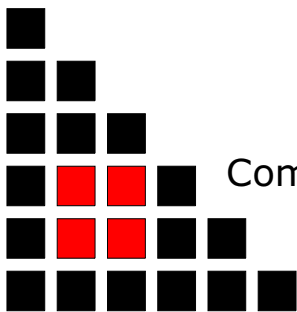


OTTER TAIL COUNTY HOUSING STUDY

City of Ottertail

December 2015

An analysis of the overall housing needs
of 17 cities in Otter Tail County



Community Partners Research, Inc.

10865 32nd Street North

Lake Elmo, MN 55042

Project Overview

Community Partners Research, Inc., was hired by the Otter Tail County Housing and Redevelopment Authority to complete a housing study for 17 of the small cities in the County. These individual, city-level studies were intended to compliment similar documents that had been prepared for the Cities of Fergus Falls, Perham, Pelican Rapids and New York Mills in 2014.

The 17 cities included in the countywide study are as follows:

- ▶ Battle Lake
- ▶ Bluffton
- ▶ Clitherall
- ▶ Dalton
- ▶ Deer Creek
- ▶ Dent
- ▶ Elizabeth
- ▶ Erhard
- ▶ Henning
- ▶ Ottertail
- ▶ Parkers Prairie
- ▶ Richville
- ▶ Rothsay
- ▶ Underwood
- ▶ Urbank
- ▶ Vergas
- ▶ Vining

Research for this study was completed between August and September 2015. Each city was examined individually, although to better understand the surrounding area, the County was divided into four quarters, as will be explained further on the following page.

Primary data sources that were used in the following analysis included the U.S. Census Bureau, the Minnesota State Demographer's Office, Esri, Inc., and records maintained by Otter Tail County.

Table of Contents

	Page
Demographic and Projection Data	3
Existing Housing Data	18
Rental Housing Inventory	24
Employment and Commuting Data	25
Findings and Recommendations	27

Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources. Both the U.S. Census Bureau and the Minnesota State Demographer's Office have released demographic estimates for the year 2014. However, these annual estimates are generally limited to basic counts, such as population and household levels.

For more detailed demographic variables, the 2010 Census is viewed as the most reliable data source. While the last Census is an accurate benchmark for demographic data, it was more limited in scope than in the past. As a result, some of the demographic items, such as income and housing cost information, are not available. 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 Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate. For very small jurisdictions, only a limited number of surveys are completed, and the reliability of the estimates can sometimes be questioned. The following tables incorporate the 2010 Census data, when available, or the American Community Survey data, when it is viewed as reliable.

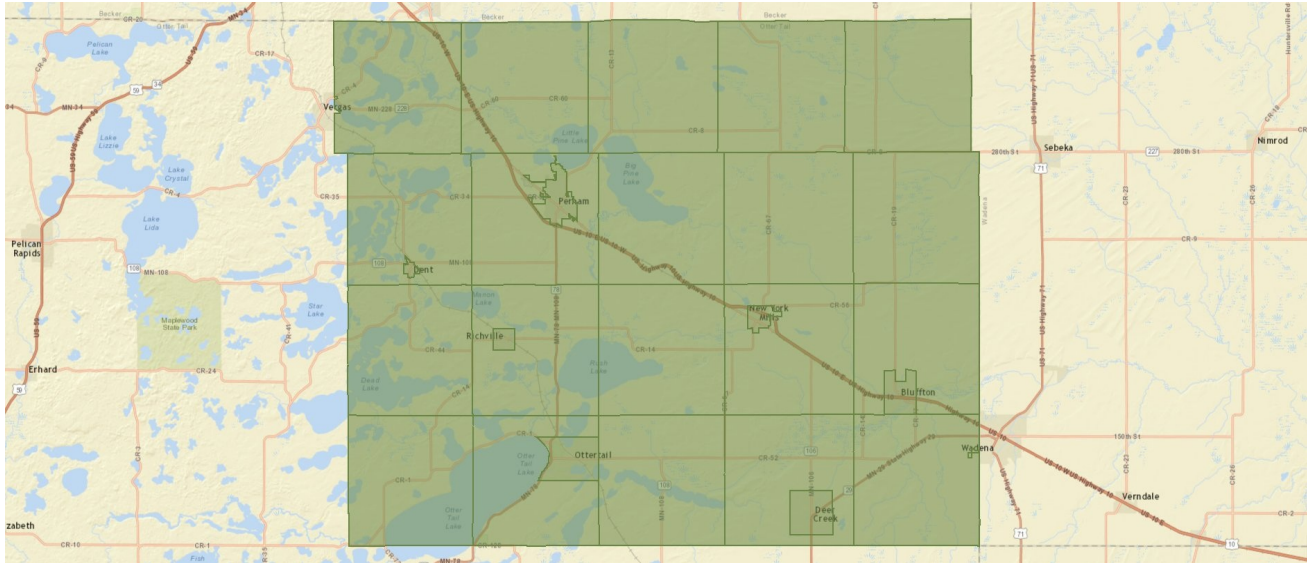
The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For the small cities in Otter Tail County, the 2013 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between 2009 and 2013.

One final data source that is used is Esri, Inc., a private data reporting service. Esri estimates are available for 2015, with projections to 2020.

In addition to demographic data for the City, we have provided information for the portion of the County where the City is located, and for all of Otter Tail County to place the City into a larger regional context.

Ottertail is grouped with other jurisdictions within the Northeast Quarter of the County. The other NE Quarter jurisdictions are the Cities of Bluffton, Deer Creek, Dent, New York Mills, Perham, Richville and a small portion of Wadena; and the Townships of Amor, Blowers, Bluffton, Butler, Compton, Corliss, Dead Lake, Deer Creek, Edna, Gorman, Hobart, Homestead, Leaf Lake, Newton Otter Tail, Otto, Paddock, Perham, Pine Lake and Rush Lake.

Northeast Quarter of Otter Tail County



Population Trends Analysis

The most recent official population estimates for Ottertail and Otter Tail County are for 2014, and were prepared by the Minnesota State Demographer’s Office. For population, additional estimates exist from the U.S. Census Bureau, for 2014, and from Esri, Inc., a private data reporting service, which are effective for 2015. While the following table displays the 2014 estimate from the State Demographer, along with information from the last four decennial censuses, the other recent estimates are discussed in the text that follows.

