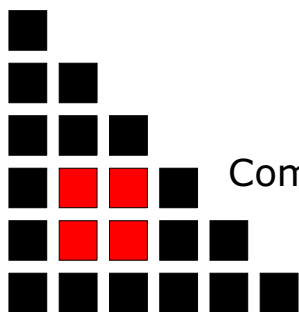


International Falls COMPREHENSIVE HOUSING STUDY

October 2018 Draft

An analysis of the overall housing needs
of International Falls, MN



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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. A majority of the housing units in International Falls 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 Koochiching Economic Development Authority (KEDA) to conduct a study of the housing needs and conditions of the cities in Koochiching County.

Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the cities in the county and Koochiching County 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 June to October, 2018. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Esri, Inc., a private data reporting service
- Records and data from cities in Koochiching County
- Records and data maintained by Koochiching County
- Minnesota State Demographer
- Interviews with City officials and staff

- Area and State housing agencies
- Interviews with housing stakeholders
- Rental property surveys
- Housing condition surveys

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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Demographic Data Overview

Sources of Data

The following pages contain demographic data for the Cities of International Falls, Little Fork, Ranier, Big Falls, Northome and Mizpah; the Northwest, International Falls/Ranier, Littlefork/Big Falls and Northome/Mizpah Market Areas and Koochiching County.

The demographic data was obtained from a variety of local, state and national sources. At the time that research was completed for this Study, both the U.S. Census Bureau and the Minnesota State Demographer's Office had released basic demographic estimates for the year 2017. However, these annual estimates are generally limited to basic counts, such as population and household levels.

Koochiching County was divided into four Market Areas. The jurisdictions located in the Market Areas are as follows:

- ▶ **Northwest Market Area** - Northwest Koochiching Unincorporated Territory
- ▶ **International Falls/Ranier Market Area** - International Falls, Ranier, Rainy Lake Unincorporated Territory
- ▶ **Littlefork/Big Falls Market Area** - Big Falls, Littlefork, Nett Lake Unincorporated Territory, East Koochiching County Unincorporated Territory, South Koochiching County Unincorporated Territory
- ▶ **Northome/Mizpah Market Area** - Northome, Mizpah, Northome Unincorporated Territory

For some detailed demographic variables, the 2010 Census is still viewed as the most reliable data source. To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households. The American Community Survey does provide detailed demographic characteristics. However, because the American Community Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate. The following tables incorporate the American Community Survey data, when it is viewed as reliable.

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. The 2016 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between 2012 and 2016.

Additionally, Community Partners Research, Inc., has obtained information from Esri, a private company based in California that generates demographic and projection data. Esri estimates are included in this demographic data section.

Population Data and Trends

Esri, a private data reporting service, has issued demographic estimates for 2018 which are included in the table below. Other estimates from the MN State Demographer and the Census Bureau for 2017 are discussed in the text that follows.

Table 1 Population Trends - 1990 to 2018						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2018 Estimate Esri
International Falls	8,325	6,703	-19.5%	6,424	-4.2%	5,956
Littlefork	838	680	-18.9%	647	-4.9%	622
Big Falls	341	264	-22.6%	236	-11.9%	247
Ranier	199	188	-5.5%	145	-22.9%	503
Northome	283	230	-18.7%	200	-13.0%	210
Mizpah	100	78	-22.0%	56	-28.2%	59
International Falls/Ranier MA	12,872	11,360	-11.7%	10,617	-6.5%	10,147
Littlefork/Big Falls Market Area	1,954	1,650	-15.6%	1,528	-7.4%	1,509
Northome/Mizpah Market Area	879	804	-8.5%	703	-12.6%	738
Northwest Market Area	594	541	-8.9%	463	-14.4%	470
Koochiching County	16,299	14,355	-11.9%	13,311	-7.3%	12,864

Source: U.S. Census; Esri

- ▶ Esri has released 2018 population estimates for each city and market area and for the entire County. The State Demographer and the Census Bureau have released 2017 estimates for each city and the County.
- ▶ Esri estimates that International Falls, Littlefork, the International Falls/Ranier Market Area, the Littlefork/Big Falls Market Area and Koochiching County all had population losses from 2010 to 2018. Esri estimates that Big Falls, Ranier, Northome, Mizpah, the Northome/Mizpah Market Area and the Northwest Market Area each had small population gains from 2010 to 2018.
- ▶ The State Demographer and the U.S. Census Bureau's population estimates for 2017 showed population losses in all of the cities and in Koochiching County with the exception of Ranier. Ranier had substantial population gains due to an annexation.
- ▶ According to the 2000 and 2010 U.S. Census, all of the cities and market areas and all of Koochiching County lost population from 1990 to 2000 and from 2000 to 2010.
- ▶ Koochiching County's population is primarily White and non-Hispanic/Latino. According to the 2010 U.S. Census, approximately 94.6% of the City's residents were White, 0.6% were Black or African American, 2.3% were American Indian and 0.3% were Asian. Additionally, 2.1% of the Koochiching County population identified themselves as some other race or two or more races. Also, 1.1% of the population identified themselves as Hispanic or Latino.

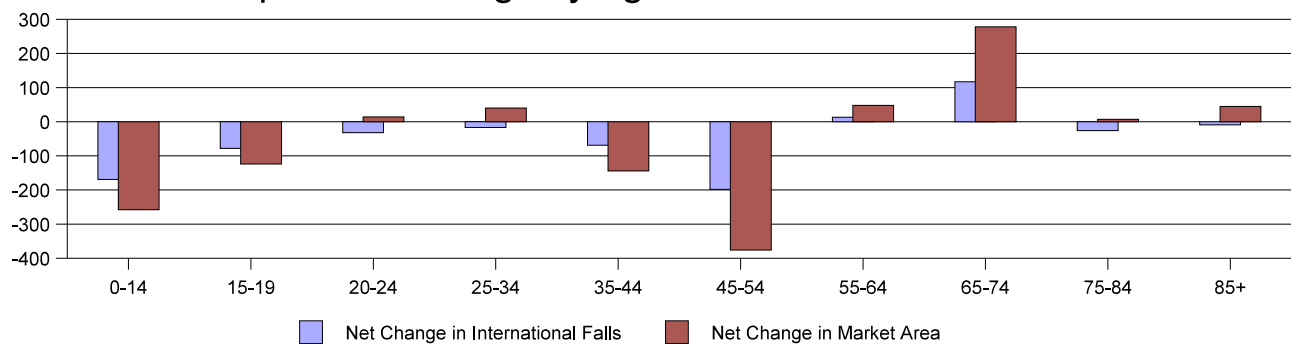
Population by Age Trends: 2010 to 2018

The release of 2018 demographic information from Esri allows for some analysis of the changing age patterns for International Falls and the International Falls/Ranier Market Area. The following table compares population by age in 2010 and 2018, along with the numeric changes.

Table 2 Population by Age - 2010 to 2018						
Age	International Falls			International Falls/Ranier Market Area		
	2010	2018	Change	2010	2018	Change
0-14	1,161	992	-169	1,803	1,545	-258
15-19	432	354	-78	720	596	-124
20-24	364	332	-32	492	506	14
25-34	727	710	-17	978	1,018	40
35-44	715	646	-69	1,248	1,104	-144
45-54	924	726	-198	1,720	1,344	-376
55-64	829	842	13	1,624	1,672	48
65-74	599	716	117	1,056	1,334	278
75-84	468	442	-26	688	695	7
85+	205	196	-9	288	333	45
Total	6,424	5,956	-468	10,617	10,147	-470

Source: U.S. Census; Esri

Population Change by Age Between 2010 and 2018

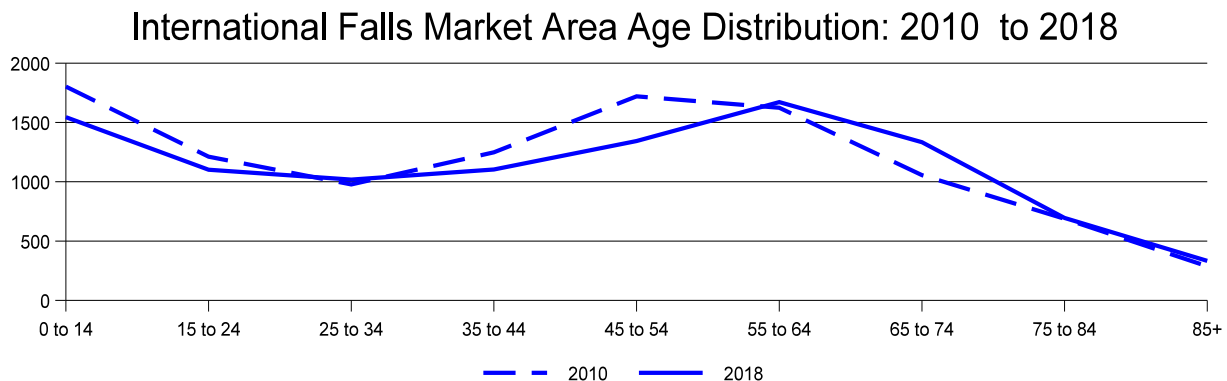


For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in International Falls and the International Falls/Ranier Market Area.

Between 2010 and 2018, International Falls had a gain of 130 people and the Market Area had a gain of 326 people in the age ranges between 55 and 74 years old. In 2018, nearly all of the baby boomers were within these age ranges. International Falls only had population gains in the 55 to 74 age ranges. International Falls had a loss of 563 people in the 54 and younger age ranges and a loss of 35 people in the 75 and older age ranges.

In addition to the population gain in the 55 to 74 age ranges, the International Falls/Ranier Market Area also had a gain of 54 people in the 20 to 34 age ranges and a gain of 52 people in the 75 and older age ranges. The International Falls/Ranier Market Area had a loss of 382 people in the 0 to 19 age ranges and a loss of 520 people in the 35 to 54 age ranges.

The aging trends for International Falls can be traced back over the current decade to see the advancing “wave” created by the movement of the baby boom generation through the aging cycle. One other noticeable trend is the decreased population of younger residents in 2018, age 19 and under.



Population Projections

The following table presents population projections generated by Esri for the cities, the market area’s and Koochiching County.

Table 3 Population Projections Through 2023				
	2010 Census	2018 Esri Estimate	2023 Esri Projection	Change 2018-2023
International Falls	6,424	5,956	5,654	-302
Littlefork	647	622	592	-30
Big Falls	236	247	245	-2
Ranier	145	503	484	-19
Northome	200	210	208	-2
Mizpah	56	59	58	-1
International Falls/Ranier MA	10,617	10,147	9,744	-403
Littlefork/Big Falls Market Area	1,528	1,509	1,457	-52
Northome/Mizpah Market Area	703	738	731	-7
Northwest Market Area	463	470	465	-5
Koochiching County	13,311	12,864	12,397	-467

Source: U.S. Census; Esri

- ▶ Esri projects that all of the cities, market areas and the County will lose population from 2018 to 2023.
- ▶ Esri projects that from 2018 to 2023, International Falls will lose 302 people, Littlefork will lose 30 people, Big Falls will lose two people, Ranier will lose 19 people, Northome will lose two people and Mizpah will lose one person.
- ▶ Esri projects that Koochiching County’s population will decrease by 467 people from 2018 to 2023.

Household Data and Trends

Table 4 Household Trends - 1990 to 2018						
	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010	2018 Estimate Esri
International Falls	3,126	2,959	-5.3%	2,903	-1.9%	2,678
Littlefork	303	268	-11.6%	258	-3.7%	246
Big Falls	156	134	-14.1%	130	-3.0%	136
Ranier	76	76	0%	70	-7.9%	238
Northome	103	87	-15.5%	89	2.3%	93
Mizpah	34	31	-8.8%	28	-9.7%	29
International Falls/Ranier MA	4,746	4,809	1.3%	4,686	-2.6%	4,261
Littlefork/Big Falls Market Area	747	691	-7.5%	674	-2.5%	664
Northome/Mizpah Market Area	312	310	-0.6%	305	-1.6%	318
Northwest Market Area	220	230	4.5%	209	-9.1%	211
Koochiching County	6,025	6,040	0.2%	5,874	-2.7%	5,454

Source: U.S. Census; Esri

- ▶ Esri has released 2018 household estimates for the cities, market areas and Koochiching County. The State Demographer has released 2017 household estimates for the cities and Koochiching County. The U.S. Census does not provide household estimates.
- ▶ Esri estimates that International Falls, the Littlefork/Big Falls Market Area, the International Falls/Ranier Market Area and Koochiching County had household losses from 2010 to 2018. Esri estimates that Big Falls, Ranier, Northome, Mizpah, the Northome/Mizpah Market Area and the Northwest Market Area had household gains from 2010 to 2018.
- ▶ The State Demographer estimates that from 2010 to 2017, International Falls, Big Falls, Northome and Koochiching County had household decreases. The State Demographer estimates that Littlefork, Ranier and Mizpah had household increases from 2010 to 2017.
- ▶ The U.S. Census reported that from 1990 to 2000, Ranier had no change in its number of households, and the International Falls/Ranier Market Area, the Northwest Market Area and Koochiching County had household gains. The remaining jurisdictions all had household losses.
- ▶ The U.S. Census reported that from 2000 to 2010, all of the jurisdictions in Koochiching County had household losses with the exception of Northome, which had a gain of two households.

Average Household Size

The following table provides decennial Census information on average household size.

Table 5 Average Number of Persons Per Household: 1990 to 2018				
	1990 Census	2000 Census	2010 Census	2018 Esri
International Falls	2.45	2.20	2.16	2.18
Littlefork	2.63	2.37	2.33	2.43
Big Falls	2.19	1.97	1.82	1.81
Ranier	2.62	2.30	1.83	2.11
Northome	2.16	2.21	2.20	2.25
Mizpah	2.94	2.52	2.00	2.00
International Falls/Ranier MA	N/A	N/A	2.22	2.23
Littlefork/Big Falls Market Area	N/A	N/A	2.20	2.22
Northome/Mizpah Market Area	N/A	N/A	2.29	2.31
Northwest Market Area	N/A	N/A	2.22	2.23
Koochiching County	2.58	2.33	2.23	2.22

Source: U.S. Census; Esri

- ▶ Esri estimates that from 1990 to 2018, all of the cities in Koochiching County and the County, with the exception of Northome, had a substantial decrease in average household size.
- ▶ Esri estimates that Northome’s average household size has increased from 1990 to 2018.
- ▶ Esri projects that the four market areas remained relatively stable from 2010 to 2018.

Household by Age Trends: 2010 to 2018

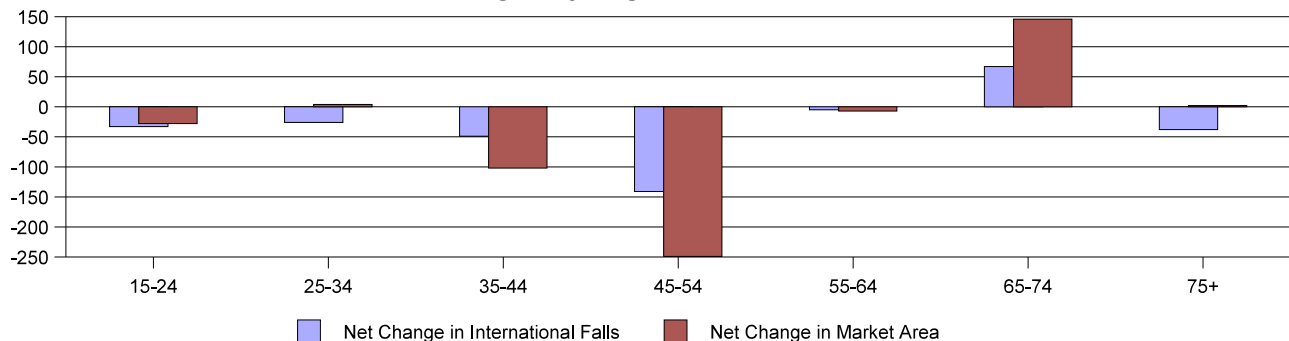
The 2018 Esri age data allows for some analysis of International Falls and the International Falls/Ranier Market Area’s changing age patterns. The following table compares households by age of householder in 2010 and 2018, along with the numeric changes.

Table 6 Households by Age - 2010 - 2018						
Age	International Falls			International Falls/Ranier Market Area		
	2010	2018	Change	2010	2018	Change
15-24	143	110	-33	158	130	-28
25-34	377	351	-26	476	480	4
35-44	406	357	-49	682	580	-102
45-54	575	434	-141	1,010	761	-249
55-64	524	519	-5	992	985	-7
65-74	391	458	67	688	834	146
75+	487	449	-38	680	682	2
Total	2,903	2,678	-225	4,686	4,452	-234

Source: U.S. Census; Esri

Consistent with the population by age data presented earlier, the household patterns show much of the change occurring in the baby boomer age groups. International Falls had an increase of 67 households and the International Falls/Ranier Market Area had an increase of 146 households in the 65 to 74 year age range.

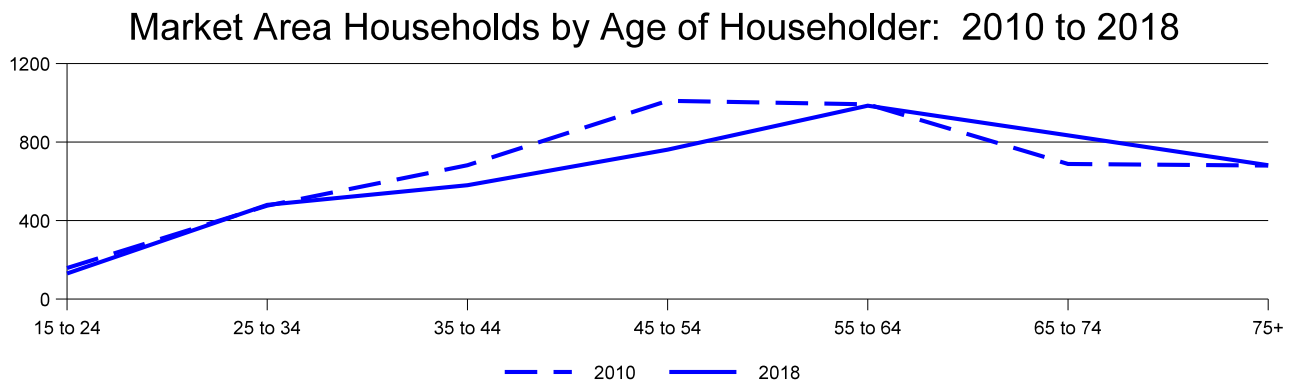
Household Change by Age Between 2010 and 2018



International Falls had household losses in all of the other 10-year age groups. International Falls had a loss of 254 households in the 64 and younger age ranges, and a loss of 38 households in the 75 and older age range.

