

List of Sections

	<u>Page</u>
Introduction	2
Demographic and Housing Data	4
Rental Housing Inventory	29
Employment and Local Economic Trends Analysis	36
Findings and Recommendations	40
Arlington Population and Household Forecasts to 2030	77
Agencies and Resources	81
Glossary of Terms	88

Introduction

Overview

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Arlington are privately owned and were constructed with private funds. On an increasing scale, however, the public is demanding that public officials control what happens in this largely private housing market by eliminating blight, protecting individual investments, and generating new housing growth to meet economic development needs.

Community Partners Research, Inc., was hired by the City of Arlington to conduct a study of the housing needs and conditions in the City.

Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data including the 2000 Census
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the area can expect to address in the coming years
- ▶ Provide a market analysis for housing development
- ▶ Provide housing recommendations and findings

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from April to July 2006. Data sources included:

- U.S. Census Bureau
- Demographic estimates and projections from the State Demographer
- Claritas, Inc.
- Records and data from the City
- Records and data maintained by Sibley County
- Interviews with elected officials and staff from the City
- Interviews with community leaders
- Interviews with people familiar with the area's housing conditions including bankers, realtors, property managers, and developers
- Area housing agencies
- State and Federal housing agencies
- Rental property owner surveys
- Housing condition analysis

Limitations

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

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Section Table of Contents

	Page
Demographic Data Overview	5
Population Estimates and Trends	6
Population Projections	7
Population by Age - 2000	8
Projected Population by Age	9
Households Estimates and Trends	10
Average Household Size	11
Household Projections	12
Households by Age of Householder	13
Projected Households by Age of Householder - 2010	14
Households by Tenure	15
Renter Households by Household Size	16
Tenure by Age	17
2000 Census Income Data	18
2006 Income Estimates	19
2000 Income and Housing Costs - Renters	20
2000 Income and Housing Costs - Owners	21
Racial and Ethnic Minority Household Data	22
Ethnic Minority Household Tenure	23
Existing Housing Inventory	24
Census Housing Vacancy	25
Existing Home Sales	26
County-Wide Home Sales - Historical Data	27
Housing Condition	28

Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources. For most demographic data, we have primarily relied on the U.S. Census Bureau information that has been released from the 2000 Census. We have also utilized some updated information from the Minnesota State Demographer's Office, recent estimates prepared by the Census Bureau, and data from Claritas, Inc., a private company that produces demographic data and projections.

Market Area Definition

In addition to demographic data for the City of Arlington, we have provided information for a market area that immediately surrounds the City. Referred to in this Study as the Market Area, it includes the Cities of Arlington, Green Isle and New Auburn, and the Townships of Arlington, Dryden, Green Isle, Jessenland, Kelso, New Auburn and Washington Lake. All of the Market Area jurisdictions are in Sibley County.

The Market Area, as defined in this Study, represents the primary area for housing activity in Arlington. It is recognized that some potential demand will come from jurisdictions that are outside of this primary Market Area.

This Market Area is relatively small in size. However, the City of Arlington is surrounded by other communities that also will attract area residents for housing opportunities. These communities include Gaylord, Henderson, Belle Plaine, and Glencoe.

For some demographic items we have included information for all of Sibley County.

Population Estimates and Trends

Table 1 Population Trends - 1980-2005						
	1980 Population	1990 Population	% Change 1980-1990	2000 Population	% Change 1990-2000	2005 Estimate
Arlington	1,779	1,886	6.0%	2,048	8.6%	2,107
Market Area	6,368	6,015	-5.5%	6,076	1.0%	6,136
Sibley Co.	15,448	14,366	-7.0%	15,356	6.9%	15,384

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

- ▶ The State Demographer's Office has just released 2005 population estimates. Arlington's population was estimated to be 2,107 people on April 1, 2005. According to this estimate, the City has added 59 people from the level reported in the 2000 Census.
- ▶ The U.S. Census Bureau's 2005 estimate for Arlington was 2,063. This estimate was effective July 1, 2005, and shows the addition of only 15 new residents since 2000.
- ▶ It does appear that some of the City's growth in the 1990s could have been due to annexation activity, as the land area within the City limits increased by more than 60% between 1990 and 2000. There is no available information on growth in the 1990s that was due to annexation, and it is not known if any annexation has occurred since 2000. While annexation activity would impact the growth rate in Arlington, it would not impact the Market Area information, which includes both the City and Arlington Township.
- ▶ For the Market Area, the State Demographer's 2005 estimate was 6,136 people. The Census Bureau's 2005 estimate was very similar at 6,132 people. Both of these estimates show minor population growth in the Market Area since the 2000 Census. However, nearly all of the Market Area growth occurred within the City of Arlington.
- ▶ The Demographer's 2005 estimate for all of Sibley County was 15,384. The Census Bureau's 2005 County estimate was slightly lower at 15,237. While the Demographer's estimate shows slight population growth County-wide, the Census Bureau estimate shows a loss of population since the 2000 Census.
- ▶ In their County estimates, the Census Bureau also provides the components of population change. For all of Sibley County, the Census Bureau believes that births exceeded deaths, resulting in some natural increase, and that international in-migration also added residents to the County. However, more residents moved out of the County to other locations during the same time period. The domestic out-migration from the County exceeded the growth from natural increase or international in-migration.

Population Projections

The following table presents population level projections using different sources. The 15-year growth trend is based on the rate of change between 1990 and 2005, using the 1990 Census and the 2005 estimate from the State Demographer, and projects this rate of growth forward between 2005 and 2010. The second projection, for the year 2010, has been prepared by the State Demographer's Office.

Table 2 Population Projections Through 2010			
	2005 Population Estimate	2010 Projection from 15 year growth trends	2010 State Demographer
Arlington	2,107	2,189	2,221
Market Area	6,136	6,177	6,382
County	15,384	15,747	16,450

Source: Community Partners Research, Inc.; State Demographer

- ▶ Our population projections, calculated from the 15 year growth rates for Arlington, expect that the City's population will increase by 82 people over the next five years. On an average annual basis, this equates to 16 new residents per year.
- ▶ A projection from the State Demographer is also available. The starting point for this projection is 2000. During this 10-year time period the Demographer projects that the City will add 114 new residents, or 11 people in an average year.
- ▶ These two projections are very consistent with more recent annual growth in Arlington. Based on the State Demographer's latest estimate, the City has averaged 12 new residents per year between 2000 and 2005.
- ▶ Our projection for the Market Area expects only 41 new residents between 2005 and 2010, or approximately 8 people in an average year. When Arlington is removed from the Market Area, our projection expects population loss from the remaining jurisdictions.
- ▶ The State Demographer's Market Area projection is more optimistic. It expects the Market Area to add 306 new residents between 2000 and 2010, or approximately 31 people in an average year. Actual average growth for the Market Area between 2000 and 2005 has been 12 new residents per year.
- ▶ Our projection for all of Sibley County expects population growth. Between 2005 and 2010, we would expect the County to add 363 new residents, or 73 people per year. The Demographer's projection expects 1,074 new residents between 2000 and 2010, or 107 new people per year. Neither of these projections is consistent with the short-term trends that show almost no population growth in the County from 2000 to 2005.

Population by Age

The following table compares the City of Arlington and the Market Area populations by age in 2000 to State-wide age distribution patterns.

Age Range	Arlington		Market Area		Minnesota
	Number	Percent	Number	Percent	
0-19	585	28.6%	1,842	30.3%	29.1%
20-24	132	6.5%	337	5.5%	6.6%
25-34	286	14.0%	716	11.8%	13.7%
35-44	268	13.1%	962	15.8%	16.8%
45-54	208	10.2%	754	12.4%	13.5%
55-64	169	8.2%	556	9.2%	8.2%
65-74	175	8.6%	465	7.7%	6.0%
75-84	142	6.9%	310	5.1%	4.3%
85+	83	4.1%	134	2.2%	1.7%
Total	2,048	100%	6,076	100%	100%

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

- ▶ When compared to the State of Minnesota in 2000, the City of Arlington had more senior citizens and fewer children.
- ▶ The City's population in each of the age ranges 65 and older was above the State-wide rate. In 2000, nearly 20% of the population in Arlington was 65 years old or older, compared to 12% of the population State-wide.
- ▶ Although the City had a relatively normal distribution of young adults, age 20 to 34 years old, the percentage of children, age 19 and younger, was lower than the Market Area percentage, and slightly below the State-wide distribution rate.
- ▶ Although the City of Arlington has an impact on Market Area totals, there were some distribution differences. The entire Market Area had an above-average distribution of children, age 19 and younger, when compared to State-wide patterns. The Market Area also had a larger percentage of middle-aged adult households than Arlington, in the age groups between 35 and 64 years old. The percentage of senior citizens was also lower than in Arlington, although the Market Area still had a relatively large senior population when compared to all of Minnesota.

Projected Population by Age - 2010

The Minnesota State Demographer's Office has issued population projections by age for each of Minnesota's Counties. The following table identifies the Sibley County population in each age range from the 2000 Census, and from the 2005 and 2010 Demographer's projections. The table also shows the projected change in population between 2005 and 2010 by age group from the Demographer's projections.

Table 4 Sibley County Projected Persons by Age - 2000 - 2010				
Age	Sibley County			Projected Change in Population - 2005-2010
	2000	2005	2010	
0-19	4,638	4,620	4,610	-10
20-24	772	870	860	-10
25-34	1,734	1,900	2,100	200
35-44	2,422	2,190	1,940	-250
45-54	1,884	2,310	2,550	240
55-64	1,384	1,510	1,830	320
65-74	1,260	1,270	1,280	10
75-84	868	830	890	60
85+	394	400	370	-30
Total	15,356	15,900	16,430	530

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

- ▶ Projections issued by the State Demographer's Office expect modest population growth in Sibley County between 2000 and 2005 and between 2005 and 2010. However, some of the defined age ranges will experience a decreasing population.
- ▶ The largest numeric gain is expected among 55 to 64 year old adults. This range, along with the 45 to 54 age cohort, is expected to grow significantly through the remainder of the decade. This largely represents the age migration of the "baby boom" generation.
- ▶ The senior population should experience some growth. However, the population of older seniors, age 85 and above, is expected to decrease slightly by the year 2010. The population of younger seniors, age 65 to 74 years old, is expected to remain relatively unchanged through this decade.
- ▶ A substantial decrease in the number of adults, age 35 to 44 years old, is projected through 2010. This does not necessarily imply that these younger adults are leaving the area, but rather that this age group is relatively small in size compared to other age cohorts. This age group has sometimes been referred to as the "baby bust" generation.

Household Estimates and Trends

Table 5 Household Trends - 1980-2005						
	1980 Households	1990 Households	% Change 1980-1990	2000 Households	% Change 1990-2000	2005 Estimate
Arlington	695	738	6.2%	828	12.2%	870
Market Area	2,117	2,138	1.0%	2,258	5.6%	2,352
Sibley Co.	5,340	5,323	-0.3%	5,772	8.4%	5,927

Source: U.S. Census; Minnesota State Demographer

- ▶ The Minnesota State Demographer has released household estimates for the year 2005. The State Demographer estimates that Arlington had 870 households on April 1, 2005. Based on this estimate, the City has added 42 households since the 2000 Census. The estimate shows an increase of nine households when compared to the 2004 estimate of 861 households.
- ▶ As mentioned previously, it is possible that some of Arlington's growth since 1990 was due to annexation of existing households from neighboring Arlington Township. The actual impact of past annexation cannot be quantified.
- ▶ The Demographer's 2005 estimate for the Market Area was 2,352 households, an increase of 94 households since the 2000 Census. Excluding Arlington, the remainder of the Market Area added only 52 new households during this time.
- ▶ The Demographer's 2005 estimate for all of Sibley County was 5,927 households, up 155 households from the year 2000. Nearly 61% of the household growth County-wide since 2000 has occurred in the Arlington Market Area.
- ▶ The U.S. Census Bureau only issues annual population estimates, so no household data is available from this source.

Average Household Size

The following table provides U.S. Census Bureau information on average household size. The 2005 estimate is from the State Demographer's Office.

Table 6 Average Number of Persons Per Household 1980-2005				
	1980 Census	1990 Census	2000 Census	2005 Estimate
Arlington	2.46	2.45	2.39	2.35
Market Area	2.97	2.78	2.66	2.58
Sibley County	2.86	2.66	2.60	2.54

Source: U.S. Census; State Demographer

- ▶ Household formation has been occurring at a different rate than population change in recent decades due to a steady decrease in average household size for most jurisdictions. This has been due to household composition changes, such as more single parent families, more senior households due to longer life spans, etc.
- ▶ The City of Arlington has seen a gradual decrease in the average household size over the last 25 years. The State Demographer's estimate of 2.35 persons per household in 2005 is lower than the 2.46 persons per household reported in the 1980 Census.
- ▶ The average household sizes for both the Market Area and Sibley County have also continued to decrease over the last 25 years.

Household Projections

The following table presents household projections using different methods. The 15-year growth trend is based on the rate of change between 1990 and 2005. The State Demographer's Office has issued household projections for the year 2010 at the County level only. The projections for the City and Market Area have been extrapolated by Community Partners Research using population projections from the State Demographer's Office. In making these calculations, we have assumed that there will be only minor changes in average household size and in the size of group quarters populations.

Table 7 Household Projections Through 2010			
	2005 Household Estimate	2010 Projection from 15 year trends	2010 Projection from State Demographer Data
Arlington	870	922	931
Market Area	2,352	2,430	2,528
Sibley County	5,927	6,151	6,370

Source: State Demographer; Community Partners Research, Inc.

- ▶ Our projection for household growth in the City of Arlington shows the expected addition of 52 households over the next five years, or an annual average of 10 to 11 new households.
- ▶ Although the State Demographer has not issued household projections at the City level, we have converted their population projection into a household count, using assumptions on future household size and group quarters populations. This calculation shows the possible addition of 103 new households between 2000 (their base year) and 2010, or an annual average of 10 to 11 new households.
- ▶ Although these two projections show identical expectations for average annual growth, it is possible that growth in Arlington may occur at a faster rate in the future than it has in the recent past. Continued expansion of the southwestern edge of the Twin Cities Area could generate a greater level of household growth than these projection methods would indicate.
- ▶ Our projection for the aggregated Market Area shows the expected addition of 78 households over the next five years, or an annual average 15 to 16 households. The extrapolated figure from the State Demographer's projection would show the probable addition of 270 new households between 2000 and 2010, or approximately 27 households in an average year. Actual growth since 2000 has been within this possible range.
- ▶ Our projection for all of Sibley County shows the probable addition of 224 households over the next five years, or average annual growth of 45 new households. The State Demographer's Office did issue household projections at the County level. Their projection for Sibley County is 6,370 total households. When compared to the 2000 Census total, the Demographer's projection expects average annual growth of 60 households. Actual growth since 2000 has been lower than this projected range.

Households by Age - Comparison to Minnesota

The following table compares the City and Market Area households by age of householder in 2000 to State-wide householder by age distribution patterns.

Table 8 Households by Age of Householder - 2000					
Age	Arlington		Market Area		Minnesota
	Number	Percent	Number	Percent	Percent
15-24	51	6.2%	98	4.3%	5.7%
25-34	148	17.9%	333	14.7%	17.6%
35-44	149	18.0%	498	22.1%	23.9%
45-54	116	14.0%	413	18.3%	20.3%
55-64	94	11.4%	307	13.6%	12.5%
65-74	119	14.4%	298	13.2%	9.8%
75-84	102	12.3%	226	10.0%	7.6%
85+	49	5.9%	85	3.8%	2.6%
Total	828	100%	2,258	100%	100%

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

- ▶ Household by age distribution patterns for the City of Arlington in 2000 showed that the City had a below average percentage of middle-aged adult households, in the age ranges between 35 and 64 years old, and an above average distribution of senior citizen households, age 65 and older. The percentage of all households that were headed by a person age 65 and older was nearly 33%, compared to 20% in this age group State-wide.
- ▶ As with population patterns, the household by age distribution for the entire Market Area showed a higher percentage of households in the age ranges between 35 and 64 years old, and smaller percentages in the senior age groups, when compared to Arlington.

Projected Households by Age - 2005 and 2010

The Minnesota State Demographer's Office has issued population projections by age for each of Minnesota's Counties. The following table uses the Sibley County data to project households by age for the years 2005 and 2010. This calculation has been prepared by Community Partners Research, Inc., and assumes that household formation in the future will be relatively consistent with past trends by age group. While these projections have been calculated by Community Partners Research, they have been reconciled with overall household projections from the State Demographer for 2005 and 2010. These overall projections for Sibley County are slightly higher than other projections provided earlier.

Table 9 Sibley County Projected Households by Age - 2000 to 2010				
Age	2000 Households	2005 Households	2010 Households	Change 2005-2010
15-24	234	248	239	-9
25-34	815	897	993	96
35-44	1,258	1,143	1,014	-129
45-54	1,051	1,293	1,432	139
55-64	770	844	1,024	180
65-74	789	799	806	7
75-84	619	595	639	44
85+	236	241	223	-18
Total	5,772	6,060	6,370	310

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

- ▶ Projections based on households by age of householder, between 2005 and 2010, show distinct trends. These projections reflect both the movement of the existing population through the aging cycle and also the probable age distribution of new households that are likely to move into the area. Regionally and State-wide, many of these same age progression patterns exist, so the movement of households between Counties would also reflect these age cohorts.
- ▶ Strong household growth is projected in the age ranges between 45 and 64 years old through the remainder of the decade. Relatively strong growth is also projected among younger adults, age 25 to 34 years old.
- ▶ Modest growth is projected among senior households, age 65 and older, but within this group, a loss of households is projected in the 85 and older age range. As a result, an increase of only 32 senior households is projected County-wide between 2005 and 2010.
- ▶ Relatively large household losses are projected in the 35 to 44 year old range, and to a lesser extent in the 15 to 24 year old range.

