been secured, hire a firm to design a master planned community with a focus on organic farming, and urban/farm style housing

During community events promote housing incentives and the various opportunities to live and recreate in Spring Grove

Create a Spring Grove housing sloan, unique to the European farm to table concept

Study what other cities with common assets have done to attract new residents

Build around community assets identified in the community meetings as:

Volunteerism

Vibrant Public Spaces

School

Childcare

Clean Energy

Aqua Center

Unique History

Town Square

Arts and Culture

Agriculture/Farming

Trails

In five (5) years Spring Grove is encouraged to review newer ESRI data to determine if this plan needs to be altered to accommodate new expected growth, changes in wages, and additional changing demographics.

## AUTHOR'S NOTES

The CEDA Housing Study projects Spring Grove will need a minimum of eighty-two (82) housing units. In order to grow the population, Spring Grove will need to build itself out of its housing shortage. The data used in the study suggests building 26% (18-24) rental units, and 74% (61) single family units. Spring Grove is in a unique position because the community can grow without sprawl and expensive infrastructure. Infill development projects can be accomplished with and without annexation, or without incurring dramatically expensive costs for new infrastructure. The community would grow if approximately sixteen (16) detached patio homes, twenty (20) move up, and twenty-eight (28) executive homes, eight (8) multi-family senior housing units, and an additional twelve - eighteen (12- 18) market rate, workforce multi-family housing units were to be built. The variety of housing units built with seniors in mind will open up existing housing units increasing the variety and cost of housing for new families. A planned community developed around the community's unique assets will set Spring Grove apart from other surrounding communities.

It has been a pleasure to engage with Spring Grove's caring individuals who want to ensure Spring Grove will grow its population and create a constant stream of lots for unique and customized housing. I encourage Spring Grove to learn from sister cities existing planned development; additional information about sister cities, cities with similar assets, is found in the appendix of this report.

Best wishes to the community!

## APPENDIX

### Learn From “Sister Cities” with like Community Assets

While developing housing centered around Spring Grove’s unique assets, the community can learn from communities with similar opportunities and assets. Two such communities are Cashton, Wisconsin, and the development of Serenbe Farms, City of Chattahoochee Hills, Georgia. These “sister city” models integrated four central components: art, education, wellness, and agriculture.

#### Cashton, Wisconsin

Cashton, Wisconsin uses energy (solar and wind turbines) and a cooperative approach to create development opportunities. Area A-8 and D-2 shown on the Spring Grove Community Housing Development Map (Figure 21) are well suited for asset development.

In Cashton, turbines have been built and infrastructure is in place for Wisconsin’s first community wind project. Cashton Greens Wind Farm has the capacity to generate nearly five (5) megawatts of energy, enough to power 1,000 Cashton homes annually. The \$11 million renewable energy project is a collaborative effort of the Village of Cashton, Gundersen Health System (Envision) and Organic Valley, the nation’s largest cooperative of organic farmers. Electricity generated from Cashton Green’s two commercial-scale turbines will flow into the Cashton power grid. The Village invested in the wind farm’s infrastructure.

As developers and owners of Cashton Greens, Organic Valley and Gundersen will receive income per kilowatt hour generated. Through a renewable energy contract with the Upper Midwest Municipal Power Agency, the two companies will buy back energy to offset their footprints. Looking further into the combination of natural energy and organic farming is a development opportunity for Spring Grove.

## Serenbe Farms

Serenbe Farms is an example of integrating four core values--art, education, wellness, and agriculture--values that Spring Grove has and can further develop around. Developments like Serenbe are different, integrating community, expansive open space, access to agriculture, and a distinct relationship to the land and the food the residents eat. Ultimately, communities like Serenbe offer a philosophical challenge to the traditional real estate model. People think you either have development or you have agriculture. Begin by choosing a location for the planned community with a willing land owner and downsize Serenbe Farm's concepts to fit an area near the Spring Grove grocery store or hospital. For more information, visit Serenbe at [www.serenbe.com](http://www.serenbe.com).