In addition to the household gains in the 65 to 74 age range, the International Falls/Ranier Market Area had a gain of four households in the 25 to 34 age range and a gain of two households in the 75 and older age range. The Market Area had a loss of 28 households in the 15 to 24 age range and a loss of 358 households in the 35 to 64 age range.

As with the longer-term patterns for population, it is possible to track the “wave” progression of the baby boomer households over the current decade in the International Falls/Ranier Market Area using information by the age of householder.



Household Projections

The following table presents household projections generated by Esri for the cities, market areas and Koochiching County.

Table 7 Household Projections Through 2023				
	2010 Census	2018 Esri Estimate	2023 Esri Projection	Change 2018-2023
International Falls	2,903	2,678	2,534	-144
Littlefork	258	246	234	-12
Big Falls	130	136	134	-2
Ranier	70	238	228	-10
Northome	89	93	92	-1
Mizpah	28	29	29	0
International Falls/Ranier MA	4,686	4,452	4,261	-191
Littlefork/Big Falls Market Area	674	664	642	-22
Northome/Mizpah Market Area	305	318	315	-3
Northwest Market Area	209	211	208	-3
Koochiching County	5,874	5,645	5,426	-219

Source: US Census; Esri

- ▶ Esri projects that all of the cities, market areas and all of Koochiching County, with the exception of Mizpah, will have household losses from 2018 to 2023. Esri projects that Mizpah’s number of households will not change.
- ▶ Koochiching County is projected to lose 219 households from 2018 to 2023 and the largest city in the county, International Falls, is projected to lose 144 households.

International Falls Household by Age Projections: 2018 to 2023

The International Falls household by age projections were created by Esri.

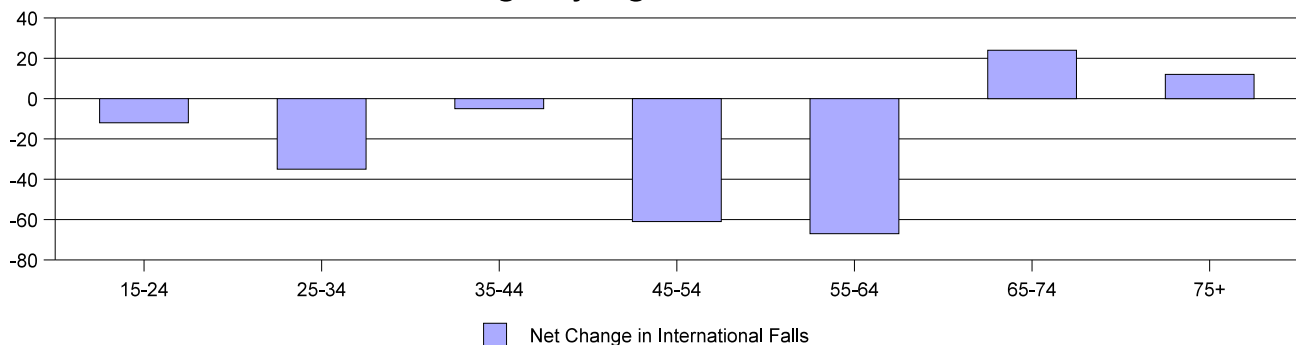
Table 8 International Falls Projected Households by Age: 2018-2023			
Age Range	2018 Estimate	2023 Projection	Change 2018 to 2023
15-24	110	98	-12
25-34	351	316	-35
35-44	357	352	-5
45-54	434	373	-61
55-64	519	452	-67
65-74	458	482	24
75+	449	461	12
Total	2,678	2,534	-144

Source: Esri

Esri is projecting a loss of 144 households in International Falls from 2018 to 2023. From 2018 to 2023, Esri projects a gain of 36 households in the 65 and older age ranges.

Conversely, from 2018 to 2023, Esri estimates a loss of 47 households in the 15 to 34 age ranges and a loss of 133 households in the 35 to 64 age ranges.

Household Change by Age Between 2018 and 2023



International Falls/Ranier Market Area Household by Age Projections: 2018 to 2023

The International Falls/Ranier Market Area household by age projections were created by Esri.

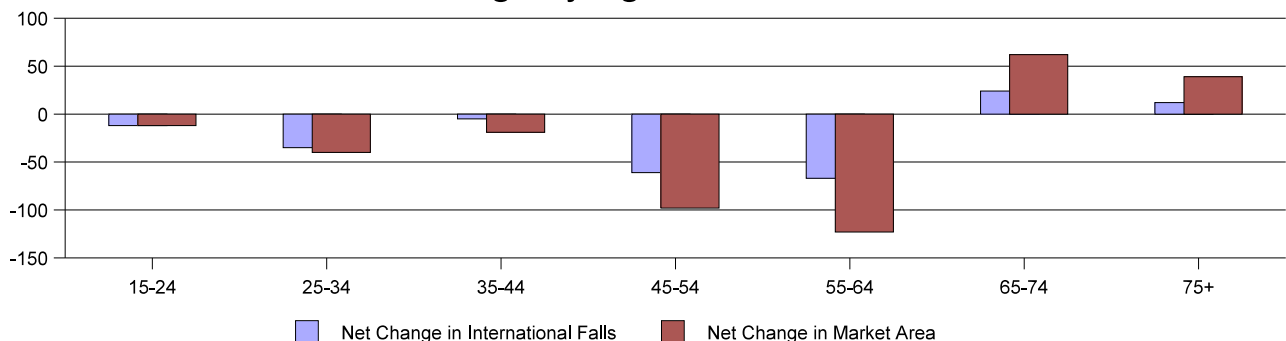
Table 9 Market Area Projected Households by Age: 2018-2023			
Age Range	2018 Estimate	2023 Projection	Change 2018 to 2023
15-24	130	118	-12
25-34	480	440	-40
35-44	580	561	-19
45-54	761	663	-98
55-64	985	862	-123
65-74	834	896	62
75+	682	721	39
Total	4,452	4,261	-191

Source: Esri

The International Falls/Ranier Market Area is expected to lose 191 households from 2018 to 2023, Esri projects a gain of 101 households in the 65 and older age ranges.

Conversely, from 2018 to 2023, there was a loss of 292 households in the 64 and younger age ranges.

Household Change by Age Between 2018 and 2023



Households by Type

The 2010 Census can be compared to statistics from 2000 to examine changes in household composition. The following table looks at household trends within the City of International Falls.

Table 10 International Falls Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	517	376	-141
Single Parent with own children	299	336	37
Married Couple without own children	784	760	-24
Family Householder without spouse	151	173	22
Total Families	1,751	1,645	-106
Non-Family Households			
Single Person	1,080	1,087	7
Two or more persons	128	171	43
Total Non-Families	1,208	1,258	50

Source: U.S. Census

Between 2000 and 2010, International Falls experienced a net loss of 106 family households. The net loss was due to a decrease of married couples with and without children. The other household types gained households.

The City had a 50-household increase in “non-family” households. This was due to an increase of seven single person households and an increase of 43 unrelated individuals living together.

Housing Tenure

The 2010 Census provided data on housing tenure patterns. The following table examines tenure rates for the cities, Koochiching County and the State of Minnesota.

Table 11 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
International Falls	1,946	67.0%	957	33.0%
Littlefork	180	69.8%	78	30.2%
Big Falls	94	72.3%	36	27.7%
Ranier	56	80.0%	14	20.0%
Northome	64	71.9%	25	28.1%
Mizpah	26	92.9%	2	7.1%
Koochiching County	4,551	77.5%	1,323	22.5%
State of Minnesota	-	73.0%	-	27.0%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate for Koochiching County cities ranged from a low of 67% in International Falls to a high of 92.9% in Mizpah.

Koochiching County’s ownership rate was 77.5% in 2010.

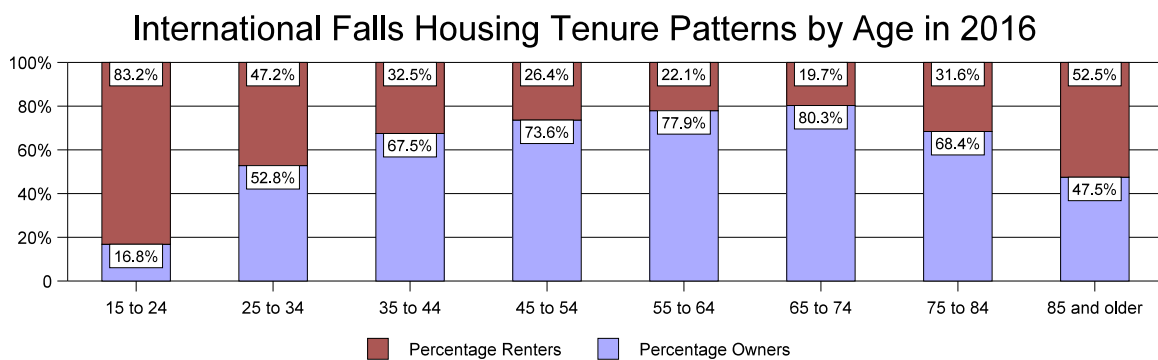
In 2010, International Falls, Littlefork, Big Falls and Northome all had rental tenure rates above the State of Minnesota’s rental rate of 27%.

International Falls Tenure by Age of Householder

The 2016 American Community Survey provided information on the tenure distribution of households within each defined age range. The following table examines the number and percentage of renters and owners in each age group in the City of International Falls.

Table 12 International Falls Tenure by Age of Householder - 2016				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	24	16.8%	119	83.2%
25-34	199	52.8%	178	47.2%
35-44	274	67.5%	132	32.5%
45-54	423	73.6%	152	26.4%
55-64	408	77.9%	116	22.1%
65-74	314	80.3%	77	19.7%
75-84	238	68.4%	110	31.6%
85+	66	47.5%	73	52.5%
Total	1,946	67.0%	957	33.0%

Source: American Community Survey



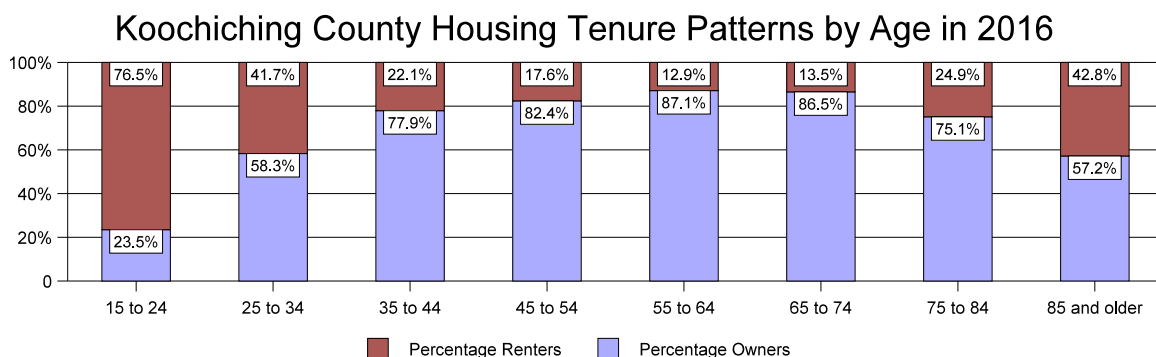
Within the defined age ranges, typical tenure patterns were present, with the households in the youngest and oldest age ranges showing a high percentage rental occupancy, while middle-aged and older adult households were primarily home owners. Approximately 83% of households age 24 and younger, 47% of households in the 25 to 34 age range and 53% of the households age 85 and older rented their unit. Home ownership rates for each of the 10-year age cohorts between ages 35 to 84 were approximately 68% or higher.

Koochiching County Tenure by Age of Householder

The 2016 American Community Survey provided information on the tenure distribution of households within each defined age range. The following table examines the number and percentage of renters and owners in each age group in Koochiching County.

Table 13 Koochiching County Tenure by Age of Householder - 2016				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	44	45.6%	83	65.4%
25-34	372	57.9%	270	42.1%
35-44	528	67.2%	258	32.8%
45-54	961	89.1%	117	10.9%
55-64	1,192	88.5%	155	11.5%
65-74	815	90.0%	91	10.0%
75-84	466	74.2%	162	25.8%
85+	167	76.6%	51	23.4%
Total	4,545	79.3%	1,187	20.7%

Source: American Community Survey



Within the defined age ranges, typical tenure patterns were present, with the households in the youngest age ranges showing a high percentage rental occupancy, while middle-aged and older adult households were primarily home owners. Approximately 65% of households age 24 and younger and 42% of households in the 25 to 34 age range rented their unit. Home ownership rates for each of the 10-year age cohorts age 35 and older were approximately 67% or higher.

2016 Income Data

Household and family income estimates are available at the City, County and State level through the 2016 American Community Survey. No median income information exists for the Market Areas.

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

Table 14 Median Income - 2010 to 2016						
Households				Families		
	2010 Median	2016 Median	% Change	2010 Median	2016 Median	% Change
International Falls	\$30,214	\$38,750	28.3%	\$53,848	\$52,045	-3.3%
Littlefork	\$43,409	\$36,953	-14.9%	\$51,154	\$54,500	6.5%
Big Falls	\$30,833	\$31,131	1.0%	\$40,625	\$46,250	13.8%
Ranier	\$41,250	\$54,750	32.7%	\$61,458	\$64,000	4.1%
Northome	\$38,036	\$29,583	-22.2%	\$43,958	\$38,750	-11.8%
Mizpah	\$25,750	\$25,250	-1.9%	\$19,167	\$25,500	33.0%
Koochiching Co.	\$39,571	\$44,929	12.4%	\$57,963	\$62,976	8.6%
State of Minnesota	\$57,253	\$63,217	10.4%	\$71,307	\$79,595	11.6%

Source: American Community Survey

Income information contained in the 2016 American Community Survey shows household income growth from 2010 to 2016 in International Falls, Big Falls, Ranier and Koochiching County. The remaining jurisdictions had a decrease in their median household income levels.

Littlefork, Big Falls, Ranier, Mizpah and Koochiching County all had family median income growth from 2010 to 2016. The remaining jurisdictions had a decrease in their median family income levels.

The Cities' and County's median household and family incomes were all lower than the Minnesota median household and family incomes in 2016.

Family household incomes tend to be higher than the overall household medians, as families have at least two households members and potentially more income earners.

Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in **Koochiching County** could afford approximately \$990 per month for ownership or rental housing in 2017. A family at the median income level for the County could afford approximately \$1,440 for housing costs.

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

In 2016, the median income level for owner households in Koochiching County was \$54,507. At 30% of income, a median income owner household could apply approximately \$1,367 to a mortgage without experiencing a housing cost burden.

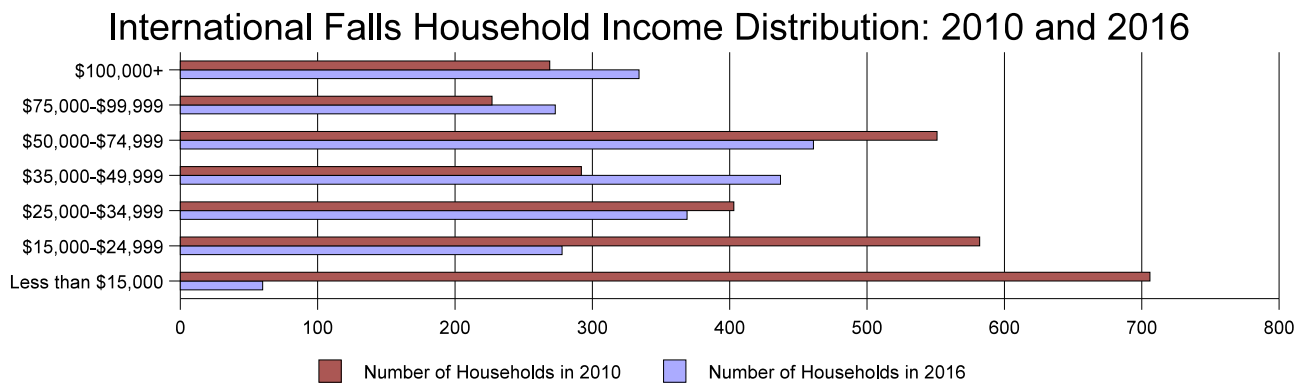
In 2016, the estimated median household income for renters in Koochiching County was approximately \$18,092. At 30% of income, a median income renter in the County could apply approximately \$452 to gross rent without experiencing a housing cost burden.

International Falls Household Income Distribution

The 2016 American Community Survey household income estimates for the City of International Falls can be compared to the same distribution information from 2010 to examine changes that have occurred from 2010 to 2016.

Table 15 International Falls Household Income Distribution: 2010 to 2016			
Household Income	Number of Households 2010	Number of Households in 2016	Change 2010 to 2016
\$0 - \$14,999	706	60	-101
\$15,000 - \$24,999	582	278	-304
\$25,000 - \$34,999	403	369	-34
\$35,000 - \$49,999	292	437	145
\$50,000 - \$74,999	551	461	-90
\$75,000 - \$99,999	227	273	46
\$100,000+	269	334	65
Total	3,030	2,757	-273

Source: American Community Survey



The 2010 American Community Survey provides data on 3,030 households in International Falls. The 2010 U.S. Census reported 2,903 households in the City. However, it is still a good indicator of household income distribution.

According to income estimates contained in the 2016 American Community Survey, household incomes have improved in International Falls. When compared to the 2010 American Community Survey, there was a net increase of 166 households with an income of \$35,000, or more. Conversely, there was a decrease of 439 households with incomes below \$35,000. However, there were still 338 households in International Falls that had an annual income below \$25,000 in 2016. This is approximately 12% of all households in the City of International Falls.

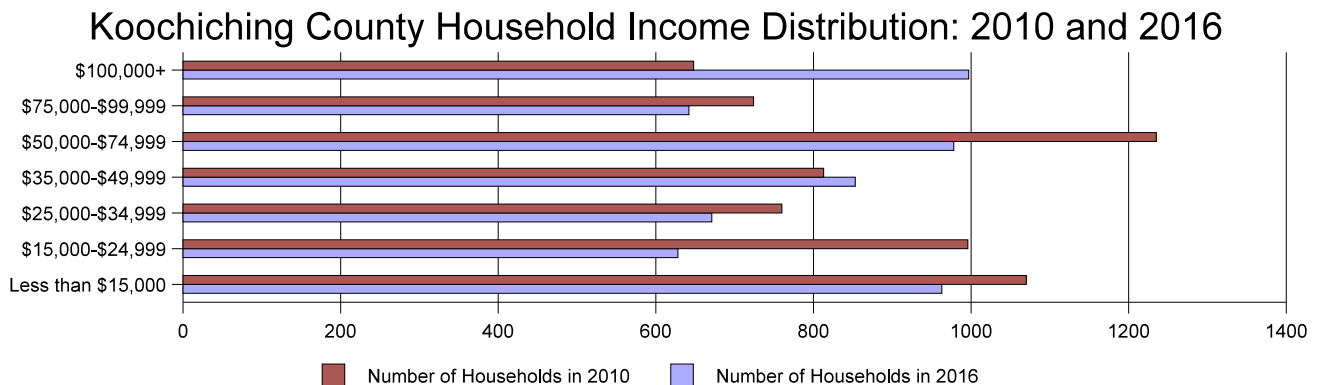
Koochiching County Household Income Distribution

The 2016 American Community Survey household income estimates for Koochiching County can be compared to the same distribution information from 2010 to examine changes that have occurred from 2010 to 2016.

