



# Housing Market Analysis and Demand Estimates for Worthington, Minnesota

Prepared for:

**City of Worthington**

Prepared by:

**Viewpoint Consulting Group, Inc.**

Date: **March 29, 2013**



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Mr. Bradley Chapulis  
Director of Community / Economic Development  
City of Worthington  
303 Ninth Street  
Worthington, MN 56187

**Subject: Housing Market Analysis and Demand Estimates for Worthington, Minnesota**

Dear Mr. Chapulis:

Attached is the *Housing Market Analysis and Demand Estimates for Worthington* conducted by Viewpoint Consulting Group, Inc. The study projects housing demand through 2020, and gives recommendations on the amount and type of housing that could be built in Worthington to satisfy unmet needs. Detailed information regarding recommended housing concepts can be found in the Demand Analysis and Conclusions section at the end of the report.

Thank you for selecting Viewpoint Consulting Group, Inc. to conduct this market study of Worthington's housing needs. We have enjoyed performing this study for you and are available should you have any questions or need additional information.

Sincerely,

Viewpoint Consulting Group, Inc.

A handwritten signature in blue ink that reads "Jay Thompson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jay Thompson  
President

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## Introduction

The City of Worthington engaged Viewpoint Consulting Group, Inc. to conduct an assessment of housing needs for the City of Worthington, Minnesota. Detailed calculations of housing demand from 2013 to 2020 can be found in the *Demand Analysis and Conclusions* section of the report. Recommendations are also provided on the amount and types of housing that should be developed to accommodate the housing needs over the next five years. The following are key highlights from the housing needs assessment.

## Key Findings

1. Worthington is experiencing strong population growth. During the 2000s, Worthington's population grew by 13.1% making it one of the fastest growing communities in southwestern Minnesota. Propelled by steady employment growth, Worthington's population is projected to continue growing, from 12,764 in 2010 to 13,800 in 2020.
2. Worthington's population growth has been among all age groups – both younger and older. Through 2030, the older adult population will grow rapidly as the baby boom generation ages and the younger population will grow as young singles and families move to Worthington for employment. Growth of all age groups is creating demand for a variety of housing types, but particularly rentals to accommodate moderate-income workers.
3. Household growth in Worthington has not kept pace with population growth. Only 147 households were added last decade despite growth of 1,481 people. The result is that Worthington had an average household size of 2.86 people per household in 2010, far above the State average of 2.54 people per household.
4. Overall, there is demand for approximately 500 new housing units in Worthington between 2013 and 2020. Out of that demand, about 175 to 200 units will be for owner-occupied housing and 300 to 325 units will be for rental and senior housing.
5. Housing types by number of units to meet projected demand in Worthington from 2013 to 2020 is below:
  - Single-family owner-occupied
    - o Entry-level = 60 - 70 units
    - o Move-up = 40 - 50 units
  - Townhomes/condominiums = 75 - 80 units
  - Rental housing
    - o Market rate = 80 - 85 units
    - o Affordable = 170 - 175 units
    - o Student = 35 - 40 units
    - o Senior (memory care) = 20 - 25 units

6. We recommend maintaining a three-year lot supply in Worthington, which ensures adequate consumer choice without excessively prolonging developer carrying costs. With demand for about 15 homes each year, the current lot supply for both entry-level homes (under \$225,000) and move-up homes (above \$225,000) is under three years. The Morning View Addition will add needed entry-level lots in the short-term. A subdivision with lots accommodating move-up homes will need to be platted in 2014 to offer adequate choice.
7. The target market for condominiums in Worthington has primarily been empty-nesters and young seniors who want to own their residence but do not want the responsibility of maintenance. West Park Acres, the only active townhome development in Worthington has seven lots remaining. We recommend another condominium (townhome-style) development with 20 to 30 units in the \$165,000 to \$200,000 price range be ready to come on-line in 2015.
8. There is demand in Worthington for newer market rate rental units that would appeal to professionals and other higher-income households moving to Worthington. The proposed 36-unit townhome development by the Worthington HRA will satisfy a portion of this demand. We recommend a second market rate development also come on-line, such as the 24-unit second phase of Okabena Estates or a similar development.
9. There is demand for rental housing in Worthington for households earning approximately \$35,000 or less. Many of these households would income-qualify for units developed through the Low Income Housing Tax Credit program (LIHTC). We recommend two developments – a 30-to 40-unit affordable townhome development and a 60-to-70-unit mixed-income apartment. The mixed-income apartment would satisfy some of the demand from people who do not income-qualify for LIHTC housing but cannot afford rents at new market rate properties.
10. We recommend a 20-to-25-unit memory care development (specialized assisted living) in Worthington to satisfy the unmet need for this level of care. The only existing residential-style memory care housing is at Meadows of Worthington (14 units), which is fully occupied. Other existing senior housing types will meet the needs of local seniors through 2020.
11. We recommend a student-only apartment with 35 to 40 units on or within walking distance of Minnesota West Community & Technical College. There is no on-campus housing at the Worthington campus of Minnesota West, which has enrollment of 1,100 students. With an overall occupancy rate of 99%+ among Worthington's rental housing stock, finding housing is difficult for students.

## Introduction

Viewpoint Consulting Group, Inc. was engaged by the City of Worthington to conduct an analysis of the housing needs in the City of Worthington. The purpose of this analysis is to calculate the depth of unmet need for various housing types in the community through 2020. Based on the analysis, recommendations are provided on specific housing developments that could be built to meet the unmet need.

## Scope of Services

The scope of this study includes the following:

1. Analysis of demographic trends and characteristics and economic conditions as they relate to the potential demand for additional housing in Worthington.
2. Analysis of current market conditions for rental housing, owner-occupied housing, and senior housing in Worthington.
3. Calculation of demand for rental, owner-occupied, and senior housing in Worthington through 2020.
4. Provide recommendations on appropriate housing types to develop within the next five years to satisfy unmet housing demand.

The data analyzed in this report includes both primary and secondary data. Primary data is data collected by Viewpoint Consulting Group, Inc. through interviews with property managers, Realtors, major employers, and city staff. Secondary data is gathered from other sources and is accurate to the best of our knowledge. Secondary data utilized in this report is from the U.S. Census Bureau, Minnesota State Demographic Center, Minnesota Department of Employment and Economic Development, Nobles County Assessor, and ESRI (a national demographics firm).

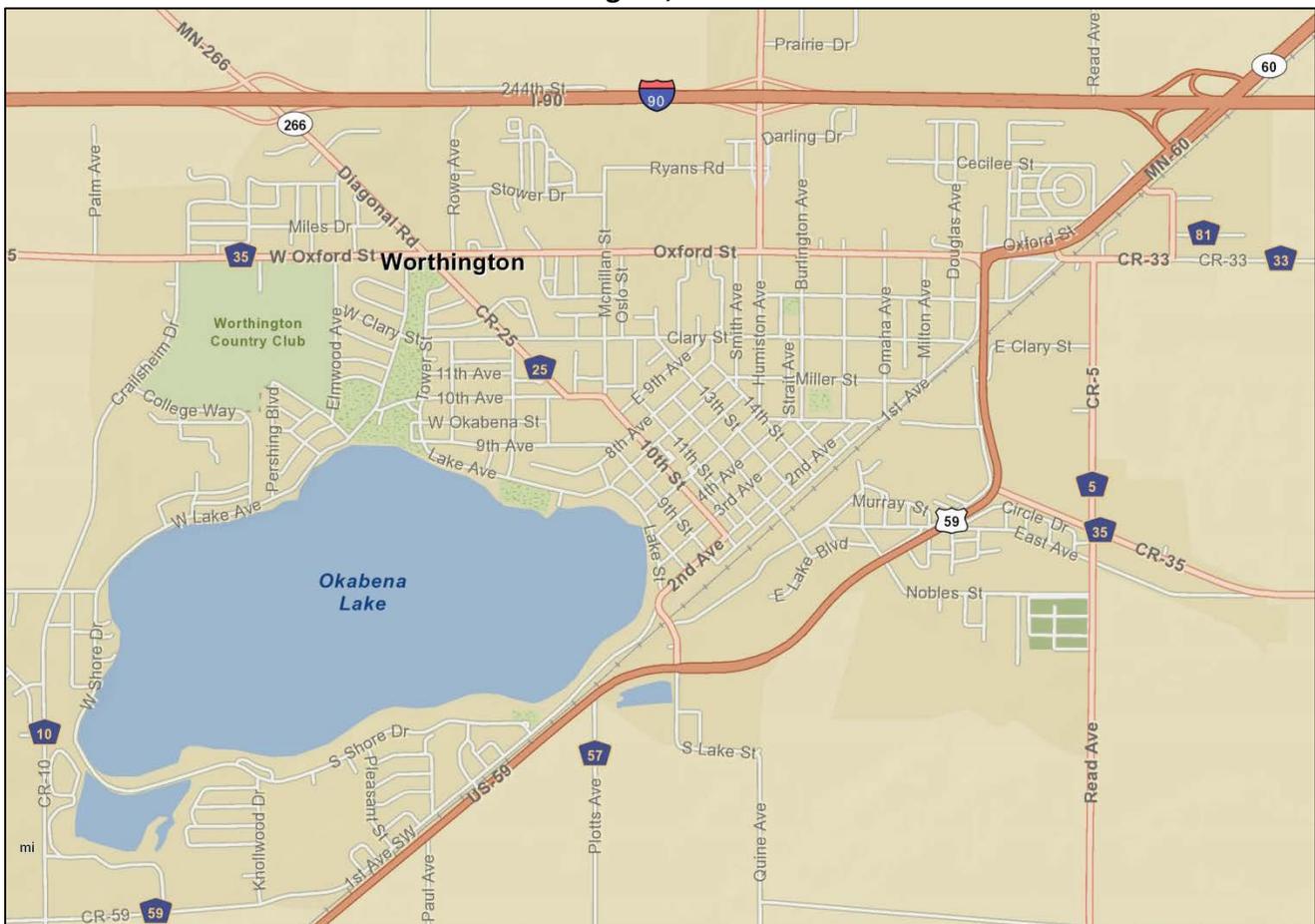
## Worthington Overview

Worthington is a community of 12,764 people (2010 Census) located in southwestern Minnesota in Nobles County. Worthington has an expanding employment base that resulted in population growth of 13.1% last decade, making Worthington one of the fastest growing communities in the southwestern part of the State.