Households by Tenure

Table 10 Households by Tenure - 2000

	Total Occupied Units	Owned Units	Percent Owned Units	Rented Units	Percent Rented Units
Arlington	828	595	71.9%	233	28.1%
Market Area	2,258	1,860	82.4%	398	17.6%
Sibley County	5,772	4,672	80.9%	1,100	19.1%
Minnesota	-	-	74.6%	-	25.4%

Source: 2000 Census

- ▶ Arlington's tenure rates in 2000 showed a higher rate of renter occupancy than the State of Minnesota. The City's percentage of occupied rental units, at 28.1%, was above the State percentage of 25.4% renters.

Table 11 Household Changes by Tenure - 1990 to 2000

	Owned Units			Rented Units		
	Occupied Units 1990	Occupied Units 2000	Change in Owner Occupied	Occupied Units 1990	Occupied Units 2000	Change in Renter Occupied
Arlington	554	595	41	184	233	49
Market Area	1,769	1,860	91	369	398	29
Sibley County	4,339	4,672	333	984	1,100	116

Source: U.S. Census

- ▶ Between 1990 and 2000, Arlington added 41 owner occupied households and 49 renter occupied households. As a result, the rental tenure rate increased from 24.9% renter occupancy in 1990 to 28.1% in 2000.
- ▶ Although the City added renter households, the remainder of the Market Area lost renters over the last decade. Excluding Arlington, the remainder of the Market Area lost 20 renter households between 1990 and 2000.
- ▶ There was significant growth in renter households in all of Sibley County. Between the 1990 Census and the 2000 Census, the County added 116 renter households, and 333 owner households. The tenure mix of this net household growth was 74.2% owner occupancy and 25.8% renter occupancy. Most of the County's net increase in renter households was due to the changes within Arlington and Gaylord.

Renter Households by Household Size

The following Table examines renter households by household size in 1990 and 2000. Only renter households have been analyzed as part of the planning process for additional rental housing development.

Table 12 Renter Households by Household Size - 1990 to 2000			
Renter Household Size	City of Arlington		
	Households in 1990	Households in 2000	Numeric Change
1 Person	95	130	35
2 Person	41	43	2
3 Person	25	24	-1
4 Person	15	21	6
5 Person	4	11	7
6 Person	3	4	1
7+ Persons	1	0	-1
Total	184	233	49

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

- ▶ Between 1990 and 2000 Arlington had a significant increase in the total number of renter households.
- ▶ Most of the net growth occurred from one person renter households. Of the net increase of 49 renter households during the decade, 35, or 71%, had only one household member.
- ▶ There was also some growth among large renter households with four or five household members. There were 13 additional renter households of this size between 1990 and 2000.

Tenure by Age

The following table identifies home ownership or renter status by age of householder in the year 2000. Information is provided for the City of Arlington and for the Market Area.

Table 13 Household Tenure by Age - 2000				
Age of Householder	City of Arlington		Market Area	
	Owners	Renters	Owners	Renters
15 - 24	35.3%	64.7%	43.9%	56.1%
25 - 34	61.5%	38.5%	72.4%	27.6%
35 - 44	71.1%	28.9%	82.5%	17.5%
45 - 54	88.8%	11.2%	92.0%	8.0%
55 - 64	86.2%	13.8%	92.8%	7.2%
65 - 74	81.5%	18.5%	88.3%	11.7%
75-84	71.6%	28.4%	79.2%	20.8%
85+	53.1%	46.9%	68.2%	31.8%

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

- ▶ Household tenure by age patterns in Arlington show a preference for home ownership among households age 25 years old and older. The highest rates of home ownership existed among households age 45 to 74 years old, which were in excess of 81%.
- ▶ Younger households, age 24 and under, were predominantly renters in the City. Nearly 47% of older seniors, age 85 and above, also rented their housing.
- ▶ Tenure patterns in the Market Area showed an even stronger preference for home ownership in most age ranges. The rate of home ownership was above 92% in the 45 to 64 year old ranges.

2000 Census Income Data

Household income represents all independent households, including people living alone and unrelated individuals in a housing unit. Families are two or more related individuals living in a household. No median income information was available for the aggregated jurisdictions that form the Market Area.

Table 14 Median Household Income - 1989 to 2000			
	1989 Median	1999 Median	% Change
Arlington	\$24,259	\$37,632	55.1%
Sibley County	\$24,957	\$41,458	66.1%
Minnesota	\$30,909	\$47,111	52.4%

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

Table 15 Median Family Income - 1989 to 2000			
	1989 Median	1999 Median	% Change
Arlington	\$31,000	\$49,231	58.8%
Sibley County	\$29,436	\$48,923	66.2%
Minnesota	\$36,916	\$56,874	54.1%

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

- ▶ Using the commonly accepted standard that 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Arlington could afford approximately \$941 per month for ownership or rental housing in 2000, and a median income family could afford \$1,231 per month in 2000.
- ▶ Using the “rule of thumb” standard that a household can afford to purchase a house that is approximately 2 ½ times annual income, a median income household in the City of Arlington could afford a home valued at approximately \$94,100, and a median income family could afford approximately \$123,100.
- ▶ Household income data from the 2000 Census showed that nearly 42% of all households in the Market Area had an annual income above \$50,000. Households at or above this income level can afford \$1,250 or more per month for housing, which is generally sufficient for the costs associated with new housing construction.
- ▶ There were 267 households, or nearly 12% of all Market Area households, that reported an annual income of less than \$15,000. This translates into housing affordability of \$375 per month or less.

Income Data - 2000 to 2006

Claritas, Inc., a private data reporting service, has generated household income estimates for the year 2006. These estimates are for the City of Arlington. Information from the 2000 Census is provided for comparison. The Claritas estimates are based on a smaller number of households within the City. In 2005, the Minnesota State Demographer estimated that Arlington had 870 households compared to the 2006 estimate of 820 households from Claritas.

Table 16 Arlington Estimated Household Income - 2006			
Household Income	Number of Households 2000 Census	Number of Households 2006 Estimate	Change
\$0 - \$14,999	123	101	-22
\$15,000 - \$24,999	128	113	-15
\$25,000 - \$34,999	146	127	-19
\$35,000 - \$49,999	151	133	-18
\$50,000 - \$74,999	195	210	15
\$75,000 - \$99,999	53	73	20
\$100,000 - \$149,999	26	44	18
\$150,000+	16	19	3
Total	838	820	-18

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

- ▶ According to income estimates for 2006, household incomes have generally improved in Arlington. Claritas believes that the number of households with annual incomes of \$50,000 or more has increased over the last six years, while the number of households with incomes less than \$50,000 has decreased.
- ▶ According to Claritas, the median household income in 2006 is \$42,780, an increase of nearly 14% from the median of \$37,632 that was reported in the 2000 Census.
- ▶ A commonly used standard for affordable housing is that a household can apply 30% of gross income for housing expenses. The City's median household income in 2006 translates into \$1,070 per month based on 30% of income. The 1999 median household income translated into \$941 per month.

2000 Estimated Income and Housing Costs - Renters

In addition to collecting income data, the Census Bureau also collected information on housing costs as part of the 2000 Census. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing costs.

Table 17 Gross Rent as a Percentage of Household Income - Arlington		
Percentage of Household Income for Housing Costs	Number of Renter Households 2000	Percent of All Renter Households 2000
0% to 19.9%	117	47.6%
20% to 29.9%	66	26.8%
30% to 34.9%	19	7.7%
35% or more	32	13.0%
Not Computed	12	4.9%
Total	246	100%

Source: U.S. Census; NOTE: Data for this table was taken from STF-3 which provides sample data and may not match 100% reporting from STF-1.

- ▶ The Census reported that nearly 21% of renter households in the City were paying more than 30% of their income for rent, which is a commonly accepted standard for defining a housing cost burden. Most of these households were actually paying more than 35% of income for housing.

2000 Estimated Income and Housing Costs - Owners

The 2000 Census also provided housing cost estimates for owner-occupants. The following table provides estimates of the number of households in the City that are paying different percentages of their gross household income for housing costs.

Table 18 Home Ownership Costs as a Percentage of Household Income - Arlington		
Percentage of Household Income for Housing Costs	Number of Owner Households 2000	Percent of All Owner Households 2000
0% to 19.9%	356	71.1%
20% to 29.9%	99	19.8%
30% to 34.9%	6	1.2%
35% or more	36	7.2%
Not Computed	4	0.8%
Total	501	100%

Source: 2000 Census

- ▶ Most owner-occupants, which would include households both with and without a mortgage, reported paying less than 30% of their income for housing. However, more than 8% of all home owners reported that they paid 30% or more of their income for housing.

Racial and Ethnic Minority Household Data

The following tables provide some basic information from the 2000 Census about households by race and ethnicity.

Table 19 Population by Race/Ethnicity - Arlington - 1990 to 2000			
Race/Ethnicity	1990 Households	2000 Households	Numeric Change
Not Hispanic or Latino			
Black/African American	0	0	0
Native American/Alaskan	0	0	0
Asian/Pacific Islander	1	3	2
Other Race	0	0	0
Two or More Races	N/A	0	N/A
White	733	797	64
Total	734	800	66
Hispanic or Latino			
Black/African American	0	1	1
Native American/Alaskan	0	0	0
Asian/Pacific Islander	0	0	0
Other Race	2	20	18
Two or More Races	N/A	0	N/A
White	2	7	5
Total	4	28	24

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

- ▶ The large majority of Arlington's households are identified as White Non-Hispanic, according to the 2000 Census, and most of the City's net household growth in the last decade was due to an increase in White Non-Hispanic households.
- ▶ Only 28 households, or 3.4% of all households in the City, were identified as Hispanic/Latino in the 2000 Census. However, Hispanic/Latino households did account for nearly 27% of the net increase in households in the City between 1990 and 2000.

Ethnic Minority Households by Tenure - 2000

The following table presents tenure information on ethnic groups from the 2000 Census.

Table 20 Household Tenure by Race - Arlington 2000				
Ethnicity	Owner Households		Renter Households	
	Number	Percent	Number	Percent
Not Hispanic/Latino	588	73.5%	212	26.5%
Hispanic/Latino	7	25.0%	21	75.0%

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

- ▶ Nearly all of the City's minority households are of Hispanic/Latino ethnicity. At the time of the 2000 Census, the rate of home ownership among these households was much lower than the rate for Non-Hispanic/Latino households.
- ▶ At the time of the 2000 Census, 75% of the City's Hispanic/Latino households were renters.

Existing Housing Inventory

Table 21 Occupied Housing Units by Year Built - Arlington (owner/renter)

	1939 and Earlier	1940-1959	1960-1969	1970-1979	1980-1989	1990-2000*	2001-2006
City	159/57	195/33	73/27	72/31	46/38	41/60	68/0

Source: 2000 Census; City Building Permits

* The Census reported units constructed through March of 2000. Because of weather conditions, it is assumed that permits for housing that was occupied in March/April 2000 would have been issued in 1999.

- At the time of the 2000 Census, the age of the owner occupied housing stock in Arlington was older than average. The Census identified 27.1% of all owner occupied housing units as pre-1940 construction. This compares to approximately 21% State-wide. However, the City's rental stock was slightly newer than average, with approximately 37% of the rental housing units constructed prior to 1960, compared to 39% State-wide.

Table 22 Arlington Occupied Housing Units by Number of Units in Structure

	Owner Occupied 2000	Renter Occupied 2000	Vacant Units 2000	Total Units 2000	New Units 2001-2006	Estimated Total 2006
1 Unit Detached	533	46	8	587	38	625
1 Unit Attached	8	12	0	20	30	50
2 Units	12	44	8	64	0	64
3-4 Units	0	26	3	29	0	29
5+ Units	2	109	13	124	0	124
Mobile Home	31	9	0	40	N/A	40
Total	586	246	32	864	68	932

Source: U.S. Census; Building Permits

- Arlington has had continued construction activity of single family housing since 2000. Based on building permits, we believe that at least 38 single family houses and 30 twin home units were constructed between 2001 and June 2006.
- The table above does not reflect demolition activity, and some of the new houses actually replaced older housing units, and would therefore not reflect a gain in total units.

Census Housing Vacancy

The 2000 Census provided information on the occupancy/vacancy status at the time the Census was taken.

Table 23 Seasonal Use and Vacant Housing Units - 2000							
	Total Units	Total Vacant Units	Seasonal Use Vacant	Vacant for Rent	Vacant for Sale	Sold/Rented but Not Occupied	Other Vacant
City	859	31	0	13	8	2	8
Market Area	2,340	82	6	16	26	14	20

Source: 2000 Census

- ▶ The Census reported that there were 13 vacant rental units and 8 vacant owner occupancy units in Arlington at the time of the Census. Excluding units that were rented or sold but not yet occupied, and the units listed as “other vacant”, this equates to a vacancy rate of 5.3% for rental housing and 1.3% for owner occupied housing. State-wide, the 2000 vacancy rate was 4.1% for rental housing and 0.9% for owned housing according to the Census.
- ▶ For the Market Area, the rental vacancy rate was 3.9%, and the owner-occupied vacancy rate was 1.4%.

Existing Home Sales

This section examines houses that have been sold within a recent 12 month time period. The information is from the County Assessor's residential sales records for the period October 1, 2004 to September 30, 2005.

It is important to note that the number of houses that are sold in a 12 month time period may be limited, and may not be an accurate indicator of overall home values. However, this sample does provide some insight into those units that are turning-over in the City.

This table primarily reflects existing home sales. New construction sales activity would generally not be recorded in the data that was used for this analysis.

Table 24 Median Value of Recent Residential Sales - Oct. 2004 to Sept. 2005

	Number of Good Sales	Median Sale Price
Arlington	37	\$125,000

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

- ▶ For the sales year ending September 30, 2005, there were 37 improved residential sales of single family houses in Arlington that were considered to be "arms length" transactions, according to the County Assessor. Sales that are not "arms length" include, but are not limited to, sales between relatives, forced sales and foreclosures, and estate transfers that are not available on the open market. Only the "arms length" transactions have been reviewed for this study.
- ▶ The median sales price for the residential sales in Arlington was \$125,000. The highest valued sale in Arlington was for \$224,000 and the lowest valued sale was for \$20,000.
- ▶ Only eight of the sales during the 12 month period were for less than \$100,000.
- ▶ Only eight of the sales during the 12 month period were for \$150,000 or more.

County-wide Existing Home Sales - Historical Data

The Minnesota Demographer's Office has compiled County-level data on median home sales prices since 1984 to analyze price trends for single family houses. This data is only available at the County level. The median sales price has been obtained from sales ratio reports submitted by the County Assessor's Office to the Minnesota Department of Revenue. It is important to note that houses sold in a given year may not be a statistically valid sample of all home values in the County. However, this annual sample does provide insight into home values over a number of years and information on those units that are turning-over in the County.

Table 25 Median Value of Residential Sales - 1984/85 to 2002/2003								
	Median Sale Price						Percent Change 1990-2000	Percent Change 2001-2003
	1984-1985	1989-1990	1995-1996	1999-2000	2000-2001	2002-2003		
Sibley County	\$32,000	\$37,000	\$45,500	\$71,500	\$77,770	\$96,400	93.2%	24.0%
Minnesota	\$64,000	\$70,000	\$87,500	\$124,500	\$139,550	\$169,900	77.9%	21.7%

Source: Minnesota State Demographer; Community Partners Research, Inc.

- ▶ The median sales price in Sibley County has been increasing rapidly over the 18-year time period reviewed. The most recent years reviewed, from 2001 to 2003, showed that the median sales price increased by 24%, or nearly \$19,000, in just a two-year time period.
- ▶ Although the County has experienced a substantial increase in home values, the County's median sales price in 2003 was still less than 60% of the median home sales price State-wide.
- ▶ Between 1990 and 2000, the County's median home sales price increased by 93.2%. According to the U.S. Census, the median household income in Sibley County increased by 66.1% during this same time period.

Housing Condition

In May and June 2006, Community Partners Research, Inc. representatives conducted a visual ‘windshield’ survey of 253 single family/duplex houses in two of Arlington’s oldest neighborhoods. Houses that appeared to contain three or more units were excluded from the survey. The first neighborhood was on the west side, and the second neighborhood was on the east side of the City.

The West neighborhood boundaries are Second Ave. NW (west), West Chandler St. (north), Baker St. (South), and Fifth Ave. SW (east). The East neighborhood boundaries are Fifth Ave. SE (east), East Baker St. (south), First Ave. South (west), and East Main St. (north).

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

Table 26 Windshield Survey Condition Estimate - 2006

	Sound	Minor Repair	Major Repair	Dilapidated	Total
West	52 / 39%	54 / 41%	27 / 20%	0 / 0%	133
East	59 / 49%	47 / 39%	14 / 12%	0 / 0%	120
Total	111 / 44%	101 / 40%	41 / 16%	0 / 0%	253

Source: Community Partners Research, Inc.