Source: Megan Kimble of Terrain.org provides information below about Serenbe, a community model the Author of this study has been interested in since the community began offering home sites for sale. City of Chattahoochee Hills, protected by a development plan, preserves 70% percent of the area's green space. A centerpiece of the Serenbe community is the twenty (25) acre, organic Serenbe Farms, which not only supplies produce to a weekly farmer's market and onsite and regional restaurants, but also helps to forge a sense of identity for the overall development. The developers envisioned Serenbe as a model for integrated community based on four central components: art, education, wellness, and agriculture.

Integrating agriculture with homes is only part of the molding of a balanced community. With pedestrian-oriented village cores that consist of retail, restaurants, galleries, and office space, Serenbe is projected to include 1,000 to 1,200 homes and live/work units and up to 250,000 square feet of commercial among miles of trails, stables, pastures, wetlands, and forests. They gathered other landowners in the area to discuss how to best preserve the natural landscape while also accommodating the inevitable need for housing and development. After a series of public meetings and discussions, they helped form the Chattahoochee Hill

Country Alliance, which was tasked with creating a plan to develop the land without succumbing to the model of traditional suburban communities that historically preserve only 20 percent of green space. By combining various land-use tools, including outright land purchase, conservation easements, a transfer of development rights program, and the development of zoning that requires mixed-use hamlets and villages, landowners and planners from four counties throughout the hill country worked together to foster regional growth while ensuring that at least seventy 70% percent of the 40,000 acres would remain green space. The Alliance hired a professional planning firm to create a template for development. The plan designers realized that the way to preserve the most green space while still allowing room for development was through the creation of compact villages tucked within the forest, and established the Chattahoochee Hill Country Community Plan. The Plan called for a European-village model of high-density residential hamlets within walking distance of community centers and commerce combined with larger surrounding tracts of open space. The final plans ultimately provided the capacity for 20% percent more residential units than would have been possible with traditional development practices even while preserving over 70% percent of the land for agriculture and open space.

Serenbe Farms was the first of these components to be developed. While the 25-acre organic farm doesn't occupy central physical presence in the Serenbe landscape, it serves as a symbolic and functioning centerpiece for the community, creating a distinct residential culture as well as a marketable identity for the development.

Nationwide, the demand for locally grown food has coincided with a fundamental change in the way developers think about the amenities that people like in new home communities. Ed McMahon, a senior fellow with the Urban Land Institute, said, "agriculture is the new golf."

Serenbe farm's produce is distributed to the residents subscribed to the community supported agriculture program, sold at the Saturday farmers market, and to other restaurants and vendors in Atlanta. Farm production includes over fifty (50) different vegetables, fruits, flowers, and herbs in over 300 different

varieties, as well as laying hens, shiitake and oyster mushrooms, honey bees, a blueberry orchard, and fruit trees.

The farm is owned by the Serenbe Institute for Art, Culture & the Environment (which is funded by fees paid by all incoming homeowners), and closed to residents except for designated volunteer days. Keeping farm operations independent from individual homeowners or a homeowners association helps ensure the long-term viability of the farm. That said, the farmers are an integral part of the community, participating in community events and a regular lunchtime fixture at the town's bakeshop.

Joffe helped design the farm at Serenbe in 2002, before any houses were built. "Putting the farm in the right place is first and foremost the most important part," he said. "At Serenbe, they had an idea for the farm, and the developers just put it somewhere on the map. Then, the farmer comes in and goes, 'you picked the worst soil on the property.'

The farm's harvest has tripled in the five years Witherington has worked at Serenbe, partly as a result of this early attention to cultivating soil quality.

The farm was developed at an estimated cost of \$50,000, most of which went to storage facilities. Nygren amortized this initial investment in the farm as part of the Serenbe's amenities budget. Though the farm was subsidized by the development during its first three years of operations, it's now financially sustainable and turned its first profit in 2010, said Witherington.

In addition to the farm, Nygren said that much of the common-area landscaping is also edible. Banks of blueberry and fig bushes line crosswalks, and pecan and peach trees line street medians. "When kids grow up seeing their food grown, it changes their entire attitude," said Nygren. "If you grow up knowing what a fresh blueberry tastes like, you're not going to settle for stuff that's picked green and shipped."