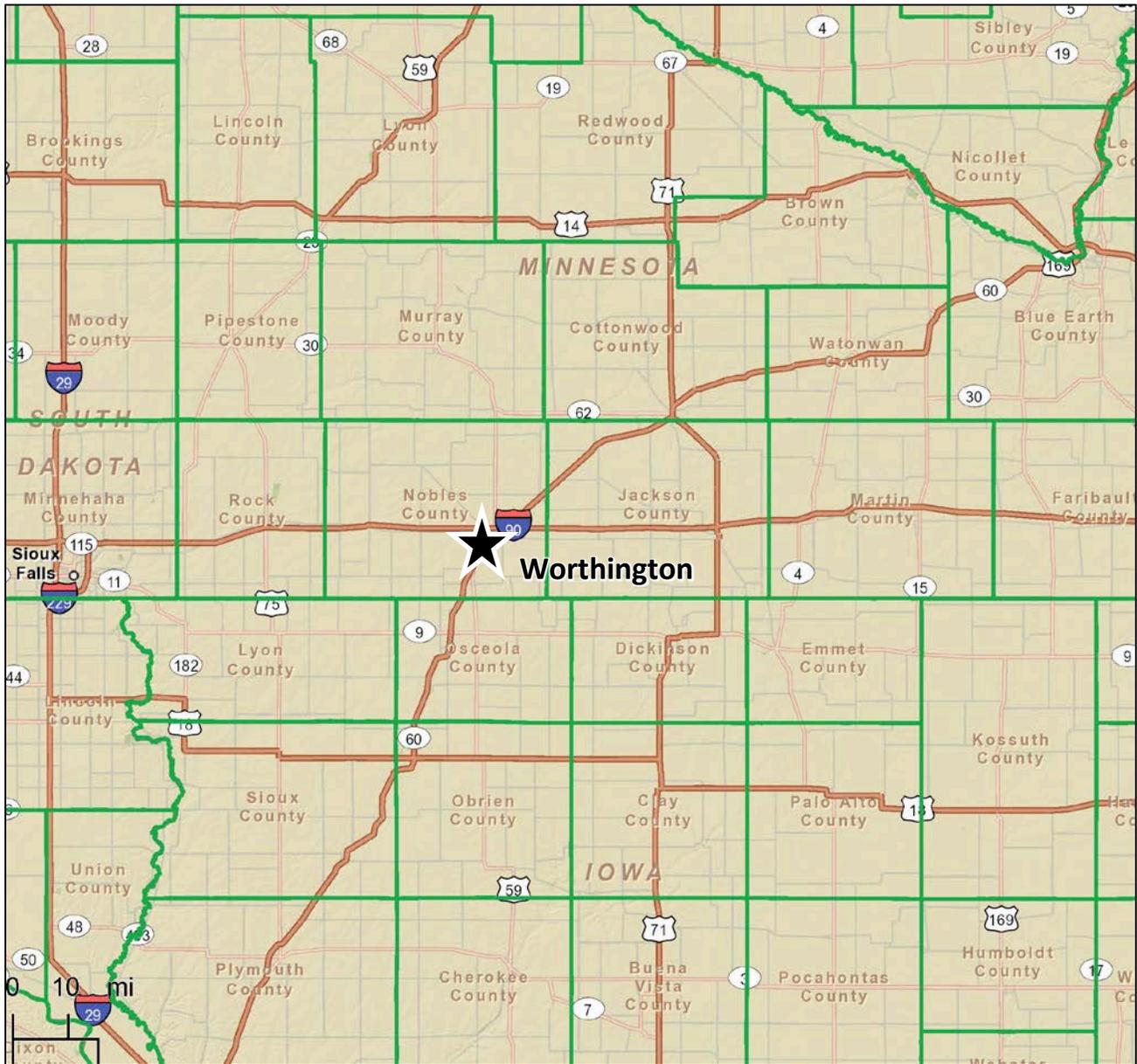
The largest employer that has been a key driver of growth in Worthington is JBS, which employs 2,300 people. As JBS and other smaller businesses grow they are drawing employees – and future residents – from the surrounding area and beyond.

Worthington has great highway access from the surrounding area, as it is located at the intersection of Interstate 90 and Highways 59/60. These major highways connect Worthington to larger metro areas, including Sioux Falls, South Dakota (60 miles west), Sioux City, Iowa (95 miles southwest), and Minneapolis-St. Paul (160 miles northeast).

**Map 1  
Worthington, Minnesota**



**Map 2  
Worthington Regional Location**



## Introduction

This section of the report examines demographic and economic factors related to the current and future demand for housing in Worthington. Demographic factors examined include population and household growth trends, population age distribution, and households by income, tenure, and size. Economic factors include employment growth trends, jobs by industry types, and major employer interviews. A review of these characteristics provides insight into the demand for various types of housing in the community.

## Primary Market Area Definition

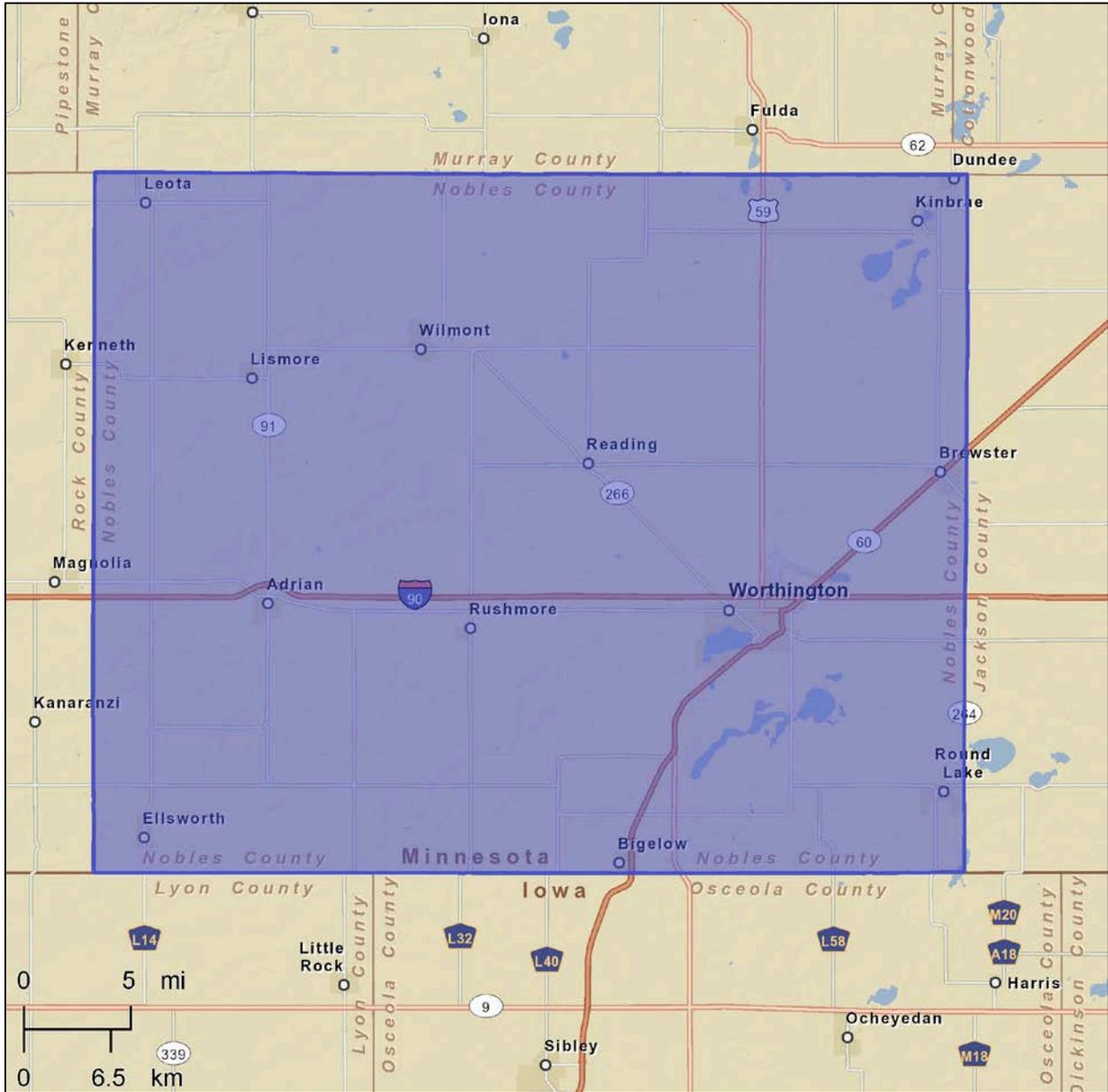
The primary draw area for determining current and future housing demand in Worthington is based on employment draw patterns, community orientation, geographic boundaries, local interviews, and our knowledge of the draw areas for housing. The primary draw area (Primary Market Area, or “PMA”) for Worthington is Nobles County. Most of the people living in the PMA are strongly oriented to Worthington for jobs and shopping.

Proximity to employment is a key factor when choosing where to live. Worthington is a large community with a strong employment base surrounded by rural farmland in Nobles County and beyond. Worthington’s employment is dominated by one major company; JBS (formerly Swift & Company), which employs approximately 2,300 people. Other major employers in Worthington include the school district, Sanford Health, Highland Manufacturing/Champion Homes, Bedford Industries, and Prairie Holdings Group. Employees of these and other businesses in Worthington are the primary drivers of housing demand in Worthington.

Other communities in the surrounding area with sizeable employment bases include Luverne, Marshall, and Jackson. However, these communities are located farther than most people are willing to commute for employment. The primary exception is couples who are employed in different communities. For this reason, most of the demand for housing in Worthington will be generated by employment growth in Worthington, or the PMA.

A map of the PMA – is shown on the following page.

**Map 3  
Primary Market Area**



## Demographic Highlights

The following are key demographic highlights from Tables 1 through 10. Demographic data was obtained from the U.S. Census Bureau. Population and household projections were made by Viewpoint Consulting Group, Inc. based on projection data provided by the Minnesota State Demographic Center, along with local building trends and employment growth trends.

### Population and Household Growth Trends and Projections

- ▶ The total population in the PMA was 21,378 in 2010. The population experienced growth of 2.6% last decade.
- ▶ Worthington's population of 12,764 in 2010 accounted for 60% of the PMA's population. This proportion is up from 54% in 2000, as Worthington is growing while the remainder of the PMA is declining. The remainder of the PMA consists primarily of farmsteads and several small communities.
- ▶ Worthington's population is projected to grow by just over 1,000 people this decade, reaching 13,800 people in 2020. The remainder of the PMA will continue to experience population declines. By 2030, Worthington is projected to reach a population of 14,600.
- ▶ With projected population growth of over 1,000 this decade and with an estimated slight decline in the average household size (to 2.82 in 2020), Worthington is projected to add approximately 440 households this decade. This is far greater growth than last decade, and home construction will need to accelerate to reach this projection.
- ▶ Household growth is a better indicator of overall housing demand since households, by definition, are occupied housing units. Worthington added 147 households last decade and is projected to add approximately 442 households this decade to meet unmet housing needs. Based on our interviews, Worthington likely could have exceeded its population and household growth last decade if more housing options had been developed.

**Table 1**  
**Population and Household Growth Trends**  
**Primary Market Area, 2000 to 2030**

	-- Census --		-- Projections --		----- Change -----			
	2000	2010	2020	2030	-- 2000 - 2010 --		-- 2010 - 2020 --	
					No.	Pct.	No.	Pct.
<b>POPULATION</b>								
Worthington	11,283	12,764	13,800	14,600	1,481	13.1	1,036	8.1
<b>Nobles County (PMA)</b>	<b>20,832</b>	<b>21,378</b>	<b>21,500</b>	<b>21,600</b>	<b>546</b>	<b>2.6</b>	<b>122</b>	<b>0.6</b>
<i>Minnesota</i>	<i>4,919,479</i>	<i>5,303,925</i>	<i>5,770,000</i>	<i>6,180,000</i>	<i>384,446</i>	<i>7.8</i>	<i>466,075</i>	<i>8.8</i>
<b>HOUSEHOLDS</b>								
Worthington	4,311	4,458	4,900	5,300	147	3.4	442	9.9
<b>Nobles County (PMA)</b>	<b>7,939</b>	<b>7,946</b>	<b>8,230</b>	<b>8,500</b>	<b>7</b>	<b>0.1</b>	<b>284</b>	<b>3.6</b>
<i>Minnesota</i>	<i>1,895,127</i>	<i>2,087,227</i>	<i>2,318,000</i>	<i>2,507,000</i>	<i>192,100</i>	<i>10.1</i>	<i>230,773</i>	<i>11.1</i>
Sources: US Census, Minnesota Demographic Center, Viewpoint Consulting Group, Inc.								