- ▶ The existing housing stock in Arlington is in good condition. Approximately 84% of the houses in the two targeted neighborhoods were rated as Sound or needing Minor Repair. Approximately 16% of the houses were rated as needing Major Repair.
- ▶ No homes in the neighborhoods were rated as Dilapidated and possibly beyond repair.
- ▶ We also viewed and rated 33 mobile homes in the mobile home park. Nine mobile homes (27%) were rated as needing Minor Repair. Twenty-three mobile homes (70%) were rated as needing Major Repair. One mobile home was rated as Dilapidated.

Rental Housing

Total Unit Inventory

U.S. Census Inventory

According to the 2000 U.S. Census, there were 233 occupied rental housing units and at least 13 vacant rental units in April 2000. There were a few additional vacant units in the City that were not identified as either rental or owner housing, but it would appear that the total rental unit inventory was approximately 246 units in Arlington in 2000.

At the time of the 1990 Census, the City had 184 occupied rental units and 12 vacant units, for a total estimated inventory of 196 units. Between the 1990 Census and the 2000 Census, the City added 49 renter households and 50 rental units to the total inventory.

In the early 1990s, the Amberfield Apartment projects were constructed in Arlington, with 56 units. The two Amberfield developments would appear to represent all of the unit change that occurred in the decade.

We are not aware of any new multifamily rental housing in Arlington since the Amberfield projects were constructed.

Pending Projects

Our research did identify two proposed rental projects in Arlington. One project would create 24 to 30 units of market rate rental housing. The second project would create 12 senior housing with services units as part of the Good Samaritan Care Center campus. Construction on the Good Samaritan project is planned for 2006.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily rental buildings in the City. The survey focused on larger rental projects with 8 or more units. Information was collected in July 2006. We did not attempt to collect information from smaller rental properties, such as single family homes, mobile homes and duplexes.

A previous rental housing survey had been completed in February/March 2006, as part of a housing analysis completed for the City of Henderson. This survey examined rental housing in Henderson, Arlington and Gaylord. The findings of this survey for the rental properties in the City of Gaylord have been included in the tables that follow. All of the Arlington multifamily properties were contacted again in July 2006.

Market Rate Summary

Three market rate multifamily projects were contacted in Arlington, with a combined 64 rental units.

Occupancy/Vacancy

Two of the three projects reported one or more vacant units. Only Parkview Apartments reported full occupancy at the time of our survey. In total, five market rate units were reported as vacant, for a vacancy rate of 7.8%.

Rental Rates

Although some of the apartment projects in Arlington are relatively new, rental rates are generally very modest. The highest rental rates in the market rate segment are in the two Amberfield Place projects, with a one-bedroom gross rent of approximately \$520, and a two-bedroom gross rent of approximately \$650. Garage rental in Amberfield is an additional \$30 per month.

The Parkview Apartments project, which reported no vacancies, has a lower rent structure. This building dates to the mid-1970s, and had originally been constructed as Rural Development subsidized housing.

Subsidized Summary

There are three federally subsidized apartment projects in Arlington. Combined, these projects have 57 units of subsidized rental housing. One of the projects, Highland Commons, with 33 total units, is designated for senior and disabled occupancy. The other two subsidized projects, Highland Estates with eight units, and Shamrock/North Arlington Apartments with 16 units are designated for general occupancy.

Occupancy/Vacancy

At the time of our survey, five units were vacant in these projects, for a vacancy rate of 8.8 %.

According to the managers of these properties, there were mixed reasons for the vacancies that existed. Some of the vacancies were attributed to competition from other rental projects in the City and the immediate area.

Rental Rates

All but two of the subsidized units in Arlington have rent assistance available for tenants, so lower income households pay rent based on 30% of income. There are two units in Shamrock/North Arlington Apartments without rent assistance where tenants pay 30% of income, but not less than a base rent of \$442 for a one bedroom unit or \$462 for a two bedroom unit.

Subsidized Unit Gains and Losses

Some subsidized projects around the State have met their contractual obligations to provide affordable housing and have been converting to market rate housing. Parkview Apartments, an

eight unit project, was originally constructed as a Rural Development subsidized project in 1975. In 2000, this building converted to market rate housing. At the time of this study, none of the remaining subsidized projects had started the procedure to opt-out of the subsidy program.

Senior Housing with Services

Arlington has one senior housing project specifically constructed to provide some level of services. Golden Hearts is a board and lodging-style residential project that provides assisted living for 10 residents. This project generally maintains a high rate of occupancy.

The City also has the Arlington Good Samaritan Center, which is licenced for 45 nursing home beds.

At the time of this study, the Good Samaritan Center was planning to construct 12 assisted living units in Arlington. Construction was scheduled to begin in 2006.

Other Communities

Some types of senior housing with services are also available in the neighboring community of Gaylord. In Gaylord, Oak Terrace Senior Apartments is a 14 unit project providing light services to seniors. The project is attached to the nursing home and clinic complex, and was created through the conversion of the former hospital building to rental housing.

Heritage House is a memory care housing project. This building has capacity for 10 residents. Heritage House may expand in the near future to add capacity for five to six additional residents.

Both of these projects reported high rates of occupancy, and waiting lists, in a March 2006 survey.

Surrounding Communities

In the tables that follow, we have also provided information from our rental survey in the neighboring community of Gaylord. This survey was completed in March 2006.

Table 27 Arlington Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Amberfield Senior Occupancy	1 and 2 bedroom <u>apartments</u> 30 Total Units	\$485 \$610 +electric	4 vacant units	Senior designated	Senior occupancy apartments constructed in the early 1990s. Tenants pay electric in addition to rent. Manager reported five vacant units in February and four vacant units in July survey.
Subsidized					
Highland Commons	31 - 1 bedroom <u>2 - 3 bedroom</u> 33 Total Units	30% of income	2 vacant units	Senior/ Disabled Occupancy	MHFA/HUD Section 8 New Construction subsidized apartments for senior and disabled occupancy, constructed in 1979. All units have rent assistance that allows rent based on 30% of income. Manager reported 4 vacant units in February and 2 vacant units in July - typical to have some vacancies, and demand has not been strong in recent years due to competition from other rental options.

Table 27 Arlington Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Highland Estates	4 - 2 bedroom 4 - 3 bedroom 8 Total Units	30% of income	No vacancies, waiting list	General Occupancy	MHFA/HUD Section 8 New Construction subsidized town house units for general occupancy, constructed in 1979. All units have rent assistance that allows rent based on 30% of income. Manager reported 1 vacant 3 bedroom units and no waiting list in February. July survey found full occupancy and a waiting list. Demand has not been strong in recent years due to competition from other rental options.
Shamrock Apartments/ North Arlington Apartments	8 - 1 bedroom 8 - 2 bedroom 16 Total Units	\$442 \$462 30% of income	3 vacancies, waiting list	General occupancy	Rural Development subsidized apartments for general occupancy. 14 units have rent assistance available that allows rent based on 30% of income, remaining tenants pay 30% of income but not less than basic rents listed. In February survey, building was fully occupied with waiting list, but manager said some vacancies had occurred in last year. July survey found 3 vacant units.
Senior Housing with Services					
Golden Hearts	10 resident capacity	N/A	Fully occupied	Senior assisted living	Assisted living in a board and lodging-style residential facility. Residents have private sleeping room and shared or private bathroom. All other living spaces are common. All meals and services provided, with 24 hour staffing. Project draws residents from the surrounding area. Project was fully occupied.

Source: Community Partners Research, Inc.

Table 28 Gaylord Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Amberfield Place	8 - 1 bedroom 6 - 1 bdrm +den <u>12 - 2 bedroom</u> 26 Total Units	\$465 \$595 \$595 +electric, garage	2 vacant units	Mix of tenants	General occupancy apartments constructed in the early 1990s. Tenants pay electric in addition to rent; garage rent is \$30 per month. Manager reported two vacant units at time of survey.
Jefferson I and II	<u>16 - 2 bedroom</u> 16 Total Units	N/A	No vacancies	Mix of tenants	Two buildings with 8 units each, constructed in early 1980s. Owner reports full occupancy.
Gaylord Villa	21 - 1 bedroom 25 - 2 bedroom <u>2 - 3 bedroom</u> 48 Total Units	\$390 \$445-\$455 \$555 +electric	8 vacant units	Mix of tenants	Market rate apartments constructed in 1992. Manager reported 8 vacant units at time of survey - some level of vacancy has been typical in recent years, due to lack of growth and demand for rental housing. Tenants pay electric in addition to rent.
Meadowbrook Apartments	6 - 1 bedroom <u>10 - 2 bedroom</u> 16 Total Units	\$390 \$440 +electric	1 vacant 2 bedroom unit	Mix of tenants	Apartments built in mid-1970s - may have been constructed as Rural Development subsidized project, but later converted to market rate. Tenants pay electric, but heat is included in rent. Manager reports 1 vacant unit, but building is usually full, and when advertised, they will get calls.
Subsidized					
Westgate Apartments	10 - 1 bedroom <u>21 - 2 bedroom</u> 31 Total Units	30% of income	1 vacant unit	General occupancy	MHFA/HUD Section 8 New Construction subsidized apartments for general occupancy, constructed in 1978. All tenants have rent assistance that allows rent based on 30% of income. Manager reported 1 vacant unit and no waiting list, but building is usually full with a waiting list.

Table 28 Gaylord Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Gaylord Homes	4 - 1 bedroom <u>8 - 2 bedroom</u> 12 Total Units	\$330 \$415 +heat, electric	3 vacant units	General occupancy	Rural Development subsidized apartments built in the 1960s. General occupancy units with income waiver to allow higher income renters. No rent assistance available. Tenants pay heat and electric in addition to rent. Most tenants are Hispanic. Relatively high rate of turn over occurs - 3 units vacant at time of survey. Waiting list exists for 2 bedroom, but little demand for 1 bedroom - 2 of the vacancies are 1 bedroom.
Townedge Estates	<u>16 - 2 bedroom</u> 16 Total Units	\$535-\$647 30% of income	2 vacant units	General occupancy	Rural Development and Tax Credit subsidized apartments for general occupancy, built in 1980. 13 units have rent assistance available that allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents listed. Two vacancies at time of survey and no waiting list. Vacancies are in rent assistance units, which is not typical - they are usually in units without rent assistance.
Senior Housing with Services					
Heritage House	10 resident capacity	N/A	Full occupancy, waiting list	Memory care housing	Memory care housing constructed in the early 1990s. City-owned and affiliated with nursing home and Oak Terrace congregate apartments. Fully occupied with a waiting list. Possible expansion of 5 to 6 person capacity planned. High occupancy rate has meant that marketing efforts have not been extended to larger area.
Oak Terrace Senior Apartments	14 Total Units	low \$700s to \$1,000 depending on unit	Full with waiting list	Senior housing with light services	Housing with light services project created in the 1980s through conversion of former hospital. City-owned and attached to clinic/nursing home complex; also affiliated with Heritage House memory care. Rent includes noon meal, with other meals available for extra fee. Project does not have 24-hour staffing, but units have emergency call system. Fully occupied with a waiting list.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends Analysis

While many factors influence the need for housing, employment opportunities represent a predominant demand generator. Without jobs and corresponding wages, the means to afford housing is severely limited. Employment opportunities may be provided by a broad range of private and public business sectors. Jobs may be available in manufacturing, commercial services, agriculture, public administration, and other industries. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what level of affordability. Major employers in the Arlington area with 70 or more employees include:

Arlington

► Technical Services	140 employees
► Sibley Medical Center	120 employees
► Sibley East Schools	80 employees
► Senneca Foods	70 employees (full time) 180 employees (seasonal)

Gaylord

► MG Waldbaum	300 employees
► Sibley County	115 employees
► Sibley East Schools	110 employees
► Gaylord Lakeview Home	105 employees

Source: Community Profiles, Minnesota Department of Employment and Economic Development

Work Force and Unemployment Rates

Employment information is only available at the County level. Unless otherwise noted, all data in the following tables are for all of Sibley County. Data in the following tables have been obtained from the Minnesota Department of Employment and Economic Development.

Table 29 County Average Annual Labor Force 2000-2005						
Year	Labor Force	Employed	Unemployed	Unemployment Rate	Unemployment Rate - MN	Unemployment Rate - US
2000	8,779	8,500	279	3.2%	3.1%	4.0%
2001	8,980	8,621	359	4.0%	3.9%	4.7%
2002	9,161	8,754	407	4.4%	4.6%	5.8%
2003	9,198	8,749	449	4.9%	4.9%	6.0%
2004	9,098	8,644	454	5.0%	4.6%	5.6%
2005	8,717	8,341	376	4.3%	4.0%	5.1%

Source: Minnesota Department of Employment and Economic Development

Note: Not Seasonally Adjusted

- ▶ Sibley County has seen only limited changes in the labor force in recent years. Between 2000 and 2005, the last full year of data, the labor force decreased by 62 people, or 0.7%. Between 2000 and 2003, there was some growth in the size of the labor force, but since 2003, it has been in decline.
- ▶ The employed work force has followed the same pattern. After reaching a peak in 2003, the employed work force has declined in size. Between 2000 and 2005, the employed work force decreased by 159 people.
- ▶ While the County's unemployment rate has increased from 2000, the rate has consistently remained below the national unemployment rate for each of the years reviewed.

Employment and Wages by Industry

The following table shows the average weekly wages by major employment sector in 2004, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in the County.

Table 30 County Average Weekly Wages by Industry Detail		
Industry	2004 Employment	2004 Average Weekly Wage
Total All Industry	4,115	\$471
Manufacturing	488	\$639
Trade, Transportation, Utilities	796	\$403
Financial Activities	94	\$588
Professional and Business Services	321	\$329
Education and Health Services	993	\$468
Leisure and Hospitality	205	\$121
Public Administration	334	\$489

Source: Minnesota Department of Employment and Economic Development

- ▶ The average weekly wage for all industry in 2004, the last full year of data, was \$471. At full-time employment, this equates to an annual wage of \$24,492.
- ▶ The highest paying wage sectors were Manufacturing and Financial Activities.
- ▶ The lowest paying wage sector was Leisure and Hospitality, with an average weekly wage of only \$121. At full-time employment, this equates to an annual wage of \$6,292.

Employment Projections by Industry

The Minnesota Department of Employment and Economic Development has generated employment projections for each region of the State. Sibley County is included in the Southwestern Region. The following table compares employment in the general industry classifications in 2000, and the projected level of employment by 2010, with percentage change.

Table 31 Projected Employment by Industry - 2010			
Industry	2000 Employment	2010 Projected Employment	Percent Change 2000-2010
Total All Industry	213,570	231,243	8.3%
Agriculture	20,798	20,945	0.7%
Mining	392	405	3.3%
Construction	7,484	8,563	14.4%
Manufacturing	41,327	41,722	1.0%
Transportation, Communication, Electricity	8,393	9,079	8.2%
Wholesale Trade	10,118	11,270	11.4%
Retail Trade	31,128	34,098	9.5%
Finance, Insurance, Real Estate	6,606	7,182	8.7%
Services	58,682	68,109	16.1%
Public Administration	12,464	12,501	0.3%

Source: Minnesota Department of Employment and Economic Development

- ▶ Projections for the year 2010 show that the Services sector is expected to be the fastest growing industry in Southwestern MN between 2000 and 2010. This sector is projected to add more than 9,400 jobs during the decade. While Services is a broad industry classification that includes a wide range of sub-sectors, many of the service-related jobs had relatively low wages in Sibley County in 2004. However, Education and Health Services, which is a major Service sub-sector in the County, did have average weekly wages that were close to the average for all industry.
- ▶ Significant percentage job growth is also expected in the Construction sector and the Wholesale Trade sector. Both of these classifications tend to have wages that are above the average for all industry.
- ▶ The Manufacturing sector is projected to have very little job growth over the next decade.

Summary of Findings/Recommendations

In the pages that follow, we have summarized our findings on growth trends, growth projections, household growth by age group, housing unit demand and tenure, and housing unit projections by unit type.

Following this summary information, we have addressed specific housing topics and recommendations. The findings/recommendations for the City of Arlington have been formulated through the analysis of the information provided in the previous sections and include 20 recommendations. The findings/recommendations have been developed in the following five categories:

- ▶ **Rental Housing Development**
- ▶ **Home Ownership**
- ▶ **Single Family Housing Development**
- ▶ **Housing Rehabilitation**
- ▶ **Other Housing Issues**

The findings/recommendations for each category are as follows:

Rental Housing Development

1. Support the proposed construction of 24 to 30 additional market rate rental housing units
2. Monitor the need for additional subsidized/affordable rental housing
3. Monitor the need for senior subsidized rental housing
4. Support the proposed expansion of senior housing with services
5. Continue to apply for Housing Choice Voucher Program allocations from HUD
6. Maintain and preserve the existing supply of subsidized housing

Home Ownership

7. Utilize and promote all programs that assist with home ownership
8. Utilize the MURL and purchase/rehabilitation programs
9. Utilize the Emerging Markets Homeownership Initiative (EMHI) to increase minority home ownership
10. Initiate employer involvement in home ownership programs

Single Family Housing Development

11. Lot availability and subdivision development
12. Develop an affordable residential subdivision
13. Promote townhouse, twin home and cooperative housing development
14. Develop home ownership awareness programs

Housing Rehabilitation

15. Promote rental housing rehabilitation programs
16. Promote ongoing owner-occupied housing rehabilitation efforts

Other Housing Issues

17. Consider the submission of an application for Minnesota Small Cities Development Program funds
18. Diversity issues
19. Consider a mobile home park improvement program
20. Create a plan and a coordinated effort among housing agencies

Findings on Growth Trends

Growth patterns for the City of Arlington show a modest rate of growth over the last few decades. In the 1980s, the City lost population but consistently added households. In the 1990s, the City's population increased by nearly 9%, while the household level increased by more than 11%. However, it is possible that some of the growth in the 1990s may have been due to annexation of existing Arlington Township households into the City.