Table 16 Koochiching County Income Distribution - 2010 to 2016			
Household Income	Number of Households 2010	Number of Households in 2016	Change 2010 to 2016
\$0 - \$14,999	1,070	963	-107
\$15,000 - \$24,999	996	628	-368
\$25,000 - \$34,999	760	671	-89
\$35,000 - \$49,999	813	853	40
\$50,000 - \$74,999	1,235	978	-257
\$75,000 - \$99,999	724	642	-82
\$100,000+	648	997	349
Total	6,246	5,732	-514

Source: American Community Survey

The 2010 American Community Survey provides data on 6,246 households. The 2010 U.S. Census reported 5,874 households in Koochiching County. Therefore, it appears that the American Community Survey overestimated the number of households. However, this source still represents the best available information on household income distribution.



According to income estimates contained in the 2016 American Community Survey, household incomes have improved in Koochiching County. When compared to the 2010 American Community Survey, there was a net increase of 50 households with an income of \$35,000, or more. Conversely, there was a decrease of 564 households with incomes below \$35,000. However, there were still 1,591 households in Koochiching County that had an annual income below \$25,000 in 2016. This is approximately 28% of all households in Koochiching County.

International Falls Income Distribution by Housing Tenure

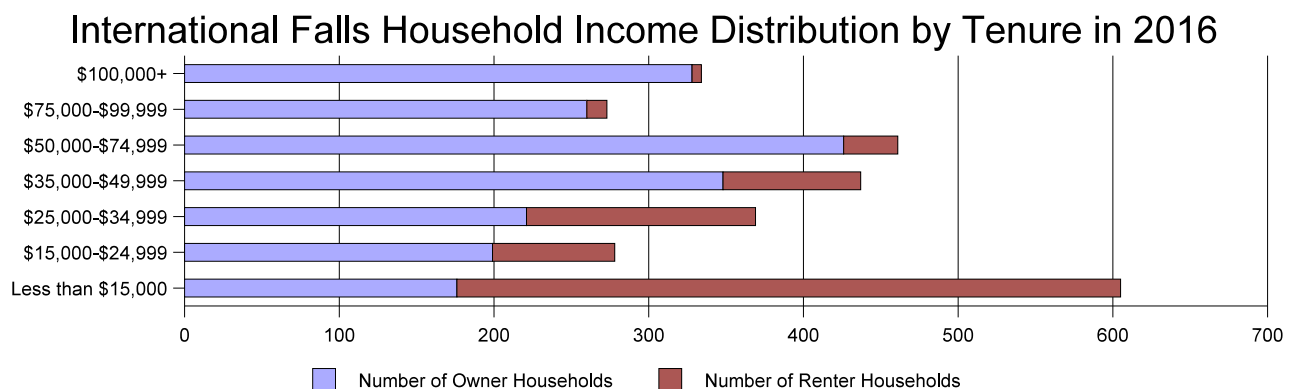
The 2016 American Community Survey provides an income estimate by owner and renter status. The following table examines income distribution within the City of International Falls.

Table 17 International Falls Household Income by Tenure - 2016			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	176/29.1%	429/70.9%	605
\$15,000 - \$24,999	199/71.6%	79/28.4%	278
\$25,000 - \$34,999	221/59.9%	148/40.1%	369
\$35,000 - \$49,999	348/79.6%	89/20.4%	437
\$50,000 - \$74,999	426/92.4%	35/7.6%	461
\$75,000 - \$99,999	260/95.2%	13/4.8%	273
\$100,000+	328/98.2%	6/1.8%	334
Total	1,958	799	2,757

Source: American Community Survey

It appears that the 2016 American Community Survey has undercounted the number of renter households in International Falls. However, it is still a good indicator of renter household income distribution.

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



In 2016, approximately 82% of all renter households in International Falls had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs.

Conversely, a majority of the owner households had a substantially higher income level. Approximately 52% of all owner households had an annual income of \$50,000 or more. At 30% of income, these owners could afford approximately \$1,365 or more per month for housing costs.

Koochiching County Income Distribution by Housing Tenure

The 2016 American Community Survey provides an income estimate by owner and renter status. The following table examines income distribution within Koochiching County.

Table 18 Market Area Household Income by Tenure - 2016			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	414/43.0%	549/57.0%	963
\$15,000 - \$24,999	496/79.0%	132/21.0%	628
\$25,000 - \$34,999	462/68.9%	209/31.1%	671
\$35,000 - \$49,999	705/82.6%	148/17.4%	853
\$50,000 - \$74,999	917/93.8%	61/6.2%	978
\$75,000 - \$99,999	590/91.9%	52/8.1%	642
\$100,000+	961/96.4%	36/3.6%	997
Total	4,545	1,187	5,732

Source: American Community Survey

It appears that the 2016 American Community Survey has undercounted the number of renter households in Koochiching County. However, it is still a good indicator of renter household income distribution.

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

Koochiching County Household Income Distribution by Tenure in 2016



In 2016, approximately 75% of all renter households in the Koochiching County had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs.

Conversely, a majority of the owner households had a substantially higher income level. Approximately 54% of all owner households had an annual income of \$50,000 or more. At 30% of income, these owners could afford approximately \$1,365 or more per month for housing costs.

2016 Estimated Income and Rental Housing Costs - International Falls

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

Table 19 Gross Rent as a Percentage of Household Income - 2016			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	61/9.9%	24/13.2%	85/10.6%
20% to 29.9%	143/23.2%	26/14.3%	169/21.2%
30% to 34.9%	59/9.5%	70/38.4%	129/16.1%
35% or more	317/51.4%	36/19.8%	353/44.2%
Not Computed	37/6.0%	26/14.3%	63/7.9%
Total	617/100%	182/100%	799/100%

Source: American Community Survey

According to the American Community Survey, approximately 60% of all renters in the City were paying 30% or more of their income for rent. The large majority of these households were actually paying 35% or more of their income for housing. Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

Although a housing cost burden could be caused by either high housing costs or low household income, in International Falls it was primarily due to low income levels for renters. The majority of the renter households with a housing cost burden had an annual household income below \$25,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$625 or less.

Senior citizen renters (age 65 and older) represented approximately 22% of all households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 78% of all households with a rental cost burden.

2016 Estimated Income and Rental Housing Costs - Koochiching County

The American Community Survey also collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing in Koochiching County.

Table 20 Gross Rent as a Percentage of Household Income - 2016			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	161/18.2%	43/14.1%	204/17.2%
20% to 29.9%	194/22.0%	41/13.5%	235/19.8%
30% to 34.9%	62/7.0%	79/26.0%	141/11.9%
35% or more	391/44.3%	68/22.4%	459/38.7%
Not Computed	75/8.5%	73/24.0%	148/12.4%
Total	883/100%	304/100%	1,187/100%

Source: American Community Survey

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

Although a housing cost burden could be caused by either high housing costs or low household income, in Koochiching County it was primarily due to low income levels for renters. The majority of the renter households with a housing cost burden had an annual household income below \$25,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$625 or less.

Senior citizen renters (age 65 and older) represented approximately 24% of all households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 76% of all households with a rental cost burden.

2016 Estimated Income and Ownership Housing Costs - International Falls

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

Table 21 Ownership Costs as a Percentage of Income - International Falls		
Percentage of Household Income for Housing Costs	Number of Owner Households 2016	Percent of All Owner Households 2016
0% to 19.9%	1,395	71.2%
20% to 29.9%	299	15.3%
30% to 34.9%	41	2.1%
35% or more	223	11.4%
Not Computed	0	0%
Total	1,958	100%

Source: American Community Survey

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 14% of all home owners reported that they paid more than 30% of their income for housing. The majority of these households were paying more than 35% of income for housing costs.

As would be expected, most of the cost-burdened home owners had a mortgage on their home.

2016 Estimated Income and Ownership Housing Costs - Koochiching County

The American Community Survey also provided housing cost estimates for owner-occupants. The following table provides estimates of the number of households in Koochiching County that are paying different percentages of their gross household income for housing costs.

Table 22 Ownership Costs as a Percentage of Income - Koochiching County		
Percentage of Household Income for Housing Costs	Number of Owner Households 2016	Percent of All Owner Households 2016
0% to 19.9%	2,877	63.3%
20% to 29.9%	852	18.8%
30% to 34.9%	179	3.9%
35% or more	601	13.2%
Not Computed	36	0.8%
Total	4,545	100%

Source: American Community Survey

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 17% of all home owners reported that they paid more than 30% of their income for housing. The majority of these households were paying more than 35% of income for housing costs.

As would be expected, most of the cost-burdened home owners had a mortgage on their home.

New Housing Construction

Based on information provided by the City of International Falls, seven single family homes were constructed in International Falls from 2010 to 2017.

No single family attached (twinhome/townhome) units or multi-family rental units were constructed in International Falls from 2010 to 2017.

Koochiching County Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of a total of 1,013 single family/duplex houses in International Falls, Littlefork, Ranier, Big Falls, Mizpah and Northome. All of the houses in Littlefork, Big Falls, Mizpah and Northome were surveyed. The houses in two of International Falls' oldest neighborhoods and one neighborhood in Ranier were surveyed. Except for International Falls, mobile homes were excluded from the analysis. Structures with more than two units were also excluded from the survey.

The boundaries of the two neighborhoods surveyed in International Falls are as follows:

- ▶ Neighborhood #1: North - 6th St.
South - 10th St.
East - 3rd Ave.
West - 9th Ave.

- ▶ Neighborhood #2: North - 6th St.
South - 10th St.
East - 9th Ave.
West - 13th Ave.

- ▶ The Ranier neighborhood that was surveyed includes all of the houses north of County Road 11. Although all of the houses in Littlefork were surveyed, the City was divided into two neighborhoods, north and south of Main St.

Houses that appeared to contain three or more residential units were excluded from the survey. Houses were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated 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 was the lowest rating used. These houses need major renovation to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and may be candidates for demolition and clearance.

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

Minor Repair houses are judged to be generally in good condition and require less extensive repair, such as one major improvement. Houses in this condition category will generally be good candidates for rehabilitation programs because they are 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 23 Windshield Survey Condition Estimate - 2018					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
International Falls					
Neighborhood #1	74/23.4%	141/44.6%	84/26.6%	17/5.4%	316
Neighborhood #2	62/26.3%	98/41.5%	66/28.0%	10/4.2%	236
Total	136/24.6%	239/43.3%	150/27.2%	27/4.9%	552
Littlefork					
Neighborhood #1	48/56.4%	27/31.8%	9/10.6%	1/1.2%	85
Neighborhood #2	56/47.9%	43/36.8%	12/10.2%	6/5.1%	117
Total	104/51.5%	70/34.6%	21/10.4%	7/3.5%	202
Ranier					
Ranier Neighborhood	27/31.4%	34/39.5%	15/17.5%	10/11.6%	86
Big Falls					
Big Falls	24/28.6%	23/27.4%	22/26.2%	15/17.8%	84
Mizpah					
Mizpah	11/45.8%	8/33.3%	2/8.4%	3/12.5%	24
Northome					
Northome	28/43.1%	24/36.9%	11/16.9%	2/3.1%	65
Combined Total					
Total - All Cities	330/32.6%	398/39.3%	221/21.8%	64/6.3%	1,013

Source: Community Partners Research, Inc.

- ▶ Approximately 33% of the houses in the six cities surveyed were sound, 39% need minor repair, 22% need major repair and 6% are dilapidated and beyond repair.

International Falls Mobile/Manufactured Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 97 mobile and manufactured homes located in four mobile and manufactured home parks in the City of International Falls.

Mobile homes were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated 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 was the lowest rating used. Dilapidated mobile homes need major renovation to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and candidates for demolition and clearance.

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

Minor Repair mobile homes are judged to be generally in good condition and require less extensive repair, such as one major improvement. Mobile homes in this condition category may be good candidates for rehabilitation programs because they are in a sellable price range and are economically feasible to repair.

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

Table 24 Windshield Survey Condition Estimate - 2018					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Riverside Trailer Court	8/20.5%	12/30.8%	14/35.9%	5/12.8%	39
Riverview Mobile Home Park	8/24.2%	13/39.4%	12/36.4%	0/0%	33
3 rd Ave. W Mobile Home Park	3/30.0%	5/50.0%	2/20.0%	0/0%	10
Crescent Drive Mobile Home Park	6/40.0%	6/40.0%	3/20.0%	0/0%	15
Total	25/25.8%	36/37.1%	31/32.0%	5/5.1%	97

Source: Community Partners Research, Inc.

- ▶ The mobile/manufactured homes in International Falls are in fair condition. Approximately 37% of the mobile homes need minor repair and 32% need major repair. Approximately 26% are sound, with no required improvements.
- ▶ Five mobile homes were dilapidated and possibly beyond repair.

Home Sales

The Koochiching County Assessor's Office maintains annual residential sales records. For the following analysis, sales were reviewed for each calendar year, dating back to the year 2010. Information for 2018 is partial-year.

For each year, only "qualified" sales were included. Qualified sales are considered to be "arms length" transactions, and exclude certain sales such as sales between relatives, forced sales and foreclosures, and estate transfers that are not available on the open market. The Assessor's Office makes the determination of qualified sales for their annual sales ratio study.

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

The County's qualified sales data primarily look at existing homes. The information maintained by the Assessor is based on the comparison of taxable valuation to actual sales price. Since newly constructed houses do not generally have a prior value, they are not typically included in the sales sample.

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

The sales price that has been used reflects an "adjusted" price which removes any personal property or seller contributions that are included in the final sale, such as financial contributions to closing costs, etc. These adjustments are made by the County Assessor.

City of International Falls

International Falls has the largest number of annual transactions of any City in Koochiching County. The following table provides information for each year dating back to 2010.

Table 25 Residential Sales in International Falls: 2010-2018*				
Year	Number of Sales	Median Price	Highest Price	Lowest Price
2018*	27	\$69,250	\$214,900	\$22,300
2017	75	\$78,450	\$190,500	\$15,000
2016	66	\$74,675	\$223,000	\$18,500
2015	67	\$71,500	\$173,500	\$18,250
2014	79	\$59,100	\$282,000	\$16,500
2013	67	\$63,000	\$201,900	\$11,000
2012	86	\$71,000	\$235,000	\$10,000
2011	75	\$83,500	\$315,000	\$10,000
2010	63	\$56,800	\$195,500	\$10,000

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

* Partial-year

Excluding partial-year information for 2018, there have been more than 60 good sales in each of the other years reviewed. Over this time, the annual median has ranged from a low of \$56,800 in 2010, to a high of \$83,500 in 2011. Although the median price has varied from year to year, it has been above \$71,000 since 2015, and the partial-year information for 2018 also shows a median of approximately \$70,000.

The table above also includes information on the highest annual sale prices. In each of the years reviewed, at least one house has sold for more than \$173,000. In most years, sales above \$200,000 have been recorded.

Some lower-valued sales also occur annually, and excluding 2018, at least one house has sold each year for less than \$20,000.

An alternate home value estimate is available from the 2016 American Community Survey. This source places the midpoint owner-occupied house value at \$84,100, higher than the median sale price that year of nearly \$75,000.

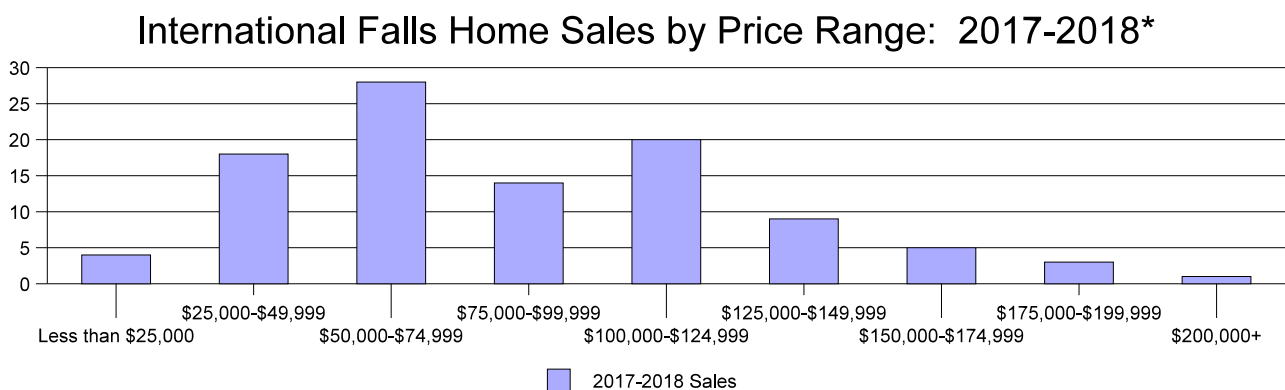
Home Sales by Price Range

The following table looks at single family houses that have been sold in 2017 and 2018 (partial-year) in International Falls.

Sale Price	Number of Sales	Percent of Sales
Less than \$25,000	4	3.9%
\$25,000 - \$49,999	18	17.6%
\$50,000 - \$74,999	28	27.5%
\$75,000 - \$99,999	14	13.7%
\$100,000 - \$124,999	20	19.6%
\$125,000 - \$149,999	9	8.8%
\$150,000 - \$174,999	5	4.9%
\$175,000 - \$199,999	3	2.9%
\$200,000+	1	1.0%
Total	102	100%

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

*2018 sales are partial-year



A large majority of the home sales in International Falls have occurred in the price ranges below \$125,000. Overall, fewer than 18% of recent home sales were for \$125,000 or more.

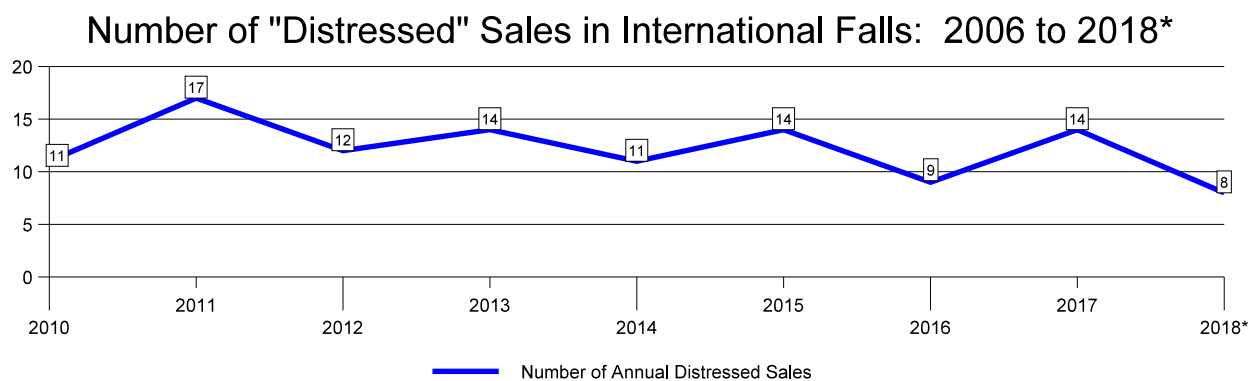
Bank-owned Sales

The records obtained from Koochiching County also included information on rejected sales, including “distressed” transfers. These included bank-owned sales, government sales and other forced sale transactions, often the result of prior foreclosure activity. In many parts of the State, distressed property sales had a negative impact on home values, as these sales often were completed at below-market pricing.