## Household Sizes

- ▶ Dividing total population by total households (from Table 1) results in a community's average household size. The average size of Worthington's households was 2.86 people per household in 2010. In comparison, the State's average household size was 2.54 people per household. Worthington's high average household size partly indicates a shortage of housing. In a housing shortage, some individuals and families who otherwise would form their own household will double-up with friends or relatives, creating larger household sizes.
- ▶ The projected decline in household sizes in the PMA is largely attributed to the aging population, since there will be a greater proportion of empty-nesters and single seniors. Creating more housing to ease the housing shortage would also reduce the average household size.
- ▶ Table 2 shows the distribution of households by household size in 2010. In Worthington, 29% of the households were single persons. However, it varied greatly by tenure (owners versus renters). Only 23% of owner households had just one person compared to 38% of renter households. A large percentage of renters are elderly widows or young singles new to the area. Conversely, the largest households tend to be families with children and these families generally prefer to own single-family homes.
- ▶ About 720 of Worthington's 1,650 renters in 2010 were at least three-person households (43.6%). This far exceeds the State, in which only 29.5% of the renter households had three or more persons. In addition, 32% of Worthington's renter households had four or more people, compared to only 16.9% of the State's. This indicates that Worthington has a higher than average need for larger units as households with four or more people typically rent units with three or more bedrooms.

**Table 2**  
**Households by Size and Tenure**  
**Primary Market Area, 2010**

	--- Worthington ---			--- Nobles County ---		
	Own	Rent	% of renters	Own	Rent	% of renters
1 Person	633	631	38.2%	1,280	841	38.9%
2 Person	1,077	300	18.2%	2,408	410	19.0%
3 Person	322	190	11.5%	702	263	12.2%
4 Person	334	205	12.4%	676	268	12.4%
5 Person	199	138	8.4%	390	167	7.7%
6 Person	108	81	4.9%	161	100	4.6%
7+ Persons	135	105	6.4%	166	114	5.3%
<b>Total</b>	<b>2,808</b>	<b>1,650</b>	<b>100.0%</b>	<b>5,783</b>	<b>2,163</b>	<b>100.0%</b>

Source: 2010 Census; Viewpoint Consulting Group, Inc.

### **Population Age Distribution**

- ▶ The aging of baby boomers, who were age 45 to 64 in 2010, resulted in the strongest growth in most communities last decade being among older adults. In Worthington, however, the greatest population growth last decade was in the 20 to 34 age group (+21%). The strong growth of these younger adults also contributed to an increase of 572 children under age 18. Employment growth that drew young families to Worthington resulted in this strong growth of young people. As a comparison, Minnesota's 20 to 34 age group increased by 7.6% last decade.
- ▶ Worthington experienced population growth in every age group last decade except for the 35 to 44 age group and the 65 and over age groups. The decline in the 35 to 44 age group is attributed to the youngest baby boomers aging into their mid-40s. The decline in the senior population is attributed to lower birth rates during the depression era of the 1930s – children born during the depression entered their 70s last decade. As depression era children age into their 80s this decade, the age 75+ population is projected to remain stable through 2020. The senior population will begin to grow more rapidly next decade.
- ▶ With the overall population in Worthington projected to grow by about 1,000 people this decade, most age groups are expected to see some growth. Thus, a variety of housing types will likely be needed to accommodate growth of people in various life-cycle stages – including owned and rented housing. Senior housing types most needed will be independent units for younger seniors who are still active versus housing with services, which caters more towards the age 75 and over population.

**Table 3**  
**Projected Population Growth by Age,**  
**Primary Market Area, 2000 to 2030**

	Number of Persons				---- Change ----			
	2000	2010	2020	2030	2000 - 2010		2010 - 2020	
					No.	Pct.	No.	Pct.
<b>Worthington</b>								
<20	3,207	3,779	4,159	4,620	572	17.8%	380	10.1%
20-24	765	1,014	1,118	1,180	249	32.5%	104	10.3%
25-34	1,490	1,828	1,964	2,055	338	22.7%	136	7.4%
35-44	1,567	1,504	1,726	1,770	-63	-4.0%	222	14.7%
45-54	1,323	1,492	1,241	1,390	169	12.8%	-251	-16.8%
55-64	945	1,230	1,395	1,135	285	30.2%	165	13.4%
65-74	870	832	1,115	1,200	-38	-4.4%	283	34.0%
75+	1,116	1,085	1,082	1,250	-31	-2.8%	-3	-0.3%
<b>Total</b>	<b>11,283</b>	<b>12,764</b>	<b>13,800</b>	<b>14,600</b>	<b>1,481</b>	<b>13.1%</b>	<b>1,036</b>	<b>8.1%</b>
<b>Remainder of PMA</b>								
<20	2,895	2,280	1,998	1,830	-615	-21.2%	-282	-12.4%
20-24	368	344	304	265	-24	-6.5%	-40	-11.7%
25-34	978	840	741	660	-138	-14.1%	-99	-11.8%
35-44	1,509	1,000	907	775	-509	-33.7%	-93	-9.3%
45-54	1,262	1,456	997	935	194	15.4%	-459	-31.5%
55-64	899	1,191	1,120	775	292	32.5%	-71	-5.9%
65-74	808	730	896	920	-78	-9.7%	166	22.7%
75+	830	773	737	840	-57	-6.9%	-36	-4.7%
<b>Total</b>	<b>9,549</b>	<b>8,614</b>	<b>7,700</b>	<b>7,000</b>	<b>-935</b>	<b>-9.8%</b>	<b>-914</b>	<b>-10.6%</b>
<b>Primary Market Area</b>								
<20	6,102	6,059	6,157	6,450	-43	-0.7%	98	1.6%
20-24	1,133	1,358	1,422	1,445	225	19.9%	64	4.7%
25-34	2,468	2,668	2,705	2,715	200	8.1%	37	1.4%
35-44	3,076	2,504	2,633	2,545	-572	-18.6%	129	5.2%
45-54	2,585	2,948	2,238	2,325	363	14.0%	-710	-24.1%
55-64	1,844	2,421	2,515	1,910	577	31.3%	94	3.9%
65-74	1,678	1,562	2,011	2,120	-116	-6.9%	449	28.7%
75+	1,946	1,858	1,819	2,090	-88	-4.5%	-39	-2.1%
<b>Total</b>	<b>20,832</b>	<b>21,378</b>	<b>21,500</b>	<b>21,600</b>	<b>546</b>	<b>2.6%</b>	<b>122</b>	<b>0.6%</b>

Sources: US Census; Viewpoint Consulting Group, Inc.

### **Tenure by Age of Householder**

- ▶ While the PMA shared the same homeownership rate as Minnesota in 2010 (73%), Worthington's homeownership rate was much lower, at 63%. It is likely that Worthington's population will continue to have a higher propensity to rent into the future.
- ▶ Renter households in Worthington grew by 12.7% last decade (+186 households) while owner households declined by 1.4% (-39 households). Renter household growth was particularly strong among households under age 65 (+24%). Table 4 shows that the greatest housing demand in Worthington last decade was for rental housing among younger households.
- ▶ The youngest households had the greatest propensity to rent in Worthington in 2010. Table 4 shows that 82% of households under age 25 rented their housing. This decreased to 63% of 25 to 34 year olds and continued decreasing to 18% among 65 to 74 year olds. The primary markets for rental housing are younger households and seniors who are no longer able or willing to maintain their single-family homes.
- ▶ Although the propensity for households under age 25 to rent their housing is higher, Worthington had twice as many renters in the 25 to 34 age group in 2010. Many of the renters in this age group, as well as middle-aged renters, are people who have moved to Worthington and choose to rent for a year or more to become established in their job and the community before they make the long-term commitment of purchasing a home.

**Table 4**  
**Households by Age and Tenure,**  
**Primary Market Area, 2000 and 2010**

	--- Worthington ---			--- Nobles County ---		
	2000	2010	% Change	2000	2010	% Change
<b>Households</b>	4,311	4,458	3.4%	7,939	7,946	0.1%
<b>Owner Households</b>	2,847	2,808	-1.4%	5,955	5,783	-2.9%
< age 25	34	51	50.0%	92	93	1.1%
25 to 34	317	266	-16.1%	673	557	-17.2%
35 to 44	563	443	-21.3%	1,197	860	-28.2%
45 to 54	569	579	1.8%	1,182	1,266	7.1%
55 to 64	433	548	26.6%	905	1,182	30.6%
65 to 74	433	397	-8.3%	890	812	-8.8%
75+	498	524	5.2%	1,016	1,013	-0.3%
<b>Renter Households</b>	1,464	1,650	12.7%	1,984	2,163	9.0%
< age 25	201	226	12.4%	268	292	9.0%
25 to 34	374	454	21.4%	500	570	14.0%
35 to 44	263	299	13.7%	398	402	1.0%
45 to 54	161	214	32.9%	238	314	31.9%
55 to 64	88	155	76.1%	122	217	77.9%
65 to 74	110	86	-21.8%	135	117	-13.3%
75+	267	216	-19.1%	323	251	-22.3%
Homeownership Rate	66%	63%	--	75%	73%	--

Sources: US Census; Viewpoint Consulting Group, Inc.

### **Household Income by Age of Householder**

Income by age of householder data helps determine the demand for different housing products based on the size of the market at specific cost levels. The Department of Housing and Urban Development defines affordable housing costs for families as 30% of a household's adjusted gross income. Younger households with greater living expenses often need to allocate a smaller portion toward housing (25% to 30%), while seniors can often spend 40% or more on housing since they generally have lower living expenses.

A generally accepted standard for affordable owner-occupied housing is that a typical household can afford to pay 2.5 to 3.0 times their annual income on a single-family home, down from 3.0 to 3.5 in the mid-2000s when high-risk loans were easily available. Thus, a \$50,000 income would translate to an affordable single-family home of \$125,000 to \$150,000. The higher end of this range assumes that the person has adequate funds for down payment and closing costs, but does not have savings or equity in an existing home which would allow them to purchase a higher priced home.

- ▶ The median income in Worthington of \$37,624 in 2012 is lower than the State's median income of \$54,550. Overall, Worthington and the PMA have modest incomes, meaning that a higher than average percent of the rental population are income-qualified for affordable housing.
- ▶ In 2010, 17% of the non-senior households in Worthington had incomes under \$15,000 (562 households). All of these households would be eligible for subsidized rental housing. Another 12% of Worthington's non-senior households had incomes between \$15,000 and \$25,000 (400 households). Most of these households would still qualify for subsidized housing, but some could also afford older market-rate rentals. If housing costs absorb 30% of income, households with incomes of \$25,000 could afford to pay \$625 per month in gross monthly rent.
- ▶ Median incomes for households in Worthington peaked at close to \$50,000 for the 45 to 54 age group in 2010. These households could afford to purchase a home valued from \$125,000 to \$150,000 (2.5 to 3.0 times income). About one-quarter of the non-senior households had incomes of \$75,000 or more and could afford homes priced at about \$200,000 or more.
- ▶ Senior households (age 75+) with incomes greater than \$25,000 can generally afford market-rate senior housing. Based on a 40% allocation of income for housing, this translates to monthly rents of at least \$833. About 690 senior households in Worthington had incomes above \$25,000 in 2010, as did 535 senior households in the remainder of the PMA.