Since the 2000 Census, it appears that a modest, but sustained rate of growth has continued. The most recent official estimate for the City is for April 1, 2005. This estimate shows that the City added 59 new residents and 42 new households in the five years following the Census.

There is some reason to believe that a "data lag" exists, with the most recent estimate dating back to April 1, 2005. Our review of building permit data since 2000 indicates that as many as 68 new houses have been built in Arlington. While it is recognized that some of these new units may have been built as 'spec' homes, and may be vacant, we believe that the large majority of the new houses are occupied. However, during this same time, there is also evidence that the City's rental vacancy rate has increased, so growth among owner occupancy households may be somewhat offset by a loss of renters.

The primary Market Area around Arlington includes two small Cities, Green Isle and New Auburn, and seven neighboring townships. This largely rural area around the City has also had modest household growth in recent decades. The most recent estimate, for 2005, shows that the Market Area has added 52 households since the 2000 Census, once Arlington is removed from the Market Area aggregation. During this same time, the population level for the Market Area, excluding Arlington, has remained essentially unchanged.

Growth trends for all of Sibley County show modest household growth but only slight population growth in recent years. Between 2000 and 2005, all of Sibley County has added 155 new households, but only 28 people, according to the most recent estimates.

The Census Bureau generates County-wide population estimates, which include the components of population change. For all of Sibley County, the Census Bureau believes that births exceeded deaths, resulting in some natural increase, and that international in-migration also added residents to the County. However, many existing residents moved out of the County to other locations during the same time. The domestic out-migration from the County negated the growth from natural increase or international in-migration.

Findings on Growth Projections

As part of this Study, we have used household projections to the year 2010. These projections have either been calculated by Community Partners Research, Inc., or have been taken from other reliable sources, such as the State Demographer's Office.

Projections that are based on past trends would expect the City of Arlington to add between 10 and 11 new households in an average year through the remainder of the decade. While these projections are very consistent with recent patterns, they could prove to be conservative. There is the potential that future household growth in the City could occur at a faster rate than in the past, as the outward expansion of the Twin Cities metro area could accelerate the movement of households to northeastern Sibley County.

Since 2000, new housing construction activity in Arlington has been very well matched to our projection of growth potential. Between 2001 and 2006, the City has issued building permits for 68 single family units, or approximately 11 new homes per year (with more potentially added in 2006). Continued unit construction activity at this level or greater, and the introduction of some new rental housing units could result in faster than projected growth within the City. Above-average growth could also occur due to a gradual decrease in the number of vacant existing rental units in the City.

Our household growth projection for the entire Market Area would indicate average annual growth of between 15 and 27 households per year. We would expect that most of these new households would locate in Arlington, Green Isle or New Auburn, as opposed to the surrounding rural areas, where fewer new housing opportunities exist.

Arlington is located in Sibley County, which appears to have very modest growth potential. Our projection for all of Sibley County expects average annual growth of approximately 45 to 60 households per year. However, the City is located relatively close to a number of Counties with more growth potential, including Carver County, Scott County and McLeod County. All of these Counties have significant future growth projected, due in part to the growth of the Twin Cities Metropolitan Area. There is potential for Arlington to attract a share of this regional growth in the future. However, there are also a number of other nearby communities in these Counties, including Belle Plaine, Glencoe, Norwood Young America and Cologne that have been generating much of this regional growth. If Arlington is to capture a larger share of the market, potential home buyers would need to select the City over other growing communities.

Findings on Growth Projections by Age Group

We have used age-based population projections prepared by the State Demographer to generate household by age projections. These projections partly reflect growth from new households that will be formed, or that will move into the County. The projections also reflect the aging-in-place of the existing households during the decade. Projections by age can be very informative for calculating future housing demand, as strong preferences in tenure, style, price and features are evident within defined age ranges.

Our projections assume that within defined age groups, household formation and average household size will remain relatively consistent throughout the decade. On the page that follows, we have used these household by age projections to form projections on future demand by tenure.

The projections and changes by age range are for all of Sibley County between the year 2005 and the year 2010. It is very important to note that these age-based projections represent an informed prediction of future growth. Actual market activity and economic growth could substantially alter these expectations.

These same aging trends may or may not be present in Arlington and the surrounding Market Area. The Market Area that includes Arlington represents approximately 40% of all households in the County. As a result, these same trends may not fully apply to changes within the Market Area.

The Sibley County projections have been provided as a range. The lower end of the range is consistent with overall household growth in the County as projected by Community Partners Research, Inc., while the upper end of the range is consistent with the projections from the Minnesota State Demographer.

<u>Age Range</u>	<u>Projected Change in Households 2005 to 2010</u>
24 and Younger	-12 to -9
25 to 34	+80 to +96
35 to 44	-139 to -129
45 to 54	+114 to +137
55 to 64	+162 to +181
65 to 74	-3 to +8
75 to 84	+34 to +44
85 and Older	-20 to -18

Findings on Housing Unit Demand and Tenure

Comparing the projected age-based household changes through the remainder of this decade with expected tenure preferences results in a forecast of the tenure mix that will be needed for new housing unit demand between 2005 and 2010. Our calculations are based largely on the tenure preferences by age group that were evident in the 2000 Census, with some adjustment for a greater acceptance of certain housing types as people become more familiar with newer housing options.

Calculations for total future housing need are largely based on three demand generators, household growth, replacement of lost housing units, and pent-up, or existing demand for units that already exists but is not being served.

Demand from Growth - Using our projections by age for Sibley County, we would expect demand for owner-occupied housing to greatly exceed demand for rental housing through the remainder of this decade. We project that the demand for housing caused by overall household growth will be between 88% and 90% for owner occupancy, and only 10% to 12% for renter occupancy housing. With approximately 45 to 60 new households expected per year in the County due to net household growth, this results in annual demand for approximately 38 to 53 owner occupancy units, and between 5 and 7 renter occupancy units.

Replacement of Lost Rental Units - It is often difficult to quantify the number of units that are lost from the housing stock on an annual basis. Unit losses may be caused by demolition activity, losses to fire or natural disasters, and to causes such as deterioration or obsolescence. It is also probable that some rental unit losses have also occurred due to conversion, as single family houses or mobile homes once used for renter occupancy have been sold and are now owner occupied housing. Comparing Census data from 1990 to 2000, it does not appear that Arlington has lost more than one rental unit per year in the past. As a result, only minimal unit replacement is justified.

Replacement of Lost Owner Occupancy Units - While some owner occupied units may be lost, we generally believe that owner occupancy unit losses are also very small.

Pent-Up Demand - The third primary demand-generator for new housing is caused by current, unmet demand from existing households, referred to as pent-up demand. We believe that certain segments of the rental housing stock do show evidence of pent-up demand, including senior housing with services. Pent-up demand will be addressed in the specific recommendations that follow.

Findings on Unit Demand by Type of Housing

Findings: Based on the household by age projections presented earlier, the changing age composition of the region's population through the remainder of the decade will have an impact on demand for housing. We have examined the projected changes by age group in Sibley County in the descriptions that follow.

Age 24 and Younger - The projections used for this Update expect a relatively stable to slightly declining number of younger households in the County area through the year 2010. Past tenure patterns indicate that as many as 63% of these households will rent their housing. Households in this age range tend to have a median income that is well below the overall median. A slight decrease in households in this age range should mean that rental demand from younger households will decrease, but only slightly, for the remainder of the decade.

25 to 34 Years Old - The projections show a relatively strong numeric increase in this age cohort, with an expected addition of 80 to 96 households in the County by 2010. Within this age range younger adult households often move from rental to ownership housing. The ownership rate among these households was over 69% in 2000. The projected increase within this age range will generate additional demand for both rental and first-time home buyer opportunities.

35 to 44 Years Old - This 10-year age cohort is expected to decrease in size through the year 2010. The projections show a probable loss of 129 to 139 households in the County between 2005 and 2010. It is important to note that this loss of households does not necessarily mean that these younger households are moving out of the area. This age group represents the "baby bust" generation that followed behind the "baby boomers". This age group represents a much smaller segment of the population than immediately older age ranges. As aging patterns progress, there are fewer of these households following behind the aging baby boomers. In the past, this age group has had a high rate of home ownership, approximately 81%. Households within this range often represent both first-time buyers or households looking to trade-up in housing, selling their starter home for a more expensive house. Lowered demand from this age cohort will have some impact on overall demand for housing.

45 to 54 Years Old - By the end of this decade, this age cohort will represent the tail-end of the large, "baby boom" generation. Our projections show a significant increase in the number of households, from 114 to 137 households in the County between 2005 and 2010. This age group historically has had a high rate of home ownership, in excess of 89% in 2000, and will often look for trade-up housing opportunities. More households in this age range will generate additional demand for home ownership and trade-up housing.

55 to 64 Years Old - The leading edge of the baby boom generation will be in this age cohort by the end of the decade. The projections show an expected increase of 162 to 181 additional households in this 10-year age range in the County by the year 2010. This is the largest growth of any 10-year age cohort in the area. This age range has traditionally had the highest rate of home ownership, at nearly 92%. Attached housing construction, such as town houses or twin homes, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters. Trade-up housing will

also appeal to this age group, as they will generally have equity from the sale of their previous home, as well as higher incomes and asset accumulation.

65 to 74 Years Old - No significant household change is expected within this age range by the year 2010. Households in this younger senior range will typically begin moving to other life-cycle housing options as they age. However, younger seniors are still predominantly home owners. At the time of the 2000 Census, over 87% of households in this age range owned their housing. Once again, ownership preferences for low maintenance housing, such as town house units, should grow, although this will only be from increased market share as these types of units gain greater acceptance within the marketplace.

75 to 84 Years Old - Minor household growth is expected to occur within this age range, with a projected increase of 34 to 44 households in the County between 2005 and 2010. In the past, households within this 10-year age range have had a high rate of home ownership, at nearly 82%. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

85 Years and Older - Minor numeric losses are projected among older seniors, with the expected decrease of 18 to 20 households in the County. Historic home ownership rates in this age group have been relatively high, at 69% in 2000. Recent expansions of senior housing with services options in the area will help to address the needs of this population of older seniors.

These demographic trends will be incorporated into the recommendations that follow.

Strengths for Housing Development

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

- ▶ **Arlington serves as a small regional center** - Arlington provides employment opportunities, retail/service options, health and professional services and recreational facilities for a geographical area that surrounds Arlington.
- ▶ **Affordable priced housing stock** - The City has a large stock of affordable, existing houses. Our analysis shows that the City's median home value based on recent sales is approximately \$125,000. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Increasingly diverse housing stock** - The City has a good mix of housing options, including a large number of rental housing units for various household types, twin homes, townhomes and owner occupied homes at various values.
- ▶ **Adequate land for development** - The City has land available for both residential and commercial/industrial development. However, some of this land needs to be serviced with infrastructure improvements or extensions.
- ▶ **Household growth for the City** - Over the past two decades, the City has sustained household growth and the City is projected to experience household growth in the future.
- ▶ **Desirable location for seniors and retirees** - Arlington is an attraction for seniors as a retirement location. As a provider of health, retail and government services, the City has amenities that are attractive for seniors as they age.
- ▶ **Active housing builders in the City** - Arlington has active housing builders that are willing to invest in housing projects in the community, including rental housing, attached ownership housing and single family development.
- ▶ **Available rental units** - The overall rental vacancy rate in the City of Arlington is approximately 8.3%, thus, some rental units are available for immediate occupancy.
- ▶ **Educational Facilities** - The City has an excellent public school system. Grades K-5 and 10-12 are located in Arlington and grades 6-9 are located in Gaylord. Also, St. Paul's Lutheran School, grades K-8, is located in Arlington.
- ▶ **Health facilities** - The City has excellent health facilities including a hospital, clinic and nursing home.
- ▶ **Infrastructure** - Arlington's water and sewer infrastructure can accommodate future growth, although, ongoing system improvements are needed.

- ▶ **Economic Development Organization** - The City has an Economic Development Authority that is active in addressing the City's economic development and housing needs.
- ▶ **Ethnic and Cultural Diversity** - Over the past 15 years, the City of Arlington has become more diversified with immigrants locating in Arlington.
- ▶ **Commercial Development** - Arlington's commercial district is adequate to meet daily needs.
- ▶ **Close Proximity to Other Cities** - Arlington is within commuting distance of many other Cities, including Gaylord, Green Isle, Belle Plaine, Henderson, Le Sueur, Glencoe, Hutchinson, St. Peter, Norwood Young America, New Ulm, Chanhassen, Shakopee, Eden Prairie, Chaska, Waconia, and Mankato.
- ▶ **Highway 212 Improvements** – Highway 212 will be improved over the next several years, which will provide better access to the metro area for Arlington households.
- ▶ **Variety of lots** – The City has a variety of lots available for single family housing development including twin homes and townhomes.
- ▶ **Community Center** – The City has an excellent Community Center which is utilized for Community functions and events.
- ▶ **Large Employers** – The City of Arlington has several large employers including Senneca Foods, the Sibley Medical Center, the Good Samaritan Center and Technical Services.

Barriers or Limitation to Housing Activities

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

- ▶ **Age and condition of the housing stock** - While the existing stock is very affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Lower incomes limit housing choices** - Household and family incomes for Arlington and the surrounding market area are lower than the State-wide medians. The City's estimated median household income for 2006 was \$42,780, which translates into an approximate housing affordability level of \$1,070 per month. While this income level matches up well with prices for existing ownership and rental housing in the City, it is not as well matched to the prices for new housing construction.
- ▶ **Lower paying jobs** - Many jobs in Arlington are at the lower end of the pay scale and the employees with these jobs have limited housing choices.
- ▶ **Low rent structure** - The City's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Competition with Surrounding Cities** - Although it can be an asset to be located within commuting distance of larger Cities, it can also be a barrier to new housing construction. Larger Cities have more employment, service, retail and entertainment opportunities. The amenities these larger Cities have to offer will often make them a preferred location for many households.
- ▶ **Lack of an Industrial Base** – Although, Arlington does have several large employers, the City's industrial base is limited.
- ▶ **Homes on the Market** – Currently, Arlington has an above average number of homes on the market, including new spec homes. A large number of homes on the market can have a negative impact on new construction.

Recommendations, Strategies and Housing Opportunities

Based on the research contained in this Study and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for the City of Arlington. They are based on the following strategies:

- ▶ **Focus heavily on the preservation, maintenance and improvement of the housing stock that already exists** - While some housing construction will occur in coming years, most of the housing opportunities will continue to be provided by the stock that is already on the ground. This is especially important for affordable housing opportunities, as it will almost always be less expensive to offer an affordable unit through rehabilitation versus new construction. Units that are lost due to deterioration and obsolescence cannot be replaced for a similar price. Evidence suggests that a significant percentage of the existing stock is not being well maintained and needs repair. Emphasis on continued housing rehabilitation will be important to meet future housing needs.
- ▶ **Develop life cycle housing** - It is vital for a community that serves as a small regional center to provide housing opportunities for all ages and household types. These housing opportunities enable a community to thrive, promote economic development and allow households to stay in the community throughout their lives.
- ▶ **Promote new construction** - New construction provides housing opportunities, stimulates the economy and upgrades the community's housing stock. New construction provides Arlington households with housing options and assures a healthy housing stock.
- ▶ **Promote home ownership** - Home ownership is the preferred option for most households. Home ownership assists in creating stability and commitment to the community. There are many younger families that are renting their housing. These households may be interested in ownership, if an affordable opportunity is available.
- ▶ **The market for new housing development will generally not occur without proactive community involvement** - Much of the housing development that has occurred in the recent past has involved some form of public involvement or subsidy. To compete in the home ownership segment of the market and to attract a substantial amount of new housing unit construction, continued public involvement may also be required.
- ▶ **Prioritize community housing goals and establish a plan** - Many of the recommendations in the Study will require staff-intensive efforts. The City should prioritize its housing goals, establish a plan to achieve its goals and designate the agency that is responsible for achieving each of the City's housing goals.
- ▶ **Ethnic and racial minority populations** - Ethnic and racial minority populations do have an impact on housing. These households are often younger in age, need a larger unit based on family size, and are often immigrants from distant locations, including international locations. In 2000, approximately 4% of the City's households and over 5% of the population are ethnic and racial minorities.

Rental Housing Recommendations

Findings: The City of Arlington has a relatively normal supply of rental housing units. At the time of the 2000 Census, there were 233 renter households living in the City. This represented approximately 28% of all households, compared to a State-wide rental tenure rate of more than 25% at that time.

In the 1990s, Arlington was able to expand the supply and quality of its rental housing stock, with the construction of two Amberfield Place projects, with one designated for senior occupancy and one for general occupancy. Combined, these two projects added 56 market rate apartment units to the City's inventory. However, there has been no new rental construction in Arlington since these two projects were developed in the early 1990s.

Since the 2000 Census, Arlington has added some owner occupancy households, but it appears that some renter households may have been lost. We do not believe that any new rental units have been created, and it appears that the vacancy rate may have increased. Our rental housing survey completed for this Study found 10 total vacant units of 121 market rate and subsidized units surveyed, for a vacancy rate of 8.3%. At the time of the 2000 Census, there were 13 units reported as vacant, of the 246 counted by the Census Bureau, for a vacancy rate of 5.3%.