Table 1 Population Trends - 1980 to 2014							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Ottertail	239	313	451	44.1%	572	26.8%	603
NE Quarter	14,159	13,933	16,398	17.7%	16,984	3.6%	17,243
Otter Tail Co.	51,937	50,714	57,159	12.7%	57,303	0.3%	57,612

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

According to the decennial censuses, the City of Ottertail has grown rapidly in recent decades, with percentage growth of more than 44% in the 1990s, followed by an increase of nearly 27% in the 2000s. While it is possible that some of this growth was due to annexation activity, it appears that most of it would be due to more people moving to the City over time.

After 2010, some additional population growth has occurred in Ottertail, with the State Demographer showing that 31 residents have been added from 2010 to 2014.

Other sources show a slightly different current population level for Ottertail. The Census Bureau’s annual population estimate for 2014 showed the City with 598 residents, five people fewer than the State Demographer’s estimate. Esri shows a 2015 estimate of 606 people, 3 people higher than the State Demographer’s 2014 estimate.

The three population estimating sources are very similar for recent growth in Ottertail. The numeric rate of growth that was present from 2000 to 2010 has not continued at the same pace after 2010, although the City has still been adding some residents.

The limited change in population in Ottertail since 2010 is generally consistent with regional and countywide trends. From 2010 to 2014, the Demographer's Office believes that the entire NE Quarter of Otter Tail has added 259 people, while all of Otter Tail County has added 309 residents. Most of the net growth for the NE Quarter is due to Perham, while most of the Countywide growth is attributable to the Cities of Perham and Fergus Falls.

At the time of the 2010 Census, Ottertail had no residents living in group quarters housing. Nearly 99% of residents identified themselves as White for race, and less than 1% of population was of Hispanic/Latino ethnicity.

Household Trends Analysis

The Minnesota State Demographer’s Office has also issued household estimates for 2014. The Demographer’s estimates are presented in the following table, along with information from past decennial censuses. Esri estimates for 2015 have been examined in the text that follows the table. The Census Bureau does not provide annual household estimates.

Table 2 Household Trends - 1980 to 2014							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Ottertail	95	120	190	58.3%	245	28.9%	258
NE Quarter	4,812	5,103	6,328	24.0%	6,949	9.8%	7,101
Otter Tail Co.	18,549	19,510	22,671	16.2%	24,055	6.1%	24,295

Source: U.S. Census; MN State Demographer

Ottertail has experienced a long-term pattern of growth in the number of resident households. In the 1990s and 2000s, Ottertail added more than 50 households per decade.

Since 2010, the State Demographer’s most recent estimate shows the City adding 13 additional households over a four-year period, over approximately three households in an average year. In the 2000s, the City averaged between five and six households per year, and in the 1990s, the City averaged seven households per year. It is possible that some of the past growth was due to annexation activity, but this can not be accurately determined from the information that is readily available.

The 2015 estimate from Esri shows 261 households living in the City, three households greater than the State Demographer’s 2014 estimate, and consistent with the one-year time difference between the effective dates of the sources.

In recent decades, the NE Quarter of Otter Tail County has grown at a faster rate than all of Otter Tail County. Over the time period from 1980 to 2014, approximately 40% of the net household growth Countywide has been within the jurisdictions that comprise the NE Quarter of the County. This area of Otter Tail County contains a number of attractive lakeshore living opportunities, and some of the growth in households would be the result of permanent residents occupying housing units that may have once been used by seasonal residents. The City of Perham has also been growing, due to job opportunities that are offered within the community.

Only limited household growth has occurred countywide since 2010, but the most recent estimate from the State Demographer does show 240 households added between 2010 and 2014. However, more than 83% of this net growth countywide is attributed to household increases in Fergus Falls and Perham, the two largest cities in Otter Tail County.

Average Household Size

Average household size can be used to define the characteristics of residents over time. Typically, a larger average household size indicates a larger number of families with children, while a smaller average household size indicates an aging population, including more people living alone. The following table provides decennial Census information on average household size. The 2014 estimate from the State Demographer is also included.

Table 5 Average Number of Persons Per Household - 1980 to 2014					
	1980 Census	1990 Census	2000 Census	2010 Census	2014 Estimate
Ottertail	2.52	2.61	2.37	2.33	2.34
NE Quarter	2.89	2.68	2.55	2.40	2.40
Otter Tail Co.	2.71	2.53	2.46	2.33	2.33

Source: U.S. Census; MN State Demographer

The average household size in Ottertail has fluctuated over time. In the 1980s, the City’s average household size grew larger, but then reversed in the 1990s and 2000s. However, the most recent estimate from the State Demographer’s Office shows a slight increase in the size of the average household between 2010 and 2014. While some minor changes have occurred recently, the City’s average household size in 2014 is only slightly smaller than the average in 2000.

There has been a steady decrease in the average household sizes in the NE Quarter and in all of Otter Tail County. However, the State Demographer’s most recent estimate shows some stability since 2010.

Household Projections

The following table presents household projections for Ottertail using two different sources, Esri and the Minnesota State Demographer’s Office. The Demographer has not issued household estimates at the city level, but it is possible to convert a previously issued population projection for Ottertail into households with some basic assumptions about group quarters residents and trends in average household size.

The State Demographer’s Office has issued household projections at the county level. However, these are no longer posted on the Demographer’s website, and may have been withdrawn.

Table 6 Household Projections Through 2020				
	Esri		State Demographer	
	2015 Estimate	2020 Projection	2014 Estimate	2020 Projection
Ottertail	261	275	258	257*
Otter Tail Co.	24,542	25,142	24,295	25,858

Source: Esri; MN State Demographer; * extrapolated by Community Partners Research, Inc.

The household projection from Esri expects Ottertail to add 14 households over the next five years, or an annual average of approximately three households per year. This projected pace of growth would be consistent with the household gains achieved since 2010.

The extrapolated projection from the State Demographer data had expected the City to add some households between 2010 and 2020, but the most recent estimate for 2014 has already exceeded the household level expected by 2020.

The household projections issued by the State Demographer’s Office for Otter Tail County are viewed as unreliable. The Demographer had expected the County to add approximately 1,800 total households over the entire decade, but through the first four of the decade, fewer than 250 households have actually been added, according to the most recent annual estimate.

Esri does expect some growth countywide, with the addition of 600 households between 2015 and 2020. Esri estimates that Ottertail County added nearly 500 households from 2010 to 2020, so the numeric pace of growth would increase slightly for the remainder of the decade. However, very little of this projected growth is expected in the smaller cities within the County.