- ▶ Seniors who are able and willing to pay 85% or more of their income on senior housing with services (such as assisted living housing) would need an annual income of about \$35,000 to afford monthly rents of \$2,500, which is about the beginning monthly rent for assisted living in Worthington when a minimal personal care package is included. In 2010 Worthington had an estimated 210 age 75+ senior households with incomes greater than \$35,000 and the remainder of the PMA had another 83.
- ▶ Excluding singles, most households with incomes below \$35,000 would income-qualify for rental housing affordable at 60% of area median income. Income-limits for the Low Income Housing Tax Credit program (LIHTC) from the Minnesota Housing Finance Agency are shown below. As of 2012, there were approximately 1,350 households under age 65 in Worthington that had incomes below \$35,000. This equates to 41% of households under age 65.

**2013 Nobles County Income Limits – Minnesota Housing Finance Agency**

	<u>1 Person</u>	<u>2 Person</u>	<u>3 Person</u>	<u>4 Person</u>	<u>5 Person</u>
<b>40%</b>	\$17,280	\$19,760	\$22,240	\$24,680	\$26,680
<b>50%</b>	\$21,600	\$24,700	\$27,800	\$30,850	\$33,350
<b>60%</b>	\$25,920	\$29,640	\$33,360	\$37,020	\$40,020

**Table 5**  
**Household Income by Age of Householder**  
**Worthington, 2012 and 2017**

2012 Households by Age								
Income	Total	< 25	25 - 34	35 - 44	45 - 54	55 - 64	65 - 74	75 +
<\$15,000	881	77	136	111	99	138	79	241
\$15,000 to \$24,999	642	74	97	83	85	61	70	172
\$25,000 to \$34,999	575	15	106	98	95	75	76	111
\$35,000 to \$49,999	677	19	150	131	107	116	91	62
\$50,000 to \$74,999	674	29	122	118	141	126	80	59
\$75,000 to \$99,999	498	10	70	91	114	95	57	62
\$100,000 to \$150,000	390	55	44	74	91	76	30	19
\$150,000 or more	178	0	12	36	38	53	32	7
<b>Total</b>	<b>4,515</b>	<b>279</b>	<b>738</b>	<b>742</b>	<b>769</b>	<b>739</b>	<b>515</b>	<b>733</b>
Median HH Income	\$37,624	\$22,582	\$37,107	\$42,730	\$49,720	\$46,656	\$39,281	\$21,304
2017 Households by Age								
Income	Total	< 25	25 - 34	35 - 44	45 - 54	55 - 64	65 - 74	75 +
<\$15,000	901	80	143	110	89	140	92	248
\$15,000 to \$24,999	572	68	88	64	64	49	78	160
\$25,000 to \$34,999	514	13	97	83	74	64	79	103
\$35,000 to \$49,999	604	16	139	118	84	103	90	55
\$50,000 to \$74,999	815	35	153	145	148	153	108	72
\$75,000 to \$99,999	641	11	96	122	126	121	81	84
\$100,000 to \$150,000	467	68	56	93	96	93	41	21
\$150,000 or more	217	0	14	50	42	63	42	6
<b>Total</b>	<b>4,730</b>	<b>290</b>	<b>787</b>	<b>786</b>	<b>722</b>	<b>786</b>	<b>611</b>	<b>748</b>
Median HH Income	\$42,972	\$24,453	\$40,667	\$52,093	\$56,302	\$54,355	\$43,298	\$22,066
Change From 2012 - 2017								
Income	Total	< 25	25 - 34	35 - 44	45 - 54	55 - 64	65 - 74	75 +
<\$15,000	19	2	7	-1	-10	1	13	7
\$15,000 to \$24,999	-70	-7	-8	-19	-21	-12	8	-12
\$25,000 to \$34,999	-61	-2	-9	-15	-21	-10	3	-8
\$35,000 to \$49,999	-73	-3	-11	-14	-23	-13	-2	-7
\$50,000 to \$74,999	140	6	31	28	7	26	29	13
\$75,000 to \$99,999	143	1	26	31	12	27	24	22
\$100,000 to \$150,000	77	12	12	19	5	17	11	1
\$150,000 or more	39	0	2	14	5	10	10	-1
<b>Total</b>	<b>216</b>	<b>11</b>	<b>49</b>	<b>44</b>	<b>-46</b>	<b>47</b>	<b>96</b>	<b>15</b>

Sources: ESRI; Viewpoint Consulting Group, Inc.

**Table 6  
Household Income by Age of Householder  
Primary Market Area, 2012 and 2017**

2012 Households by Age								
Income	Total	< 25	25 - 34	35 - 44	45 - 54	55 - 64	65 - 74	75 +
<\$15,000	1,478	103	206	163	179	241	176	409
\$15,000 to \$24,999	1,163	97	153	149	170	158	124	311
\$25,000 to \$34,999	1,129	16	161	170	196	178	159	249
\$35,000 to \$49,999	1,167	32	233	212	209	210	168	102
\$50,000 to \$74,999	1,262	40	202	224	312	260	155	68
\$75,000 to \$99,999	918	12	113	163	235	198	104	94
\$100,000 to \$150,000	610	86	56	113	152	126	57	21
\$150,000 or more	263	0	14	50	62	90	38	9
<b>Total</b>	<b>7,990</b>	<b>385</b>	<b>1,137</b>	<b>1,245</b>	<b>1,516</b>	<b>1,461</b>	<b>982</b>	<b>1,263</b>
Median HH Income	\$37,142	\$23,854	\$37,277	\$43,663	\$50,151	\$44,996	\$37,011	\$21,070
2017 Households by Age								
Income	Total	< 25	25 - 34	35 - 44	45 - 54	55 - 64	65 - 74	75 +
<\$15,000	1,463	101	201	148	156	239	198	419
\$15,000 to \$24,999	997	85	134	105	124	124	133	291
\$25,000 to \$34,999	1,013	14	140	142	151	160	170	236
\$35,000 to \$49,999	1,045	26	209	188	165	189	172	95
\$50,000 to \$74,999	1,474	46	238	263	323	313	207	83
\$75,000 to \$99,999	1,110	13	142	197	242	247	145	124
\$100,000 to \$150,000	707	100	68	136	154	151	76	22
\$150,000 or more	321	0	15	70	71	109	48	9
<b>Total</b>	<b>8,130</b>	<b>386</b>	<b>1,148</b>	<b>1,248</b>	<b>1,386</b>	<b>1,533</b>	<b>1,150</b>	<b>1,280</b>
Median HH Income	\$42,107	\$29,081	\$40,732	\$52,679	\$55,352	\$52,949	\$40,198	\$21,634
Change From 2012 - 2017								
Income	Total	< 25	25 - 34	35 - 44	45 - 54	55 - 64	65 - 74	75 +
<\$15,000	-15	-1	-5	-15	-24	-2	22	10
\$15,000 to \$24,999	-167	-12	-18	-45	-46	-33	8	-20
\$25,000 to \$34,999	-116	-2	-20	-29	-45	-18	11	-13
\$35,000 to \$49,999	-122	-6	-24	-24	-44	-21	4	-7
\$50,000 to \$74,999	212	6	36	39	11	53	52	15
\$75,000 to \$99,999	192	1	29	33	7	50	41	30
\$100,000 to \$150,000	98	14	11	24	2	25	20	2
\$150,000 or more	58	0	1	20	9	18	10	0
<b>Total</b>	<b>141</b>	<b>0</b>	<b>11</b>	<b>3</b>	<b>-131</b>	<b>72</b>	<b>168</b>	<b>17</b>

Sources: ESRI; Viewpoint Consulting Group, Inc.

**Household Income by Tenure**

- ▶ Data on household incomes by tenure is obtained from the Census Bureau’s American Community Survey. Table 7 shows that the percentage of renters steadily declines from the lower to higher income groups. Conversely, the percentage of owners steadily increases from the lower to higher income groups. In Worthington, about 64% percent of households with incomes below \$15,000 were renters, declining to 23% of households with incomes of \$75,000 to \$100,000.
- ▶ Most households with incomes of \$25,000 or more in Worthington are owners. Many of the homeowners with incomes around \$25,000 are likely seniors who’s homes are paid off and who’s primary income is Social Security benefits.
- ▶ When applying the percentages in Table 7 to the 2012 households by income data in Worthington in Table 5, approximately one-quarter of the renters in Worthington are income-qualified for market rate rental housing (incomes of \$30,000 or above). Most households with incomes below \$30,000 would be income-qualified for affordable or subsidized housing. It should be noted that when seniors households are excluded, the proportion of younger renters with incomes sufficient to afford market rate rental housing increases to 35% to 40%.

**Table 7  
Tenure by Household Income  
Worthington and Primary Market Area  
2009 - 2011**

Income Range	-- Worthington --		--- PMA ---	
	Percent Owners	Percent Renters	Percent Owners	Percent Renters
<\$15,000	36.2%	63.8%	45.0%	55.0%
\$15,000 - \$24,999	38.0%	62.0%	56.0%	44.0%
\$25,000 - \$34,999	71.6%	28.4%	69.8%	30.2%
\$35,000 - \$49,999	72.2%	27.8%	79.2%	20.8%
\$50,000 - \$74,999	78.7%	21.3%	77.2%	22.8%
\$75,000 - \$99,999	77.0%	23.0%	86.7%	13.3%
\$100,000 - \$149,999	88.3%	11.7%	85.7%	14.3%
\$150,000+	100.0%	0.0%	99.2%	0.8%

Sources: US Census, American Community Survey; Viewpoint Consulting Group, Inc.

### Housing Cost Burden

The generally accepted definition of affordability is for a household to pay no more than 30% of its annual income on housing. For rentals, the cost of housing, or “gross rent,” is defined as rent paid plus utility costs incurred by the tenant. Households who pay more than 30% for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.

- ▶ Table 8 shows that in 2011, an estimated 30% of Worthington’s households were cost burdened, including 22% of the owners and 46% of the renters.
- ▶ Lower-income households were the most likely to be cost burdened. About 80% of renters with incomes below \$20,000 were cost burdened, as were half of renters with incomes between \$20,000 and \$35,000. Cost burdened households with incomes above \$35,000 were most likely to be owners.

**Table 8**  
**Tenure by Housing Costs as Percentage of Income**  
**Worthington and Primary Market Area**  
**2011**

	<b>Worthington</b>		<b>Primary Market Area</b>	
	<u>Owners</u>	<u>Renters</u>	<u>Owners</u>	<u>Renters</u>
< \$20,000	357	744	787	868
<20%	37	38	110	46
20%-29%	103	113	208	146
30%+	217	593	469	677
\$20,000-\$34,999	415	351	901	460
<20%	169	40	380	72
20%-29%	30	134	139	171
30%+	216	178	382	217
\$35,000-\$49,999	496	238	994	300
<20%	268	135	551	184
20%-29%	88	94	210	105
30%+	140	9	233	11
\$50,000-\$74,999	730	222	1,382	305
<20%	443	207	890	281
20%-29%	267	14	391	19
30%+	20	0	101	5
\$75,000+	812	135	1,815	157
<20%	722	135	1,578	157
20%-29%	71	0	200	0
30%+	20	0	38	0
<b>Total</b>	<b>2,810</b>	<b>1,690</b>	<b>5,879</b>	<b>2,091</b>
Sources: 2011 American Community Survey; Viewpoint Consulting Group, Inc.				