Community Amenities and Commercial

While the farm provided an early identity for Serenbe, “We’re not just building houses around farms,” said Nygren. “The farm is one of the elements that integrates to make it a total connected community.”

That community so far includes three critically acclaimed restaurants: The Blue Eyed Daisy bakeshop, The Hill, and The Farmhouse, all of which use produce from Serenbe Farms. Nygren took a gamble and built The Blue Eyed Daisy when only four homes had been completed, an early investment that pays off in marketing visibility. He estimates 1,000 people visit the three restaurants each weekend, which—with reviews in *The New York Times*, *Food and Wine*, and *Bon Appetit*—have become destinations in their own right.

The Inn at Serenbe has received similar accolades as a destination for those city dwellers looking to dip into country life. Guests can rent rooms in the Main Lodge or Lake House, both restored farmhouses, or stay in a variety of cottages, ranging from restored 1930s stables to modern lofts. Guests can also rent residential spaces within the Serenbe community. Rooms start at around \$130/night, depending on the season, and come complete with Southern charm: afternoon tea, a full country breakfast, and use of, among other amenities, a croquet lawn and the Serenbe Farms animal village.

Developers planned for Serenbe to be comprised of 10 to 15% percent commercial space at buildout. Spaces include, live/work units, and office spaces. A mixed-use commercial core sits at the center of each hamlet.

The Serenbe Institute, a 501(c)3 non-profit organization, represents Nygren’s third pillar of a balanced community: art. The Institute’s mission is to foster connections between nature, culture, and the arts, and seeks “to cultivate the community’s creative, intellectual, and ecological qualities through programs and projects that promote our social, spiritual, and aesthetic curiosity.” Programs include an artist residency, visiting scholar’s residencies, a state-of-the-art film and digital photography center, and a playhouse.

Established in 2010 under the Institute’s auspices, the Serenbe Playhouse also hosts open-air theatrical performances throughout the summer at different stages

within Serenbe. A charter school offers arts, agriculture, and environmental education in the form of experiential learning. In the fall of 2012, Chattahoochee Hills Charter School opened for students kindergarten to sixth grade with a mission to integrate the arts, agriculture, and environmental education into an experiential-based school.

Lisa Miles, a resident of the nearby town of Newnan, opened the Children’s House at Serenbe for fifteen (15) children aged three to six years old (3-6). Though the Children’s House is located at Serenbe, the Montessori-based primary school is open to students from all over the South Fulton area. The Children’s House also offers a toddler program for kids ages eighteen (18) months to three (3) years old as well as an after school activities program, with nature walks, arts and crafts, animal feedings, and music, for kids ages eighteen (18) months to six (6) years.

## Homes

Serenbe’s land planner Phill Tabb designed the community as a constellation of three interconnected hamlets. The omega-shaped hamlets were designed to fit into the natural landscape, facilitating the interaction between green, wetland, and watershed areas of the site and the sloping hills. Each hamlet has its own particular character, forming part of the pillars of community that the Nygrens initially envisioned.

Many residents regularly commute to Atlanta to work, or work out of their homes. Eighty percent of families are full-time residents, while 20% percent are second homeowners, from as far away as California and New York.

The first community built was the Selborne hamlet which is Serenbe’s hub for the arts—visual, performing, and culinary. The Grange, is the community’s farm hamlet, given its proximity to the Serenbe farms and the Serenbe Stables, a boarding and lesson facility open to the public. The Mado hamlet—named for the Creek-Indian word meaning “things in balance”—will focus on health and wellness. Mado includes traditional and holistic medical services, assisted living, and a destination spa.

Each of the hamlets are connected by roads, trails, and bridle paths, intended to foster a pedestrian-based lifestyle and contribute to active living and a coherent sense of place. Living options include cottages, townhouses, live/work spaces, and estates, and each hamlet will include a mixture of styles.

Townhouses begin in the mid-\$400,000s on 1/8 acre-plots, and provide the core anchor of each hamlet. Many of these two- and three-story homes are designed with the primary living space on the upper floors, known as the “piano nobile.” These long, narrow homes have balconies facing the street and any adjacent alley, and are designed to foster an urban community feel.