In International Falls, there were:

- ▶ 11 distressed sales in 2010
- ▶ 17 in 2011
- ▶ 12 in 2012
- ▶ 14 in 2013
- ▶ 11 in 2014
- ▶ 14 in 2015
- ▶ 9 in 2016
- ▶ 14 in 2017
- ▶ 8 year-to-date in 2018

In most communities, the number of distressed sales has been decreasing, after peaking earlier in this decade. But in International Falls, the volume of transactions has remained relatively stable over time.



Rental Housing

U.S. Census Inventory

According to the 2010 U.S. Census, there were 957 occupied rental units and 62 vacant rental units for a total estimated rental inventory of 1,019 units in International Falls. The City's rental tenure rate in 2010 was 33.0%, above the Statewide rental rate of 27%.

At the time of the 2000 Census, International Falls had 878 occupied rental units and 112 vacant rental units, for a total estimated rental inventory of 990 units. Between the 2000 Census and the 2010 Census, the City added 79 renter households and 29 rental units to the total inventory.

From 2000 to 2018, no market rate or subsidized rental units were constructed in International Falls. However, 24 assisted living units were constructed in 2013. It is estimated that in 2018, there are approximately 1,042 rental units in International Falls.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily rental buildings in the City. The survey focused on larger rental projects with six or more units. However, we also collected some information from other rental properties, such as single family homes, mobile homes, duplexes, small rental buildings and units in mixed-use buildings. Information was collected in September and October, 2018.

Several attempts were made to contact each building. Information was tallied separately for different types of rental housing, including market rate units, subsidized housing, and senior housing with services facilities.

There were 668 rental housing units of all types that were contacted in the survey. This represents approximately 64% of the rental units in the City. The breakdown of units surveyed is as follows:

- ▶ 317 market rate units
- ▶ 257 subsidized units for general occupancy
- ▶ 94 senior housing with services units

A 54-bed skilled nursing home was also surveyed. The findings of the survey are provided below.

Market Rate Summary

Usable information was obtained on 317 market rate rental units in large rental projects, small rental buildings, mixed-use buildings, duplexes, single family homes and mobile homes.

Unit Mix

We obtained bedroom mix information on 135 market rate rental units. The bedroom mix is as follows:

- ▶ 2 efficiency (1.5%)
- ▶ 39 one-bedroom (28.9%)
- ▶ 67 two-bedroom(49.6%)
- ▶ 26 three-bedroom (19.3%)
- ▶ 1 four-bedroom (0.7%)

Occupancy / Vacancy

We found approximately 13 vacant units in the 317 market rate units that we surveyed. The 13 units represented a vacancy rate of 4.1%.

At the time of the survey, **Shorewood Apartments** had four vacancies and South Falls Apartments/Townhomes and Robb Ross Apartments both reported no vacancies. The 246 units in single family homes, mobile homes, mixed-use buildings and small rental buildings had approximately 9 vacancies.

Rental Rates

Rental rates in the market rate segment are generally moderate. Most of the market rate rental properties in the City are 30 or more years old.

Some of the units include the primary utility payments with the rent, while in other cases, the tenant pays the major utilities in addition to rent. We have attempted to estimate tenant paid utilities into a gross rent estimate for the following rent ranges:

	<u>Unit Type</u>	<u>Rent Range</u>
▶	Efficiency	\$370-\$400
▶	One-bedroom	\$400-\$800
▶	Two-bedroom	\$465-\$850
▶	Three-bedroom	\$510-\$950

There is a wide rent range based on the quality, size and age of the units.

Tax Credit Summary

We did not identify any tax credit rental units in International Falls.

Subsidized Summary

There are six federally subsidized rental projects in International Falls. Combined, these projects have 265 units of subsidized rental housing. The six subsidized projects are all general occupancy, however, one project, Woodland Park Apartments with 80 units, was a senior/disabled project, but has converted to general occupancy.

The six subsidized International Falls projects include:

- ▶ **Woodland Park Apartments** - Woodland Park Apartments includes 80 general occupancy HUD Public Housing units. The project includes 78 one-bedroom and two two-bedroom units. The project is owned and managed by the International Falls HRA.
- ▶ **West Falls Estates** - West Falls Estates is a Section 8 HUD 80-unit general occupancy project. The project has 57 one-bedroom, 17 two-bedroom and six three-bedroom units.

- ▶ **Fairview Horizon** - Fairview Horizon includes eight USDA Rural Development general occupancy units. The project has four one-bedroom and four two-bedroom units. This project is owned and managed by Kootasca.
- ▶ **Hampton Court** - Hampton Court is a 28-unit USDA Rural Development general occupancy project that includes 18 one-bedroom and 10 two-bedroom units.
- ▶ **South Falls Apartments and Townhomes** - South Falls Apartments and Townhomes is a 33-unit HUD Section 8 project. There are 27 one-bedroom, four two-bedroom and two three-bedroom units. The project also has 37 market rate rental units.
- ▶ **Falls South Apartments and Townhomes** - Falls South Apartments and Townhomes is a 36-unit general occupancy subsidized HUD Section 8 Project. There are 16 one-bedroom units, eight two-bedroom units and 12 three-bedroom units.

Occupancy / Vacancy

We found eight vacancies in the 265 subsidized units at the time of the survey. This is a 3.0% vacancy rate. Falls South Apartments and Townhomes had three vacancies, Woodland Park Apartments had four vacancies, and Hampton Court had one vacancy. South Falls Apartments and Townhomes, West Falls Estates and Fairview Horizon were fully occupied.

Unit Mix

The bedroom mix on the 265 subsidized units is as follows:

- ▶ One-bedroom - 200 (75.5%)
- ▶ Two-bedroom - 45 (17.0%)
- ▶ Three-bedroom - 20 (7.5%)
- ▶ Total - 265

Rental Rates

The subsidized units have access to project-based rent assistance. These units charge rent based on 30% of the tenant's household income up to a market rate.

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. We are not aware of any subsidized projects that have converted from subsidized to market rate or that have started the process of opting out of their subsidy program.

Tenant-Based Rent Assistance

In addition to these subsidized projects, Koochiching County has approximately 128 households being assisted with HUD Housing Choice Vouchers (formerly Section 8 Existing Program). Approximately 103 of the 128 households are in International Falls.

Housing Choice Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts. The Housing Choice Voucher Program is administered by the Koochiching County HRA. Currently, there is approximately a 10-month waiting list for local households that apply for a Housing Choice Voucher.

Senior Housing with Services

The International Falls/Ranier Market Area has the following senior with services projects:

- ▶ **River's Edge Villas** - River's Edge Villas is a 27-unit independent/light services project. The project is part of the Good Samaritan campus. The project includes one-bedroom, one-bedroom plus den and two-bedroom units.
- ▶ **Northwinds Assisted Living** - Northwinds Assisted Living is a 24-unit assisted living project that was constructed in 2013. All of the units have one-bedroom. The project is part of the Good Samaritan campus.
- ▶ **Good Samaritan Skilled Nursing Care** - Good Samaritan Skilled Nursing Care is a 54-bed skilled nursing facility that was constructed in 2013. The skilled nursing home is part of the Good Samaritan campus. The facility includes long-term and short-term rehab beds.
- ▶ **Ranier Roost** - Ranier Roost is located in the City of Ranier and is a 23-bed secure assisted living memory care facility. The facility opened in 1987.
- ▶ **Papermakers Place** - Papermakers Place is an eight-bed assisted living facility located in rural International Falls. The facility provides the full array of assisted living services.
- ▶ **Ridgeview Assisted Living** - Ridgeview Assisted Living is a 12-bed assisted living facility located in International Falls. The facility opened for occupancy in 2005.

Occupancy / Vacancy

At the time of the survey, River's Edge Villas and Papermakers Place had one vacancy. Northwinds Assisted Living, Ranier Roost and Ridgeview Assisted Living had two vacancies.

Good Samaritan Skilled Nursing Care operates at an average 90% occupancy rate.

Student Housing

Rainy Hall is a 23-unit student housing project located on the **Rainy Lake Community College** Campus. There is a capacity of 92 students, however, the Housing Director prefers a 77-person capacity, which allows for some single rooms. Students pay \$1,790 for a single room and \$2,475 for a double room per semester. The units are fully occupied during the school year.

Table 27 International Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
BD Rentals	efficiency 1 Bedroom 2 Bedroom 3 Bedroom 65 Total Units	\$350 \$400 \$500-\$600 \$700 +utilities	No vacancies	General occupancy	BD Rentals includes approximately 65 units in single family homes, duplexes, and several small apartment buildings. Approximately 50 units are in duplexes and apartment buildings and 15 units are single family homes. The rents in the apartment buildings are approximately \$350 for an efficiency, \$400 for a one-bedroom and \$500 for a two-bedroom. Rent includes heat and electricity. The single family home rents are approximately \$600 for a two-bedroom house and \$700 for a three-bedroom house. Tenants pay all utilities. At the time of the survey, BD Rentals had no vacancies.
Hausmann Rentals	Efficiency 1 Bedroom 2 Bedroom 3 Bedroom 4 Bedroom 102 Total Units	\$350 \$450 \$550 \$650 \$750 +utilities	Average 4% vacancy rate	General occupancy	Hausmann Rentals includes approximately 102 rental units in a variety of buildings in single family homes, mobile homes, duplexes, tri-plexes, 4-plexes and larger multi-family buildings. The rentals include efficiency units and 1 to 4 bedroom options. The rents listed are typical for the unit size but can vary by size and quality of the unit. In most units tenants also pay utilities. The owner reports an average 4% vacancy rate.
Jensen Rentals	4 - 2 Bedroom 4 - 3 Bedroom 1 - 4 Bedroom 9 Total Units	\$450-\$550 +utilities	Two vacancies	General occupancy	Jensen Rentals includes nine single family homes. The nine homes include four two-bedroom, four three-bedroom and one four-bedroom unit. The rents range from \$450 to \$550 plus utilities. The owner reported two vacancies, however, the houses are usually fully occupied.

Table 27 International Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
O'Hara Homes Property Management	1 - 1 Bedroom 5 - 2 Bedroom 6 Total Units	\$500 \$425-\$725 +utilities	1 vacancy	General occupancy	O'Hara Homes includes a one-bedroom home, a two-bedroom homes and a 4-plex. The rent is \$425 for the one-bedroom home and \$540 for the two-bedroom home. The rent on the 4-plex units is \$425 for three units and \$725 for a large unit. Tenants also pay utilities. The owner reported one vacancy at the time of the survey.
Pollywog Enterprises	2 - Efficiencies 19 - 1 Bedroom 20 - 2 Bedroom 8 - 3 Bedroom 49 Total Units	\$350 \$420-\$600 \$500-\$600 \$650-\$750 + some utilities	Two vacancies	General occupancy	Pollywog Enterprises includes 49 units in 22 single family homes, duplexes and apartment buildings. Rents are \$350 for an efficiency, \$420 to \$600 for a two-bedroom unit and \$650 to \$750 for a three-bedroom unit. Utilities vary from tenants paying limited utilities to paying all utilities. The owner reported two vacancies at the time of the survey.
Robb Ross Apartments	12 - 2 Bedroom 12 - 3 Bedroom 24 Total Units	\$690-\$740 \$715-\$765 +electric	No vacancies	General Occupancy	Robb Ross Apartments is a 24-unit market rate general occupancy project constructed in 1980. There are 12 two-bedroom and 12 three-bedroom units. The rent includes a garage. Tenants pay electricity in addition to rent. The rent range is due to some units having been renovated. The owner reports no vacancies at the time of the survey, however, the project usually has vacancies.
Shorewood Estates	2 - 1 Bedroom 18 - 2 Bedroom 20 Total Units	\$750 \$770-\$780 +electric	Four vacancies	General occupancy	Shorewood Apartments is a 20-unit market rate project. The 20 units include two one-bedroom and 18 two-bedroom units. Rent is \$750 for a one-bedroom and \$770 to \$780 for a two-bedroom unit. Tenants also pay electricity. The manager reported four vacancies at the time of the survey.

Table 27 International Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
South Falls Apartments & Townhomes	17 - 1 Bdrm Apts 8 - 2 Bdrm TH <u>2 - 3 Bdrm TH</u> 27 Market Rate +33 Subsidized listed separately	\$400 \$465 \$510	No vacancies	General occupancy	South Falls Apartments and Townhomes includes 27 market rate and 33 subsidized HUD Section 8 subsidized units. The 27 market rate units include 17 one-bedroom apartments, eight two-bedroom townhomes and two three-bedroom townhomes. The rent includes utilities. At the time of the survey, the manager reported no vacancies.
Wickstrom Rentals	2 Bedroom <u>3 Bedroom</u> 15 Total Units	\$500-\$600 \$700-\$775 +utilities	No vacancies	General occupancy	Rental units are in 13 single family houses and one duplex. All units have 2 or 3 bedrooms. Tenants pays utilities in addition to rent. Rents can vary based on size and condition. Owner reported no vacancies.

Table 27 International Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Fairview Horizon	4 - 1 Bedroom 4 - 2 Bedroom 8 Total Units	\$492 \$552 30% of Income	No vacancies	General occupancy	Fairview Horizon is an eight-unit USDA Rural Development Project constructed in the 1970s. The project is owned and managed by Kootasca . Tenants pay 30% of their income up to the maximum rent. The manager reported no vacancies at the time of the survey.
Falls South Apartments & Townhomes	16 - 1 Bdrm Apts 8 - 2 Bdrm TH 12 - 3 Bdrm TH 36 Total Units	\$636 \$745 \$853 30% of Income	3 vacancies	General occupancy	Falls South Apartments and Townhomes includes 36 subsidized Section 8 rental units. The units include 16 one-bedroom apartments, eight two-bedroom townhomes and 12 three-bedroom townhomes. Tenants pay 30% of their income up to the market rent. The market rents are \$636 for a one-bedroom apartment, \$745 for a two-bedroom townhome and \$853 for a three-bedroom townhome. At the time of the survey, the manager reported three vacancies.
Hampton Court	18 - 1 Bedroom 10 - 2 Bedroom 28 Total Units	\$550-\$580 \$610-\$640 30% of Income	1 vacancy	General occupancy	Hampton Court is a 28-unit general occupancy USDA Rural Development Project constructed in the 1980s. There are 18 one-bedroom units and 10 two-bedroom units. Thirteen tenants have rent assistance and pay 30% of their income up to the maximum rent. Tenants without rent assistance pay 30% of their income, but not less than the minimum rent or more than the maximum rent. The manager reported one vacancy at the time of the survey.
South Falls Apartments	27 - 1 Bdrm Apts 4 - 2 Bdrm TH 2 - 3 Bdrm TH 33 Subsidized +27 Market Rate listed separately	\$540 \$660 \$918 30% of Income	No vacancies	General occupancy	South Falls Apartments and Townhomes includes 33 subsidized HUD Section 8 units and 27 market rate units. The units include 27 one-bedroom apartments, four two-bedroom apartments and two three-bedroom townhomes. Tenants pay 30% of their income up to the market rents. The market rents are \$540 for a one-bedroom apartment, \$660 for a two-bedroom apartment and \$918 for a three-bedroom townhome. At the time of the survey, there are no vacancies.

Table 27 International Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
West Falls Estates	57 - 1 Bedroom 17 - 2 Bedroom <u>6 - 3 Bedroom</u> 80 Total Units	\$710 \$690-\$861 \$767 30% of Income	No vacancies, waiting list	General occupancy	West Falls Estates is an 80-unit General Occupancy HUD Section 8 Project. The 80 units include 57 one-bedroom and three two-bedroom apartment units and 14 two-bedroom and six three-bedroom units. Tenants pay 30% of income up to a maximum rent. The manager reported no vacancies and a waiting list.
Woodland Park Apartments	78 - 1 Bedroom <u>2 - 2 Bedroom</u> 80 Total Units	30% of Income \$495 maximum rent	4 vacancies	General occupancy	Woodland Park Apartments is an 80-unit Public Housing Project owned and managed by the International Falls HRA. There are 78 one-bedroom and two two-bedroom units. The project was constructed in 1969. At the time of the survey, there were four vacancies. The manager reported that the project has a very high occupancy rate. The project was a senior/disabled project, but it has converted to general occupancy. However, approximately 75% of the tenants are senior/disabled.

Table 27 International Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior with Services					
Good Samaritan Home International Falls	<u>54 beds</u> 54 Total Beds	Based on level of services	90% occupancy rate	Skilled nursing home	The Good Samaritan skilled nursing home was constructed in 2013 and is part of the Good Samaritan campus. There are 54 beds and includes beds for long-term care as well as short-term rehab care. The facility operates at approximately a 90% occupancy rate.
Northwinds Assisted Living International Falls	<u>24 - 1 Bedroom</u> 24 Total Units	Based on level of services	2 vacancies	Assisted living	Northwinds Assisted Living was constructed in 2013 and is part of the Good Samaritan campus. The project has 24 one-bedroom units. The project provides the full array of assisted living services including 24-hour staffing, medication management, bathing, medication management, housekeeping, laundry, social activities, etc. At the time of the survey, there were two vacancies.
Papermakers Place International Falls	<u>6 Rooms w/8 Beds</u> 8 Total Beds	Based on level of services	1 vacancy	Assisted living	Papermakers Place is a six-bedroom/eight-bed assisted living facility. The facility opened in 2003 and is located in rural International Falls. The facility provides the full array of assisted living services including 24-hour staffing, meals, laundry, medication management, etc. At the time of the survey, there was one vacant bed.
Ranier Roost Ranier	<u>23 Beds - private/semi-private rooms</u> 23 Total Beds	Based on level of services	2 vacant beds	Memory care	Ranier Roost is a 23-bed assisted living memory care facility that opened in 1987. The facility is located in Ranier. The facility is secure and provides 24-hour staffing, meals, laundry, medication management, social activities, etc. There are private and semi-private beds. At the time of the survey, there were two vacant beds. The facility usually operates at a very high occupancy rate.
Ridgeview Assisted Living International Falls	<u>12 Beds</u> 12 Total Units	Based on level of services	2 vacant beds	Assisted living	Ridgeview Assisted Living includes 12 beds. The facility opened in 2005. The facility provides the array of senior services including meals, laundry, 24-hour staffing, medication management, etc.