## Household Type

- ▶ Worthington has a diverse mix of household types – all of which grew last decade except married couples. The decrease in married couples with children is a nationwide trend as many married couples are baby boomers who are increasingly becoming empty-nesters. In addition, many younger couples with children are not marrying. This is reflected in the 45% growth of Worthington’s Other Families last decade.
- ▶ Other family households, which are typically single parents with children accounted for 17% of Worthington’s households in 2010. Being single-earner households, they are often lower-income and need affordable rental housing.
- ▶ In 2010, married couple households without children accounted for 30% of all households in Worthington. Married couples without children are typically empty-nesters or seniors. Most will remain in their single-family homes but many will also consider moving into maintenance free housing – such as one-level condominium/townhome units or rental housing.
- ▶ Roommates comprise the lowest percentage of households in Worthington (6.2%).

**Table 9**  
**Household Type**  
**Primary Market Area, 2000 & 2010**

	Total Households		Family Households				Non-Family Households					
			Married With Children		Married w/o Children		Other Family		Persons Living Alone		Other (Roommates)	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
<b>Number of Households</b>												
Worthington	4,311	4,458	965	886	1,372	1,272	520	759	1,246	1,264	208	277
Rem. of PMA	3,628	3,488	1,095	772	1,309	1,409	301	333	853	857	70	117
<b>PMA</b>	<b>7,939</b>	<b>7,946</b>	<b>2,060</b>	<b>1,658</b>	<b>2,681</b>	<b>2,681</b>	<b>821</b>	<b>1,092</b>	<b>2,099</b>	<b>2,121</b>	<b>278</b>	<b>394</b>
<b>Percent of Total</b>												
Worthington	100.0	100.0	22.4	19.9	31.8	28.5	12.1	17.0	28.9	28.4	4.8	6.2
Rem. of PMA	100.0	100.0	30.2	22.1	36.1	40.4	8.3	9.5	23.5	24.6	1.9	3.4
<b>PMA</b>	<b>100.0</b>	<b>100.0</b>	<b>25.9</b>	<b>20.9</b>	<b>33.8</b>	<b>33.7</b>	<b>10.3</b>	<b>13.7</b>	<b>26.4</b>	<b>26.7</b>	<b>3.5</b>	<b>5.0</b>
<i>Minnesota</i>	<i>100.0</i>	<i>100.0</i>	<i>26.0</i>	<i>21.2</i>	<i>28.6</i>	<i>29.6</i>	<i>12.0</i>	<i>13.8</i>	<i>26.8</i>	<i>28.0</i>	<i>6.6</i>	<i>7.4</i>

Source: US Census Bureau; Viewpoint Consulting Group, Inc.

**Households by Race and Hispanic Origin**

- ▶ Worthington has an increasingly diverse population. The Hispanic population in Worthington grew to 4,521 people in 2010, up from 2,175 in 2000. Similar growth was experienced among other minority populations, which grew from 1,174 people in 2000 to 2,005 people in 2010. As of 2010, the white, non-Hispanic population accounted for approximately half of Worthington’s population.
- ▶ The homeownership rate in Worthington declined between 2000 and 2010 mostly because the growing minority population has a much lower homeownership rate than the white, non-Hispanic population. However, Table 10 shows that the homeownership gap between the Hispanic and non-Hispanic white households closed slightly last decade. The number of Hispanic owners in Worthington increased by 202 households last decade.
- ▶ The homeownership rate of Worthington’s Hispanic households increased from 38% in 2000 to 45% in 2010. A similar increase this decade would result in approximately half of Hispanic households owning their home in 2020.
- ▶ Last decade, growth of non-Hispanic, non-white households who rented their housing far exceeded the growth of those that owned their housing. Thus, the homeownership rate of this group declined to 37% in 2010.

**Table 10**  
**Household Tenure by Race and Hispanic Origin**  
**Primary Market Area, 2000 & 2010**

	--- 2000 ---			--- 2010 ---		
	Own	Rent	% owners	Own	Rent	% renters
<b><i>Non-Hispanic/Latino</i></b>						
White	2,528	982	72.0%	2,183	788	73.5%
All Other Races	122	154	44.2%	196	332	37.1%
<b><i>Hispanic/Latino</i></b>						
All	197	328	37.5%	429	530	44.7%
<b>Total</b>	<b>2,847</b>	<b>1,464</b>	<b>66.0%</b>	<b>2,808</b>	<b>1,650</b>	<b>63.0%</b>

Source: 2000 & 2010 Census; Viewpoint Consulting Group, Inc.

## Employment Growth Trends

Employment growth is a predictor of housing demand since employment growth generally leads to household formation. The pace of employment growth and the wages at newly created jobs greatly impact the number and types of new housing needed. Also, if given a choice, most people prefer to live close to their place of employment. If a lack of housing exists to accommodate new workers, however, Worthington may lose some potential residents to nearby communities.

Recent employment growth trends for Nobles County are shown in Tables 11 and 12. Table 11 presents resident employment data in the county from 2005 through 2012. Resident employment data is an annual average of the work force and number of employed people living in the County. Not all of these employed people work in the County. Table 12 is “covered employment” in Nobles County in second quarter 2008, 2010 and 2012. Covered employment is an annual average of the number of jobs in the County which are covered by unemployment insurance. Most farm jobs, self-employed persons, and some other types of jobs are not covered by unemployment insurance and are not included in the table. The data in both tables is from the Minnesota Department of Employment and Economic Development. The following are key trends from the employment data:

### Resident Employment

- ▶ While the unemployment rate in Minnesota and the Nation peaked at 8.1% and 9.3%, respectively, it never rose above 5.4% in Nobles County. Likewise, total employment in Nobles County has not taken any significant dips since 2005 but instead has inched steadily higher.
- ▶ Despite the nationwide recession at the end of the last decade, Nobles County was able to maintain and even grow its employment base. The number of employed people in the County grew from 10,717 people in 2005 to 11,143 people in 2010. Most of this increase likely occurred in Worthington, the County’s largest community by far.
- ▶ With an unemployment rate of only 4.3% in 2012, it is likely that growing businesses will need to draw some employees from outside the area to fill new positions. This will lead to housing demand to accommodate the growing population. If the supply of housing in Worthington is not sufficient to accommodate new employees to the community, some people will move in with friends or relatives already in Worthington, others will seek housing in nearby communities where housing is available. The worst scenario is potential employees would decline job offers because of lack of housing.

**Table 11**  
**Resident Employment,**  
**Nobles County, 2005 to 2012**

	----- Labor Force	----- Nobles County Employment	----- % Unemploy.	----- Minnesota	----- USA
2005	11,092	10,717	3.4%	4.2%	5.1%
2006	11,212	10,857	3.2%	4.1%	4.6%
2007	11,147	10,755	3.5%	4.6%	4.6%
2008	11,189	10,728	4.1%	5.4%	5.8%
2009	11,636	11,004	5.4%	8.1%	9.3%
2010	11,760	11,143	5.2%	7.3%	9.6%
2011	11,622	11,030	5.1%	6.4%	8.9%
2012	11,638	11,136	4.3%	5.7%	8.1%

Source: MN Department of Employment and Economic Development; Viewpoint Consulting Group, Inc.

### **Covered Employment by Industry**

- ▶ Table 12 shows Manufacturing is the largest sector of Nobles County's job base, which is not surprising since Worthington's largest employers is JBS with approximately 2,300 jobs. During the 2<sup>nd</sup> Quarter of 2012 Nobles County's 2,808 Manufacturing jobs accounted for 26.9% of all of the County's jobs covered by unemployment insurance. In comparison, only 11.4% of the State's jobs were in Manufacturing. On the reverse side, only 4.9% of Nobles County's jobs were Professional & Business Services, compared to 12.6% of the State's jobs.
- ▶ Wages in Nobles County are modest in comparison to the State, thus a good portion of the workforce will need affordable housing. The largest employment sectors with modest wages are Leisure and Hospitality, Retail Trade, and Other Services. Most people employed in the Manufacturing, Education and Health Services, and Government sectors have wages enabling them to be able to afford market rate housing.

**Table 12**  
**Covered Employment and Wages,**  
**Nobles County, 2<sup>nd</sup> Q 2008 – 2<sup>nd</sup> Q 2012**

	---- 2nd Q 2008 ----		---- 2nd Q 2010 ----		---- 2nd Q 2012 ----		Change, 2008 - 2012	
	Employment	Avg. Wage	Employment	Avg. Wage	Employment	Avg. Wage	Number	Pct.
Ag/Mining	272	\$28,592	246	\$31,391	294	\$28,748	22	8%
Construction	229	\$27,900	222	\$29,741	248	\$36,460	19	8%
Manufacturing	2,943	\$35,397	2,791	\$39,100	2,808	\$41,605	-135	-5%
Wholesale Trade	706	\$41,161	606	\$54,677	507	\$70,356	-199	-28%
Retail Trade	1,342	\$20,348	1,424	\$20,539	1,454	\$20,304	112	8%
Transportation & Utilities	364	\$36,018	346	\$34,924	345	\$35,751	-19	-5%
Information	117	\$31,848	118	\$31,068	114	\$27,757	-3	-3%
Financial Activities	309	\$40,078	278	\$37,515	290	\$38,698	-19	-6%
Professional & Business Services	336	\$28,873	512	\$27,955	470	\$41,461	134	40%
Education & Health Services	812	\$27,242	1,076	\$30,433	1,056	\$34,807	244	30%
Leisure & Hospitality	932	\$9,747	863	\$10,268	820	\$11,024	-112	-12%
Other Services	388	\$15,799	402	\$19,168	303	\$19,489	-85	-22%
Government	1,759	\$36,104	1,477	\$37,647	1,450	\$38,361	-309	-18%
<b>Total / Average</b>	<b>10,512</b>	<b>\$29,915</b>	<b>10,364</b>	<b>\$31,961</b>	<b>10,162</b>	<b>\$34,742</b>	<b>-350</b>	<b>-3%</b>
<i>Minnesota (Total)</i>	<i>2,704,356</i>	<i>\$44,096</i>	<i>2,490,782</i>	<i>\$45,084</i>	<i>2,574,497</i>	<i>\$47,112</i>	<i>-129,859</i>	<i>-5%</i>

Source: MN Department of Employment and Economic Development; Viewpoint Consulting Group, Inc.

### **Major Employer Interviews**

Table 13 shows the largest primary employers located in Worthington. Representatives of larger employers were interviewed regarding the housing needs of their employees. These interviews provide insight into employer perceptions of housing demand and needs among employees currently living in the area and new employees moving to the community. The following are key points from the interviews.

- ▶ The largest employer in Worthington, by far, is JBS (formerly Swift & Company). JBS employs approximately 2,300 people. There is a huge shortage of housing in Worthington to accommodate JBS employees, as evidenced by the approximately 200 employees living in Sioux Falls, South Dakota. The greatest housing need is rental housing for production staff. According to a representative of JBS, most of the employees prefer to live in Worthington upwards of a few hundred new housing units could be added in Worthington to accommodate JBS employees.
- ▶ Representatives of the employers are mostly unanimous in their opinion that there is a shortage of all types of housing in Worthington, but especially rental housing. Production staff needs affordably priced rental units and management staff relocating to Worthington needs upper-end units to rent before making the decision to purchase a home.
- ▶ Many hires at the major employers are people living in surrounding communities. Hires from surrounding communities generally do not seek to move as they are established in their housing and have strong ties to their communities. Newly hired managers, teachers, and other professional staff are those most likely to live outside the region and need to relocate to Worthington. Most desire to rent housing first, and eventually purchase housing. Finding rental housing tends to be more difficult than finding homes to purchase.