Household Age Trend Estimates and Projections

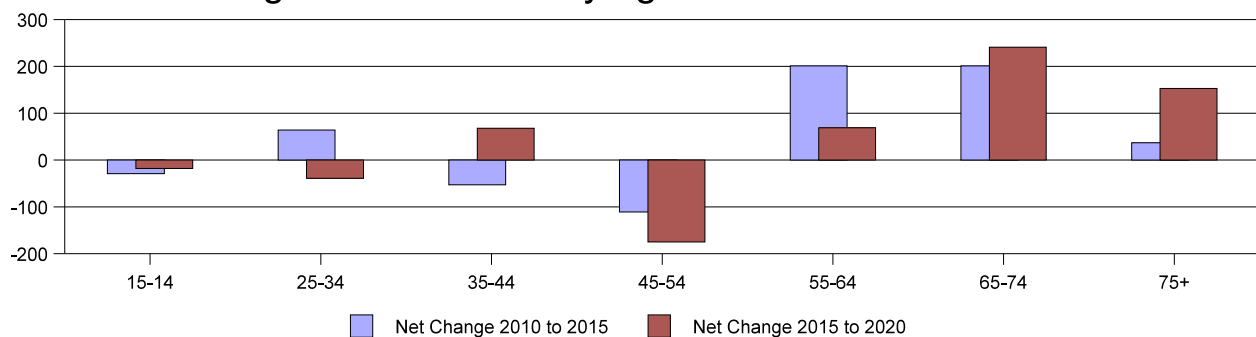
Esri has issued household estimates for 2015 and projections to 2020 based on the age of the householder. Due to the small size of the individual communities being examined in this Study, the following table has presented information for the entire quarter of the County where the city is located. The trends evident within the quarter of the County would generally be applicable to the individual city.

The following table compares households by age of householder in 2010 and 2015, to determine changes that have been occurring in recent years, and then examines the projected changes from 2015 to 2020.

Table 5 Households by Age - 2010 to 2015						
Age	NE Quarter			NE Quarter		
	2010	2015	Change	2015	2020	Change
15-24	241	212	-29	212	194	-18
25-34	855	919	+64	919	880	-39
35-44	912	859	-53	859	927	+68
45-54	1,492	1,381	-111	1,381	1,206	-175
55-64	1,409	1,610	+201	1,610	1,679	+69
65-74	1,090	1,291	+201	1,291	1,532	+241
75+	950	987	+37	987	1,140	+153
Total	6949	7,259	+310	7,259	7,558	+299

Source: U.S. Census; Esri

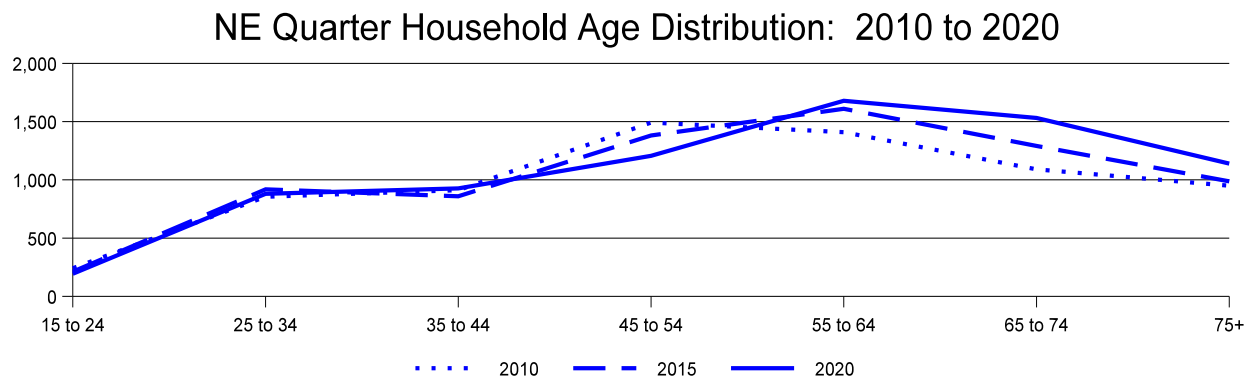
Change in Households by Age Between 2010 and 2020



According to the estimates from Esri, the Northeastern Quarter of Otter Tail County has added 310 total households between 2010 and 2015. However, there has been a much larger change in the age distribution pattern for households. The NE Quarter had an increase of 439 households with a head of household that was age 55 or older, but a loss of 129 households with a head of household age 54 or younger.

The strongest numeric growth of any 10-year age cohorts was among households in the 55 to 64 and the 65 to 74 year old age ranges. These are the primary baby boomer age groups. The largest loss occurred among households age 45 to 54 years old, as the group following behind the baby boom was not as large.

Projecting forward over the next five years, Esri expects most of the growth to come from households age 65 and older. While some of the younger adult age groups may experience some minor growth, overall a net reduction is once again projected among households age 54 and younger through the year 2020.



In the NE Quarter, the movement of the advancing baby boom generation has been evident throughout the decade.

Housing Tenure

The 2010 Census provided an accurate look at housing tenure patterns. The following table examines the number and percentage of owner and renter households.

Table 10 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Ottertail	197	80.4%	48	19.6%
NE Quarter	3,036	83.3%	607	16.7%
Otter Tail County	19,059	79.2%	4,996	20.8%
State	-	73.0%	-	27.0%

Source: U.S. Census

According to the 2010 Census, the ownership rate in Ottertail was at 80.4%, above the Statewide rate of 73%.

The NE Quarter of Otter Tail County as an aggregated area had a very high rate of owner-occupancy in 2010. Fewer than 17% of all households were renters at that time, compared to nearly 21% renter-occupancy countywide.

At the time of the 2000 Census there were 29 renter-occupancy households in Ottertail and 161 owner-occupancy households. During the course of the decade, the City added 18 renter households and 36 owner-occupancy households.

At the time of the 2000 Census, the home ownership rate was at 84.7% in Ottertail, and had decreased to 80.4% by 2010.

The net growth in the number of owner-occupancy households lagged well behind the number of new single family houses that were built between 2000 and 2009. At the same time, growth in renter-occupancy households occurred despite the fact that no multifamily housing projects were permitted. This would imply that the City experienced some level of tenure conversion during the decade, as older units such as single family houses, changed from owner to renter occupancy.

Housing Units and Occupancy Status in 2010

The 2010 Census contained information on the housing units that existed in Ottertail. The following table presents this information, including the types of vacant units that existed.

Table 19 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	Rental	For Sale	Seasonal Use	Other Vacant
Ottertail	197	48	3	11	136	6
NE Quarter	3,036	607	62	98	2,330	189
Otter Tail Co.	19,059	4,996	513	588	9,635	803

Source: U.S. Census

The City of Ottertail had a large number of unoccupied housing at the time of the 2010 Census. Overall, the Census counted 156 unoccupied units. Most of these were defined as seasonal/recreational use housing. The number of seasonal/recreational use units actually increased during the decade, as only 125 units were reported in the 2000 Census.