Table 27 International Falls Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior with Services					
River's Edge Villas International Falls	1 Bedroom 1 Bdrm+den <u>2 Bedroom</u> 27 Total Units	Based on type of unit and level of services	1 vacancy	Housing with services	River's Edge Villa's is part of the Good Samaritan campus and includes 27 units with one, one-bedroom plus den and two-bedroom units, with 9 different floor plans. The project is independent, light services and includes a noon meal, housekeeping, social activities, etc. At the time of the survey, there was one vacancy, however, the Administrator reported that the units were usually fully occupied and there is a waiting list.

Table 27 International Falls Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Student Housing					
Rainy Hall	<u>23 - 2 Bedroom</u> 23 Total Units	\$1,790 for single \$2,475 for a double per semester	Fully occupied during school year	Students	Rainy Hall is a 23-unit student housing project located on the Rainy Lake Community College Campus. There is a capacity of 92 students, however, the Housing Director prefers a 77-person capacity, which allows for some single rooms. The project is totally occupied during the school year.

Source: Community Partners Research, Inc.

Employment and Economy

While many factors influence the need for housing, employment opportunities represent a predominant demand-generator. Without jobs and corresponding wages, the means to afford housing is severely limited. Employment opportunities are provided by a broad range of private and public business sectors. Jobs are available in manufacturing, commercial services, agriculture, and other industries. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what level of affordability.

Employment and Wages by Industry

The following table shows the annual employment and average annual wages by major employment sector for 2017, 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. Some groups, including self-employment, are not represented. This information is only for all of Koochiching County.

Table 28 Koochiching County Average Annual Wages by Industry: 2017		
Industry	Employment	Average Annual Wage
Total All Industry	4,449	\$40,300
Construction	176	\$49,348
Manufacturing	683	\$76,024
Trade, Transportation, Utilities	946	\$27,300
Information	61	\$33,540
Financial Activities	181	\$45,864
Professional and Business Services	123	\$24,388
Education and Health Services	955	\$40,560
Leisure and Hospitality	645	\$17,732
Other Services	104	\$11,908
Public Administration	446	\$50,544

Source: MN Department of Employment and Economic Development

The average annual wage in Koochiching County for all industry in 2017 was \$40,300. The highest paying wage sector was Manufacturing at more than \$76,000. Manufacturing was also the third largest industry sector for the number of employed people.

The City’s largest employment sector, Education and Health Services, had an average wage of \$40,560 annually, very similar to the Countywide average.

There were two employment sectors in the County, Leisure and Hospitality, and Other Services that had average annual wages below \$20,000 in 2017.

Annual Covered Employment

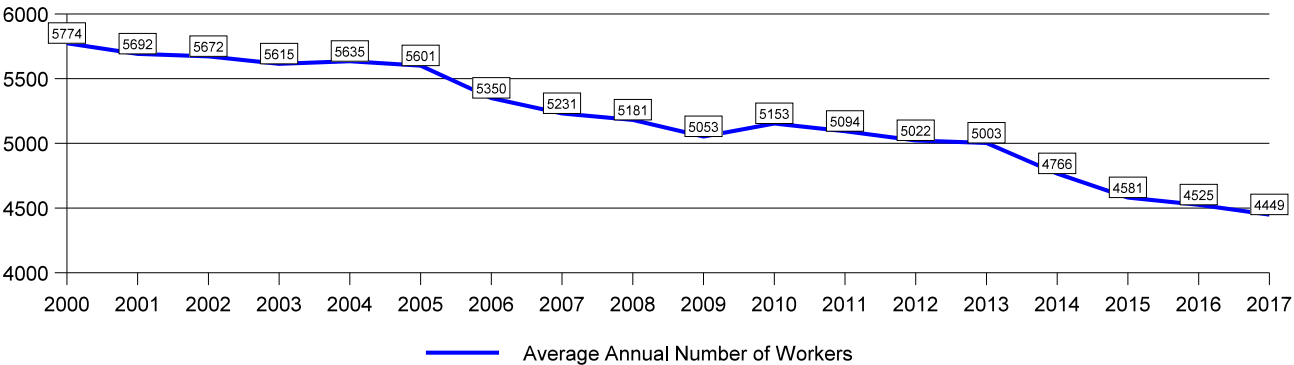
Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location, it is possible to examine longer-term patterns in the employment level. The following table displays the total number of workers reported in Koochiching County back to the year 2000.

Table 29 Koochiching County Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	5,774	2009	5,053
2001	5,692	2010	5,153
2002	5,672	2011	5,094
2003	5,615	2012	5,022
2004	5,635	2013	5,003
2005	5,601	2014	4,766
2006	5,350	2015	4,581
2007	5,231	2016	4,525
2008	5,181	2017	4,449

Source: QCEW - MN Dept. of Employment and Economic Development

When viewed over a longer-term there has been a gradual loss of employment in the County, as tracked by unemployment compensation. If 2017 is compared to the year 2000, there had been a decrease of more than 1,300 jobs. It is important to note that not all employment is covered by unemployment insurance, including people that are self-employed.

Number of Covered Workers in Koochiching County



Labor Force, Work Force and Unemployment

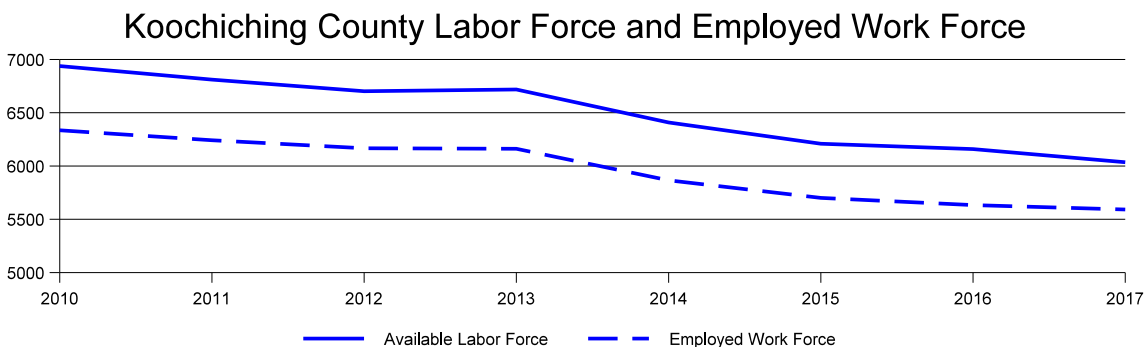
The Minnesota Department of Employment and Economic Development provides employment information for Counties in the State. The following table looks at statistics since 2010. This information tracks the status of people that live in the Koochiching County, regardless of the location of their job.

Table 30 County Labor Force and Employment: 2010 to 2017						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - City	Unemployment Rate - MN	Unemployment Rate - US
2010	6,938	6,336	602	8.7%	7.4%	9.6%
2011	6,811	6,242	569	8.4%	6.5%	8.9%
2012	6,702	6,167	535	8.0%	5.6%	8.1%
2013	6,718	6,162	556	8.3%	5.0%	7.4%
2014	6,409	5,866	543	8.5%	4.2%	6.2%
2015	6,209	5,701	508	8.2%	3.7%	5.3%
2016	6,159	5,634	525	8.5%	3.9%	4.9%
2017	6,036	5,592	444	7.4%	3.5%	4.4%

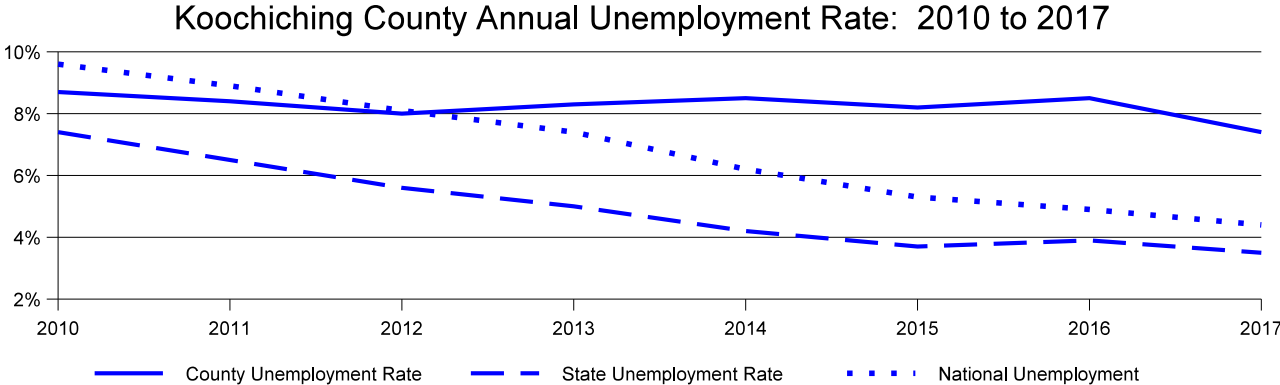
Source: MN Department of Employment and Economic Development

There has been a gradual decrease in the size of the County’s available labor force so far this decade. When comparing 2017 to 2010, the resident labor force decreased by 902 people, or 13%.

There has also been some decrease in the employed resident work force, but that has declined at a slower rate. When comparing 2017 to 2010, the number of employed County residents had decreased by 744 people, or 11.7%. As a result, the unemployment rate has dropped over the past eight years, from 8.7% in 2010 to only 7.4% in 2017.



The County’s unemployment rate has remained well above the Minnesota average since 2010, and has remained above the national rate since 2013.



Commuting Patterns of Area Workers

Information is available on area workers that commute for employment. The best information is from the 2016 American Community Survey, and has been examined for the City of International Falls. This table only examines people that commuted, and excludes people that work at home.

Based on other data reviewed in this section, the City of International Falls is the location for most of the jobs that exist in Koochiching County. Using the unemployment compensation information, approximately 69% of all jobs in the County are in International Falls.

Table 31 Commuting Times for International Falls Residents - 2016		
Travel Time	Number	Percent
Less than 10 minutes	1,637	62.4%
10 to 19 minutes	763	29.1%
20 to 29 minutes	107	4.1%
30 minutes or more	116	4.4%
Total	2,623	100%

Source: American Community Survey

The large majority of International Falls residents were working locally in 2016. Overall, more than 91% were commuting less than 20 minutes to work. Presumably, most residents were working within the City limits.

The American Community Survey also identifies travel time by location of employment. For people that worked in International Falls, the following travel times were identified.

Table 32 Commuting Times for International Falls Employees - 2016		
Travel Time	Number	Percent
Less than 10 minutes	1,955	53.0%
10 to 19 minutes	1,215	32.9%
20 to 29 minutes	260	7.0%
30 minutes +	261	7.1%
Total	3,691	100%

Source: American Community Survey

For people that worked in International Falls, only 14.1% traveled 20 minutes or more. Overall, nearly 86% traveled 19 minutes or less, including people that both lived and worked within International Falls.

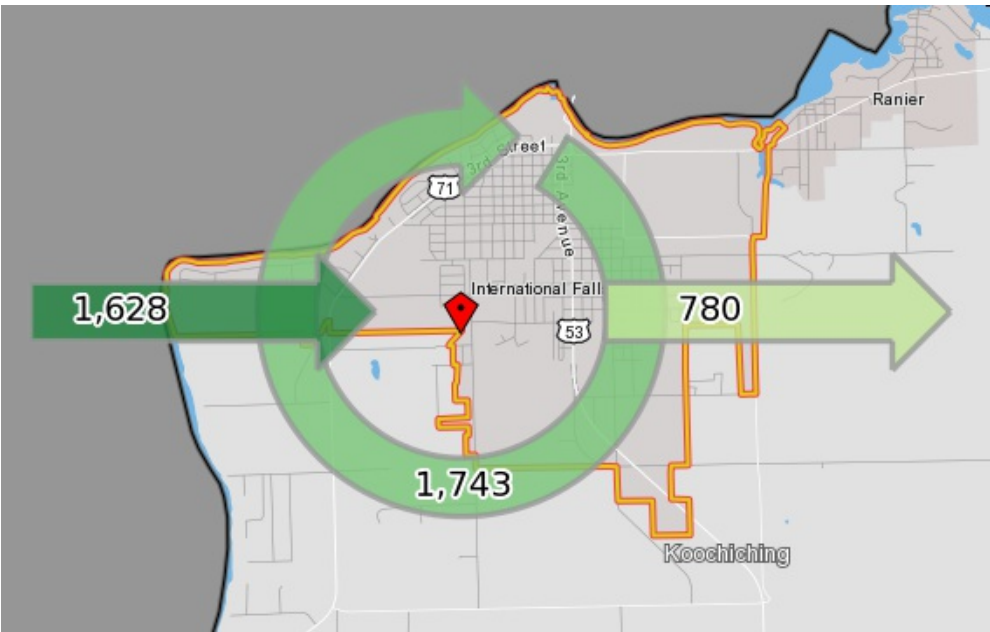
Census On the Map

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

According to this source, there were 3,371 people that were employed within International Falls in 2015. Most of these city-based employees were also living in the City. Overall, nearly 52% of the city-based jobs were filled by residents.

However, there were 1,628 people were commuting in to fill jobs in the City. Overall, more than 48% of the jobs were filled by people not living in International Falls. The primary locations to the City were Rainy Lake **UT**, Ranier, Littlefork and East Koochiching UT. Most of the commuters to the City lived in Koochiching County.

There were also a number of City residents that left International Falls for employment. There were 780 people that worked outside of the City. Among the primary destinations were Rainy Lake UT, Littlefork, Duluth, Bemidji and Hibbing.



Findings on Growth Trends

Population

As part of this Study, Community Partners Research, Inc., has examined growth patterns for the City of International Falls, the International Falls/Ranier Market Area and Koochiching County over the past few decades. The primary data sources had differing opinions about recent changes since 2010.

Esri, estimates that the City had a loss of 468 people over an eight-year period from 2010 to 2018. This source showed the biggest reduction in the City's population so far this decade. In comparison, the State Demographer's estimate showed a loss of 273 people from 2010 to 2017, and the Census Bureau showed a loss of 432 people from International Falls during the same time period.

Although there are differences between these sources, all show a declining population for the City since 2010. If viewed as an annual average, the City has lost between 34 and 59 people per year.

Esri estimates that the International Falls/Ranier Market Area had a loss of 470 people and Koochiching County had a loss of 447 people from 2010 to 2018. There are no comparable estimates for the Market Area from the State Demographer or the Census Bureau, since these sources do not provide annual estimates for the individual Unorganized Territories. However, both of these sources also do issue County estimates. The State Demographer showed the County's population decreasing by 672 people between 2010 and 2016, while the Census Bureau showed a reduction of 783 people. Both of these sources were tracking larger losses than Esri so far this decade.

The estimated loss of population in the area is a continuation of longer-term trends. International Falls, the International Falls/Ranier Market Area and Koochiching County all had population losses from 2000 to 2010. The City's population decreased by 279 people, the International Falls/Ranier Market Area's population decreased by 743 people and Koochiching County's population decreased by 1,044 people.

Households

There are also differences in the household estimates. The 2018 Esri estimate shows International Falls losing 225 households from 2010 to 2018, while the 2017 State Demographer estimate shows International Falls losing only 35 households.

Esri estimates that from 2010 to 2018, the International Falls/Ranier Market Area had a loss of 425 households. Esri estimates that Koochiching County had a loss of 420 households from 2010 to 2018, but the State Demographer estimates the County had a loss of only 54 households from 2010 to 2017. It is not clear why the differences exist between these data sources.

International Falls, the Market Area and all of Koochiching County each had household losses from 2000 to 2010. The City of International Falls had a loss of 56 households. The Market Area had a loss of 123 households and the County had a loss of 166 households during that decade.

Findings on Projected Growth

The Minnesota State Demographer's Office has not produced any recent projections for population or household growth. As a result, no useful information is available from this source.

Esri projects that International Falls will lose 302 people and 144 households from 2018 to 2023. Esri projects that the International Falls/Ranier Market Area will lose 403 people and 191 households from 2018 to 2023. Esri projects that Koochiching County will lose 467 people and lose 219 households from 2018 to 2023.

Esri's projections to the year 2023 are generally consistent with their belief that there has been a decreasing number of residents in the area since 2010. However, it is very possible that Esri has overestimated the recent losses, and therefore has generated overly pessimistic projections going forward.

Although the analysts have reviewed the available projections, in the recommendations that follow it has been assumed that the losses will not be as large as projected by Esri. However, there is also no information that would indicate that the area will actually add population or households over the next five years.

Summary of the International Falls Projections by Age - 2018 to 2023

The Demographic section of this Study presented projection information on anticipated changes in the City of International Falls from 2018 to 2023. This information can be informative in determining the housing changes that may be needed due to age patterns of the City's population.

The age-based projections from 2018 to 2023 in International Falls expect a loss of 47 households in the 15 to 34 age ranges and a loss of 133 households in the 35 to 64 age ranges. There is a projected gain of 36 households in the 65 and older age ranges.

The following forecast shows the expected net change in the number of International Falls households in each 10-year age cohort between 2018 and 2023.

<u>Age Range</u>	<u>Projected Change in Households 2018 to 2023</u>
15 to 24	-12
25 to 34	-35
35 to 44	-5
45 to 54	-61
55 to 64	-67
65 to 74	24
75 and Older	<u>12</u>
Total	-144

As stated previously, these projections may be overly pessimistic, but they do provide some useful indications of the age-based changes that can be expected.

Findings on Unit Demand by Type of Housing

Based on the household by age projections presented earlier, the changing age composition of International Falls households from 2018 to 2023 will have an impact on demand for housing.

Age 24 and Younger - The projection used for this Study expects a loss of 12 households in the 15 to 24 age range from 2018 to 2023. Past tenure patterns indicate that approximately 77% of the households in this younger range in the City will rent their housing. A small loss in the number of households in this age range should mean that rental demand from younger households will decrease slightly during the projection period.

25 to 34 Years Old - The projection shows a loss of 35 households in this age cohort by 2023. Within this age range, households often move from rental to ownership housing. A loss of households within this age range will result in a decrease in demand for both first-time home buyer and rental opportunities in this age range.

35 to 44 Years Old - This 10-year age cohort has a projected loss of five households between 2018 and 2023 in International Falls. In the past, this age group has had a high rate of home ownership in the City of approximately 78%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house. Household losses in this age cohort would result in a decrease in overall demand for owner-occupied housing.

45 to 54 Years Old - By 2023, this age cohort will represent the front-end of the “baby bust” generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For the City, the projection shows a decrease of 61 households in this age range. This age group will often look for trade-up housing opportunities. With a significant household decrease in this age group, the demand for trade-up housing from this age range will decrease through the year 2023.