Although we only contacted multifamily rental projects in Arlington as part of this Study, we have recently completed some rental surveys in other Cities in the area. In February 2006 we found a rental vacancy rate of 10.3% in the neighboring City of Henderson, and a vacancy rate of 8.1% in Le Sueur. In March 2006, we found a vacancy rate of more than 10% in the market rate and subsidized housing stock in Gaylord. Based on our survey work in Sibley and Le Sueur Counties, it appears that the vacancy rate of 8.3% in Arlington is rather typical for the immediate area.

Demand for new rental housing is typically generated from three factors, growth from new households, pent-up demand from existing households, and from replacement of lost units.

Our household projections for Arlington and the surrounding area expect some household growth, but we believe that most of the growth-generated demand will be for owner occupied housing. Through the end of this decade, our projections for Sibley County expect that the demand for housing caused by overall household growth will be between 88% and 90% owner occupancy, and only 10% to 12% for renter occupancy housing. Approximately 225 to 300 new households expected County-wide over the next five years due to net household growth. This should generate demand for approximately 200 to 265 owner occupancy units, and between 25 and 35 renter occupancy units.

Based on past patterns, we do not believe that rental unit replacement should represent any significant additional demand for units. We believe that less than one rental unit is lost per year. However, if units are lost in the future, then replacement would be necessary.

We do believe that pent-up demand exists in some of the sub-sectors of the local rental market, most notably in the senior housing with services sector. Our discussion of pent-up demand will be included in the specific findings and recommendations below.

1. Support the Proposed Construction of 24 to 30 Additional Market Rate Rental Housing Units

Findings: Approximately 65% of the rental housing in Arlington can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as age requirements or income limits. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace. The entire rental inventory in the City includes approximately 246 total units in 2005. We believe that approximately 159 of these units are best described as market rate rental housing.

There are an additional 30 units of market rate rental housing that are designated for senior occupancy. When combined with the general occupancy housing, approximately 78% of all rental housing in Arlington can be classified as market rate.

The available market rate units are in multifamily projects and in single family houses, mobile homes, duplexes, and similar small structures. Our rental housing survey found three market rate apartment projects, Amberfield Place Senior, Amberfield Place General Occupancy, and Parkview Apartments. These three multifamily projects have a combined 64 apartment units, or approximately 34% of all market rate housing in the City.

Unlike many Cities its size, Arlington has had some new market rate rental construction since the 1980s. The City was part of the regional Amberfield development project in the early 1990s. Initiated by a public agency, the Amberfield projects in Arlington created 56 market rate units. However, since Amberfield, no additional rental housing construction has occurred in Arlington.

Some of the neighboring communities have also had significant rental construction. In the City of Gaylord, the Gaylord Villa project was privately developed in the early 1990s, and added 48 market rate apartments to the City. In Le Sueur, 88 market rate apartment units have been constructed since 2000. In all of these projects, there is some level of vacancy, but the large majority of these newer units have been successfully absorbed.

In Arlington, and in most of the surrounding communities, there has been a relatively high rate of rental housing vacancy in recent years. As part of the research for this Study, we contacted the larger, multifamily rental projects in Arlington and found a 7.8% in market rate units, and a vacancy rate of 8.3% in the combined market rate and subsidized inventory. Above-average rates of vacancy have also been identified in recent surveys completed in Gaylord, Henderson and Le Sueur.

The higher rates of vacancy have been common in many Minnesota communities in recent years, as low mortgage interest rates and demographic factors contributed to very strong demand for owner-occupancy housing. Consequently, demand for rental housing grew a much slower rate, as many existing renter households moved into home ownership.

Although most of the apartment units in Arlington are relatively new and are in the Amberfield projects, rental rates are generally very modest. The highest rental rates in the market rate

segment are in Amberfield, with a one-bedroom gross rent of approximately \$520, and a two-bedroom gross rent of approximately \$650. Garage rental in Amberfield is an additional \$30 per month.

Recommendation: Although our projections do not expect large-scale demand caused by household growth, there will be some need for additional rental housing through the remainder of this decade. Our overall housing demand projections expect household growth to create demand for 25 to 35 additional rental housing units in Sibley County through 2010. We would view the City of Arlington as an appropriate community for this additional rental unit construction. Gaylord, the largest City in the County, already has a larger inventory of market rate rental units, due to the construction of the 48 unit Gaylord Villa project. As a result, we view Arlington, the County's second largest City, as the strongest market in Sibley County for additional rental housing development.

In addition to the demand caused by overall household growth, an additional three to five units will be required for unit replacement. Some additional pent-up demand may also exist, especially for larger units, which are not readily available in the existing multifamily projects.

A project has been proposed by a private developer that would create between 24 and 30 market rate apartment units. If constructed, we believe that this project would meet the near-term demand for rental housing in Arlington and Sibley County.

It should be noted that at least two factors could impact our calculations for Arlington, and could generate actual demand that is greater than our projections. First, is Arlington's location in the northeastern portion of the County. This places the City close to both Carver County and Scott County, and the edge of the seven County Twin Cities Metropolitan Area. As the Twin Cities grows to the south and west, it is possible that growth pressure and growth rates could accelerate in the Arlington area.

The second factor that could lead to additional rental demand is a slowdown in the home ownership market. Based on demographic factors, we still project that most of the housing demand through 2010 will be for owner-occupancy housing. However, if mortgage interest rates continue to climb, it is possible that expected demand for owned units will not materialize, and that demand will grow for rental housing options.

Because prevailing rents in both Arlington and Gaylord are relatively modest, it will be important that any new units attempt to be as price-competitive as possible. We would recommend that primarily two-bedroom units be constructed, with the possible addition of a few three-bedroom units. Based on our review of prevailing rental rates, we believe that gross rents for a two-bedroom unit should be kept in a range that is no higher than \$700 to \$775 per month. Ideally, gross rental rates would be even lower, to better serve the population of moderate income renter households that live and work in the community.

2. Monitor the Need for Additional Subsidized/Affordable Rental Housing

Findings: The City of Arlington has three project-based subsidized housing projects. These projects have a combined 57 rental units. One project, Highland Commons, is designated for senior and disabled occupancy. This project has 33 units. The remaining two projects, Highland Estates and Shamrock/North Arlington Apartments, have a combined 24 units designated for general occupancy.

Subsidized housing is primarily designed to serve lower income people. In most cases, subsidized housing bases the rent on 30% of the tenant household's income. All but two of the subsidized units in Arlington have rent assistance available.

The City did have a fourth subsidized rental project, which was subsidized through the USDA Rural Development 515 Program. However, this building has terminated its subsidy agreement, and no longer provides subsidized housing. Eight subsidized units were lost when Parkview Apartments ended its subsidy contract in 2000.

Very few subsidized units have been created in the last 20 years. Since the late 1980s, tax credits have been the primary federal production incentive for the creation of housing to serve moderate income people. Because tax credits only provide a 'shallow subsidy', this type of housing does not generally serve lower income renters, but does serve households at or below 60% of the median income level.

There are no rental projects in Arlington that have received tax credits. There is only one tax credit-assisted project in all of Sibley County, the Townedge Estates project in Gaylord. However, this is a subsidized rental project, constructed with Rural Development subsidies. Presumably, tax credits were used for substantial rehabilitation of this project.

Our rental survey contacted subsidized projects in Arlington. We found 5 vacant units, for a vacancy rate of 8.8%. A similar survey completed in Gaylord, in March 2006, also found vacancies in general occupancy subsidized housing, although a majority of the vacancies were in one-bedroom units.

Recommendation: At this time, we would recommend that the City monitor the need for additional subsidized/affordable rental housing. If the proposed 24 to 30 unit market rate project, identified earlier, is constructed in the City, it would result in a significant expansion of rental opportunities for area renters. This proposed project will attempt to provide units that are affordable for moderate income households.

If the proposed market rate project is not constructed, it would be appropriate to consider the construction of 10 to 12 additional rental housing units to serve lower income renters in Arlington.

At this time, it is very difficult to construct new subsidized housing units to serve very low income people. Very few subsidy production resources remain available at the State or Federal level for 'deep subsidy' housing.

We believe that the best opportunity to create affordable rental housing in Arlington would be through the federal low income housing tax credit program. However, in addition to tax credits, we believe that additional subsidies would be needed to achieve a lower unit rent structure than would be possible with tax credits alone.

The use of federal tax credits places both income restrictions on tenants, and gross rent caps on the rental units. The 60% of income gross rent limits in Sibley County for 2006 are as follows:

One bedroom	\$660
Two Bedroom	\$792
Three Bedroom	\$915

These rent levels are well above the prevailing rates for the area in market rate housing, and any future tax credit project would need to target a lower rent level. In some projects, additional subsidy sources have been used along with tax credits to generate more affordable units. For example, the Nicollet Meadows project in St. Peter used additional State and Federal funding sources along with tax credits to create seven units that serve households at or below 30% of County median income. A future project in Arlington that could serve both lower income and moderate income renters would greatly expand the affordable choices available in the community.

If tax credit units are developed in the future, we would recommend that an equal mix of two-bedroom and three-bedroom units be provided, to primarily serve families with children. Some of the community's growth over the last decade has been due to Hispanic/Latino families moving to the City. Affordable rental housing to serve these families could help to address the number of households that reported a housing cost burden at the time of the 2000 Census.

Based on our experience in other communities, we would normally expect to see as many as 16 to 18 tax credit units succeed in a town the size of Arlington. If the proposed market rate project is constructed in the City, it will attempt to provide affordable units for moderate income working families. This project would therefore address much of the demand that we typically see for tax credit units.

However, if the market rate project is not constructed, or if the final rent levels are too high for moderate income families, then the 10 to 12 unit tax credit project should be considered. We have made a more conservative unit recommendation due to the vacancies that currently exist in Arlington's existing rental housing, including projects with moderate or subsidized rents. If vacancy rates in the area improve significantly, or if household growth exceeds our expectations, it would be appropriate to consider the development of a larger project.

3. Monitor the Need for Senior Subsidized Rental Housing

Findings: Arlington has one project, Highland Commons, that provides subsidized housing designated for senior occupancy. This project has 33 total units. All but two of the apartments are one-bedroom.

Demand for senior subsidized units in Sibley County has not been overly strong in recent years. Highland Commons reported four vacancies in our February 2006 rental survey, and two vacancies in our July survey. Sibley Estates in Henderson reported four vacant units in our February 2006 survey. Recent rental surveys that we have completed in other area communities, including Le Sueur and St. Peter have also found a relatively high rate of vacancy in the past two years.

In many communities, it has been increasingly common for subsidized senior apartments to experience vacancy problems. This has often been due to the limitations of units that were generally constructed in the 1960s and 1970s. These units are often small in size, and offer few modern amenities. In Highland Commons, 31 of the 33 units are one bedroom apartments. As incomes for retirees have improved, there are fewer seniors that are willing to rent a small apartment

Recommendation: We would recommend that the need should be monitored for additional subsidized housing specifically designated for seniors. It appears that some excess capacity already exists in Sibley County and in other nearby communities. Our projections show only limited growth in the number of senior-headed households County-wide through the remainder of this decade.

An alternate strategy for trying to assist lower income seniors would be to expand the use of the tenant-based, Housing Choice Voucher Program. This Program provides lower income households, including seniors, with rent assistance that can be used in a suitable, privately owned rental unit. However, this Program has not been expanded in recent years, due to cutbacks in funding for HUD, so any increased usage in Arlington would be dependent on encouraging more residents to apply for the Program waiting list. This Program should also be monitored for possible opportunities to add to this affordable housing resource in the future.

4. Support the Proposed Expansion of Senior Housing with Services

Findings: Arlington currently has one senior housing project that was designed to provide additional services. The Golden Hearts project provides assisted living for 10 residents. This is a board and lodging-style project, with residents having a private sleeping room, and a private or a semi-private bathroom. The project provides 24-hour staffing, and all meals and services are provided. At the time of our rental surveys in 2006, this project has reported full occupancy and good demand.

The City also has a 45 bed nursing home, the Arlington Good Samaritan Center. This facility is planning to construct 12 units of assisted living in 2006. A separate study indicating a need for assisted living units was completed for the Good Samaritan project.

Although Golden Hearts has been the only provider of housing with services in Arlington, there have been other specialized housing options available in nearby communities. In Gaylord, Oak Terrace Senior Apartments was created in the 1980s when the former hospital building was converted to housing with light services. This project is City-owned, and is part of a complex that includes a clinic and a nursing home. There are 14 apartments in Oak Terrace. This project

provides “light services” senior housing. The monthly rent includes a noon meal daily, with the option of buying additional meals. The project does not have 24-hour staffing, but does have an emergency call system. In our last survey, the project was fully occupied and maintained a waiting list.

Gaylord also offers specialized housing for people with memory loss. Heritage House has capacity for 10 residents, and is planning an expansion that will add capacity for five or six additional residents. At the time of our last survey, this project was fully occupied and the planned expansion was in response to demand for memory care housing. Heritage House is affiliated with the Oak Terrace Senior Apartments.

There are nursing homes in both Gaylord and Winthrop. We did not contact nursing homes as part of our rental housing inventory.

Our projections for Sibley County do not show significant growth expected in the older senior population, age 75 and above, through the year 2010. There will be a growing population of seniors age 75 to 84 years old, but a loss of population is expected in the age range 85 and older. As a result, the population of older seniors, age 75 and above is expected to increase by less than 3% between 2005 and 2010.

Recommendation: Our recommendations for senior housing with services have been organized by unit type.

Assisted Living: Based on our review of senior demographic data in the Arlington area, we believe that adequate demand exists for the proposed Good Samaritan assisted living project, and that the City should support the development of these units.

At the time of the 2000 Census, there were 400 senior citizens in Arlington, and 909 seniors in the entire Market Area. Of the entire senior population, 225 of the seniors in Arlington and 444 seniors in the Market Area were age 75 and older. Using the age-based projections from the State Demographer, the area’s senior population has changed very little by 2005, and only a minor increase is expected by 2010. By the year 2010, we would estimate that there will be approximately 930 to 950 total senior citizens residing in the Market Area, including 450 to 470 older seniors, age 75 and above. We would estimate that approximately 60 of these seniors are residents of Arlington Good Samaritan Home or Golden Hearts.

Based on our research in other communities, we believe that assisted living units can usually achieve a market share of up to 1.5% of the total senior population, or 2.5% or more of the older senior population. For the Arlington Market Area, this would indicate a need for between 9 and 11 additional assisted living units by the year 2010. The proposed Good Samaritan project, with 12 units, will address this demand.

Our calculation for assisted living units for Arlington is based on the Arlington Market Area, which is relatively small in size. In all of Sibley County we have identified only 10 units of assisted living, at Golden Hearts in Arlington. Assisted living projects in Arlington do have the potential to draw residents from a larger geographical area at this time. However, if additional

assisted living projects are constructed in neighboring Cities, such as Gaylord, Winthrop and Henderson, the ability to draw tenants from a larger geographical area would be reduced.

Using our same basic calculations of demand County-wide, we believe that adequate demand would exist for between 30 and 35 assisted living units in all of Sibley County. With only 10 units available at this time, a project of 20 to 25 assisted living units would be appropriate to serve demand from the County.

Housing with Light Services: We also believe that demand exists for senior housing with light services in Arlington. We did not identify any light service developments in the City. The only project that we have identified in all of Sibley County is Oak Terrace Senior Apartments in Gaylord. Oak Terrace has 14 apartments. The project is fully occupied with a waiting list.

Our calculations show demand for as many as 22 units of light services housing to serve the Arlington Market Area. As with assisted living, even more units could be constructed if a larger market area is served, but this would also be dependent upon competition from projects that may be developed in neighboring cities.

Memory Care Housing: We believe that some demand also exists for memory care housing in the Arlington Market Area. Currently, there is no specialized housing for memory care, although it is very possible that the Arlington Good Samaritan nursing home may address part of this need.

In all of Sibley County, we could identify only one provider of memory care housing. Heritage House in Gaylord provides housing for 10 memory care residents. An expansion of five to six units is planned for 2006. Our calculation of demand indicates that once the expansion occurs, Heritage House will be able to serve demand from a larger area. However, since this is the only specialized memory care project that we could identify in all of Sibley County, we believe that up to 10 units could also be developed in Arlington to serve the locally-generated demand.

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

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

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

Based on the research for this study, it appears that the Housing Choice Voucher Program is a popular form of subsidized housing in the area. Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of

subsidized housing that are project-based, and can only be accessed by living in a specific rental development. In July 2006, 30 Sibley County households are utilizing the Housing Choice Voucher Program, and of the 30 households, four are living in Arlington.

The 2000 U.S. Census showed some Arlington renter households with a housing cost burden. In 2000, there were 51 renter households in Arlington that were paying more than 30% of their annual income for rent. Most of these households had annual incomes below \$25,000. This further verifies Arlington's need for additional Section 8 Assistance.

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

6. Maintain and preserve the existing supply of subsidized housing

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

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

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

Arlington has already lost one subsidized rental project, when an eight unit Rural Development subsidized apartment building converted to market rate housing in 2000. A 16 unit subsidized project in Gaylord also converted to market rate housing within the last 10 years.

Recommendation: MHFA tracks subsidized housing in Minnesota that is at risk of being lost. Owners of subsidized housing that are considering the option to drop their subsidy contract must notify MHFA and the tenants prior to taking any action. At the time of this Study, none of the remaining subsidized projects in Arlington appeared on the MHFA list.