**Table 13**  
**Major Employers,**  
**Worthington, March 2013**

Company	Employees
JBS	2,300
Worthington School District	480
Sanford Health Worthington	350
Prairie Holdings Group	280
Bedford Industries	250
Highland/Champion Homes	185
Bedford Technology	87
Merck Animal Health	60
MN West Community and Technical College	45

Source: Viewpoint Consulting Group, Inc.

- ▶ Employees moving to Worthington struggle to find housing to rent. There are very few units available and most vacancies are leased by word of mouth before even being advertised. In addition, many potential renters struggle to find multifamily units that are not income-restricted (subsidized). For families moving to Worthington, single-family homes for rent are the preferred unit type.
  
- ▶ Overall, affordability of homeownership does not appear to be a major issue in Worthington. Higher-income employees seeking upper-end single-family homes generally can find what they are looking for in Worthington. Employees seeking homes in the \$150,000 to \$175,000 range tend to have a little more difficulty.

## Introduction

The existing housing stock in Worthington was examined by: 1) reviewing data on the age of the existing housing, 2) examining recent residential building trends since 2000, and 3) examining the housing stock by structure type. Data was obtained from the U.S. Census Bureau and the City of Worthington (building permits). The following are key findings about the existing housing stock.

### Age of Housing Stock

- ▶ Despite continued population growth – and presumably housing demand – housing development in Worthington has slowed each decade since peaking in the 1970s. According to data from the Census (American Community Survey), only 253 housing units as of 2011 were in units built since 2000. This represents only 5.5% of the housing units.
- ▶ About 300 of Worthington’s occupied rental units were built before 1950, or 17% of the units. Most of these older renter-occupied units are single-family homes, since the survey or rental apartments found that most were built after 1960. (Table 16 shows that 555 of the rental units in Worthington are single-family homes).
- ▶ Homes built prior to 1950 are more likely to have a substantial need for rehabilitation and/or replacement due to physical or functional obsolescence. Excluding homes that were removed for the Highway 60 reconstruction project, Worthington is averaging about three demolitions of obsolete homes annually. In Worthington, just over one-quarter of the homes were built before 1950. Three demolitions equates to about one-quarter of one percent of Worthington’s pre-1950 housing stock.

**Table 14**  
**Households by Age of Housing**  
**Primary Market Area, 2011**

	--- Worthington ---				-- Primary Market Area --			
	Owned	Percent	Rented	Percent	Owned	Percent	Rented	Percent
<1940	461	16.3	194	11.1	1,622	28.4	387	16.9
1940s	464	16.5	111	6.4	698	12.2	178	7.8
1950s	583	20.7	133	7.6	985	17.2	179	7.8
1960s	398	14.1	321	18.4	662	11.6	354	15.5
1970s	447	15.9	429	24.6	820	14.4	534	23.4
1980s	165	5.9	233	13.4	310	5.4	283	12.4
1990s	223	7.9	150	8.6	358	6.3	167	7.3
2000+	79	2.8	174	10.0	256	4.5	203	8.9
Total	2,820	100.0	1,745	100.0	5,711	100.0	2,285	100.0

Sources: 2011 American Community Survey; Viewpoint Consulting Group, Inc.

**Residential Construction**

- ▶ 245 new housing units were added in Worthington last decade. This includes 168 multifamily units and 77 single-family homes. Among the multifamily units were Buffalo Ridge (19 subsidized senior units), Meadows of Worthington (45 market rate senior units), and Okabena Estates (24 market rate apartments). Most of the remaining multifamily units added were owner-occupied townhomes – most being twin homes or tri-plex units.
- ▶ Single-family home construction averaged about eight homes per year during the 2000s. The first three years of this decade have averaged a similar number, although 11 were built in 2012.
- ▶ Permits were issued for 56 housing units during the first three years of this decade. About half were for New Castle Townhomes, a 30-unit affordable rental development. While 56 housing units were added, 26 units were demolished (due mostly to the Highway 60 reconstruction project). Thus, the net gain in housing so far this decade has been only 30 units. A large increase in housing construction will be needed for Worthington to accommodate potential household growth.

**Table 15  
Building Permit Trends  
Worthington, 2000 to 2012**

Year	---- Housing Units ----		Total
	Single-Family	Multifamily	
2000-2008	72	106	178
2009	5	62	67
Total	77	168	245
2010	6	30	36
2011	4	5	9
2012	11	0	11

Source: City of Worthington; Viewpoint Consulting Group, Inc.

**Housing Stock by Type of Housing**

- ▶ The dominant housing type in Worthington is a single family home with this type representing about two-thirds of all housing units in 2011. Single-family homes accounted for 91% of all owner-occupied housing units in Worthington and about one-third of the rental units. In the remainder of the PMA, which is largely rural, 94% of the housing units are single-family homes.

- ▶ Other than single-family homes, most of Worthington's owner-occupied housing stock is townhomes. Homestead Cooperative, a 32-unit senior housing property represents the only larger multifamily building. Multifamily rental buildings with 20 or more units account for only just over one-quarter of the rental units.

**Table 16**  
**Housing Units by Type of Structure**  
**Primary Market Area, 2011**

	Worthington		Primary Market Area	
	No.	Pct.	No.	Pct.
<b>Owner Occupied:</b>	<b>2,810</b>	<b>100.0%</b>	<b>5,879</b>	<b>100.0%</b>
1, detached or attached	2,604	92.7%	5,604	95.3%
2 to 4 units	83	2.9%	109	1.8%
5 to 19 units	5	0.2%	5	0.1%
20 or more units	30	1.1%	31	0.5%
Mobile Home, etc	88	3.1%	130	2.2%
<b>Renter Occupied:</b>	<b>1,690</b>	<b>100.0%</b>	<b>2,120</b>	<b>100.0%</b>
1, detached or attached	555	32.8%	920	43.4%
2 to 4 units	305	18.1%	298	14.0%
5 to 19 units	348	20.6%	428	20.2%
20 or more units	457	27.1%	444	20.9%
Mobile Home, etc	25	1.5%	31	1.5%
<b>Total Occupied:</b>	<b>4,500</b>	<b>100.0%</b>	<b>7,999</b>	<b>100.0%</b>
1, detached or attached	3,159	70.2%	6,524	81.6%
2 to 4 units	388	8.6%	406	5.1%
5 to 19 units	353	7.8%	433	5.4%
20 or more units	487	10.8%	475	5.9%
Mobile Home, etc	113	2.5%	161	2.0%

Sources: 2011 American Community Survey; Viewpoint Consulting Group, Inc.

- ▶ There were an estimated 113 occupied mobile homes in Worthington in 2011. Sungold Heights is the largest mobile home park in Worthington with just over 100 homes. East Acres Trailer Park had approximately 20 mobile homes but was removed as part of the Highway 60 reconstruction project. Mobile homes comprise an estimated 2% of Worthington's housing stock.

## Introduction

This section analyses Worthington’s owner-occupied housing market. Analyzed are single-family home resale trends, home foreclosures, actively marketing subdivisions, pending subdivisions, and interviews with local real estate professionals and others involved in the local housing market to solicit their impressions of existing market conditions and trends. The Nobles County Assessor’s Office provided the data on resale trends. The following are key findings regarding the owner-occupied housing market.

## Home Resale Trends

- ▶ The average resale price of single-family homes in Worthington in 2012 was \$121,879. This was an increase from both 2011 (\$111,823) and 2010 (\$110,242). Between 2010 and 2012, the average resale price has increased 10.6%. While some of the price changes from year to year can be attributed to the age and quality of the homes being sold during a particular year, interviews with Realtors indicate that Worthington has a stable, steady housing market.
- ▶ A housing study conducted for the City of Worthington in October 2000 found that the average resale price of single-family homes in Worthington in 1999 was \$72,650. Thus, between 2000 and 2012, the average sale price of existing homes in Worthington has increased substantially – reaching \$121,879 in 2012. This equates to an average annual appreciation of about 4%. The number of home sales in 1999 was 141, or nearly identical to the number of home sales in 2012 – 140 sales.
- ▶ Median sale price is often a more reliable measure of price trends since the median is not skewed by outliers like the average can be. In Worthington, the median sale price increased from \$101,000 in 2010 to \$112,000 in 2012.

**Table 17**  
**Resale Trends of Existing Single-Family Homes**  
**Worthington, 2000 to 2011**

	<u>Number of Sales</u>	<u>Median Sale Price</u>	<u>Average Sale Price</u>
2010	151	\$101,000	\$110,242
2011	129	\$106,000	\$111,823
2012	140	\$112,000	\$121,879

Sources: Nobles County Assessors' Office; Viewpoint Consulting Group, Inc.

- ▶ During the past three years there has been an annual average of 140 sales of existing single-family homes in Worthington. In essence, about 140 homes have been made available each year to people moving to the community, to renters seeking to buy, and to existing homeowners seeking a different home.
- ▶ Table 18 shows the distribution of existing home sales by price range. In 2012, about 40% of the sales were priced under \$100,000, down from 49% or higher in 2010. If this trend continues, there will soon be a very limited supply of single-family homes in Worthington affordable to households with incomes of about \$35,000 or less.
- ▶ For the past three years the number of home sales in Worthington has peaked in the \$100,000 to \$149,000 range. The homes are generally affordable to households with incomes between \$35,000 and \$60,000. Currently, however, extremely low interest rates have made these homes affordable to some households with more modest incomes.
- ▶ The number of sales of homes priced above \$200,000 nearly doubled from 2011 to 2012 – from 11 sales to 20 sales.

**Table 18**  
**Single-Family Home Resales by Price Range**  
**Worthington, 2000 to 2011**

	----- 2010	Number of Sales 2011	----- 2012
< \$50,000	19	20	21
\$50,000 to \$74,999	29	20	16
\$75,000 to \$99,999	26	17	18
\$100,000 to \$149,999	48	44	39
\$150,000 to \$199,999	21	17	26
\$200,000+	8	11	20
<b>Total</b>	<b>151</b>	<b>129</b>	<b>140</b>
<b>Average Sale Price</b>	<b>\$110,242</b>	<b>\$111,823</b>	<b>\$121,879</b>
Sources: Nobles County Assessors' Office; Viewpoint Consulting Group, Inc.			

- ▶ Table 19 shows the number of home sales in 2012 by the decade the homes were built. In 2012, 88 of the 140 single-family homes sold were built during the 1950s or earlier. Similarly, Table 14 showed that approximately 54% of Worthington's owner-occupied single-family homes were built during the 1950s or earlier. Only 16% of the sales in 2012 were homes built since 1980. This highlights the relatively small supply of newer homes available to potential new residents moving to the community.
- ▶ Table 19 highlights how the average sale price decreases as the homes get older. Most homes sold in Worthington in 2012 for under \$100,000 were built prior to 1960. Homes priced above \$200,000 were generally built since 1980.
- ▶ During 2012, the average resale price of homes built during the 1980s and 1990s was higher than of homes built since 2000. This was not the case in 2011 when seven homes built during the 1980s and 1990s had an average resale price of \$189,100 but six homes built since 2000 had an average resale price of \$197,000. Given the small sales volume, much of the change in average price from year to year is due to the particular homes being sold. However, a good portion of the homes built since 2000 are entry-level homes versus move-up homes.