55 to 64 Years Old - The projection shows a loss of 67 households in this 10-year age range by the year 2023 in the City. This age range has traditionally had a high rate of home ownership at approximately 87%. Age-appropriate housing, such as town house or twin home units, 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.

65 to 74 Years Old - Most of the baby boom generation will be in this age range in 2023. A gain of 24 households is expected in the City within this age range by the year 2023. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 75% of households in this age range owned their housing in the City. Preferences for age-appropriate units should increase from the substantial household growth within this age cohort.

75 Years and Older - There is a projected gain of 12 households in the City in this age range between 2018 and 2023. In the past, households age 75 and older, have had a rate of home ownership that is lower than the younger age ranges. An expansion of other housing options for seniors, including high quality rental housing, should appeal to this age group. 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.

These demographic trends will be incorporated into the recommendations that follow later in this section.

Summary of the International Falls/Ranier Market Area Projections by Age - 2018 to 2023

The Demographic section of this Study presented projection information on anticipated changes in the International Falls/Ranier Market Area from 2018 to 2023. This information can be informative in determining the housing changes that may be needed due to age patterns of the area population.

The age-based projections from 2018 to 2023 in the International Falls/Ranier Market Area expect a loss of 52 households in the 15 to 34 age ranges and a loss of 240 households in the 35 to 64 age ranges. There is a projected gain of 101 households in the 65 and older age ranges.

The following forecast shows the expected net change in the number of International Falls/Ranier Market Area households in each 10-year age cohort between 2018 and 2023.

<u>Age Range</u>	<u>Projected Change in Households 2018 to 2023</u>
15 to 24	-12
25 to 34	-40
35 to 44	- 19
45 to 54	-98
55 to 64	-123
65 to 74	62
75 and Older	<u>39</u>
Total	-191

International Falls - Strengths and Barriers for Housing Development

Strengths for Housing Development

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

- ▶ **International Falls serves as a regional center** - International Falls provides employment opportunities, retail/service options, health services, professional services, governmental services and recreational facilities for a geographical area that surrounds the City.
- ▶ **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 2017 sales is approximately \$78,450. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Diverse housing stock** - The City has a mix of housing options, including rental housing units for various household types, owner-occupied homes at various values and senior with services housing.
- ▶ **Desirable location for seniors and retirees** - International Falls is an attractive option for seniors as a retirement location. As a provider of health care, specialized housing, retail and government services, the City has amenities that are attractive for seniors as they age.
- ▶ **Educational System** - The City has a public K-12 school system and **Rainy Lake Community College** is located in International Falls.
- ▶ **Health facilities** - The City has excellent health facilities including clinics and a hospital, as well as a nursing home and senior housing with service projects.
- ▶ **Infrastructure** - The City's water and sewer infrastructure can accommodate future expansion.
- ▶ **Commercial Development** - The City's commercial district is adequate to meet daily needs.

- ▶ **International Falls and Koochiching County Housing and Redevelopment Authorities** - The International Falls and Koochiching Housing and Redevelopment Authorities provide affordable housing opportunities in International Falls and Koochiching County, including Woodland Park Apartments and the Housing Choice Voucher Program.
- ▶ **Commuters** - More than 1,600 employees are commuting into International Falls daily for work. These commuters are a potential market for future housing construction.
- ▶ **Koochiching and International Falls Economic Development Authorities** - Both International Falls and Koochiching County have Economic Development Authorities that are active in addressing the City's economic development, community development and housing needs.
- ▶ **Kootasca Community Action, Inc. (Kootasca)** - The City has access to Kootasca, which is active in addressing the area's housing needs and in providing funding for housing projects and programs.
- ▶ **Natural Amenities** - International Falls is surrounded by lakes and forest, which provide excellent building sites and numerous recreation opportunities.
- ▶ **Entry to Canada** - International Falls is located at the border of the United States and Canada. Many tourists and vacationers enter Canada from International Falls. Also, Canadians often come to International Falls for shopping, entertainment, services, etc.

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 International Falls.

- ▶ **Age and condition of the housing stock** - While the existing stock is very affordable, some of the housing is in need of substantial improvements to meet expectations of potential buyers.
- ▶ **Lower incomes limit housing choices** - Household and family incomes for International Falls are lower than the Statewide medians. 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** - Some jobs in International Falls are at the lower end of the pay scale and the employees with these jobs have limited housing choices.
- ▶ **Value gap deters new owner-occupied construction** - Based on market values for recent residential sales, we estimate that the median priced home in International Falls is valued at approximately \$78,450. This is below the comparable cost for new housing construction, which will generally be above \$175,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building and can also deter customized construction, unless the owners are willing to accept a potential loss on their investments.
- ▶ **Low rent structure** - The City's rent structure is low, which makes it difficult to construct new rental housing.
- ▶ **Limited land availability** - International Falls is largely landlocked, which limits residential development opportunities.
- ▶ **Competition with rural and lake lots** - Attractive rural and lake lots and acreages are available outside of the city limits of International Falls.

- ▶ **Lack of new housing construction** - New housing construction has been limited over the past several years.
- ▶ **Lack of buildable lots** - The City has only a few remaining buildable lots available for new housing construction.
- ▶ **Distance from a large regional center** - International Falls is located 163 miles from Duluth, which is the closest large regional center. Some households desire or need to be close to a large regional center for employment, medical services, etc.
- ▶ **Job losses** - International Falls' largest employer has significantly fewer employees than it had at peak employment.
- ▶ **Weather** - International Falls has a perception for cold weather. This may be a deterrent for some households.

International Falls - Recommendations and Opportunities

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 International Falls. They are based on the following strategies.

- ▶ **Be realistic in expectations for housing development** - Large-scale residential growth has not occurred in the recent past and is not likely to occur in the near future. The scale of activities proposed for the future should be comparable with the area's potential for growth.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in International Falls if there is proactive support from the City and local, regional and state housing and economic development agencies.
- ▶ **Protect the existing housing stock** - The future of International Falls will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - International Falls has several assets including a K-12 school, a college, a commercial district, recreational and tourism opportunities, health facilities including clinics and a hospital, employment opportunities, etc. These are strong assets that make International Falls a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past, the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - The City has resources to draw on including the Koochiching County HRA, **KEDA**, USDA Rural Development, MHFA, etc. These resources should continue to be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

The findings/recommendations for the City of International Falls have been formulated through the analysis of the information provided in the previous sections and include a total of 26 recommendations divided into the following five categories:

- ▶ **Rental Housing Development**
- ▶ **Home Ownership**
- ▶ **Single Family New Construction**
- ▶ **Housing Rehabilitation**
- ▶ **Other Housing Initiatives**

The findings/recommendations for each category are as follows:

Findings and Recommendations for the City of International Falls	
Rental Housing Development	
1.	Develop 20 to 24 general occupancy market rate rental units
2.	Promote the development/conversion of 8 to 10 affordable market rate rental housing units
3.	Develop 18 to 20 subsidized/moderate rent housing units
4.	Preserve the existing supply of subsidized housing
5.	Develop 14 to 16 additional senior with services units
6.	Develop a mixed-use commercial/housing project
7.	Continue to utilize the Housing Choice Voucher Program
8.	Student Housing Recommendation
Home Ownership	
9.	Utilize and promote all programs that assist with home ownership
10.	Consider the development of a purchase/rehabilitation program

Findings and Recommendations for the City of International Falls	
New Construction	
11.	Lot availability and lot development
12.	Strategies to encourage residential lot sales and new home construction
13.	Promote town house and twin home development
14.	Coordinate with agencies/nonprofits that develop affordable housing
15.	Strategies to develop new affordable homes
Housing Rehabilitation	
16.	Promote rental housing rehabilitation programs
17.	Promote owner-occupied housing rehabilitation programs
18.	Develop a Neighborhood Revitalization Program
19.	Develop a Rental Housing Registration and Inspection Program
Other Housing Initiatives	
20.	Encourage employer involvement in housing programs
21.	Acquire and demolish dilapidated structures
22.	Strategies for downtown redevelopment
23.	Create a plan and continue coordination among housing agencies
24.	Develop home ownership and new construction marketing programs and strategies
25.	Housing Assistance for the Homeless and Hard to House
26.	Develop mobile home programs and policies

International Falls - Recommendations Rental Housing Development

Rental Housing Development

Overview: In recent decades it has been difficult to produce new rental housing units that are viewed as “affordable” when compared to existing rental housing. A number of factors, including federal tax policy, state property tax rates, high construction costs and a low rent structure, have all contributed to the difficulty in developing rental housing in most Minnesota communities.

From 2010 to 2018, based on City data, no market rate or subsidized rental units have been constructed in International Falls. However, a 24-unit senior with services project was constructed.

Demand for new rental housing is typically generated from three factors:

- ▶ Growth from new households
- ▶ Replacement of lost units
- ▶ Pent-up demand from existing households

Esri’s household projections expect a loss of 144 households in International Falls and a loss of 191 households in the International Falls/Ranier Market Area from 2018 to 2023. These projected losses are much larger than would be indicated from other data sources. However, even though the State Demographer’s Office has a more optimistic view of recent trends, they too are still showing some loss of households for the City and Market Area. Therefore, we are projecting no demand for rental housing due to household growth over the next five years in International Falls.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that International Falls will lose approximately five to seven rental units per year. As a result, approximately 25 to 35 units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition. In other cases, this replacement is due to the deteriorating condition of older, substandard rental housing that is removed from the occupied stock as it is no longer habitable. Also, it is projected that some of the single family homes that converted to rentals will convert back to owner-occupied homes.

As part of this study, a rental survey of rental units in International Falls was conducted. In total, 574 International Falls market rate and subsidized rental units were contacted and surveyed. Also, 94 senior with services units/beds were surveyed. The survey found a 4.1% vacancy rate in the general occupancy market rate units and a 3.0% vacancy rate in the subsidized units. Also, the senior with services projects each had one or two vacancies.

Based on our research, the vacancy findings and local interviews, we have identified pent-up demand for new high quality rental units, affordable rental units and senior independent/light services rental units.

These demand generators, after factoring current vacancy rates, show a demand potential for 60 to 70 rental units over the projection period. Based on the factors stated above, we recommend the development of the following new rental units over the next five years, from 2019 to 2024.

▶ General Occupancy Market Rate	20-24 units
▶ Affordable/Conversions	8-10 units
▶ Subsidized/Moderate Rent	18-20 units
▶ Senior with Services (Independent/Light Services)	<u>14-16 units</u>
Total	60-70 units

1. Develop 20 to 24 general occupancy market rate rental units

Findings: Approximately 70% of the rental housing in the City of International Falls can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. 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 1,042 total units in 2018. We believe that approximately 55% of these units are best described as market rate rental housing.

Of the 317 market rate rental units we surveyed in International Falls, we found 13 vacant units at the time of the survey, which is a 4.1% vacancy rate. The majority of the International Falls rental projects we surveyed reported that they typically have low vacancy rates.

Although some of International Falls’s multi-family rental projects have vacancies and the number of households in International Falls is projected to decrease, the construction of new market rate units provides many benefits including:

- ▶ Addressing pent-up demand for certain housing types
- ▶ Upgrading the overall quality of the housing stock
- ▶ Increasing the City’s rental rates
- ▶ Addressing gaps in the City’s rental stock
- ▶ Addressing new households housing needs

Also, more than 1,600 employees are commuting into International Falls daily for work. Some of these employees would potentially move to International Falls if additional housing was available.

The gross rents for market rate rental units in International Falls are approximately \$400 to \$800 for a one-bedroom unit, \$465 to \$850 for a two-bedroom unit and \$465 to \$850 for a three-bedroom unit.

From 2010 to 2018, we are not aware of any market rate rental units that were developed in International Falls. However, some single family homes have converted from owner-occupied to rental units.

Many of the housing stakeholders that were interviewed for the study stated that there is a significant need for additional high quality rental housing.

Recommendation: As stated earlier in this section, rental housing demand is based on household growth, pent-up demand and replacement of housing units that have been demolished or vacated.

Based on this combination of demand generators, we believe that it is reasonable to plan for the production of 20 to 24 market rate general occupancy rental units over the next five years, from 2019 to 2024.

Based on our research, there is a need for rental units of all sizes, thus, the new units constructed over the next five years should include one, two and three-bedroom units.

Town home-style units or high quality apartment buildings are both options in addressing the need for market rate units. The projects, to be successful, should have 'state of the art' amenities. Also, the new units could be constructed in smaller project phases. This strategy allows the new units to be successfully absorbed into the market.

There are two market rate rental segments in International Falls. One segment is seeking a high quality unit and can afford a higher rent. The second segment is seeking work force housing and a more modest rent. This segment may not qualify for subsidized or tax credit rental units, but affordability is still an issue.

There is a need to construct both types of market rate rental housing, thus, there is a relatively wide rent range in the following table reflecting the two segments. To construct the workforce housing and charge affordable rents, land donations, financial assistance, tax increment financing, tax abatement and other resources may be needed.

The first option to develop market rate rental housing would be to encourage private developers to construct market rate rental housing. If private developers do not proceed, KEDA or a regional housing agency, such as Kootasca, could potentially utilize essential function bonds or similar funding sources to construct market rate rental housing.

Recommended unit mix, sizes and rents for the International Falls Market Rate Housing Units:

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	3-4	650 - 800	\$750 - \$850
Two Bedroom	14-16	850 - 950	\$875 - \$1,150
Three Bedroom	3-4	1,050 - 1,150	\$975 - \$1,350
Total	20-24		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2018 dollars.

It would be advantageous to have the rents for some of the units at or less than the fair market rents for the Housing Choice Voucher Program, thus, the units would be affordable for more households. The fair market rents for Koochiching County currently are:

- ▶ 1 bedroom - \$573
- ▶ 2 bedroom - \$746
- ▶ 3 bedroom - \$936

2. Promote the development/conversion of 8 to 10 affordable market rate rental housing units

Findings: The previous recommendation addressed the market potential to develop high quality rental units in International Falls. Unfortunately, these units would tend to be beyond the financial capability of many International Falls renter households. Many of the City’s renter households have an annual income below \$25,000. These households would need a rental unit at \$650 per month or less.

There is evidence that International Falls has lost some rental housing over the years and will continue to lose units due to deterioration, demolition, or from units converting from renter to owner-occupancy. Therefore, there is a need for additional rental units in International Falls to provide for unit replacement. Unfortunately, most of the lost units are probably affordable, and new construction will not replace these units in a similar price range.

There are still some programs for affordable housing creation for moderate income renters. The federal low income housing tax credit program is one available resource. However, competition for tax credits is very difficult, and few awards have been made to small cities for small rental projects.

Recommendation: We would encourage the City of International Falls, KEDA and Kootasca to promote the development/conversion of more affordable units. A goal of eight to 10 units over the next five years would help to replace affordable housing that has been lost.

It is difficult to create units through new construction. It is often more practical to work on building renovation or conversion projects that can create housing. This opportunity often arises in commercial/mixed-use buildings or vacant homes. Our experience in other cities has indicated that there is a demand for downtown rental housing.

It is our recommendation that gross rents for the converted units should be below \$650 per month, which would help to expand the choices available to many of the City's renter households.

It is probable that the proposed rent structure for the units could only be obtained with financial commitments from other sources such as tax increment financing or tax abatement from the City and other financial resources from funding agencies such as the Minnesota Housing Finance Agency (MHFA), the Greater Minnesota Housing Fund, the Federal Home Loan Bank and SCDP funds. Also, financial assistance would expand the number of buildings that would be financially feasible to convert to rental units.

3. Develop 18 to 20 subsidized or moderate rent/general occupancy rental housing units

Findings: There are six federally subsidized rental projects in International Falls. The six federally subsidized projects have a combined 265 units. All six projects are general occupancy.

The six subsidized projects are as follows:

- ▶ **Woodland Park Apartments** - Woodland Park Apartments includes 80 general occupancy HUD Public Housing units. The project includes 78 one-bedroom and two two-bedroom units. The project is owned and managed by the International Falls HRA.
- ▶ **West Falls Estates** - West Falls Estates is a Section 8 HUD 80-unit general occupancy project. The project has 57 one-bedroom, 17 two-bedroom and six three-bedroom units.
- ▶ **Fairview Horizon** - Fairview Horizon includes eight USDA Rural Development general occupancy units. The project has four one-bedroom and four two-bedroom units. This project is owned and managed by Kootasca.
- ▶ **Hampton Court** - Hampton Court is a 28-unit USDA Rural Development general occupancy project that includes 18 one-bedroom and 10 two-bedroom units.
- ▶ **South Falls Apartments and Townhomes** - South Falls Apartments and Townhomes is a 33-unit HUD Section 8 project. There are 27 one-bedroom, four two-bedroom and two three-bedroom units. The project also has 37 market rate rental units.
- ▶ **Falls South Apartments and Townhomes** - Falls South Apartments and Townhomes is a 36-unit general occupancy subsidized HUD Section 8 Project. There are 16 one-bedroom units, eight two-bedroom units and 12 three-bedroom units.

The subsidized units have access to project-based rent assistance. These units can charge rent based on 30% of the tenant's household income up to a maximum rent.

Of the total 265 units in the subsidized projects in the International Falls/Ranier Market Area, more than 92% are one and two-bedroom. Approximately 8% of the units are three-bedroom.

The rental survey identified only eight vacancies in the 265 general occupancy units at the time of the survey. This is a 3.0% vacancy rate. Also, most of the subsidized general occupancy units in International Falls are more than 30 years old.

Based on the 2016 American Survey, approximately 482 renter households reported that 30% or more of their income was required to pay housing costs. At that time, most of these households had annual incomes of less than \$25,000, and needed a very affordable unit to avoid a housing cost burden.

The Backus Community Center has developed preliminary plans to convert the former Alexander Baker School into affordable rental housing.

Recommendation: We recommend that the City of International Falls, the Backus Community Center, KEDA and Kootasca look for opportunities to expand the supply of affordable general occupancy rental housing. Although the need is greater, a realistic goal would be the construction of 18 to 20 general occupancy subsidized or moderate rent/affordable units over the next five years. It may be feasible to construct a mixed-income building that has both market rate and affordable rental housing.

The need for additional subsidized/moderate rent units is greater than the number of new units recommended, however, the large subsidized housing production programs of the past are no longer available, and it remains very difficult to produce new units for low income renters.

It is our recommendation that the Alexander Baker School conversion project should be pursued. The building is adjacent to many social services and is in close proximity to commercial/retail options, governmental services and job opportunities.

This former school building is conducive to a conversion to rental units. There are preliminary plans for a 16-unit project on the upper two floors, including nine two-bedroom and seven one-bedroom units.