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

Home Ownership Recommendations

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

The median owner-occupied home value in Arlington is estimated to be \$125,000 based on recent sales activity. The median price is very competitive when compared to prices in the southern Twin Cities Metropolitan Area and compared to prices in some of the larger Cities within commuting distance of Arlington. As a result, the City provides an excellent market for first time buyers and households seeking moderately priced homes.

Our analysis of area demographic trends shows an increasing population of households in the traditionally strong home ownership age ranges between 45 and 64 years old. While most households in these age ranges already own their housing, this group can represent a strong potential market for ‘trade-up’ housing. Increasingly, the older age ranges within this group also look for lower maintenance housing options, such as twin homes or town house developments.

Also, the 25 to 34 age range is expected to increase significantly. Households in this age range are typically first-time home buyers. While some of these households already own their housing, those households at the lower end of the age range that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home.

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

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

Findings: We believe that affordable home ownership will continue to be one of the major issues facing Arlington in the immediate future. Home ownership is generally the preferred housing option for most households and most communities. As discussed previously, the demographic make-up of Arlington and Sibley County are conducive to the promotion of home ownership opportunities. There are a number of strategies and programs that can be used to promote home ownership in Arlington. The area’s housing agencies and financial institutions have a good reputation in providing home ownership programs, and can assist with this effort.

First time home buyer assistance, down payment assistance, low interest loan and home ownership training programs can help to address affordable housing issues. The City has a good supply of houses that are price eligible for these assistance programs. The home value estimates used in this study indicate that a majority of the existing stock currently is valued under the purchase price limits for the first-time home buyer assistance programs.

Home ownership counseling and training programs can also play a significant role in helping marginal buyers achieve home ownership. Partners for Affordable Housing has been offering the Home Stretch home buyer training program in the Region.

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

Recommendation: Arlington should utilize all available home ownership assistance programs to promote home ownership. The community should also explore the possibility of obtaining specific program set-asides from some of the home ownership programs offered through the Minnesota Housing Finance Agency. Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher participation limits for income and purchase price, and the flexibility for more local design and control.

The City should work with the area's housing agencies to continue to develop programs that provide financial assistance for households to purchase a home and to assure the City of Arlington is receiving its share of resources that are available in the Region. Local financial institutions should also continue to have a significant role in assisting households with purchasing a home.

Other private and nonprofit agencies should also be encouraged to provide home ownership opportunities. Mortgage programs should also be developed that include all households and not just first time home buyers to encourage trade-up housing activity. Funding sources for home ownership programs include Rural Development, the Minnesota Housing Finance Agency, FANNIE MAE, the Greater Minnesota Housing Fund, and the Minnesota Small Cities Development Program.

8. Utilize the MURL and Purchase/Rehabilitation Programs

Findings: Arlington has a limited stock of older, lower valued homes, some of which need repairs. Our analysis of recent sales activity indicates 50% of the homes in Arlington are valued less than \$125,000. As some of the homes significantly below the median price come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

The Minnesota Urban and Rural Homesteading (MURL) Program is provided through the Minnesota Housing Finance Agency. Under the program, the City or a housing agency purchases an existing home that needs rehabilitation, rehabilitates the home, sells the home to a low income family and provides a mortgage with no down payment, no interest and a monthly payment that is affordable for the family. The MURL Program accomplishes many community goals, including the promotion of home ownership for lower income people, and the repair of substandard housing units.

In many cases, the cost of acquisition and rehab will exceed the house's after-rehab value. Although a public subsidy may be involved, the costs to rehab and sell an existing housing unit are generally lower than the subsidy required to provide an equally affordable unit through new construction.

The Southwest Minnesota Housing Partnership and the Minnesota Valley Action Council (MVAC) administer the MURL Program in the Region. MVAC has indicated that it has been difficult to locate homes in Arlington for the MURL Program because of the higher home values in Arlington.

The Purchase Plus Program is also an MHFA Program that provides mortgage funds for the purchase and rehabilitation of substandard existing homes. This Program also could be utilized in Arlington.

Recommendation: We recommend that the City of Arlington consider the creation of a rehab/purchase program and utilize the MURL Program for existing houses. Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, over 80% of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was also available.

The MURL Program and/or a purchase/rehabilitation program achieves several goals. The programs encourage home ownership, prevent substandard homes from becoming rental properties and rehabilitate homes that are currently substandard. Local housing agencies and financial institutions could offer some rehabilitation assistance in conjunction with its first-time home buyer programs to make the City's older housing a more attractive option for potential home buyers. The City should also work with a local housing agency to utilize the Purchase Plus Program in the City of Arlington.

The Southwest Minnesota Housing Partnership and MVAC administer the MURL Program in the Region.

9. Utilize the Emerging Markets Homeownership Initiative (EMHI) to increase minority home ownership

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

The best available data on tenure patterns for racial and ethnic minorities is from the 2000 Census. At that time, home ownership rates for all racial and ethnic minority groups were lower than the home ownership rate for white, non-Hispanic households. The rate of home ownership was 25% for Hispanic/Latino households, compared to 73.5% for non-Hispanic households.

As mentioned elsewhere in this Study, some of the newly arriving populations, particularly international immigrants, may have barriers, such as language, culture, and asset accumulation that hinder them in their attempt to purchase a home.

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

EMHI is still in its formulative stage, with advisory groups attempting to develop and implement a business plan to increase the rates of home ownership in minority populations.

With a growing population of racial and ethnic minority residents, it would be appropriate for the City to participate in the program development process and to access program resources in an attempt to increase the rate of home ownership in the community. Also, the City of Arlington, and Sibley County, with its high racial and ethnic minority population, would be a prime area for a pilot project.

10. Initiate employer involvement in home ownership programs

Findings: The City of Arlington has several large employers. The connection between economic development and housing availability is becoming an increasingly important issue as low area unemployment rates dictate the need to attract new workers into the community, some of whom are immigrants from other countries.

Although the jobs being created may have good wages for the area, many jobs do not pay wages sufficient for workers to buy or improve their housing. Housing for new employees is a concern for employers. Several employers around the state are beginning to accept more responsibility and a more significant role in assisting employees with their housing needs.

Senneca Foods is currently providing housing for its seasonal employees with the availability of mobile homes.

Recommendation: We recommend an effort to involve employers as partners in addressing Arlington's housing needs. Funding sources such as MHFA, SCDP, the Greater Minnesota Housing Fund and FANNIE MAE have finance programs that include employers. Additionally, the funding agencies often view funding applications favorably from cities that include employers in the problem solving process.

Employers have many opportunities to assist with addressing the housing needs of Arlington, including:

- ▶ Direct assistance to the employee for the purchase or construction of a home, utilizing a variety of mechanisms including down payment assistance, loans, grants, forgivable loans, deferred payment loans, guarantee of a lender-financed loan, etc.
- ▶ Financial contribution to an overall city housing project, such as an affordable subdivision or the construction of rental housing units.

Single Family Housing Development

Findings: Arlington has experienced substantial single family housing construction in recent years. Over the past five years, the City has averaged between 12 and 13 new single family homes per year. Approximately 48% of these homes were twin homes or townhomes.

The attractiveness of the community should result in the continued construction of new homes annually. The City's geographic location, near several larger Cities will also contribute to an expanding market for new housing construction. The proposed improvements to Highway 12 will also have an impact on new housing construction. However, attractive residential lot options must continue to be available for new home construction to continue at its current pace or to possibly expand.

Household growth projections for Arlington indicate demand for owner-occupied housing construction. Most of the growth that is anticipated over the next five years will be among households in the age ranges between 45 and 64 years old. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced and trade-up housing. There is also growth projected among younger households, in the 25 to 34 year old range. This group typically represents first time home buyers.

Our projections expect that the City will add 10 to 11 new households per year, in an average year, through the end of this decade. However, as the southwestern edge of the Twin Cities expands, Arlington could experience a greater level of household growth. Also, Sibley County is projected to gain between 225 and 300 households over the next give years. Arlington has the potential to capture a great portion of this projected growth. Based on the expected changes by age group, we believe that between 88% and 90% of the regional demand from household growth will be for ownership housing.

It is our opinion that if the City, local housing agencies and the developers are proactive, 16 to 18 homes can be constructed annually in Arlington over the next five years. However, with the projected growth in the larger region, it is also possible that Arlington could capture an even larger share of area-wide growth, and average a higher number of new housing starts. Again, this projection is based on the continued availability of attractive residential lots for new construction.

11. Lot Availability and Subdivision Development

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Arlington. There was no definitive list of lots available but our most reliable estimates indicated that approximately 38 buildable lots and a parcel that can accommodate 16 townhomes were available in newer residential subdivisions in June 2006. According to our inventory, there are approximately 21 lots in the High Island Creek Addition, 13 lots in the Arlington Meadows Subdivision plus the 16 townhome parcel and Fairview Acres has eight available lots. In addition to the townhome parcel, the 38 lots include four twin home lots. There are also some lots that are scattered

around the community, but the availability of these lots and their suitability for new home construction is not known.

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace, based on annual lot usage. Using our projections that between 16 and 18 new houses will be constructed per year, the City should have an adequate number of residential lots available for 40 to 45 single family units including twin homes and townhomes to meet the expected demand. This could include lots that are currently buildable, as well as lots in the advanced planning stages that could be available for the next construction season. Using this standard, the City currently does have an adequate residential lot inventory, if the City intends to maximize its new housing construction potential.

We recommend that the City and area developers work together to continue to develop additional lots to meet demand. It is our understanding that the High Island Creek Subdivision includes two more phases including approximately 30 to 35 single family lots and eight twin home lots that will accommodate 16 twin home units. Also, an area developer is planning the development of a 40 lot subdivision called Polar Circle Phase II, and the Arlington EDA has approximately 23 acres available for housing development.

If the City of Arlington is to reach its new housing construction potential, it must continue to provide a variety of lots which will increase the capacity for a wider variety of home sizes, prices and designs.

Any new subdivision development should be phased, with the projection that a City-wide total of 16 to 18 new homes will be constructed annually over the next five years.

12. Develop an Affordable Residential Subdivision

Findings: Providing affordable new construction ownership options is an important issue for Arlington. The City's median household income matches up fairly well with the prices for the existing housing stock. However, households at or near the median income level do not have the financial ability to afford the costs associated with new housing construction. Our analysis indicates that a family at the median income level could afford to purchase a house at approximately \$123,100 or less. This leaves a significant gap between affordability and the costs typically associated with new construction, which will generally be more than \$150,000.

The majority of jobs in Arlington provide a moderate income, and more affordable new construction is needed to provide housing opportunities for workers.

Our projections indicate that between 2005 and 2010, the number of households in Sibley County in the 25 to 34 year old age range is projected to increase by 80 to 96 households. This age group typically represents first-time home buyers. The number of households in the 45 to 64 year old ranges is also projected to increase substantially, with an expected increase of 276 to 318 households. These age groups typically have a high rate of home ownership and will often look to sell their existing home to purchase a new house. Growth among these age groups should generate additional demand for home ownership opportunities.

An area developer is in the process of platting his land to include a 40 lot subdivision called Polar Circle Phase II, consisting of 12 market rate lots and 28 affordable lots. He is also working with an area housing agency to become involved in the “Building Better Neighborhoods” program administered by the Greater Minnesota Housing Fund (GMHF). GMHF and the Minnesota Housing Finance Agency provide financing for affordable subdivision and lot development. Funding from these sources can also be provided to income eligible households to help with the purchase of homes in the subdivision.

Recommendation: We recommend the development of a 40 lot subdivision on the Polar Circle Phase II parcel, including 28 affordable lots. This recommendation is based on the participation in the “Building Better Neighborhoods” program. The development should be phased as we are projecting that six to seven homes could be constructed in this project annually.

In developing the subdivision, the following should be considered:

- ▶ The City should support the project through TIF financing and other sources of funding and should also endorse the developers’ applications to other agencies for funding. The City and local housing agencies should also consider a local down payment assistance program to assist the project.
- ▶ The proposed units of affordable and market rate homes should be considered.
- ▶ Employers should also be involved in financing and with publicity.
- ▶ The subdivision must be as aesthetically acceptable as possible and include the same amenities as other new subdivisions.
- ▶ Total home prices must be affordable for low/moderate income households. (preferably less than \$160,000 for development costs and less than \$140,000 for the actual buyers cost)
- ▶ Financing programs for households should be provided such as down payment assistance and low interest mortgage programs.
- ▶ The project should be adequately publicized and advertised, both locally and around the region. Six to seven new homes is a significant percentage of the City’s projected annual housing starts. The project must create a new housing market by providing an attractive, affordable product.
- ▶ Builders must be user friendly and the process should be as streamlined as possible for the buyers.

If the developer does not proceed with the “Building Better Neighborhoods” subdivision, the EDA could consider a similar project on its parcel.

13. Promote townhouse, twin home and cooperative housing development

Findings: Arlington has experienced significant attached housing development in recent years. From 2001 to the present, 30 attached housing units, in the form of twin homes and townhomes have been constructed in Arlington. Many other communities have seen attached housing take an increasingly large share of new construction activity over the last decade. In Arlington, 48% of the housing starts from 2001 to the present have been twin homes and townhomes.

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

The number of Sibley County households in the 55 to 84 year old age groups is expected to increase by 193 to 233 households between 2005 and 2010. Household growth from empty-nester and senior households should result in continued demand for attached single family units throughout the region. It is likely that demand for attached housing units will also be dependent on the product's ability to gain additional market acceptance among the households in the prime target market, and among other households, such as single professionals and single parent families.

Recommendation: Twin homes and town homes have been a popular option in most communities and it is our projection that these products can continue to be successful in Arlington with the proper location, price point and design. In larger communities with high land prices, it is common to see that 30% to 40% of new housing construction is in the form of attached single family, such as town houses and twin homes. Attached housing construction in communities with lower land costs has continued to rise, but is typically less than 30% of all new construction.

It is our projection that approximately 35% to 40% of the City of Arlington's new single family construction will be twin home/ town home construction over the next five years, which is approximately six to seven units annually. Arlington Developers, Inc. have constructed 28 twin home units over the past several years and have developed a design, price point and quality that has been embraced by the market.

The public sector's role in any owner-occupancy attached housing development should be limited, as the private sector will meet this housing need if a demand exists. The City should assure that adequate land is available for development and that zoning allows for attached housing construction in desirable areas. Some cities have required developers to designate a portion of their subdivision for higher density development to assure the ongoing construction of townhouses and twin homes. With the limited projected growth in Arlington, any future town home development should be phased to allow for adequate time for the units to be successfully absorbed.

Arlington Meadows includes a parcel that will accommodate 16 town homes, eight twin home, lots are being developed in the High Island Creek Subdivision and Don Savage has lots available for eight additional town homes, thus, lots are available or are being developed to meet the demand for twin home/town home development.

14. Develop home ownership awareness programs

Findings: Opportunities for new housing construction are sometimes limited because of the lack of information and awareness of financing programs, lots on the market, local builders, etc. This is especially evident for new households moving into the area. The home buying/home building process can be very intimidating for first-time home buyers/builders.

Recommendation: We recommend the creation of an Informational Brochure that describes the amenities, lots, builders and financing programs that are available in Arlington. Buying a lot, selecting a builder, obtaining financing and constructing or purchasing a home can be an intimidating process. Often households have not been through this process and do not know where to begin or how to proceed. A “How-To” brochure with pertinent and up-to-date information will encourage and assist households with constructing a home or finding a suitable move-up home.

Another possibility for promoting ownership options is to organize a Housing Fair that educates and informs the public on lots, builders, finance programs, etc. The Housing Fair should include developers, builders, lenders, realtors, public agencies, etc. Local employers should be contacted to assess their interest and possible participation in the event.

These awareness programs do not have to be “City” projects but could possibly be developed by a City organization or the private sector. The City should promote these activities region-wide.

Housing Rehabilitation

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

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

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

15. Promote rental housing rehabilitation programs

Findings: Arlington has rental properties in single family, duplex and mobile home units that are in need of repair. The City also has apartment buildings that could benefit from renovation activity.

It is often difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants. The City of Arlington also has a relatively low rental rate structure which magnifies the problem. The rehabilitation of older rental units can be one of the most effective ways to produce decent, safe and sanitary affordable housing.

Recommendation: The City should seek Small Cities Development Program (SCDP) grant funds that allow for program design flexibility and makes a rental rehabilitation program workable. SCDP provides funds for a rental rehabilitation program that is structured by the community.

The City of Arlington should also access HOME funds. The HOME Program is funded through the U.S. Department of Housing and Urban Development (HUD) and is a primary source for funds for rental rehabilitation. The City should encourage rental property owners to apply for HOME funds for rental rehabilitation. The Southwest Minnesota Housing Partnership is the administrator of HOME funds in Sibley County.

16. Promote ongoing owner-occupied housing rehabilitation efforts

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

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

The Minnesota Small Cities Development Program (SCDP) continues to be the major source of funding for housing rehabilitation. The Minnesota Housing Finance Agency also provides funding for housing rehabilitation. The Minnesota Valley Action Council (MVAC) administers the MHFA housing rehabilitation programs for Sibley County, including the MHFA Home Improvement Program and the Fix-Up Fund. MVAC also administers the Weatherization Program.

The housing stock in Arlington is in good condition. Our Housing Condition Survey rated 253 houses two of the City's oldest neighborhoods, and found that 101 homes need minor repairs and 41 homes need major repairs. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink.