**Table 19**  
**Single-Family Home Resales by Year Home Built**  
**Worthington, 2012**

	----- Year Built -----				
	<u>&lt;1940</u>	<u>1940s &amp; 1950s</u>	<u>1960s &amp; 1970s</u>	<u>1980s &amp; 1990s</u>	<u>2000+</u>
< \$100,000	31	19	5	0	0
\$100,000 to \$149,999	13	14	8	2	2
\$150,000 to \$199,999	2	3	14	3	4
\$200,000+	4	2	2	8	4
<b>Total</b>	<b>50</b>	<b>38</b>	<b>29</b>	<b>13</b>	<b>10</b>
Median Sale Price	\$67,225	\$100,250	\$157,000	\$212,000	\$170,300
Average Sale Price	\$88,536	\$113,292	\$144,276	\$205,215	\$185,930
Average Size (Sq. Ft.)	928	989	1,286	1,454	1,332

Sources: Nobles County Assessors' Office; Viewpoint Consulting Group, Inc.

## Foreclosures

Beginning in the middle of last decade, home foreclosures began having a significant impact on housing markets across the nation. Initially, most foreclosures were among buyers with lower credit ratings who had received sub-prime mortgages. Gradually, foreclosures became more widespread as jobs shrank and home prices plummeted. Many owners who became unemployed also found that their homes’ values were far less than their purchase price. Table 20 presents home foreclosure data for Nobles County and Minnesota. The data is “sheriff’s sale foreclosures” and was compiled by the Minnesota Homeownership Center, and published on HousingLink’s website.

- ▶ There were 17,895 foreclosures in Minnesota in 2012. This was down from 21,298 in 2011 and 25,673 in 2010. The State’s 2012 foreclosures are also the lowest level since 2006. Nobles County had only 27 foreclosures in 2012, down from 29 in both 2010 and 2011.
- ▶ Nobles County has maintained a lower foreclosure rate than Minnesota. The foreclosure rate, as shown in Table 20, is defined as the number of foreclosed mortgages as a percent of total residential parcels. In 2012, Nobles County’s foreclosure rate was 0.35% compared to 0.99% in Minnesota. Greater Minnesota had a foreclosure rate in 2012 of 0.81% while the Twin Cities Metropolitan Area had a foreclosure rate of 1.16%.
- ▶ Foreclosures have not hindered Worthington’s housing market as they have in the Twin Cities Metro Area and other areas of the State – as evidenced by Worthington’s steady home appreciation. Out of 87 counties in the State, only 16 had a lower foreclosure rate than Nobles County.

**Table 20**  
**Home Foreclosures**  
**Primary Market Area, 2009 to 2012**

	---- Nobles County ----		---- Minnesota ----	
	Number of Foreclosures	Foreclosure Rate	Number of Foreclosures	Foreclosure Rate
2009	31	0.40%	23,092	1.29%
2010	29	0.38%	25,673	1.42%
2011	29	0.38%	21,298	1.18%
2012	27	0.35%	17,895	0.99%

Sources: HousingLink; Viewpoint Consulting Group, Inc.

## Current Supply of Homes on the Market

- ▶ Based on a review of various Realtor websites, there were 46 single-family homes actively listed for sale in Worthington in March 2013. The homes were evenly distributed by price range, with 12 each priced under \$100,000, between \$100,000 and \$149,000, and between \$150,000 and \$199,000. Another 10 homes priced above \$200,000 were listed for sale.
- ▶ Table 21 shows the average year built and average size of homes listed for sale by price range. The lowest priced homes tend to be the oldest, with the average age of homes listed for sale under \$50,000 being 1920. Homes listed for sale over \$200,000 had an average age of 1986.
- ▶ The average list price of homes on the market was \$156,726 in March 2013. While homes typically sell for less than the list prices, the current asking prices suggest that Worthington will continue to see appreciation in home values.

**Table 21**  
**Active Single-Family Home Listings**  
**Worthington, March 2013**

	Number of Listings	Average Yr. Built	Average Size (sq. ft.)
< \$50,000	3	1920	1,603
\$50,000 to \$74,999	2	1941	990
\$75,000 to \$99,999	7	1954	1,321
\$100,000 to \$149,999	12	1959	1,578
\$150,000 to \$199,999	12	1964	1,613
\$200,000+	10	1986	2,399
<b>Total</b>	<b>46</b>	<b>1954</b>	<b>1,706</b>
Median List Price	\$146,950	--	--
Average List Price	\$156,726	--	--

Sources: Johnson Builders & Realty, Inc.; Janssen Ralty; Real Estate Retrievers; Viewpoint Consulting Group, Inc.

### Existing Lot Supply

There are approximately 30 lots available to accommodate new single-family homes and townhomes in Worthington. The most recent subdivision platted was Woodland Ridge, which opened in 2007. The following are key points regarding the available lot supply and the active subdivisions. In addition, a new subdivision – Morning View – is coming on-line this year and will add 16 more lots to Worthington’s supply.

- ▶ Most of the lots available for single-family homes in Worthington are located in four subdivisions, all of which have been active for several years and are seeing their undeveloped lots dwindle. They are Dano Addition, Glenwood Heights, Homewood Hills, and Woodland Ridge. Combined, there are about 20 lots remaining in these four subdivisions.

**Map 4**  
**Actively Single-Family/Condominium Subdivisions in Worthington**



- ▶ Woodland Ridge is the premier subdivision in Worthington, with wooded lots averaging about a half-acre in size. Woodland Ridge was platted in 2007 with 21 lots. Six lots remain undeveloped, although two of the undeveloped lots have been sold. Some of the buyers purchased a lot and a half to create larger home sites, and two lots were sold and developed with a tri-plex. Lots have ranged in price from \$30,000 to \$50,000 (end of cul-de-sac). Average home values are estimated to be above \$250,000.
- ▶ Glenwood Heights has 34 total lots and was platted in 1996. All of the lots have been sold, but five remain undeveloped. Since it was platted, an average of less than two homes have been built per year at Glenwood Heights, although with only five lots left, it likely will be built out in two years. Lots are approximately 15,000 square feet in size and have generally sold for approximately \$25,000. Home values generally exceed \$225,000.
- ▶ Homewood Hills has been active for several decades and has had many additions. Currently, eight lots remain available for development, with most lots ranging in price from \$25,000 to \$30,000. Most lots are approximately 15,000 square feet in size, although some cul-de-sac lots are larger and some lots have been combined and developed with townhomes. Six tri-plexes (18 units) have been developed in Homewood Hills recently. The townhomes are generally valued near \$150,000 while most single-family homes are above \$200,000. A few of the more recently built single-family homes were above \$300,000.
- ▶ Only the last couple lots in the Dano Addition, situated along Castlewood Drive in northeastern Worthington, remain after several homes were built during the past few years. Homes in this subdivision have been entry-level, with values of approximately \$175,000 or less.
- ▶ Building permits were issued for 11 new single-family homes in Worthington in 2012. With similar numbers of homes built during this and the following years, Worthington would exhaust its existing lot supply by 2015.

## **Townhome/Condominium Market**

The primary market for condominiums (or “townhomes”) in Worthington are empty-nesters downsizing from single-family homes to reduce home maintenance responsibilities and free up time for other activities. Some younger households also purchase townhomes for some of the same reasons. There is one active subdivision platted solely for townhomes – West Park Acres, which is being developed by Voss/Obermoller. West Park Acres was platted in 2005 and when complete will contain 17 one-level units in seven duplex and tri-plex buildings. Currently, eight units have been built and two are under construction. The values are \$170,000 to \$180,000.

Duplex townhomes can also be developed in Worthington on any lot with 11,000 or more square feet. Triplex buildings can be built on any lot as long as there are 5,000 square feet per

unit. Thus townhomes have also been developed in the Homewood Hills and Woodland Ridge subdivisions.

Only seven townhome units have been built in Worthington since 2008. This includes three units in a tri-plex building in Woodland Ridge. Those townhome units have approximately 1,450 to 1,750 square feet and sold for \$230,000 to \$250,000. Seven triplex buildings – for a total of 21 units - were developed in the Homewood Hills addition. The most recent were built in 2006 and sell for approximately \$160,000 to \$170,000. Townhomes in Homewood Hills have approximately 1,150 to 1,500 square feet and feature attached two-car garages.

Since the overall supply of townhomes/condominiums in Worthington is small – estimated fewer than 90 units, the resale market is limited. An average of only seven units sold each year since 2010. Prices ranged from just under \$90,000 for units at Country Manor Condos, which were built in 1978, to \$250,000 for a unit at Lake Shore Park Condos. Lake Shore Park is a nine-unit, upscale development with views of Lake Okabena.

## Pending Subdivisions

The Southwest Minnesota Housing Partnership (SWMHP) is platting the Morning View Addition, located in northeastern Worthington near the intersection of Castlewood Drive and Pauline Avenue. Morning View Addition will have 16 entry-level lots that will be restricted to buyers with incomes below 80% of Statewide median household income. To make the lots affordable, the development is utilizing Tax Increment Financing and the lots are being placed in a Community Land Trust. At Morning View, the SWMHP will develop and sell the lots to the Community Land Trust, which in turn will sell the homes to qualified buyers. Two four-bedroom homes already under construction have been sold with prices of \$157,000 and \$158,000 (on two lots that already were served by infrastructure – the remaining infrastructure will be added in summer 2013). The SWMHP is also working with a few more potential buyers. To keep the land perpetually affordable, buyers of community land trust homes keep 25% of the land appreciation in the first 10 years; after 10 years they are able to keep 30% of the appreciated value based on the appraised value of both the land and improvements.

## Interview Summary

Real estate agents and other persons familiar with Worthington's owner-occupied market were interviewed to solicit their impressions of the current owner-occupied housing market. The following are key points from those interviews.

- ▶ Worthington has a very stable housing market. It did not experience strong appreciation last decade, and has avoided depreciation in recent years, unlike many other communities

around the nation. Home foreclosures have also been minimal and have not negatively impacted the overall housing market.

- ▶ While Worthington's housing market is stable, the nationwide downturn in the economy and housing market in recent years did impact Worthington. In particular, home construction slowed.
- ▶ One reason for limited development of new single-family homes in Worthington is that there is a large price gap between new homes and similar existing homes. Many people would rather pay less for an existing home that is of similar size and quality to a new-construction home. The pace of new home construction will likely quicken when the prices of existing home prices increase enough to narrow the price gap.
- ▶ A reason stated for the minimal new home construction is that Worthington is a financially conservative community in general. Many people who could afford to build a newer home simply choose not to, but instead comfortably remain in their existing home.
- ▶ With interest rates at all-time lows, now is a great time to purchase homes, especially for buyers who want to move up from their existing homes priced in the mid-\$150,000s to homes in the mid-\$200,000s. The low interest rates might assist in a strengthening of Worthington's housing market.
- ▶ While overall home construction has been minimal, condominiums (townhomes) have been popular recently among empty-nesters. The buyers are generally local residents moving from two-story homes. Some of the newer townhomes have sold in the \$200,000+ range.
- ▶ Developers are hesitant to plat new subdivisions in Worthington because of the risk of slow lot sales after paying up-front infrastructure costs.
- ▶ Many of the lower-priced homes that sell in Worthington are purchased by people as rental investments.
- ▶ The primary market for Worthington's homes are locally employed people, not people commuting to jobs in neighboring communities. Families with children comprise a large share of the market for single-family homes. Empty-nesters are the primary market for townhomes.
- ▶ Realtors often work with people to find rental housing when relocating to Worthington for jobs. These new residents often have homes to sell in their previous community, which has been difficult in recent years. Once their homes sell and they are established in their new position they begin looking for homes to purchase. In general, there seems to be an adequate number of homes in most price ranges for potential buyers to choose from.

## Introduction

This section of the report analyzes the rental housing market in Worthington. The analysis includes a survey of rental properties and interviews with real estate agents, rental housing managers, and others familiar with the Worthington rental housing stock. Properties are categorized in this section as rental (general occupancy) or senior (age-restricted).