In developing the conversion project, we recommending the following:

- ▶ Rents should be affordable at \$650 or less.
- ▶ As many two-bedroom units as feasible should be constructed.
- ▶ The units should be high quality and have 'State of the Art' amenities.
- ▶ The project should have a community room, a limited access security system and ample storage space.
- ▶ To develop the rental project with affordable rents, various subsidies will need to be layered. Potential funding sources include tax credits, DEED workforce housing funds, Greater Minnesota Housing funds, MHFA, Federal Home Bank funds and local funds.
- ▶ The City of International Falls could assist with reduced water and sewer hookup fees, reduced permit fees, bonding, etc.

4. Preserve the existing supply of subsidized housing

Findings: The City of International Falls has six "deep subsidy" rental housing projects with a total 265 units that allow tenants to pay rent based on 30% of income. These projects were constructed when the federal government was actively involved in producing low income housing.

The 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.

One "deep subsidy" rental housing project is owned by the International Falls HRA and one project is owned by **Kootasca**. Four projects are 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.

Recommendation: The Minnesota Housing Finance Agency 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, no International Falls subsidized projects were on the MHFA list.

5. Develop 14 to 16 additional senior housing with services units

Findings: The International Falls/Ranier Market Area has six specialized senior housing with services facilities with a total of approximately 148 beds, serving residents as they move through the aging cycle. The 148 beds include 54 skilled nursing, 44 assisted living, 23 memory care and 27 independent/light services beds. The six existing senior housing with services options are:

- ▶ **River's Edge Villas** - River's Edge Villas is a 27-unit independent/light services project. The project is part of the Good Samaritan campus. The project includes one-bedroom, one-bedroom plus den and two-bedroom units.
- ▶ **Northwinds Assisted Living** - Northwinds Assisted Living is a 24-unit assisted living project that was constructed in 2013. All of the units have one-bedroom. The project is part of the Good Samaritan campus.
- ▶ **Good Samaritan Skilled Nursing Care** - Good Samaritan Skilled Nursing Care is a 54-bed skilled nursing facility that was constructed in 2013. The skilled nursing home is part of the Good Samaritan campus. The facility includes long-term and short-term rehab beds.
- ▶ **Ranier Roost** - Ranier Roost is located in the City of Ranier and is a 23-bed secure assisted living memory care facility. The facility opened in 1987.
- ▶ **Papermakers Place** - Papermakers Place is an eight-bed assisted living facility located in rural International Falls. The facility provides the full array of assisted living services.
- ▶ **Ridgeview Assisted Living** - Ridgeview Assisted Living is a 12-bed assisted living facility located in International Falls. The facility opened for occupancy in 2005.

Based on 2018 estimates from Esri, there are approximately 1,028 older senior citizens, age 75 and above, residing in the International Falls/Ranier Market Area. The projections contained in this Study anticipate a gain of approximately 39 older seniors in the International Falls/Ranier Market Area from 2018 to 2023.

Recommendation: Based on the research completed for this Study, we recommend the development of an additional 14 to 16 independent/light services senior units over the next five years from 2019 to 2024. Also, the need for additional living and memory care beds should be monitored.

Older seniors tend to represent the primary target market for specialized senior housing. The older population, age 75 and above, is expected to increase slightly through the year 2023. There is growth expected within the younger senior ranges, age 65 to 74, indicating growing demand for specialized housing after the year 2023.

Skilled Nursing Home - The research for this Study points to a decreasing alliance on nursing homes as a long-term residence option for older senior citizens. Over time, the nursing homes have tended to use more beds for rehab/recovery stays, or other specialized uses. There has also been a long-standing moratorium that limits expansion in most cases. No recommendations are offered for this type of specialized housing. International Falls has a well-established provider with 54 beds that serves this section of the market. The skilled nursing home operates at an average 90% occupancy rate.

Light Services/Congregate Housing - River's Edge Villas has 27 independent/light services units. At the time of the survey, River's Edge Villas had one vacancy. To totally occupy all of the units, an approximate absorption rate of 3.3% of the seniors 75 and older is required. This is below the absorption rate that is typically recommended. Therefore, with the limited number of existing independent/light services units and the high occupancy rate of the River's Edge Villas, we are recommending the development of 14 to 16 independent/light services units over the next five years.

Assisted Living - The International Falls/Ranier Market Area has 44 assisted living beds in three projects. At the time of the survey, there were five vacancies in the 44 beds, which is an 11.4% vacancy rate. To totally occupy all 44 beds, an absorption rate of 4.6% of the seniors age 75 and older in the International Falls/Ranier Market Area not in a nursing home or memory care facility would be required. This is within the absorption rate range that is typically recommended. Also, there are vacancies in the existing assisted living facilities. Therefore, assisted living appears to be addressing the Market Area's demand for this form of housing. However, the need for additional assisted living beds should be monitored. We are projecting that additional beds will be needed after 2023 as the baby boom generation ages.

Memory Care Housing - The International Falls/Ranier Market Area has 23 memory care beds in one facility, Ranier Roost. This facility provides a secured environment. Also, all of the assisted living facilities have residents in the earlier stages of dementia. With these options, it is our opinion that there is an adequate number of memory care beds. However, the need for additional memory care beds should be monitored.

The purpose of the senior with services recommendation is to provide general guidance to potential developers. A developer or existing senior with services facility planning a specific project should have a project-specific study conducted.

6. Develop a Mixed-Use Commercial/Housing Project

Findings: The development of a mixed-use rental housing/commercial project would complement the City's efforts to enhance the City's commercial and housing opportunities.

New mixed-use projects have been developed in several Minnesota cities. Some of these projects were developed because of market demand, while others were developed to enhance commercial areas, to introduce a new product to the market or to serve as a catalyst for redevelopment.

Recommendation: We recommend the development of a mixed-use building in Downtown International Falls. There are several potential sites in the downtown area for a mixed-use project. The site could be a vacant parcel, or a dilapidated structure or structures could be demolished to provide a site. We recommend commercial space on the first floor and rental units on the upper floors.

The rental units should be primarily market rate units, but could be mixed-income, with some moderate income units. The units should be one and two-bedroom units. Please note that these units are not in addition to the units recommended in the first and second recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

Ideally, a private developer would construct and own the building. The City, the EDAs and others may have a role in the project by providing tax increment financing (TIF), tax abatement, land at a reduced price and other funds.

7. Continue to utilize the Housing Choice Voucher Program

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.

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

The Housing Choice Voucher Program in Koochiching County and International Falls is administered by the Koochiching County Housing and Redevelopment Authority. Currently, 128 households in Koochiching County have a Housing Voucher, approximately 103 of which live in International Falls.

Despite the Vouchers that are available there are still approximately 482 International Falls renter households that are paying more than 30% of their income for rent, which is considered a housing cost burden. Therefore, there remains unmet demand for Vouchers. This is also evident in the Voucher Program's 10-month waiting list.

Recommendation: From a practical standpoint, the Housing Choice Voucher Program is the single best way that International Falls can provide affordable housing. HUD does not make new incremental assistance available every year, but when new allocations are authorized, the Koochiching County HRA should be encouraged to continue to apply for additional Vouchers.

Also, the Koochiching County HRA should continue to publicize the Housing Choice Voucher Program in International Falls to assure that City households have access to and are aware of the Program.

8. Student Housing Recommendation

Findings: Rainy Lake Community College is located in International Falls. Rainy Lake Community College's student enrollment has been declining. However, the College has a goal to increase enrollment from 300 to 375.

Rainy Hall is a 23-unit student housing apartment building. All of the units are two-bedroom and the building has a capacity of 92 students. Rainy Hall is located on the campus.

Rainy Hall is fully occupied during the school year. The College has considered the development of a second building, however, funding has not been secured. The number of students that live off-campus in International Falls apartments is limited.

Recommendation: The City and College should continue to monitor enrollment and housing vacancy rates to assure that adequate housing is available. If College enrollment significantly increases, there may be a need to develop additional student housing in the future. We recommend that the City support the College if it determines additional on-campus housing is needed.

Additionally, the implementation of a rental inspection and registration program, will assure safe and sanitary living conditions for students who live off-campus.

International Falls - Home Ownership Recommendations

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 International Falls is estimated to be \$78,450. With approximately 50% of the homes in International Falls valued less than \$78,450, International Falls has opportunities for first time home buyers and households seeking moderately priced homes.

While many International Falls households already own their housing, those households 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:

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

Findings: We believe that affordable home ownership is one of the major issues facing International Falls. Home ownership is generally the preferred housing option for most households and most communities. There are a number of strategies and programs that can be used to promote home ownership in International Falls. The area's housing agencies and financial institutions can assist with this effort.

First time home buyer assistance, down payment assistance, and low interest loans help to address affordable housing issues. With the City's median home value at approximately \$78,450, there are lower valued houses in the community that appeal to first time buyers. Currently, Kootasca is administering a Downpayment Assistance Program in Koochiching County. Some International Falls's households have utilized this program. Additionally, the Federal Home Loan Bank has funds available for closing costs and down payment assistance.

Also, home ownership counseling and training programs are available to households and these programs can play a significant role in helping marginal buyers achieve home ownership.

While 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: The City of International Falls, local financial institutions and Kootasca should continue to utilize all available assistance programs to promote home ownership. The community, along with other Koochiching County cities, 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 continue to work with Kootasca to develop and provide programs that provide financial assistance for households to purchase a home. Local financial institutions should also have a significant role in assisting households with purchasing a home.

Potential funding sources for home ownership programs include USDA Rural Development, the Minnesota Housing Finance Agency, the Federal Home Loan Bank, the Greater Minnesota Housing Fund and the Small Cities Development Program.

10. Consider the development of a Purchase/ Rehabilitation Program

Findings: International Falls has a large stock of older, lower valued homes, some of which need repairs. Approximately 82% of the single family homes in International Falls are more than 40 years old and some of these homes need repairs. As some of the lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

In the past, the Minnesota Housing Finance Agency had provided funding for the Minnesota Urban Homestead Program (MURL) Program. Under the program, the City or an area housing agency purchased an existing home that needed rehabilitation, rehabilitated the home, sold the home to a low income family and provided a mortgage and a monthly payment that was affordable for the family.

The MURL Program accomplished many community goals, including the promotion of home ownership for lower income people, and the repair of substandard housing units. Kootasca utilized the MURL Program in Koochiching County. However, MHFA is no longer providing funding for the MURL Program.

Recommendation: We recommend that the City of International Falls and Kootasca, along with other Koochiching County Cities, consider the creation of a rehab/purchase program for existing houses that is similar to the previous MURL Program. Kootasca could purchase homes that need rehabilitation, rehabilitate the homes and sell the homes. Housing agencies and financial institutions could assist by offering some rehabilitation assistance in conjunction with first-time buyer programs to make the City's older housing a more attractive option for potential home buyers. MHFA, the SCDP Program, the Federal Home Loan Bank and the Greater Minnesota Housing Fund are potential funding sources.

Also, a program could also be developed to provide mortgage funds directly to households for the purchase and rehabilitation of existing substandard homes. Local financial institutions may provide mortgage funds to purchase a home and to make repairs to the home. Additionally, the City and Kootasca could assist private contractors with purchasing, rehabbing and selling homes. Also, USDA Rural Development provides mortgage funds to purchase a home and to make repairs to the home. This program would not require intermediate Kootasca ownership of the homes.

A local church is considering the implementation of a Purchase/Rehab Program. They would have a goal of purchasing and rehabbing one home per year.

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, more than 80% of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was also available.

A purchase/rehabilitation program will achieve several goals. The program will encourage home ownership, prevent substandard homes from becoming rental properties, convert rental properties back to owner-occupancy, and rehabilitate homes that are currently substandard. A Purchase/Rehabilitation Program can also be an integral part of a Neighborhood Revitalization Program.

International Falls - New Housing Construction

New Housing Construction

Findings: International Falls experienced limited single family owner-occupied housing construction. According to City records, from 2010 to October 2018 there were seven single family owner-occupied units constructed in International Falls, which is an average of approximately one new housing unit annually.

The attractiveness of the area, the area’s natural amenities, the availability of affordable lots and efforts by local stakeholders, should result in the construction of new owner-occupied housing units over the next several years.

International Falls is projected to lose 144 households and the International Falls/Ranier Market Area is projected to lose 191 households from 2018 to 2023. However, International Falls is projected to gain 36 households and the International Falls/Ranier Market Area is projected to gain 101 households in the 65 and older age range. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced, trade-up housing and low maintenance housing such as town homes and twin homes.

It is our opinion that if the City of International Falls, KEDA, developers and builders, and local and regional housing agencies are proactive, a total of 15 to 19 owner-occupied housing units could be constructed in International Falls from 2019 to 2024 to address demand. This is an average of three to four new units annually. Our projection for owner occupied single family housing starts includes homes built in the newer subdivisions and on infill lots, and includes single family attached housing units, such as twin homes and town houses. The breakdown of our projection of 15 to 19 new owner-occupied housing units is as follows:

- | | |
|-------------------------------|--------------------|
| ▶ Higher & medium price homes | 4-5 homes |
| ▶ Affordable homes | 5-6 homes |
| ▶ Twin homes/town homes | <u>6-8 units</u> |
| Total | 15-19 homes/ units |

11. Lot availability and lot 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 International Falls. Currently, there are approximately 10 to 12 lots available in the Stenberg and Aspen Way Subdivisions.

There are also many miscellaneous infill lots scattered around the city that we did not attempt to count. We do not know the availability of some of these infill lots. Also, there are a substantial number of dilapidated homes in the City. If these homes are demolished, some of the cleared lots could be pooled and may be sites for new construction.

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that three to four new owner-occupied housing units could be constructed per year, the City should have approximately eight to 10 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With approximately 10 to 12 available buildable lots, plus infill lots, the City currently has an adequate supply of lots to meet expected demand over the next two years. However, if projected demand comes to fruition, it will be necessary to develop additional lots later in the five-year projection period.

To achieve the level of new home construction potential that as been identified, we would recommend the development of 14 to 16 additional residential lots over the next five years. In developing the lots, the following should be considered:

- ▶ If possible, the site(s) for lot development should have land available for future lot development phases.
- ▶ The lots could be developed on several sites
- ▶ To keep development costs as low as possible, sites with easy access to existing infrastructure should be considered.
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.

- ▶ The lots should have covenants that assure quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ The lots should accommodate a variety of home designs and home prices.
- ▶ All stakeholders should be involved in promoting and publicizing the lots.
- ▶ To be successful, the homes must be available to households with as wide an income range as possible.
- ▶ Some lots should be available for twin home/ town home development
- ▶ Successful lot development will need the cooperation of financial institutions, funding agencies, employers, home builders, developers, the City of International Falls and KEDA. Financial assistance such as tax increment financing, deferment of assessments, tax abatement and land donations or write downs, may be necessary to make the development of lots feasible.
- ▶ It may be advantageous to develop the lots in phases.
- ▶ Lots should be available for twinhome/townhome development

12. Strategies to encourage residential lot sales and new home construction in International Falls

Findings: Over the past nine years from 2010 to October 2018, seven single family homes have been constructed, which is an average of one housing unit annually.

Recommendation: We recommend that the City of International Falls, KEDA, developers, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

Our recommendations to promote lots sales and housing development include:

- ▶ ***Competitive pricing*** - To stay competitive, International Falls should continue to offer lots at a very competitive price.

- ▶ ***Plan for long-term absorption*** - The research completed for this Study expects limited annual absorption of lots in International Falls. We are projecting the construction of three to four housing units per year. It is necessary to view lot sales and housing development as a long-term plan.
- ▶ ***User-Friendly*** - The lot purchase and home building process must be 'user friendly.' This includes the construction of spec homes, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction.
- ▶ ***Consider developing an exclusive builder(s) relationship*** - A block of lots could be sold to a builder(s). Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. Builders are more willing to enter a market when the lots are attractive and very affordable. Selling a block of lots available to an exclusive builder or developer should be explored.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for a twin home/town home development.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivisions. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities could be marketed for affordable homes.
- ▶ ***Marketing*** - The City of International Falls, KEDA, and all stakeholders including developers, realtors, financial institutions, builders, employers, etc., should develop a marketing strategy to sell available lots. In addition to marketing the lots, the City of International Falls and its amenities should be marketed.
- ▶ ***Incentives*** - The City of International Falls and the EDAs should consider providing an incentive package for households who build or purchase a new home in International Falls. The incentives can include reduced lot prices, reduced water/sewer charges, tax abatement, cash incentives, etc.

- ▶ ***Generate initial activity*** - Recent construction activity has been limited. To stimulate new construction, proactive efforts, such as the reduction of hookup and permit fees or other incentives, could be provided if the buyer agrees to build a home of a certain quality and style within a specified time period. This will help create some momentum for more houses to be built.
- ▶ ***Manufactured/Modular homes*** - Manufactured and modular homes can provide affordable housing opportunities for moderate income households. Lots should be available for this type of affordable housing.
- ▶ ***Consider partnerships that share and split financial risk to construct spec homes*** - Spec houses could potentially attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy. In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. For example, subdivision owners have been willing to defer the payment for the lot until the spec home is sold. Another builder incentive is for the City to waive any water/sewer hook up fees, special assessment payments and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the up-front development costs.

13. Promote town house and twin home development

Findings: International Falls had no owner-occupied attached housing development from 2010 to October 2018. Many communities over the past two decades have seen attached housing take an increasingly large share of new construction. In cities the size of International Falls, 20% to 25% of the housing starts are typically twin homes/town homes.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family homes available for families. In 2018, based on Esri estimates, there are 997 households in the City of International Falls and 1,819 households in the International Falls/Ranier Market Area with a head of household in the 55 to 74 year old age ranges.

It is important for the City to offer a range of life-cycle housing options as many of these households will be seeking to downsize into low maintenance housing options.

Recommendation: It is our projection that six to eight new twin homes or town houses could be built over the next five years in International Falls. However, lots must be available for twinhome/townhome development.

We recommend a twin home/town home development and for the development to be successful, the following should be considered:

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

The public sector's role in any owner-occupancy attached housing development may be limited, as the private sector can often meet this housing need if a demand exists. The city's role should include assuring that adequate land is available for development and that zoning allows for attached housing development. Potentially, in-fill lots could be pooled for twinhome/townhome development.

It may be advantageous to meet with a group of empty nesters and seniors who are interested in purchasing a twin home or town home to solicit their ideas.

14. Coordinate with agencies/nonprofits that develop affordable housing

Findings: With the difficulty of producing new housing units that are affordable to lower income people, it is important to take advantage of opportunities presented by housing agencies and nonprofit groups such as Kootasca and Habitat for Humanity. These sources can help generate new homes for moderate income families in International Falls.

Recommendation: We recommend that the City and the EDAs coordinate with housing agencies, nonprofit groups and private sector builders to produce housing units for moderate income ownership. At this time, it is very difficult to construct new affordable homes because of the value gap between existing homes and new homes. The City and the EDAs may be able to contribute to the project through land donations, TIF, tax abatement, or project coordination activities.

Also, some existing in-fill lots could be utilized for affordable home development. Additionally, if dilapidated homes are demolished, some of the cleared lots may be suitable for redevelopment and these in-fill lots may be good sites for this type of new construction activity.