Eleven of the were unoccupied units in 2010 were intended for owner-occupancy and three were identified as rental use housing. Six “other vacant” units were identified, but the suitability of this housing for actual occupancy is not known.

Within the NE Quarter of Otter Tail County there was a large volume of seasonal/recreational housing. The Census recorded more than 2,300 units that were unoccupied but intended as seasonal-use housing.

There was only a limited supply of rental housing, and fewer than 100 vacant owner-occupancy units.

2013 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the City and County level through the 2013 American Community Survey. 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. No median income information exists for the aggregated jurisdictions that for the NE Quarter of Otter Tail County.

Table 14 Median Income - 2000 to 2013			
	2000 Median	2013 Median	% Change
Households			
Ottertail	\$32,188	\$42,250	31.3%
Otter Tail County	\$35,395	\$48,961	38.3%
Minnesota	\$47,111	\$59,836	27.0%
Families			
Ottertail	\$43,750	\$58,125	32.9%
Otter Tail County	\$42,740	\$61,645	44.2%
Minnesota	\$56,874	\$74,683	31.3%

Source: U.S. Census; 2013 ACS 5-year survey

According to the estimates for Ottertail contained in the 2013 American Community Survey, the median income levels in the community have continued to grow over time. When compared to the 2000 Census, the median household income has increased by more than 31%, and the median family income has increased by nearly 33%. However, the median income levels for households and families in Ottertail were still slightly below the comparable Countywide levels in 2013.

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 Ottertail could afford approximately \$1,056 per month for ownership or rental housing in 2013.

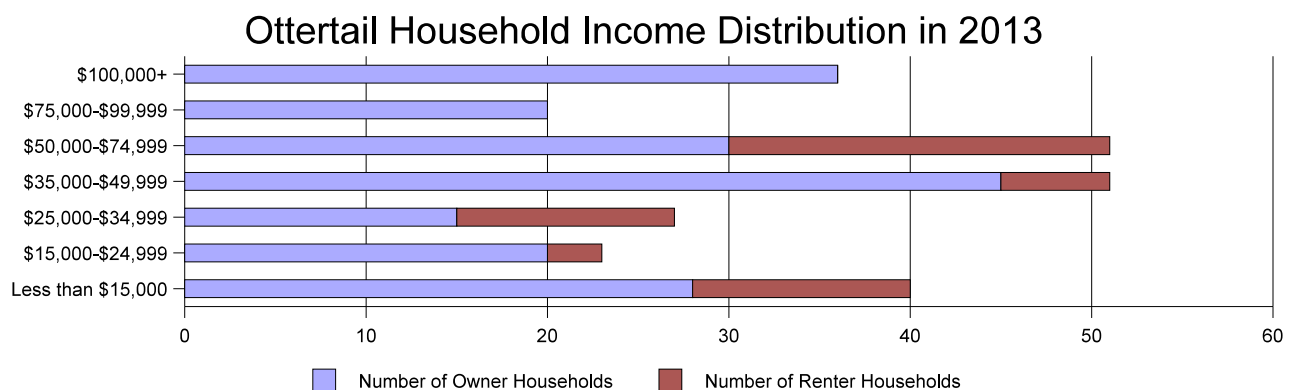
Income Distribution by Housing Tenure

The 2013 American Community Survey provided an income estimate by owner and renter status. The following table examines income distribution within the City of Ottertail.

The American Community Survey appears to have slightly under-estimated the total number of households in Ottertail, when compared to other data sources. The American Community Survey reported 248 households in 2013, compared to 253 as estimated by the Minnesota State Demographer in 2013, a difference of approximately 2%. The estimates are relatively accurate for both the number of owner and renter households. Despite a possible under count of a few households, the American Community Survey still represents the best available data on income distributions by housing tenure.

Table 18 Ottertail Household Income by Tenure - 2013			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	28	12	40
\$15,000 - \$19,999	11	0	11
\$20,000 - \$24,999	9	3	12
\$25,000 - \$34,999	15	12	27
\$35,000 - \$49,999	45	6	51
\$50,000 - \$74,999	30	21	51
\$75,000 - \$99,999	20	0	20
\$100,000+	36	0	36
Total	194	54	248

Source: 2013 American Community Survey 5-year estimates



Household income and housing tenure are often linked for most households. However, in the City of Ottertail, only 50% of all renter households had an annual income below \$35,000 in 2013. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs.

There was some inconsistency between the renter household income distribution and the estimated median income for all renter households. According to the American Community Survey, the estimated median income was \$41,250 in 2013. However, based on the actual distribution array, the mid-point should have been closer to \$35,000. If 30% of income is applied to housing at the median of \$41,250, a renter household at this level could afford approximately \$1,031 per month.

Most owner households had a moderate to higher income level. Approximately 68% of owner households had an annual income of \$35,000 or more in 2013. The estimated median household income for owners was \$42,250.

Building Permit Activity

The City of Ottertail has had ongoing home construction in recent years. Between 2000 and 2014, Census Bureau reports show that 93 new housing units were constructed. However, this total may be low, as the City apparently did not submit annual reports for two years during this time period. City records for 2015 show five house permits issued in the current year.

Between 2000 and 2007, there were at least 59 new housing units constructed in the City. Or an average of more than seven units per year. While most of these appeared to be single family homes, there was also one structure with two units, such as a duplex or twin home permitted in 2004. After 2007, construction activity slowed, and over the next seven years, 34 new homes were built, or an average of nearly five units per year.

The City of Ottertail includes some lake shore parcels and some of the construction activity may reflect new units being constructed along the lakes. There is also a golf course and recreational resort community named Thumper Pond which offers lots along the gold course, and has been the location for many of the housing units constructed in recent years. Thumper Pond has City water service and a private sewer system.

Between 2000 and 2010, Ottertail had a net increase of 55 resident households. Between 2000 and 2009, there were 69 new housing units constructed in the City, which probably would have been available for occupancy when the 2010 Census was conducted. Since total household growth was less than the level of unit construction, it is probable that some of the newly built units represented replacement housing, or represented seasonal/recreational use structures.

Median Year of Construction

The 2013 American Community Survey included an estimate of the median year of construction for housing. In Ottertail, the median year for owner-occupancy units was 1984. The median year of construction for rental housing was 1979.

The age of the housing stock in Ottertail is newer than the Countywide averages. For all owner housing in Otter Tail County, the estimated median year of construction was 1974, and for rental units the median year was 1973.