Recommendation: We recommend that the City of Arlington apply for SCDP funds to rehabilitate homes. The SCDP Program currently has a maximum of \$600,000 for Single Purpose applications and \$1.4 million for Comprehensive applications that address several of the City's needs. The City should designate a neighborhood or target homes that need rehabilitation and apply for SCDP funds.

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

Other Housing Issues

17. Consider the submission of an application for Minnesota Small Cities Development Program funds

Findings: The Small Cities Development Program (SCDP) is administered by the Minnesota Department of Employment and Economic Development (DEED). There is an annual competition for grant funds to assist communities with housing projects, downtown rehabilitation, public facilities projects, or combined, comprehensive projects. The application process is very competitive and is based on the strength of the project activities, the local financial contribution, the percentage of low and moderate income people in the community and other rating factors.

Community Partners Research, Inc. staff surveyed the housing conditions of 253 homes in two of Arlington's oldest neighborhoods. Approximately 56% of the homes need minor or major housing rehabilitation.

Additionally, new affordable housing construction is an eligible activity for SCDP funding, thus, SCDP funds could assist with single family housing development and with the development of affordable rental units. Downtown commercial rehabilitation is also an eligible activity.

Recommendation: With the housing rehabilitation needs in Arlington and other SCDP eligible needs, we recommend the preparation and submission of SCDP Applications on an ongoing basis.

The City could develop an application that specifically addresses substandard owner occupied homes and rental units, as well as assist with the rehabilitation/renovation of downtown commercial and mixed-use buildings. New owner occupied and rental housing development could also be funded as part of an SCDP application. Several area housing agencies have the expertise to assist the City with the development and implementation of an SCDP application.

18. Diversity Issues

Findings: Arlington has become more ethnic and racially diverse City over the last 15 years. According to the 2000 Census, approximately 4% of Arlington's households and 5% of the population are ethnic or racial minorities. It is anticipated that there will be continued in-migration from other countries and increased diversity is inevitable.

The ethnic and racial minority populations have several barriers in securing housing including:

- ▶ **Same barriers as other low income households** - A high percentage of the ethnic and racial minority households are low income and experience the same barriers as many non-minority households, in finding affordable, standard housing.

- ▶ **Communication** - Many ethnic and racial minority individuals cannot speak English which causes communication problems when searching for housing.
- ▶ **Cultural differences** - The ethnic and racial minority households have cultural differences, which can conflict with generally accepted standards. For example, the number of people per unit may be acceptable to the individuals, but can be considered overcrowding by the City Codes.
- ▶ **Temporary residents** - Some landlords require 6 month or one year leases. Some ethnic and racial minority individuals are located in Arlington on a temporary basis and cannot sign a long-term lease.
- ▶ **Transportation** - Transportation is a problem because many ethnic and racial minority individuals do not have vehicles, driver's licenses or insurance.
- ▶ **Screening process** - Some ethnic and racial minority households do not have references, a credit history, etc. to pass the screening process to rent a housing unit.
- ▶ **Deposit/Down payment** - Many ethnic and racial minority households do not have the savings to pay a rent deposit or to make a down payment.
- ▶ **Discrimination** - There are isolated discrimination cases by landlords against ethnic and racial minority households. Although discrimination does exist, ethnic and racial minority households are also denied housing for legitimate reasons such as no credit, no references, etc.

There are also several positive aspects that assist ethnic and racial minority households in securing housing including the following:

- ▶ **Affordable housing** - Affordable housing does exist in Arlington. There are a significant number of rental units that have affordable rents and there are affordable homes that can be purchased.
- ▶ **Jobs** - Jobs are available, thus, the ethnic and racial minority population has the opportunity to earn income.
- ▶ **Housing Choice Vouchers** - Rent assistance programs assist with rent payments.
- ▶ **Local Agencies and Organizations** - Local agencies and organizations are assisting ethnic and racial minority households with housing and other housing related needs and problems.

Recommendation: The following strategies will assist the ethnic and racial minority populations with meeting their housing needs.

- ▶ **Study recommendations** - Most of the recommendations included in this study also pertain to and will benefit the ethnic and racial minority populations.

- ▶ **Communication/education** - Community groups, the schools, the media and employers should continue to educate the community at every opportunity about diversity and the Community's ethnic and racial minority populations. Education usually results in more tolerance and understanding. Conversely, the ethnic and racial minority population must continue to educate themselves about Arlington and integrate into the community.
- ▶ **Employer involvement** - Employers often are involved with assisting its ethnic and racial minority employees. This involvement must continue and other employers may have to get more involved in assisting its employees with housing issues.
- ▶ **Training and education** - Employers should provide training and ethnic and racial minority individuals should take advantage of this training and also seek other education. Training and education usually results in a better job which means a higher income. A higher income can solve many problems including housing needs.
- ▶ **Interpreters** - More interpreters are needed to assist the ethnic and racial minority populations. Major institutions such as the school, clinic and banks should continue to have access to interpreters.
- ▶ **Home Ownership Education Program** - The Southwest Minnesota Housing Partnership has established a home ownership education program for ethnic and racial minority households, which is still in the formulative stage and not yet offered in Arlington.
- ▶ **Emerging Market Homeownership Initiative** - The State of Minnesota has started a new program aimed at increasing the rate of home ownership among ethnic and racial minority populations. The Emerging Market Homeownership Initiative is still in the formulative phase and Arlington may want to participate in the planning of this Initiative.
- ▶ **Work with landlords that provide housing for the ethnic and racial minority populations** - A number of landlords are providing housing for the ethnic and racial minority populations. The City should meet and communicate with these landlords on an ongoing basis to address their concerns and determine how the City could work with the landlords to better address the ethnic and racial minority population's housing needs.
- ▶ **Financial institutions** - The financial institutions can play a vital role in the ethnic and racial minority population's opportunity to own a home. The City should consider meeting with the representatives of the financial institutions to discuss additional ongoing strategies and determine how they can better serve the ethnic and racial minority population.

19. Consider a mobile home park improvement program

Findings: According to the condition survey conducted by Community Partners Research, Inc. in May 2006, there are 33 mobile homes in Arlington's Mobile Home Park, which represents approximately 3.8% of the City's occupied housing units. The condition analysis identified 23 of the 33 mobile homes as needing major repair, and one home as dilapidated and beyond repair.

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

Recommendation: Addressing the issues created by substandard mobile homes are not easily solved. Some communities have rehabilitated older units, but this is difficult to accomplish because of the type of construction of mobile homes, and it is rarely cost effective. Some communities have established programs that provide for the purchase and removal of substandard mobile home units, provided a newer unit is purchased to replace the acquired dwelling. While this approach can work well in upgrading the stock, it can be expensive, especially when there are a large number of homes in poor condition. However, with a concentration of mobile home units in the community, it may be appropriate for the City to initiate programs to improve the quality of mobile homes, even if these programs can only address a few units per year.

Several communities have initiated innovative programs that address mobile home condition and mobile home park issues. We recommend the City of Arlington consider the implementation of the following:

- ▶ Operation Safe Mobile Home Park - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or a housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished/salvaged. The owner could then use the funds from the sale to help purchase a new home.
- ▶ Time of Sale Inspection Program - This inspection program is designed to provide safe living conditions to mobile home park residents through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale. All identified safety hazards must be corrected before the unit is sold and/or occupied.
- ▶ Cooperative/Land Trust - Some mobile home parks have created a cooperative or a land trust which enables the mobile home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.

20. Create a plan and develop coordination among housing agencies

Findings: Arlington needs staff resources in addition to existing City and EDA staff to plan and implement many of the housing recommendations advanced in this Study. The City has access to the Arlington Economic Development Authority, the Southwest Minnesota Housing Partnership, the Minnesota Valley Action Council, the South Central Minnesota Multi-County HRA, Three Rivers Community Action, Inc., and the Region Nine Development Commission. These agencies all have experience with housing and community development programs.

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

Population and Household Forecasts to the Year 2030

Introduction

Arlington has requested that Community Partners Research, Inc., provide household and population forecasts over the next 25 years for the City.

In this section we have attempted to provide reasonable forecasts. It is very difficult to provide accuracy when you make long term forecasts that span decades. There are many variables that can alter forecasts. Forecasts are dependent on the stability of the trends that are used to make projections. Immigration patterns, the area's economy, employment growth, Federal and State tax policy, political factors and other related issues can change and alter the assumptions used in creating the forecasts. The most effective way to respond to the uncertainty of trends to is continue to monitor growth patterns so the City can respond quickly and plan accordingly.

State Demographer Forecasts

The State Demographer has generated population projections for individual cities through the year 2030. The State Demographer has not issued household projections, however, it is possible to extrapolate household information from the population projections by making some assumptions on group quarters residents and average household size. Community Partners Research, Inc., has calculated household forecasts based on the State Demographer's population projections. In our forecasts we are making the assumption that Arlington's group quarters population will remain relatively stable, but that the average household size will continue its gradual decline. Based on the State Demographer's population forecasts and Community Partner's Research, Inc.'s, household forecasts, Arlington's projected population and households are as follows:

<u>Year</u>	<u>Population</u>	<u>Households</u>
2005	2,107	870
2010	2,221	931
2015	2,299	977
2020	2,365	1,015
2025	2,435	1,055
2030	2,502	1,100

The State Demographer's population forecasts show an increase of 395 people which is an 18.7% population increase over the next 25 years. This is a projected increase of approximately 16 people annually.

The household projections calculated from the Demographers population forecasts show an increase of 230 households, which is a 26.4% household increase. This is an increase of approximately nine households annually. This calculation assumes that household growth will occur at a faster rate than population growth, due to the decline in average household size.

These forecasts are based on Arlington's historical growth and do not factor the regional growth in the adjacent Twin Cities Metropolitan Area and the impact that this regional growth will have on Arlington's population and household growth.

Impact of the Twin Cities Metropolitan Area on Arlington's Growth patterns

The seven county Metropolitan Area's population increased by 303,000 people in the 1980's and by 353,000 people in the 1990's. The Metropolitan Council forecasts a population growth of 318,000 for the seven county area in the 2000's. The Council has also forecasted growth between 2010 and 2020 of 329,000 people, and 270,000 people between 2020 and 2030.

Based on Metropolitan Council forecasts, Scott County is projected to gain 132,172 people and 57,498 households from 2000 and 2030. Carver County is projected to increase by 121,175 people and 50,344 households from 2000 to 2030. The State Demographer forecasts a population increase for Sibley County of 3,038 people from 2000 to 2030 and a household increase of 1,858 households for Sibley County for the same time period.

The Metropolitan Council population and household estimates and forecasts for several Carver and Scott County cities are as follows:

<u>City</u>	<u>2005 population/households</u>	<u>2030 population/households</u>
Belle Plaine	6,037 / 2,248	16,300 / 6,500
Elko	1,321 / 432	10,200 / 3,900
New Market	1,490 / 584	10,600 / 4,100
Prior Lake	21,395 / 7,855	39,900 / 17,200
Hamburg	566 / 219	1,000 / 400
Mayer	1,290 / 438	6,250 / 2,500
New Germany	330 / 143	830 / 370
Norwood Young America	3,479 / 1,336	8,800 / 3,800
Arlington (Based on State Demographers forecasts)	2,107 / 870	2,502 / 1,100

Sibley County and Arlington's potential to capture a percentage of the projected population and household growth is based on many factors including:

Continued seven county growth - The Twin Cities Metropolitan Area continues to experience growth, and significant growth is projected over the next 25 years. The growth will continue to put pressure on land in the seven county area. This will also create demand for developable land that is outside of the seven county area's developing edge.

Land Availability - Developable land is available in Arlington and around Arlington at a lower price than is available in the seven county area, and in cities and townships that surround the seven county area.

Expensive existing housing - The existing homes in the seven county area continue to have high sales prices and it remains beneficial to seek new affordable housing outside of the metro area.

Cities and townships resistant to development - Several cities, townships, and property owners, within the seven county area are resistant to high density development for a variety of reasons. In some communities, development moratoriums have been enacted to slow the pace of growth. As a result, developers may 'leap-frog' these areas to cities and townships outside of the seven county area.

Commercial industrial and employment growth - Commercial and industrial development continues to expand to the outer edges of Scott and Carver Counties. In past forecasts, the southwestern portion of the Twin Cities Metropolitan Area has been projected to have the greatest potential for employment growth. This growth will provide employment, retail and entertainment opportunities for Sibley County households.

Developer Interest - Much of the housing development in small communities has been developer driven. Developers purchase large tracts of land and develop housing on a large scale. Developers' ability to provide 'one stop shopping' including lots, builders, home design, financing, etc., increases the development's opportunity for success. A successful development typically attracts additional development.

Transportation routes - As Highway 212 construction is completed, Sibley County and Arlington will continue to have good transportation routes to the Metro Area.

Progressive Community - The City of Arlington is receptive to new development.

Public utilities - Some areas in the seven county area do not have access to public utilities. Developers seek tracts of land that have access to affordable public utilities.

Redevelopment - Inner ring suburbs are redeveloping neighborhoods, and renovating homes. Also, older cities are demolishing structures and constructing new housing. The success of these redevelopment activities will have an impact on growth outside of the seven county area.

Community Partners Research, Inc., Forecasts

Based on our research it is our opinion that Sibley County and Arlington will experience population and household growth at a much faster rate than the State Demographer's forecasts. As stated previously, the Demographer's forecasts are solely based on historical growth. While we expect faster growth for Arlington, it is our opinion that the City will not grow at the rapid rate forecast for many Carver and Scott County cities. However, we do project that Arlington will capture a portion of the growth projected for Carver and Scott County cities. Our 'reasonable' population and household forecasts for Arlington through the year 2030 are as follows:

<u>Year</u>	<u>Population</u>	<u>Households</u>
2005	2,107	870
2010	2,189	922
2020	2,789	1,200
2030	3,749	1,660

According to these forecasts, Arlington's population will increase by 600 people and 278 households from 2010 to 2020. This is a population increase of 27.4% and a household increase of 30.2%.

The 2020 to 2030 forecast shows an increase of 960 people and 440 households. This is a population increase of 34.4% and a household increase of 38.3%.

City Action to promote growth

To promote population and household growth, the City can be proactive including:

- ▶ Community discussions on growth issues
- ▶ Promote industrial and commercial development
- ▶ Promote an excellent school system
- ▶ Promote 'state of the art' health care facilities
- ▶ Assure that the city's water and sewer systems can accommodate growth
- ▶ Assure that land is available for development
- ▶ Provide housing options for all ages and incomes
- ▶ Initiate rehabilitation and renovation efforts that will provide an existing housing stock that is in excellent condition
- ▶ Create a 'user friendly' atmosphere for developers, builders and home buyers
- ▶ Conduct a marketing campaign to promote Arlington
- ▶ Assure that Arlington has a vibrant and attractive Downtown Business District
- ▶ Provide park, recreation and entertainment opportunities
- ▶ Monitor forecasts and the trends that the forecasts are based on to enable the City to make changes in their housing plans and strategies as necessary

Agencies and Resources

The following local, state and federal agencies administer programs or provide funds for housing programs and projects:

Arlington Economic Development Authority

202 Shamrock Drive
Arlington, MN 55307
Phone: (507) 964-2378
Contact: Denny Schultz, Assistant Economic Development Director

South Central MN Multi-County HRA

410 Jackson Street, Suite 100
Mankato, MN 56001
Phone: (507) 345-1977
Contact: Ed Goldsmith, Director

Minnesota Valley Action Council

410 Jackson Street
Mankato, MN 56001
Phone: (507) 345-2401

Region Nine Development Commission

P.O. Box 3367
Mankato, MN 56002
Phone: (507) 387-5643

Southwest MN Housing Partnership

2401 Broadway Avenue, Suite 4
Slayton, MN 56172
Phone: (507) 836-8673
Contact: Rick Goodemann, Executive Director

Three Rivers Community Action, Inc.

1414 North Star Drive
Zumbrota, MN 55992
(800) 277-8418
Fax (507) 732-8547
Contact: Jenny Larson, Housing Coordinator

State Agencies

Minnesota Housing Finance Agency

400 Sibley Street
Suite 300
St. Paul, MN 55101
Tim Marx, Commissioner
1-800-657-3802

The Minnesota Housing Finance Agency (MHFA) was created by the Minnesota Legislature to provide housing opportunities and financial resources to assist low/moderate income Minnesotans in obtaining decent, safe, energy efficient and affordable housing. MHFA also provides funds to cities for neighborhood redevelopment projects. Programs that MHFA offers that may assist the City in addressing its housing needs follow:

► **Community Revitalization Fund**

Description: The Community Revitalization Fund provides a maximum of \$250,000 for the acquisition and clearance of blighted properties.

► **Minnesota Urban and Rural Homesteading Program (MURL)**

Description: This program provides grants to purchase substandard homes, rehabilitate the homes and then sell the rehabilitated homes to first time home buyers. The Program is designed to prevent the spread of blight and preserve the existing housing stock.

► **Minnesota Mortgage Program**

Description: The Minnesota Mortgage Program provides below-market interest rate mortgage loans for low and moderate income first-time home buyers. The program is provided in cooperation with private mortgage lenders throughout the State.

► **Home Ownership Assistance Fund**

Description: The Homeownership Assistance Fund provides monthly payment assistance and down payment assistance to moderate income borrowers purchasing their first homes through an MHFA mortgage revenue bond program. An MHFA loan is provided in the form of a second mortgage loan without interest. The mortgage loan must be repaid on a graduated basis.

► **Minnesota City Participation Program**

Description: The Minnesota City Participation Program provides a set-aside of mortgage revenue bond funds for a period of six to nine months to assist communities in meeting identified local home ownership goals.