15. Strategies to develop new affordable homes

Findings: It is difficult to develop homes that are considered affordable 'under \$200,000'. Land and development costs, the cost of materials and labor, new building requirements, etc. are all factors which make most new homes out of reach for most households.

Often, developers and builders have little incentive to address the affordable home market, as they are busy addressing the higher priced home market which generates higher profits.

Recommendation: We have recommended the construction of six to seven affordable homes in International Falls from 2019 to 2024. To accomplish this, the City of International Falls and the EDAs may have to take an active role in developing new affordable housing including tax increment financing, tax abatement, land donations, etc.

Successful affordable home development strategies include:

- ▶ **Available lots** - Lots should be available for affordable homes including manufactured homes and modular homes.
- ▶ **Manufactured/modular homes** - Manufactured and modular homes can provide affordable housing opportunities for moderate income households.
- ▶ **In-fill lot Home Development** - In-fill lots in existing neighborhoods are often affordable and have existing City services. Some housing agencies and nonprofits develop affordable homes on in-fill lots.

- ▶ **Land Trust** - A land trust provides an affordable permanent new home option by taking the cost of the land out of the purchase price of the home. The land is placed in the stewardship of a land trust and the homeowner leases the land from the land trust through a 99-year renewable lease.
- ▶ **Affordable Housing Financing** - Kootasca and state agencies may have financing and housing programs available to assist developers, builders and home buyers.
- ▶ **City codes and regulations** - The City of International Falls should review its codes and regulations to assure that the codes and regulations are still relevant and are not impeding affordable home construction or unnecessarily adding to the cost of construction.
- ▶ **Develop an affordable design** - The City of International Falls and the EDAs could work with builders to develop a home design that would be affordable and compatible in existing neighborhoods and on small in-fill lots.
- ▶ **Publicly owned subdivision** - Private developers often have little incentive to develop lower-priced lots and houses. A possible approach is to develop a publicly-owned subdivision, which could offer lower-priced lots for affordable homes.

International Falls - Housing Rehabilitation

Housing Rehabilitation

Findings: The City of International Falls has an 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.

Housing options for households will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair are required. Without rehabilitation assistance, the affordable stock will shrink, creating an even more difficult affordability situation.

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

16. Promote rental housing rehabilitation programs

Findings: Based on U.S. Census data, the City of International Falls has approximately 1,042 rental units. The rental units are in multi-family buildings, small rental buildings, mixed-use buildings, town homes, twin homes, single family houses and mobile homes. Many of the City's rental units could benefit from rehabilitation as approximately 82% of the rental structures are more than 40 years old and some rental units are in poor condition.

The need to rehabilitate the City's rental housing stock was identified as a priority by most of the housing stakeholders that were interviewed. The rehabilitation of older rental units can be one of the most effective ways to produce decent, safe and sanitary affordable housing. However, it is often difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants.

Recommendation: The City of International Falls and area housing agencies should continue to seek funds to rehabilitate rental units. For a rental rehabilitation program to be workable and successful, the funds should to the extent possible, allow for program design flexibility.

Potential funding sources include Small Cities Development Program (SCDP) funds, the Federal Home Loan Bank, the Minnesota Housing Finance Agency (MHFA), the Greater Minnesota Housing Fund, low income tax credits, USDA Rural Development and local funds. MHFA has initiated a program known as the Rental Rehabilitation Loan Program (RRLP).

It would be advantageous for the City to promote this program to the City's rental property owners. Several rental property owners that were surveyed indicated their willingness to participate in a rental rehabilitation loan or grant program.

Also, housing agencies such as Kootasca have purchased older market rate and subsidized rental projects in several cities and utilized funds from a variety of sources to rehabilitate and preserve these projects.

17. Promote owner-occupied housing rehabilitation programs

Findings: The affordability of the existing housing stock in International Falls will continue to be the major attraction for families that are seeking housing in the area. Investment in owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities.

Approximately 82% of the owner-occupied homes in International Falls are more than 40 years old and some of these homes need minor or major repairs.

Our housing condition survey of 552 homes in two of International Falls's oldest neighborhoods found 239 homes that need minor repair and 150 homes that need major repair. Without continued rehabilitation assistance, the affordable housing stock in International Falls will shrink.

Kootasca administers the housing rehabilitation programs in the City of International Falls and Koochiching County. Housing rehabilitation programs include the SCDP Program, MHFA Programs and the Weatherization Program.

Kootasca has recently administered an SCDP owner occupied housing rehabilitation program in International Falls.

Recommendation: We recommend that the City of International Falls continue to utilize available funding sources to rehabilitate homes in International Falls. The Minnesota Housing Finance Agency (MHFA), the Greater Minnesota Housing Fund, the Federal Home Loan Bank and SCDP funds are all potential funding sources.

18. Develop a Neighborhood Revitalization Program

Findings: The City of International Falls has several neighborhoods that are on the bubble. These neighborhoods have a significant number of homes that need rehabilitation or should be demolished. These neighborhoods also have a significant number of low/moderate income households. Also, the neighborhoods have a significant number of rental single family homes. The neighborhoods could deteriorate or could be revitalized to continue to be strong vital neighborhoods.

Recommendation: Over the years, there has been housing and neighborhood revitalization projects in the neighborhoods including housing rehabilitation, the demolition of dilapidated housing and public facility improvements. We recommend that the City of International Falls select a neighborhood and develop and implement a Neighborhood Revitalization Program.

Redevelopment strategies and opportunities should be identified including:

- ▶ A plan for each parcel in the neighborhood
- ▶ Owner-occupied rehabilitation
- ▶ Rental Rehabilitation
- ▶ Demolition of dilapidated structures
- ▶ Infill new construction including single family homes and attached housing
- ▶ Land pooling for larger town home and attached housing projects
- ▶ Purchase/Rehabilitation Programs that rehabilitate homes and provide home ownership for low/moderate income households
- ▶ Public projects (streets, utilities, parks, etc.)
- ▶ Consider re-zoning, variances and/or re-platting to make areas and parcels more desirable for redevelopment
- ▶ Programs that encourage energy conservation
- ▶ Other projects identified through the planning process

The Neighborhood Revitalization Program should include time lines, responsible City Department or Housing Agency, funding sources, etc. The Program should be evaluated on an ongoing basis as opportunities and potential projects may change priorities. As a neighborhood is revitalized, a new neighborhood can be selected for revitalization.

It must be noted that neighborhood revitalization can result in the loss of affordable housing. Redevelopment projects, infill construction and other affordable housing projects in the community should assure that there are overall net gains in the affordable housing stock.

19. Develop a Rental Housing Inspection and Registration Program

Findings: A Rental Inspection and Registration Program can be a valuable tool in improving the quality of a City's rental housing stock. There are approximately 1,042 rental units in International Falls.

Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Inspection and Registration Program is successfully implemented.

The need for a Rental Registration and Inspection Program includes the following:

Health and Safety

- ▶ There is a need to provide tenants with safe, sanitary, and standard living conditions and to eliminate life threatening hazards.

Age of Housing Stock

- ▶ Approximately 82% of the existing rental housing stock in International Falls is more than 40 years old.
- ▶ Older housing needs continued rehabilitation and maintenance.
- ▶ Older housing often has difficulty complying with current codes.

Conversions

- ▶ Some of the rental buildings were originally constructed for uses other than rental residential such as owner-occupied single family homes, and commercial buildings. In conversion, owners often do the work themselves and have inadequate or faulty mechanical, electrical, plumbing, and heating systems. Also, constructing an apartment in the basement often results in a lack of natural lighting, ventilation and proper egress.

Trends of Conversions

- ▶ Today's buyers want more amenities and conveniences, and less maintenance. They are less likely to purchase older homes, which results in the continuation of conversion of older homes to rental units.

Maintenance Efforts

- ▶ A large number of rental property owners are providing standard housing and reinvesting in their rental properties. However, some rental property owners do not maintain their buildings. Ongoing maintenance is necessary for older housing as buildings with continued deferred maintenance become unsafe and substandard.

High Number of Rental Property Owners

- ▶ International Falls has a significant number of rental property owners and many of these rental property owners do an excellent job. However, some rental property owners do not reinvest in their properties and create a need for the rental registration program.

Neighborhood Stabilization

- ▶ Rental units need to be maintained to keep the integrity of the neighborhood and stabilize property values. Deferred maintenance has a negative impact on the neighborhood.

Zoning and Codes

- ▶ Illegal apartments such as inappropriately constructed basement apartments may be unsafe and a violation of zoning regulations.

Substandard Units Removed From Rental Stock

- ▶ Rental units that are substandard and cannot cost effectively be brought into compliance with codes are removed from the rental housing stock.

Coordination

- ▶ A Rental Housing Registration and Inspection Program provides an accurate record of rental units and owners. The program provides a better opportunity for coordination of city programs and codes.

Recommendation: We recommend the development and implementation of a Rental Registration and Inspection Program to assure that all rental units in International Falls comply with housing laws and codes. The Rental Registration and Inspection Program assures that International Falls rental units are safe and sanitary, thus, removing blighted and unsafe conditions.

International Falls - Other Housing Initiatives

Other Housing Initiatives

20. Encourage employer involvement in housing

Findings: The connection between economic development and housing availability has become an increasingly important issue as local employers have the need to attract new workers to the community. Housing for new employees is a concern for employers. It may be advantageous for employers to become involved in housing.

Recommendation: We recommend an ongoing effort to involve employers as partners in addressing the City's housing needs. Several funding sources have finance programs that include employers. The funding agencies often view applications favorably that include employers in the problem solving process.

Employer involvement can include direct assistance to their employees such as a grant, loan, forgivable loan, deferred loan, down payment assistance, loan guarantee, etc. In many cases, employers do not wish to provide assistance to specific employees, but are willing to contribute to an overall city project, such as work force oriented rental housing, an affordable home ownership program or a new subdivision.

21. Acquire and demolish dilapidated structures

Findings: Approximately 80% of the single family houses in International Falls are more than 40 years old. Some of these homes are dilapidated and too deteriorated to rehabilitate. Some of these homes are also vacant.

Our housing condition survey of 552 single family houses/duplexes in four of International Falls's oldest neighborhoods identified 27 houses that were dilapidated and viewed as too deteriorated to rehabilitate. We also identified 150 houses as needing major repair and some of these homes may be too deteriorated to rehabilitate. It is probable that some additional deteriorated houses exist in other neighborhoods that were not surveyed.

The City of International Falls has been working with property owners to demolish dilapidated houses. The City pays the cost of the home demolition. Over the last four years, 69 structures have been demolished in International Falls.

Recommendation: We recommend that the City of International Falls continue to take an aggressive approach to demolishing dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can be utilized for the construction of new affordable housing units.

The City could develop partnerships with housing agencies and private developers to construct new housing on cleared parcels. Tax increment financing, Greater Minnesota Housing Funds, MHFA funds, SCDP funds and local funds are potential funding sources for this initiative. Funding may be available for both acquisition/demolition and new construction activities.

We also recommend that the City of International Falls maintain an inventory of structures that may be candidates for future demolition. An inventory of in-fill lots for future development should also be maintained.

22. Strategies for Downtown Redevelopment

Findings: International Falls' Downtown has buildings that have been renovated and have high quality commercial and/or housing space. There are also buildings that have not been maintained and are substandard. This recommendation provides an outline for additional actions that could be taken to continue to redevelop the downtown, to maximize the usage of downtown buildings, to promote new downtown businesses and to identify and implement renovations/conversions for housing.

Recommendation: We are also recommending the following actions for downtown International Falls:

- ▶ Interview downtown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for the downtown (potential new businesses, address parking needs, develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a mini-plan for each downtown property and each downtown block. This may include:

- ▶ Commercial building rehab and renovations
- ▶ Facade work
- ▶ Rental unit conversions or rehab
- ▶ Building demolition
- ▶ New construction
- ▶ Recruiting new businesses

- ▶ Identify funding sources
 - ▶ SCDP funds
 - ▶ Property owner funds
 - ▶ City, the EDAs and HRA funds
 - ▶ Federal Home Loan Bank
 - ▶ Tax increment financing
 - ▶ Tax abatement
 - ▶ Minnesota Department of Employment and Economic Development
 - ▶ MHFA funds
 - ▶ Kootasca funds

- ▶ Work with stakeholders to identify roles, secure funding, develop and implement programs and projects
 - ▶ Property owners
 - ▶ City of International Falls
 - ▶ KEDA
 - ▶ International Falls Chamber of Commerce
 - ▶ Kootasca

23. Create a plan and continue coordination among housing agencies

Findings: The City of International Falls, KEDA, the Koochiching County HRA and Kootasca are all active in addressing housing and community development needs in International Falls. The City also has access to the Greater Minnesota Housing Fund, the Minnesota Housing Finance Agency (MHFA), and the Department of Housing and Urban Development. These agencies provide funding for housing and community development programs.

Recommendation: The City of International Falls is fortunate to have access to several 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.

It will also be important for the City to look for opportunities to work cooperatively with other surrounding cities to address housing issues. With the number of cities in the County, and limited staff capacity at both the City and County level, cooperative efforts may be the only way to accomplish certain projects. Cooperative efforts will not only make housing projects more practical, but they will often be more cost-effective and competitive.

24. Develop home ownership and new construction marketing programs and strategies

Findings: Cities that invest in marketing have an advantage. Opportunities to buy or construct a home are sometimes limited because of the lack of information and awareness of financing and incentive programs, homes and 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 buyers and builders. It is important for the home buying or home building process to be user-friendly.

Recommendation: The City of International Falls, KEDA and the International Falls Chamber of Commerce have been active in promoting and marketing housing and the City, and we recommend the continuation or initiation of the following activities:

- ▶ Identify the City's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (International Falls and the Region) to provide employees (especially new employees) with housing opportunities in International Falls
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Work with builders to make the construction of a new home a very user friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, commercial, service and recreational opportunities that make the City a "full service" community
- ▶ Provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve and improve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, etc.
- ▶ Develop incentives and strategies to encourage builders and households to buy lots and to build and buy new homes.
- ▶ Review the City's building policies and fees to assure that they are user-friendly, fair and reasonable for developers, builders and households.
- ▶ Develop a coordinated housing plan with area housing and economic development agencies.

25. Housing assistance for the homeless and hard-to-house

Findings: The City of International Falls has an excellent delivery system to address the housing needs of the homeless/hard to house. However, although this delivery system exists, there typically is inadequate funding for programs and projects to address all of the needs of the homeless/hard to house populations.

The agencies and nonprofits included in addressing the homeless/hard to house issues in International Falls include:

- ▶ Kootasca
 - ▶ Crisis Rent Assistance
 - ▶ Transitional Housing (2 units)
 - ▶ Rapid Re-Housing
 - ▶ Homeless Prevention Program

- ▶ Servants of Shelter
 - ▶ Emergency Shelter (30 days)
 - ▶ 3 units and two efficiency rooms
 - ▶ Assists with securing emergency nightly housing - Hotel stays
 - ▶ Assists with securing long-term housing
 - ▶ Refers individuals and households in crisis to resources

- ▶ Koochiching County HRA
 - ▶ Housing Choice Voucher Program
 - ▶ Applied for Bridge funds

- ▶ Salvation Army
 - ▶ Emergency Lodging
 - ▶ Utility payments and HeatShare

- ▶ Koochiching County Human Services
 - ▶ Information and Referral

- ▶ Friends Against Domestic Abuse
 - ▶ Assists with securing safe temporary shelter
 - ▶ Information and referral services

Recommendation: We recommend the following to continue to address the City of International Falls and Koochiching County homeless/hard to house issues:

- ▶ **Continue to seek additional funds for current homeless/hard to house programs** - The current programs provided by the agencies and nonprofits are excellent programs that typically do not have adequate funds to address the needs of the homeless. The agencies should continue to aggressively seek funds to preserve and expand these programs to adequately address the needs.

- ▶ **Develop additional emergency supportive and transitional housing** - Many homeless/hard-to-house households need the services and housing that these housing options provide with the ultimate goal of securing permanent housing. If new affordable housing is constructed, potentially several units could be reserved for supportive housing.

- ▶ **Continue coordination between agencies and organizations** - The service providers in International Falls coordinate with each other, both formally and informally. It is beneficial to the consumer, the public, and the service providers to continue to define available services, eligibility guidelines, etc.
- ▶ **Continue to develop subsidized and affordable housing** - The City of International Falls and area housing agencies should continue to develop subsidized and affordable housing as discussed in the previous recommendations.
- ▶ **Rental Property Guarantee Program** - Some households are in the 'Hard to House' category for a variety of reasons. These households are often screened out by rental property owners. The rental property owners are concerned that 'Hard to House' homeless households will be poor tenants and/or they will not pay their rent or will damage the unit. Some housing agencies have negotiated an agreement with selected rental property owners. The rental property owner will rent to the 'Hard to House' homeless if the household completes a renter education class and the agency has funds set aside to cover the financial losses the rental property owner may experience.

26. Develop mobile home programs and policies

Findings: International Falls has approximately 97 mobile homes in four mobile home parks. Our condition survey identified 36 homes that needed minor repair and 31 homes that need major repair. Five homes were dilapidated and beyond repair. One of the mobile home parks is approximately one block outside of the City limits, but is included in this analysis.

Mobile homes are an affordable option for many households and International Falls is an excellent location for households seeking a modular or mobile home as a housing option.

Recommendation: It may be appropriate for the community to initiate programs to encourage households to locate a mobile or modular home in International Falls.

Some of the innovative programs that have been used in other communities to address mobile home conditions and mobile home park issues include:

- ▶ ***Down Payment Assistance Program*** - Develop a Down Payment Assistance Program that assists households with the purchase of a mobile home.
- ▶ ***Operation Safe Mobile Home Park*** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished/salvaged. The owner can then use the funds from the sale to help purchase a new home. Mobile home dealerships have sometimes participated by buying the salvaged homes.
- ▶ ***Time of Sale/Rent Inspection Program*** - This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale or rental. All identified safety hazards must be corrected before the unit is sold, rented and/or occupied.
- ▶ ***Age of Mobile Homes Moved into the City*** - Some cities have implemented an ordinance which stipulates that a mobile home must have been manufactured after a designated year to be moved into the City. This prevents older units from being moved into the City.

Agencies and Resources

The following agencies administer programs or provide funds for housing programs and projects in the Region:

Koochiching Housing and Redevelopment Authority

12060 Main St.
Northome, MN 56661
(218) 897-5242

Kootasca Community Action, Inc.

2232 E. 2nd Ave.
International Falls, MN 56649
(218) 283-9491

USDA Rural Development

3217 Bemidji Ave. N.
Bemidji, MN 56601
(218) 751-1942

Koochiching Economic Development Authority

405 3rd St.
International Falls, MN 56649
(218) 283-8585