Units by Structure Type

The 2010 Census did not collect information about structure types. However, according to the 2013 American Community Survey estimates, more than 96% of the housing units in Ottertail were identified as one-unit or two-unit structures, such as single family detached houses, twin homes/duplexes or mobile homes.

Residential Lots

According to City staff, Ottertail does have some residential lots available. There are at least three development areas for residential structures, Deer Run Estates, Happy Acres, and the Thumper Pond community. There was no information on the available lot inventory in these areas, but lots do remain available.

A search of the Multiple Listing Service identified a large number of residential lots in the Ottertail area, but most of these were 1 acre or more in size and appeared to be rural lots and not within the city limits. As a result, they were not improved, with municipal water service.

Municipal Services

The City of Ottertail does have a municipal water system, although it does not extend to the entire community. However, residents are served by on-site sewage systems.

Home Sales

The Otter Tail County Assessor's Office maintains residential sales records that date back many years. For the following analysis, sales were reviewed for each calendar year, dating back to the year 2010.

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

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

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

The sales records reviewed were for improved residential parcels with less than four units. 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 adjusted sale price has been examined. This would reflect any adjustments made by the Assessor's Office for items, such as personal property, which may have been included in the transaction.

As presented, the sales are for the calendar year. The Assessor's Adjusted Sale Price has been used, which reflects adjustments for personal property or financial considerations included in the sale.

Table 20 Median Value of Recent Residential Sales - Ottertail				
Year	Number of Sales	Median Price	Highest Price	Lowest Price
2015*	6	\$157,500	\$237,500	\$124,957
2014	9	\$118,700	\$203,500	\$27,500
2013	9	\$139,767	\$354,500	\$36,000
2012	10	\$252,500	\$498,950	\$128,315
2011	7	\$38,000	\$348,700	\$15,000
2010	6	\$148,250	\$519,000	\$75,000

Source: Otter Tail County Assessor; Community Partners Research, Inc.

* 2015 sales were through August

Median for 2015, 2012 and 2010 were calculated from the two closest sales

Due to the limited number of good sales in Ottertail from year to year, there can be a wide variation in the median value. In certain years, such as 2011, very few higher valued homes were sold, and a very low median resulted. However, in most years the mid-point sales value has been above \$118,000.

Included in the list of good sales are some lake shore properties, on Otter Tail, Donald, Portage or Pelican Lakes. Nearly all of the lake home sales have been for \$200,000 or more, and they impact the median price as well as the highest sale price that is recorded in most years.

Despite the year-to-year variation in the median price, overall home values in Ottertail tend to be relatively high, when compared to the other small cities in the County. Over the entire time period reviewed, fewer than 24% of the good sales were for less than \$100,000.

The table above also provided information on the highest annual sale prices. Over the years reviewed, the highest valued sale was for \$519,000, and this property was on Otter Tail Lake. For off-lake homes, there were only two sales recorded that were above \$200,000.

An alternate home value estimate is available from the 2013 American Community Survey. This source places the midpoint owner-occupied house value at \$200,000, well above the median sale price that year of \$139,767.

Bank-Owned Sales

The sales records from Otter Tail County also provide some information on the reason that some sales were rejected, and viewed as “unqualified” sales. One of the identified rejection codes was for “bank sales”. These would generally reflect sales of distressed properties, where the lender had obtained ownership, such as foreclosures. When the lender then sells these houses back into private ownership, they are not viewed by the County as fair market transactions.

The following table tracks the number of bank sales that were listed for each year, along with the median transfer price. Sales by government agencies, such as HUD or MHFA, have also been included, when these appeared to be foreclosure-related.

Table 21 Bank-Owned Sales - Ottertail		
Sales Year	Number of Bank Sales	Median Price
2015*	2	\$26,750
2014	1	\$28,314
2013	1	\$74,900
2012	4	\$110,100
2011	1	\$194,000
2010	5	\$124,900

Source: Otter Tail County Assessor; Community Partners Research, Inc.

* 2015 is partial year

Bank-owned home sales appear to be a minor issue in Ottertail in recent years. In 2012, there were four bank-owned residential sales, but since that time only one or two have occurred each year.

The table displays information on when the houses were sold by the lending institution, and may not be the same year that the foreclosure action occurred. In some of the other communities in Otter Tail County, there were reports that the lending institutions did not re-sell the foreclosed homes for a few years in some of the smaller communities where home values were lower.

Otter Tail County Home Foreclosure Activity

Starting in 2006, many national reports began to surface about the growing number of foreclosures. Initially linked to the popularity of adjustable rate mortgages and the expansion of sub-prime mortgage lending, as many housing markets cooled and the national economy moved into a period of recession, the foreclosure crisis spread to broader segments of the housing market.

In response to the growth in foreclosures late in the last decade, HousingLink and the Greater Minnesota Housing Fund began tracking mortgage foreclosure activity across the State. They produced annual foreclosure reports between 2007 and 2013. Their reports provide details on foreclosure activity at the County level dating back to 2005, as well as a comparison with other Counties in the State.

In addition to collecting information on the number of foreclosures, based on Sheriff’s Sale data, HousingLink has also attempted to calculate a rate of foreclosure, by comparing the annual total to the number of residential parcels in each County. While this rate calculation does not yield a perfect number, it does allow for a standardized comparison measure among all of the Counties in the State. The following table presents the actual number of foreclosures, followed by the calculated rate of foreclosure, as calculated by HousingLink.

Table 22 Otter Tail County Home Foreclosures - 2005 to 2013									
Foreclosures	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number	59	92	89	101	117	158	146	120	98
Rate	0.25%	0.39%	0.37%	0.42%	0.47%	0.65%	0.60%	0.49%	0.40%

Source: HousingLink; Community Partners Research

Based on the HousingLink data, Otter Tail County did experience a significant increase in the number of home foreclosures, especially between 2005 and 2010, when the number nearly tripled. However, after reaching a peak in 2010, the annual number of foreclosures declined, and the total for 2013 was comparable to the level in 2006.

HousingLink also attempts to put the rate of foreclosure in perspective, by comparing the number of foreclosures to the total number of residential parcels in the County. The foreclosure rate in Otter Tail County remained relatively low over this time period. For comparative purposes, Otter Tail County ranked 51th for the rate of foreclosure among Minnesota’s 87 Counties in 2013 (1st being the highest rate of foreclosure). In comparison, for the year 2010 when Otter Tail County recorded its highest number of foreclosures, the County ranked still ranked 55th among Minnesota’s Counties for the rate of foreclosure.

Rental Housing Data

According to the 2010 Census, the City of Ottertail had 48 occupied rental housing units, and at least three unoccupied rental units, for a total estimated rental inventory of 51 units. The City's rental tenure rate was 19.6% in 2010, well below the Statewide rental rate of 27%.