The live/work spaces at Serenbe are intended to offer residents compact spaces to combine living and working. The ground floor of each of the two- or three-story units is a storefront that can be utilized as a studio, workshop, or retail space. The living quarters are located on the floors above, and the architectural style of the live/work spaces will be inspired by local historic downtown areas.

Estates are placed on larger, unstructured lots of 1/2 acre and are set back from the road. Estate lots begin at \$250,000. Architectural styles are left to the individual property owner to decide, but are to be “rural in finish and casual in spirit,” according to the Serenbe website. During a slow real estate market, some larger lots were subdivided to create the Nest, a closely-built hamlet of two- to three-bedroom cottages. Fifteen (15) planned cottages, were priced from \$260,000 to \$455,000. These smaller footprint—and smaller price tag—cottages were an important adaptation to the real estate market, attracting buyers who might not otherwise have been able to access the townhomes or estates. The average house size at Serenbe is 2,500 square feet.

Having a communications director to market this community to upcoming entrepreneurs, those that want an encore career, and to those that want to retire is key to the ongoing success of the community.

Indeed, “These kinds of communities perform pretty well in the marketplace,” said McMahan of the ULI. “Many tend to be on the higher-priced side, green space creates value. People are willing to pay more for a smaller lot, because the lot

comes with a farm and three-hundred (300) acres of open space. You're buying a park along with the lot."

Homeowners don't actually own any of Serenbe's forests or green space. The open space land is deeded to a Serenbe land trust, which was established separately from the homeowners association. All buyers pay a transfer fee to the Serenbe Institute for Art, Culture, and the Environment, which is used for the creation of community events and programs, the land trust, and other community initiatives. The fee is 1 percent of the purchase price of a house or 3 percent of the total purchase price of an unimproved lot.

### Sustainability at Serenbe

All homes are built to the standards of EarthCraft House guidelines, and are placed on and within sites with the goal of creating minimal disturbance to the natural terrain. Many homes use geothermal heating, and all are designed in relation to the sun to maximize natural heating and cooling, with windows placed for cross-ventilation. Instead of traditional, water-intensive green lawns, front yards are dotted with native plants and organic landscaping that blends into the surrounding landscape. Underground trash cans sort trash, recycling and compost, and outdoor lighting regulations that eliminate accidental uplighting ensure clear, starry skies.

Water conservation is also a priority at Serenbe. The monthly water usage for Serenbe as a community is said to be 25% percent lower than the national average. Water conservation practices include water-smart appliances like dual-flush toilets and stormwater treatment using natural barriers. Wastewater treatment at Serenbe is part of a state-of-the-art decentralized natural wastewater system, which is managed by a private utility at a cost of about \$50 per month for each resident. There are four components of the wastewater treatment system. The plant is comprised of man-made constructed wetlands—primarily cattails and bulrush—filtration basins, and circulating pumps. Collection tanks collect household wastewater, retain the solids for decomposition, and pass on the liquids to the plant for natural treatment. Single-family homes each have 1,500-gallon tanks, and townhomes and live/work homes are connected in a communal tank.

Once treated, some of the water is pumped to the nearby cow pasture and released into the ground through piped sub-surface drip lines. The remaining greywater is pumped to individual yards for use in subsurface drip irrigation.

Serenbe is located in the heart of Chattahoochee Hill Country, a 65,000-acre, rolling hill forest and a prime destination for cyclists, runners, and hikers. The trees also remove 1,484 tons of pollution a year from the air, which is the equivalent of the carbon emissions of 182,717 cars in a year (or, the emissions of 106,792 single-family homes in a year). Because the region's winds blow northwest through this hill country before they reach metro Atlanta, the air in Atlanta is measurably cleaner than it would be without these preserved green spaces—and the air in Serenbe is the cleanest in the Atlanta Metro area.

On a smaller scale, Spring Grove has its own unique assets to develop a similar planned community. Key components to the success of Serenbe, even in the down time of the real estate market, is flexibility, and to promote the community outside of the region.

## Utility Maps of the City of Spring Grove

The following maps from WHKS, Spring Grove contracted engineers were used a meeting with public works, and the second of three community meetings.