► **Community Activity Set-Aside Program**

Description: The Community Activity Set-Aside Program is an off-shoot of the Minnesota Mortgage Program that allows cities to obtain a set-aside of mortgage funds for a special purpose.

► **ECHO** - The Entry Cost Homeownership Opportunity fund assists low to moderate-income borrowers to purchase a home by providing loans to help with down payment and closing costs. ECHO is designed to support community-lending programs created by partnerships within communities throughout Minnesota.

- ▶ **Foreclosure Prevention and Rental Assistance Program**
Description: This program has been designed to assist individuals facing foreclosure or eviction due to a temporary financial crisis by providing case management services and, if applicable, mortgage payment, rental, or other financial assistance on an emergency basis.
- ▶ **Home Stretch Home Buyer Training Program**
Description: This program provides materials and technical support to communities which want to provide home buyer training and counseling to potential home buyers.
- ▶ **Housing Trust Fund**
Description: The Housing Trust Fund provides deferred loans without interest for the development, construction, acquisition, preservation and rehabilitation of low income rental housing, limited equity cooperative housing and homes for ownership.
- ▶ **Governor's Affordable Rental Investment Fund (ARIF)**
Description: The Governor has established a fund to provide gap financing for the development of low/moderate income housing.
- ▶ **New Construction Tax Credit Mortgage/Bridge Loans**
Description: Financing under this program provides for the construction or substantial rehabilitation of units to be rented to families or individuals with income of up to 60 percent of the area median income.
- ▶ **Low Income Housing Tax Credit Program**
Description: This program reduces the federal income tax liability of qualifying rental property owners for up to ten years. Units must be available for low and moderate income tenants for at least 15 years.
- ▶ **HOME Rental Rehabilitation Program**
Description: This program will provide grants to rehabilitate privately owned rental property to support affordable, decent, safe and energy efficient housing for lower income families.
- ▶ **Rental Rehabilitation Loan Program**
Description: Property improvement loans are available to residential rental property owners.
- ▶ **Low and Moderate Income Rental Program**
Description: This program makes mortgage funds available for the acquisition and rehabilitation or new construction/conversion of rental apartment buildings housing low and moderate income people.
- ▶ **Rent Assistance for Family Stabilization**
Description: This program provides rental assistance payments to families on public assistance who are enrolled in self-sufficiency programs to become self-supporting and who reside in a county in which the Section 8 Fair Market Rents (HUD) are in the highest one-third of the average rents in the state.
- ▶ **Accessibility Loan Program**
Description: Deferred payment loans may be available to low income homeowners for improvements directly related to the basic housing needs of a physically disabled person.
- ▶ **Deferred Loan Program**
Description: Deferred payment loans assist low income homeowners in financing home improvements directly affecting the safety, habitability, energy efficiency and accessibility of their homes.

► **Home Energy Loan Program**

Description: This program enables homeowners to increase the efficiency of the existing housing stock.

► **Revolving Loan Program**

Description: This program provides rehabilitation financing to low and moderate income homeowners who are unable to qualify for other types of assistance.

► **The Great Minnesota Fix-Up Fund**

Description: Property improvement loans available State-wide to assist homeowners in increasing the livability and energy efficiency of existing housing. Loans are made to homeowners by locally participating banks, credit unions and housing agencies.

Minnesota Department of Employment and Economic Development

1st National Bank Building
332 Minnesota Street, Suite E200
St. Paul, MN 55101
Paul A. Moe, Community Assistance Director
1-800-657-3858

The Minnesota Department of Employment and Economic Development (DEED) is a State agency that provides programs and funding for housing, community, and economic development. Each year DEED receives approximately \$20 million from the federal government through the Community Development Block Grant Program. DEED uses this money for the Small Cities Development Program, an annual competition among small cities, townships and counties for housing, public facilities, and economic development projects. Approximately 90 jurisdictions submit applications each year and normally 30 applications are selected for funding.

Greater Minnesota Housing Fund

332 Minnesota Street
Suite 1432 East
St. Paul, MN 55101
Warren Hanson, President
Telephone 1-800-277-2258
Fax (651) 221-1904

The Greater Minnesota Housing Fund (GMHF) is a nonprofit organization committed to supporting affordable housing development for working families in the 80 Minnesota counties outside of the Twin Cities metro area. Funded with \$25 million from the Blandin and McKnight Foundations, GMHF helps communities assemble project resources and provides modest gap financing. The fund also undertakes research and development on the best practices in affordable housing development, cost control and design techniques, employer assisted housing, public policy analysis, and the identification of other unmet housing needs in Greater Minnesota.

The purpose of the Greater Minnesota Housing Fund is to assist the creation of affordable housing in areas of economic growth in rural Minnesota. GMHF will provide this assistance through gap financing in the form of low or no interest loans and/or deferred loans, loan guarantees and letters of credit. Matching funds will only be provided as part of a specific GMHF program.

Federal Agencies

Department of Housing and Urban Development

220 Second Street South
Minneapolis, MN 55401
(612) 370-3000

The Department of Housing and Urban Development (HUD) is the primary federal agency for administering housing and community development programs. HUD programs that are actively used by Minnesota communities include Public Housing, Section 8 Rent Assistance, privately owned and non-profit owned subsidized housing, the HOME Program, and the Community Development Block Grant Program delivered through the Small Cities Development Program.

USDA Rural Development

410 Farm Credit Building
375 Jackson Street
St. Paul, MN 55101
(651) 290-3912

USDA Rural Development, formerly the Farmers Home Administration (FmHA), provides loans and grants in rural areas to finance housing related needs. Rural areas include populations with cities under 20,000. Programs which may assist the City include:

- ▶ **502 and 504 Housing Rehabilitation Programs**
Description: Loans and grants are provided for rehabilitation of substandard housing occupied by low/moderate income households.
- ▶ **Rural Housing Preservation Grants**
Description: Housing rehabilitation grants are provided for communities to address specific housing needs in the community.
- ▶ **Rural Housing Site Loan**
Description: This program is to assist public or private nonprofit organizations interested in providing sites for housing, to acquire and develop land in rural areas.

Federal National Mortgage Association (Fannie Mae)

386 North Wabasha
Capital Centre Suite 1026
St. Paul, MN 55102
(651) 298-9356

Fannie Mae is a Congressionally Chartered, private shareholder owned company that works to make sure that mortgage money is available to people in communities all across America. In May 1995, Fannie Mae announced plans for House Minnesota, which will provide \$6 billion in affordable home financing for more than 80,000 low, moderate and middle income Minnesota Families.

- ▶ **Fannie97**
Description: This mortgage allows home buyers to make a down payment of as little as 3 percent.
- ▶ **Community Home Buyer's Program**
Description: A variety of different mortgage programs are available to meet different needs, including down payment assistance, lower closing costs, and less income and higher debt options.

Federal Home Loan Bank of Des Moines

907 Walnut Street
Des Moines, IA 50309
(515) 281-1181

- ▶ **Affordable Housing Program**
Description: This program is to subsidize the interest rate on advances or provide direct subsidies to member institutions engaged in lending for long-term, very low, low and moderate income owner-occupied and affordable rental housing at subsidized interest rates.
- ▶ **Community Investment Advance Program**
Description: This program is designed to encourage member financial institutions to provide favorable financing for home ownership and rental housing occupied by families with incomes below 115 percent of area median, and commercial and economic development activities that benefit and/or are located in low and moderate income neighborhoods.

Glossary of Terms

Affordable Housing - Affordable housing is a relative term, depending on the income level of a specific household. General standards for rental affordability are 30% of household income for housing expenses. In ownership housing, affordability is often defined by mortgage industry lending standards, which generally allow 28% to 31% of gross household income for housing expenses including principal, interest, taxes and insurance. In this study, we have defined ownership affordability as 2 ½ times the median household income estimate. We have defined affordable rental as 30% of the median household income.

Annexation - A process of one governmental entity acquiring land from another governmental entity. Usually cities acquiring land from adjacent townships for the purpose of development expansion.

Assisted Living - A senior housing arrangement which incorporates independent housing with a limited service package which typically includes three meals per day, 24-hour supervision, housekeeping, linen service, activities and limited personal care assistance.

Board and Lodging Facility - A group housing arrangement which typically includes a private sleeping room, a private or shared bathroom, group eating and living quarters and three meals per day.

Bonding Capacity - The maximum financial burden for which a governmental entity is allowed to bond.

C-40 Construction Reports - A monthly and annual summary of the number and valuation of new privately owned housing units authorized in permit-issuing places. This is prepared by the U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census.

Community Action Programs - Community action programs provide transitional housing for needy families; conservation, energy assistance and weatherization grants and loans to low-income families; and rehabilitation and repair grants and loans to homeowners.

Claritas - A leading provider of demographic data including information from census years 1980 and 1990 as well as current year estimates and five year projections. The major demographic information relates to population, households, income and housing data. A for-profit company.

Congregate Housing - A senior housing arrangement which incorporates independent housing with a limited service package which typically includes one meal per day, 24-hour emergency response, weekly light housekeeping and an activities program.

Cooperatives - A multi-family facility where each unit is independently owned by the tenant and an annual fee is assessed for maintenance and upkeep.

Demographics - Characteristics of a population including age, sex, income, households, etc.

Developers - Persons coordinating the construction of housing and commercial/industrial buildings.

Developmentally Disabled - A person with a disability which limits them from normal function in society, originated prior to age 18 and is expected to continue indefinitely.

Economic Development Authority (EDA) - The Economic Development Authority is a governmental entity whose purpose is to spur new economic development in their locale or region.

Essential Function Bonds - Tax exempt general obligation or housing revenue bonds authorized for use by Housing and Redevelopment Authorities and Economic Development Authorities.

Fair Market Rents - Rents set at 40% of the median rent of the area. These rents are used in the Section 8 Existing Rent Assistance Program to define acceptable rent levels.

Farmers Home Administration (FmHA) - Now known as Rural Development, this government agency provides five major single-family home loan programs in Minnesota. In addition, RD administers a multi-family loan program.

General Obligation Bonds - Tax-exempt municipal bonds owned and backed by the full faith and credit of the city which owns the housing project.

General Occupancy Housing - Multi-family rental housing with no income, age or physical disability limitations.

Greater Minnesota Housing Fund - The Greater Minnesota Housing Fund (GMHF) is a nonprofit organization committed to supporting affordable housing development for working families in the 80 Minnesota counties outside of the Twin Cities metro area. Funded with \$25 million from the Blandin and McKnight Foundations, GMHF helps communities assemble project resources and provides modest gap financing. The fund also undertakes research and development on the best practices in affordable housing development, cost control and design techniques, employer assisted housing, public policy analysis, and the identification of other unmet housing needs in Greater Minnesota.

Group Homes - Supervised housing designed to accommodate the needs of like individuals in a group setting. Typically, each resident has a private sleeping room with a shared bathroom, eating area and living quarters.

Housing and Redevelopment Authority (HRA) - A public body organized under Minnesota statutes 469.001 to 469.047. This authority gives cities, counties and multi-county jurisdictions

the power to coordinate low income housing and single family, multi-family and commercial building rehabilitation for the purpose of providing affordable housing, economic development, and redevelopment.

Housing Revenue Bonds - Tax-exempt municipal bonds backed by the revenues of the housing project they are used to finance.

Housing Tax Credits - Federal income tax credit for investors who invest in new construction or substantial rehabilitation of low income rental housing.

Housing and Urban Development Agency (HUD) - Currently in a state of transition, the Department of Housing and Urban Development is facing funding uncertainty. However, plans are underway for three block-style grant programs called Housing Certificates for Families and Individuals, Community Opportunity Fund, and the Affordable Housing Fund. Other plans call for public housing to move from project-based assistance to tenant-based rent vouchers and for consolidation of nine programs into the Public Housing Capital Fund.

Independent Housing - Multi-family housing designed for persons capable of maintaining an independent lifestyle free of ongoing support services such as nursing or personal care assistance.

Infrastructure - In a community setting, these are the public utilities and municipal source and treatment facilities.

Low Income Elderly Housing - Government subsidized housing set aside for occupancy by persons over the age of 62 with incomes below a level annually set by the Housing and Urban Development Agency. Representative housing types would include Rural Development 515, HUD Section 8 or 202, and public housing. The tenant usually pays up to 30% of their income toward rent, with the federal government paying the difference between the 30% level and the fair market rent of the area.

Low Income Family Housing - Government subsidized housing set aside for occupancy by anyone with an income below a level annually set by the Housing and Urban Development Agency. Representative housing types would include Rural Development 515, HUD Section 8 or 202, and public housing. The tenant usually pays up to 30% of their income toward rent, with the federal government paying the difference between the 30% level and the fair market rent of the area. Low income housing generally serves households that are below 50% of the median County income level.

Market Rate Housing - General occupancy, family and elderly multi-family rental housing without government subsidies. The tenant must pay the full amount of rent as established by the building owners.

Median Family Income - The median value divides a distribution into two equal parts, one-half of the values being above the median and the other half being below the median. A family is a household containing two or more persons related by birth, marriage or adoption.

Median Household Income - The median value divides a distribution into two equal parts, one-half of the values being above the median and the other half being below the median. Households include all persons who occupy a housing unit, including families, one person households, and unrelated individuals living together.

Minnesota Department of Employment and Economic Development (DEED) - State government agency responsible for economic development, community development, trade and tourism activities. Also responsible for tracking employment, unemployment, labor force and wage data for the State. DEED administers the Small Cities Development Program, which is an annual competition of cities and counties for grant funds for housing, community development and public facilities projects.

Minnesota Housing Finance Agency (MHFA) - Addresses housing needs of Minnesotans through financial and technical assistance. While its largest funding source is the sale of tax-exempt revenue bonds, it is also backed by MHFA earnings and the federal and state governments.

Minnesota Housing Partnership - MHP's mission is to advance the preservation and creation of housing affordable to low- and moderate-income people as a means of strengthening communities and families throughout Minnesota.

Minnesota State Demographer - The state agency responsible for tracking and analyzing housing data including household and population changes as well as income information for all communities in the state.

Mobile Home - For this study we have defined mobile homes as a structure type, independent of actual mobility. When references are made to mobile homes, we mean traditional, "single wide" units, regardless of the presence of wheels or a permanent foundation. "Double-wide" mobile homes are often difficult to distinguish from other single family homes. The only double-wide homes that are included in mobile home data in this study are those double-wides that are located in mobile home parks and are taxed as personal property.

Moderate Income Housing - Housing for persons with incomes between 50% and 115% of the annual median income for the area. Rental programs for moderate income households will generally serve households up to 80% of the County median income level. Home ownership programs for moderate income households can often serve households up to 115% of the County median income level.

Modular Home - As used in this study, modular home refers to a housing unit that was constructed at a remote location and moved to the lot, rather than built on site. Some modular homes are constructed and shipped as two separate components. Others are factory built as component pieces and are assembled on site.

Multifamily Housing - A housing facility consisting of more than one household structure.

Housing Study - A housing study of a predetermined market area which assesses the housing needs of all types of housing (i.e., low income apartments, moderate income apartments, market rate apartments, congregate apartments, and single family homes) for the purpose of identifying particular housing needs.

Public Housing - Federally funded low rent housing program through HUD that provides low income housing in family and elderly multi-family housing buildings.

Rehabilitation - Renovation or repair of existing structures mainly residential in nature, but could include mixed use and commercial buildings as well.

Rental Assistance - State and federal assistance to help make rental housing more affordable for low income renters. This program is both project-based where a building is established as a rental assistance facility, and tenant-based, where the renter can utilize rental assistance wherever they reside.

Residential Alzheimer's Unit - A group housing facility, located in a residential, non-institutional setting, designed to accommodate small numbers (usually 10-12) of persons with early stages of Alzheimer's Disease.

Rural Development (RD) - Formerly known as the Farmers Home Administration of the U.S. Government, RD provides five major single-family home loan programs in Minnesota. In addition, RD administers a multi-family loan program.

Scattered Site Housing - Multiple family housing units comprising four units or less spread throughout a community or region.

Single Family Home - A housing structure which is independent and detached from any other housing structure with the intent of providing housing for one family unit.

Single Family Attached Home - A housing structure which is physically attached to another housing unit, such as half of a twin home, or a town house unit. Single family attached housing is usually used to define a unit that is attached, but typically individually owned. Town house units that are used for rental housing are generally referred to as multifamily units, since the individual units are not owned separately.

Student Housing - Multiple housing facilities constructed for the intent of providing housing for post high school students. This may or may not be located on a school campus.

Subsidized Housing - Housing designed for persons with annual incomes lower than 80 percent of the median annual income for the area. Residents are required to pay no more than 30% of their annual income for rent. The Federal Government pays the remaining portion of their rent if it exceeds 30% of their income.

Tax Increment Financing (TIF) - Taxes on the increased or incremental value of the assisted property are captured for a limited time and used to pay debt service costs on any debt that was incurred to finance those development costs.

Upscale Elderly Housing - Housing designated solely for persons over age 55 which features a variety of amenities. The rents are usually set at the upper quartile of rents for the area.

Upscale Family Housing - Housing open to anyone that can afford to pay the higher rents usually represented by the upper quartile of rents for the area. These buildings usually feature a variety of amenities for use by the tenants, thereby justifying the higher rents. They typically represent apartments with large square footage and unique design characteristics.

Windshield Survey - A method of judging housing condition that is based on a street viewing of a structure's visible, exterior condition. While a windshield survey can identify exterior defects, it does not assess interior conditions or mechanical systems.