At the time of the 2000 Census, Ottertail had 29 occupied rental units, and at least three vacant units, for a total rental housing inventory of 32 units. The City's percentage of occupied rental units in 2000, at 15.3%, was also well below the Statewide rate of 25.4% at that time.

Between 2000 and 2010, the City added 19 renter-occupancy households, and at least 19 rental housing units.

A review of building permit data for Ottertail does not show any multifamily housing projects in recent years, other than a twin home or duplex that was permitted in 2004. It would appear that nearly all of the net gain in rental housing in Ottertail between 2000 and 2010 was the result of tenure conversion, as houses that had once been owner-occupied switched to rental use, or from the occupancy of formerly vacant housing.

Tenure conversion would be supported by other statistical information. As stated previously, as many as 67 single family homes were permitted in Ottertail from 2000 to 2009, yet the 2010 Census recorded a net gain of Only 36 home owners in the City. There was also a net gain of 11 seasonal/recreational units in the City. This would imply that some houses that were formerly owner-occupied switched to rental use.

Rental Housing Survey

From September to November of 2015, a telephone survey was conducted of multifamily rental projects in the small cities in Otter Tail County. The survey focused on rental properties with four or more units, although in some cases there were complex of rental duplexes were also included.

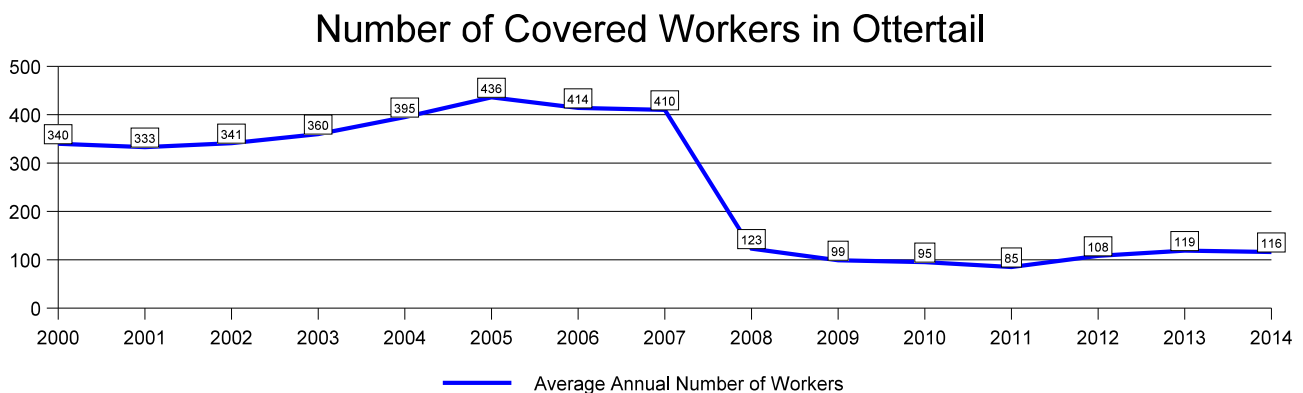
No multifamily rental buildings were identified in the City of Ottertail. At the time of the 2000 Census, all of the City's rental units were in single family houses or mobile homes. The 2010 Census did not provide this same level of detail, but since the year 2000, no multifamily construction can be identified in the City. As a result, no rental survey was conducted in Ottertail.

Ottertail Annual Covered Employment

The Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker, and can be used to examine longer-term patterns in the local employment level. The following table displays the total number of workers reported in Ottertail for the years 2000 to 2015, although 2015 represents only partial-year data.

Table 31 Ottertail Average Annual Employment: 2000 to 2015*			
Year	Total Covered Employment	Year	Total Covered Employment
2000	340	2008	123
2001	333	2009	99
2002	341	2010	95
2003	360	2011	85
2004	395	2012	108
2005	436	2013	119
2006	414	2014	116
2007	410	2015*	80

Source: QCEW - MN Department of Employment and Economic Development



Between 2007 and 2008 there was a large decrease in the number of covered workers reported in the City of Ottertail. Prior to 2008, there had been more than 300 workers, but in 2008, this dropped to 123 workers. The exact cause of this change is not known. After 2008, the number of covered workers has remained less than 125 each year.

For 2014, the last full year of data, the reported average wage in Ottertail was \$20,280. The highest reported annual wage was in 2012, at \$22,100, but then decreased in 2013.

Census On the Map

The Census Bureau produces reports on worker movement through its Center for Economic Studies division. This information is based on reports for the year 2013. It tracks both inflow and outflow of workers.

Table 34 Employee Inflow/Outflow Analysis - 2013			
City	Number of People Employed in the City	Percent of City Employees that also Reside in the City	Percent of City Employees that Live Outside of the City
Ottertail	366	6.8%	93.2%
	Number of Employed People Living in the City	Percent of City Residents that also Work in the City	Percent of City Residents that Work Outside of the City
Ottertail	178	14.0%	86.0%

Source: Census Bureau, Center for Economic Studies

According to the report for Ottertail, there were 366 people that were employed in their primary job within the city limits in 2013. Of these city-based jobs, fewer than 7% were filled by people that also lived within Ottertail. More than 93% of the jobs were filled by people that lived outside of the City.

Most of the working residents of the City left the community for employment. Overall, 86% of the workers living in Ottertail worked outside of the City.

The On The Map reports do not indicate the direction of travel for commuters. However, according to the American Community Survey in 2013, nearly 86% of workers traveled less than 30 minutes to work.

Community Overview: Ottertail

Employment and Commuting

The City of Ottertail is located in the northeast quarter of Otter Tail County. The City is approximately 13 miles from Perham, 15 miles from New York Mills, and 21 miles from Wadena, and 12 miles from Henning.

Ottertail does have a limited number of employment opportunities within the community, but most residents commute for work. In 2013, Census Bureau statistics showed that 86% of the City's employed residents left the community for their primary job. A large majority of the City's residents had a drive time of 29 minutes or less (including those that worked in Ottertail). A drive time of 30 minutes or less would be consistent with the travel time to Perham, New York Mills or Wadena, each of which have a larger number of employment opportunities.

While there are some job opportunities available locally, at least one source shows a severe decline in locally-based employment options. The Quarterly Census of Employment and Wages (QCEW) tracks workers that are reported for unemployment insurance. The QCEW data for Ottertail show a decrease of 287 covered workers between 2007 and 2008. However, discussions with City staff have been unsuccessful in determining whether this was an actual employment reduction or a reporting issue, as no specific loss of jobs can be identified in this time period. Since 2008, there have been some smaller annual changes, but the number of covered workers in 2014 was 116 people, compared to 123 in 2008.

Most of the jobs that do exist in Ottertail are filled by non-residents. However, most of these workers travel less than 30 minutes to the City, and either reside in the neighboring townships or small communities in the area.

Past Growth

Over the past few decades, the City has experienced solid population and household growth. Between 2000 and 2015, the best available estimates show the City adding more than 150 people and approximately 70 households. However, most of this growth had occurred by 2010, and over the past four or five years, the annual incremental growth in population and households has been much lower. The most current estimates show that household growth since 2010 has been approximately three households per year.

Housing Construction/Availability

The Census did record a net gain of 78 housing units in Ottertail between 2000 and 2010. This is actually greater than the level that can be tracked through building permit and local records.

Between 2000 and 2009, building permit reports show that there were 67 new single family housing units constructed in the City. There was also one twin home/duplex permitted. There were two years in the 2000s when the City did not submit annual reports to the Census Bureau, and it is probable that some additional units were constructed in those years.

The net growth of 55 resident households between 2000 and 2010 was less than the number of units constructed during the decade. According to the Census, the number of vacant housing units including unoccupied seasonal/recreational use units did increase in Ottertail between 2000 and 2010. There was an increase of 23 vacant units, including 11 unoccupied units intended for seasonal/recreational use. The City includes shoreline on multiple lakes and some of the housing is not used by full-time residents.

It should be noted that while past housing construction activity has been relatively strong for a small city, construction has slowed over time. The peak years of construction were 2004 and 2005, when the City averaged nearly 15 units per year through new construction. In contrast, from 2010 to 2015, the City has averaged only five units per year.

Projected Growth

Projections for small communities are often based on past patterns, which are then trended forward. For Ottertail, there are some differences in the available projection sources.

Esri, a private data projection service that has been used extensively in this Study, believes that Ottertail will add 14 households between 2015 and 2020, or approximately three households in an average year. This level of growth would be lower than the number of new houses constructed in recent years, but could be based on the assumption that some of the new housing is intended for seasonal occupancy.

Another data source, the MN State Demographer's Office, had also expected the City to grow in the current decade, but at a slower pace. Based on the most recent estimates, the City had already reached the 2020 projected level for households by the year 2015.

Ottertail does have the potential for future population and household growth without any additional housing unit construction. This would require that some of the vacant and seasonal use units convert to permanent occupancy. With more than 130 housing units counted as seasonal/recreational housing in the 2010 Census, Ottertail has more unused housing than any of the other small cities in the County. However, since most of this is probably higher-priced lake shore housing, it is assumed that it will largely remain for seasonal/recreational use, and resident household growth will be more directly linked to new housing unit construction.

Housing Tenure Patterns

Between 2000 and 2009, records indicate that 67 or more single family houses were built in Ottertail. But between 2000 and 2010, the City experienced a net gain of only 36 owner-occupancy households. There are at least two probable explanations for this discrepancy. It is possible that some of the new construction occurred on lake shore parcels and was built for seasonal/recreational use. It is also possible that a number of older housing units that had once been owner-occupied were converted to rental use or were vacant at the time of the Census.

It is doubtful that the City added any rental units through new construction, although a two-unit structure was permitted in 2004. The Census recorded a net gain of 19 renter-occupancy households during the previous decade. This implies that between 17 and 19 of the renter households had occupied housing that was vacant or owner-occupied at the time of the 2000 Census.

With a relatively large increase in the number of renter households, the City's rate of home ownership dropped from 84.7% in 2000, to 80.4% by 2010. However, with an ownership rate that was still above 80%, the City was well above the Statewide average.

Based on the research completed for this Study, and the limited growth projected Ottertail, only limited recommendations have been made.

1. Maintain and preserve the existing single family housing stock

Findings: Nearly all of the housing in Ottertail exists in single family homes. The City also has some mobile homes, and other units in one or two-unit structures. Overall, more than 96% of all occupied housing options in the City are believed to exist in one or two unit structures.

At the time of the 2010 Census, the home ownership tenure rate in Ottertail was still above 80%. The City has remained a desirable location for people looking to own their housing. Since 2000, the City's average household size has remained relatively stable, implying that households with children continue to live in the community, possibly in response to attractive single family housing options.

Home values in the City can vary dramatically. The City has a number of higher priced lake shore homes. However, there are also a number of mobile homes and single family houses with lower values. According to the American Community Survey, nearly 29% of the owner-occupied single family houses had an estimated value below \$100,000. The City also had a number of mobile homes, with a median value of \$45,000 in 2013.

When compared to most of the other small communities in the County, Ottertail does tend to have a slightly newer housing stock. The estimated median year of construction for owner-occupied houses in the City is 1984, according to the American Community Survey. However, nearly 50 of the owner-occupied single family houses were constructed prior to 1960.

Recommendation: Houses that are lost to disrepair reduce the affordable housing stock as they are unlikely to be replaced in Ottertail in a similar price range. It also appears that some level of tenure conversion has been occurring, as some houses have changed from owner to renter occupancy. This most often occurs in lower valued homes that have less appeal to potential home owners, and instead are purchased by investors that then make them available for rental use.

Maintenance and repair of the City's older housing will be an important strategy to maintain community stability. Ottertail has not participated in a Small Cities Development Program (SCDP) grant in many years. This may be the result of higher income levels in the City, as the grant program tends to be need based. However, not all households in Ottertail have higher income levels, and it may be appropriate to explore housing rehabilitation program options as the City attempts to improve its stock of affordable housing.

2. Promote affordable home ownership options as houses become available

Findings: Although many of the houses in Ottertail are in a higher price range, the City also has some more moderately priced housing. In most years, there are some houses that sell for less than \$100,000.

Recommendation: Ottertail represents an attractive location for potential home buyers, with a home ownership rate above 80%. Ottertail has some employment opportunities within the community, and is within commuting distance of some larger employment centers, including Perham and New York Mills. Most residents leave the City for their primary job. Attractive home ownership options have probably made the community a desirable location for people that are willing to commute to the region's larger employment centers.

Although only a limited number of houses may come up for sale in any single year, the affordable prices for some of the homes in the City make it an option for many Otter Tail County households. The community should promote the attractive existing housing options and access any available resources that exist to assist with home ownership, including down payment and/or first-time home buyer programs.

Some area communities, such as Rothsay, have offered home ownership incentives, such as free water service for one year. The City could examine the potential for financial incentives to promote home ownership.

3. Demolish and clear any substandard structures

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

Recommendation: Ongoing efforts to clear severely substandard structures are encouraged. This will help to enhance the appearance and appeal of the community as a residential location.

4. Promote rental housing rehabilitation

Findings: Although Ottertail has only a limited supply of rental housing, the number of renter households has been growing. Between 2000 and 2010, the City added 19 renter-occupancy households.

All of the City's rental stock is believed to exist in single family houses or mobile homes. According to the American Community Survey, some of the rental houses were built before 1940, and a number of the rental mobile homes were built before 1980.

According to the American Community Survey, rental rates in the City are generally in a moderate range, with most units having a gross rent between \$750 and \$800 per month, including tenant-paid utilities. Since all rental units are believed to be in one-unit structures, the gross rent would include all of the utility costs which are typically paid by the tenant.

Recommendation: Rental units in Ottertail probably exist in lower valued single family houses and mobile homes. Based on the moderate rent structure, it is assumed that many of these units are older and could benefit from rehabilitation.

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

5. Promote the development of rental housing

Findings: There are no known multifamily rental properties in Ottertail with more than two units. Over time, single family houses and mobile homes have converted to rental use, supply all of the rental options in the City.

Although no rental housing developers have been active in Ottertail, there are multiple examples of successful construction projects in many of the other small cities in the County over the past 15 years. In Perham, New York Mills, Battle Lake and Parkers Prairie, private development of high quality rental housing has occurred. In Henning and Underwood, publicly-sponsored rental projects were developed in the late 1990s and have been very successful.

In most of these examples, one-level buildings have been constructed, typically in a town house or duplex configuration. Most of the units have an attached garage and amenities typically associated with single family living. While these units can appeal to tenants of all ages, they are often oriented to empty-nesters and seniors that are looking to move from home ownership to age-appropriate rental housing, yet maintain some of the amenities of single family living.

Most units have two or three bedrooms, in-unit laundry/hookup, and an attached garage. Unit sizes can vary, but often have 800 to 1,000 sq. ft., and one or 1.5 bathrooms. In the most recently constructed projects in Perham and New York Mills, gross rents are below \$850 for a two-bedroom unit with one bathroom and approximately 950 square feet of living space. The three-bedroom units have gross rents below \$1,000 for approximately 1,100 square feet of living space and 1.5 bathrooms. The newest units in Perham and New York Mills also have an attached garage.

Although the household projections used for this Study would not expect any large-scale household growth in Ottertail through the remainder of this decade, there is evidence of growing demand for rental housing, as the City added 19 renter-occupancy households in the previous decade. There will also be continued growth among one of the primary target groups, households age 55 and older. Countywide, the number of households age 55 and older should increase by more than 9% between 2015 and 2020.

In 2020, approximately 59% of all households in Otter Tail County will be in the age ranges 55 and older. In the City of Ottertail, projections expect nearly 68% of all households to be age 55 or older by the year 2020.

Recommendation: Given the success of higher quality rental projects in other cities in Otter Tail County, and continued demand for rental housing in Ottertail, it would be appropriate to promote the development of between eight and ten new rental units in Otter Tail by the year 2020. These could be targeted at the moderate to higher rent segment of the market, in a style similar to the town house rental projects recently constructed in New York Mills and Perham.

Town house-style rental units offering many of the amenities of single family living have proven to be successful in many of the other small cities, and demonstrate market acceptance for this type of rental housing in the area. In addition to serving area seniors and empty-nesters, new units can also serve younger tenants, but in Ottertail, a primary target market would be older households looking to move to age-appropriate housing with lower maintenance responsibilities.

6. Promote affordable rental housing creation when possible

Findings: The previous recommendation had addressed the potential for developing additional rental housing in Ottertail to serve moderate to higher income households. The economics of new housing construction will generally require substantially higher gross rental rates than otherwise exist in independent rental housing in the community. The higher housing costs therefore serve to limit the number of new units that can be feasibly absorbed in a smaller community.

Ottertail, like most of the other small cities in Otter Tail County, could also benefit from the creation of even more rental units in the future, provided these are affordable to the typical renter household. Countywide, the median household income for all renters in 2013 was only \$21,417. If a median income household were to apply 30% of income to housing costs, this would yield an affordable gross rent of only \$535 per month. Half of all renter households in the County would ideally need a unit that is at or below this rent threshold.

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

The shortage of affordable units becomes magnified when some lower income households are able to access tenant-based rent subsidies. The Housing Voucher Program has maximum rent levels that apply to the use of this assistance. The current payment standard for a two-bedroom rental unit is \$657. Voucher holders will often have a difficult time locating a unit that is vacant, below this payment standard, and able to pass the basic housing quality standards inspection.

Since adding affordable units can generally not happen through new construction, in the smaller cities in the County, the supply of units has remained fixed, or possibly declined in recent years.

Recommendation: In the opinion of the analysts, Ottertail would benefit from affordable rental housing creation. This would help attract residents to the community, could expand the available labor force, and would ease housing pressure caused by low vacancy rates. However, there is no easy way to address the financial gap between affordable rental housing and the costs associated with building new units.

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

In a number of the small cities in the County, it appears that older houses that had once been owner-occupied have shifted to rental use in recent years. While this does effectively create some additional rental options, it reduces the affordable home ownership opportunities. It can also negatively impact community stability, as fewer home owners often results in more household turnover and fewer residents with long-term ties to the city. Ideally, the expansion of affordable rental housing would not result in a reduction of affordable ownership housing.

7. Monitor senior housing with services needs

Findings: Ottertail does not have any specialized housing options for seniors. As a small community with limited services, older residents have tended to leave the City when their care needs increase. Specialized senior housing is available in a number of the surrounding communities, including Perham, New York Mills, Henning and Wadena. Additional options exist within the regional centers, including Fergus Falls.

Most of the other cities with specialized housing such as senior assisted living also have skilled nursing homes, making the delivery of services and skilled staff more accessible.

The immediate market area surrounding Ottertail, including three nearby townships, contained only 176 older senior citizens, age 75 and above, at the time of the 2010 Census. There were 109 households age 75 and older living in the immediate area.

While it is very probable that senior housing in Ottertail would have the potential to draw from a larger geographic area than the surrounding three townships, there are other specialized care options in many of the nearby communities, which would directly compete for residents. As a result, only a limited geography is practical when examining market potential.

Recommendation: The size of the older senior population residing in Ottertail and the immediately surrounding township areas does not represent a sufficient target market to warrant specialized senior housing construction on a larger scale. There are numerous examples of board and lodging-style care facilities that can offer assisted living in a residential setting. Many of these have capacity for only five or six residents. A facility of this scale may be practical in Ottertail to serve long-term area residents that wish to remain living in the community.