As shown in the demographic and housing stock overview sections, there are approximately 1,650 renter households in Worthington. Approximately half of the renters live in rented single-family homes or duplexes. The larger multifamily properties were surveyed as part of this analysis. In total, 863 units in 23 properties were surveyed. These include the following:

<u>Property Type</u>	<u>No. of Properties</u>	<u>Total Units</u>
Market Rate	8	226
Affordable (tax credit)	2	54
Subsidized	8	324
Senior with Services	2	133
Subsidized/Affordable Senior	3	126

Information on the surveyed rental properties is summarized in Table 22 (general-occupancy rental) and Table 23 (senior). Information included in the summary tables includes year built, occupancy, unit mix and monthly rents. The following are key highlights.

## Market Rate Rental Summary

- ▶ All of the market rate buildings surveyed were at 100% occupancy, with some also having waiting lists. According to managers, vacancies are rare and there is a need for more market rate units in Worthington.
- ▶ A housing study conducted in 2009 for the City of Worthington also found that market rate apartments were operating at 100% occupancy, and a study in 2004 found a 97.7% occupancy rate. The standard for a healthy market that allows for consumer choice and turnover is 95%. Worthington's rental market has been very tight for at least a decade.
- ▶ Okabena Estates is a 24-unit apartment building built in 2006. It is the market leader in Worthington, commanding monthly rents of \$640 for one-bedroom units, \$810 to \$865 for two-bedroom units, and \$925 for three-bedroom units. Detached garages are available for \$50 per month. All utilities are included in rent except electricity.
- ▶ Overall, the supply of market rate rental housing in Worthington is aging. With the exception of Okabena Estates, the market rate supply is generally 1970s product or older. Prairie Acres, a Worthington HRA development, was built in 1995. It contains eight

apartment units in an 8-plex building and eight townhome units. The townhomes have in-unit washer/dryers and attached garages. Monthly rents for the townhome units are \$630 for two-bedroom units and \$670 for three-bedroom units. Residents of the townhome units pay all utilities.

- ▶ The average monthly rents at the older market rate rental apartment properties (Country Village, Golf Park, and Prairie Village) are \$455 for one-bedroom units and \$535 for two-bedroom units. These are far lower than Okabena Estates' average of \$650 for one-bedroom units, \$838 for two-bedroom units, and \$925 for three-bedroom units. Okabena Estates' ability to remain fully occupied demonstrates that a segment of the renter market in Worthington is willing to pay a premium for newer, more contemporary units.
- ▶ The unit mix at the market rate apartments is 6% studio, 25% one-bedroom, 57% two-bedroom, and 12% three- and four-bedroom units. Most of the studio and one-bedroom units are at The Thompson Apartments and most of the four-bedroom units are at Campus View Apartments. Since Campus View caters to students at Minnesota West Community and Technical College, there are very few units with multiple bedrooms available for large families in Worthington. Single-family homes for rent accommodate most of the housing needs for large families in Worthington.
- ▶ The rental properties surveyed are somewhat small developments. The largest is Golf Park, which contains 48 units in two buildings. Because of the smaller size and older age, the common areas are limited. None have community rooms, fitness centers, swimming pools, etc. Some, such as Willow Court and New Castle Townhomes, have a children's play area.

### **Affordable Rental Summary**

- ▶ Two affordable rental properties in Worthington were surveyed; New Castle Townhomes and Willow Court. Both were financed through the Low Income Housing Tax Credit program (LIHTC). There are other properties that received financing through the LIHTC program but they also receive subsidizes that allow residents to pay 30% of their adjusted gross income (AGI) for rent.
- ▶ New Castle Townhomes and Willow Court are both 100% occupied with waiting lists. The manager for both properties stated that there is very strong demand for units at these properties.
- ▶ New Castle Townhomes opened in 2011 and is the newest development in Worthington. With the exception of three market rate units, the 30-unit development is income-restricted to households earning 60% or less of median household income (\$25,920 for 1-person households to \$40,020 for 5-person households). The monthly rent is \$540 for two-bedroom units, \$630 for three-bedroom units, and \$700 for three-bedroom units. The market rate two-bedroom units rent for \$670 per month and the three-bedroom units rent for \$770 per month. The units have attached garages included in the rent and residents pay

all utilities except water/sewer and trash. New Castle Townhomes are fully occupied with a waiting list.

- ▶ Willow Court was built in 1996 and has 24 three-bedroom units. The monthly rent is \$600. To qualify, residents must have incomes below 60% of area median income.
- ▶ Along with a few units at Prairie Acres and the HRA's public scattered site housing, New Castle Townhomes and Willow Court are the only units surveyed in Worthington that are townhome-style.

### **Subsidized Rental Summary**

- ▶ The eight subsidized properties combine for 324 units, which accounts for over half of the general-occupancy, multifamily units surveyed in Worthington. These units also account for approximately 20% of the 1,650 total occupied rental units in Worthington.
- ▶ The subsidized rental properties in Worthington are all 100% occupied, with the exception of Atrium High Rise which is 97% occupied. Previous housing studies for Worthington found no vacancies in 2009 and only one vacancy in 2004.
- ▶ Most of the subsidized units were financed through Rural Development (USDA) and the qualifying incomes are \$40,050 for one-person households, \$45,000 for two-person households, \$49,900 for three-person households, \$54,850 for four-person households, and \$58,800 for five-person households.
- ▶ Residents at Rural Development properties pay 30% of their AGI for rent, but not less than the "basic rent" and not more than the "note" rent. These rents are shown in Table 22. The exception is residents who receive Rental Assistance, which allows them to pay 30% of their AGI even if it is below the basic rent. The Rural Development properties in Worthington have Rental Assistance available for a total of 100 units out of 128 total units.
- ▶ The only vacant units among the subsidized properties were at Atrium High Rise – a HUD public housing building. Atrium High Rise has 104 units, all but one of which are one-bedroom units. While anybody can live at Atrium, it was originally a senior building and the majority of residents continue to be seniors or persons with disabilities. Unlike general-occupancy rental properties, senior properties in Worthington have vacant units available.
- ▶ The Worthington HRA maintains a waiting list of persons seeking subsidized rental housing. As of February 2013, there were 108 names on the waiting list. Of these, 20 were waiting for one-bedroom units, 31 for two-bedroom units, 45 for three-bedroom units, and 12 for four-bedroom units. Units that open become available through normal turnover are usually rented quickly from people on the waiting list.

## Housing Choice Vouchers

In addition to subsidized apartments, there is a “tenant-based” subsidy called Housing Choice Vouchers available to help lower income households find affordable housing. The tenant based subsidy is funded by the Department of Housing and Urban Development (HUD), and Worthington’s program is managed by the Worthington HRA, which manages the program for a seven county area.

Under the Housing Choice Voucher program, qualified households are issued a voucher that the household can take to an apartment that has rent levels allowable under HUD guidelines. The household then pays 30% of their adjusted gross income for rent and utilities, and the Federal government pays the remainder of the rent to the landlord. Applicants in Worthington may be eligible for the program if their income is below the 50% of area median income – which in 2013 ranged from \$21,600 for one-person households to \$33,350 for five-person households.

To be eligible for the Housing Voucher program, rental units must have rent levels allowable under HUD guidelines – or below the “Payment Standard.” In Worthington, the Payment Standard is \$554 for one-bedroom units, \$657 for two-bedroom units, \$968 for three-bedroom units, and \$1,078 for four-bedroom units.

Currently, there are 195 vouchers issued in the seven-county area. Of the vouchers in use, only 27 are being used in Worthington, despite high demand. There is a wait list of 144 applicants from Worthington and it can take many months on the list before a voucher becomes available. According to staff at the HRA, households receiving vouchers have not expressed difficulty finding eligible rental units in Worthington.

**Table 22**  
**Surveyed Rental Properties**  
**Worthington, 2013**

Property Name	Year Built	Unit Mix	Monthly Rent	Occupancy Rate	Comments
<b>Market Rate</b>					
<b>Campus View Apts</b> 1535 Collegeway Dr.	1984	3 - EFF 3 - 1BR 21 - 4BR <u>27</u>	\$390 - \$390 \$490 - \$490 \$300/bedroom	100%	Two 2-story buildings. Rent includes water/sewer and trash. Property is adjacent to MN West Community & Technical College. Tenant mix is 75% students and 25% workers. Campus View is typically fully occupied during the school year but has many vacancies during the summer.
<b>Country Village</b> 1450 Knollwood	1979	2 - 1BR 22 - 2BR <u>24</u>	\$470 - \$470 \$570 - \$660	100%	Two-story building. Rent includes water/sewer and trash. Property features common laundry, secure entrance, and detached garages for \$30/month. Tenant mix includes workers, seniors, and students.
<b>Golf Park I &amp; II</b> 1550/1552 Collegeway	1960's	18 - 1BR 30 - 2BR <u>48</u>	\$420 - \$440 \$485 - \$525	100%	Two 3-story buildings. Rent includes water/sewer, heat, and trash. Property features common laundry and surface parking. Tenant mix is mostly workers.
<b>Inn Towne Apts.</b> 802 Tenth St.	1968	2 - Studio 2 - 1BR 20 - 2BR <u>24</u>	n.a.	n.a.	Two 3-story buildings. Rent includes water/sewer, heat, and trash. Property features common laundry and surface parking. Landlord/manager did not respond to the survey.
<b>Okabena Estates</b> 2257 Knobles St.	2006	4 - 1BR 17 - 2BR 3 - 3BR <u>24</u>	\$650 - \$650 \$810 - \$865 \$925 - \$925	100%	Three-story building. Rent includes water/sewer, heat, and trash. Property features common laundry, secure entrance, fireplaces, and balconies. Detached garages are \$50/month. Fully occupied with waiting list. Tenant mix is mostly young professionals.
<i>(Continued)</i>					

**Table 22 (Continued)  
Surveyed Rental Properties  
Worthington, 2013**

Property Name	Year Built	Unit Mix	Monthly Rent	Occupancy Rate	Comments
<b>Market Rate (Continued)</b>					
<b>Prairie Acres</b> 795 Lucy Drive	1995	2 - 1BR	\$480 - \$480	100%	Worthington HRA development. Eight-plex apartment and two four-plex townhomes. Rent at apartments includes water/sewer, heat, and trash. Detached garages are \$35/month. Residents of townhomes pay all utilities. Apartment features common laundry. Townhomes have attached garages and in-unit washer/dryers. Fully occupied with waiting list. Tenant mix is half professionals and half seniors.
		6 - 2BR	\$515 - \$515		
		4 - 2BR T.H.	\$630 - \$630		
		4 - 3BR T.H.	\$670 - \$670		
		16			
<b>Prairie Village</b> 1527 Clary St. & 936 McMillian St.	1974	2 - 1BR	\$465 - \$465	100%	Two 3-story buildings. Rent includes all utilities except electric. Property features common laundry and balconies. Detached garages are included in rent. Fully occupied with waiting list. Tenant mix is workers, seniors, and students.
		22 - 2BR	\$485 - \$485		
		24			
<b>Thompson Apts.</b>	1983	8 - Studio	\$300 - \$300	100%	100+ year-old former hotel in downtown converted to apartments. Rent includes water/sewer and trash. Property features common laundry, secure entrance, elevator, and surface parking. Rents shown are as of 2009.
		23 - 1BR	\$350 - \$375		
		8 - 2BR	\$425 - \$425		
		39			
<b>Affordable (Tax Credit)</b>					
<b>New Castle THs</b> 2218 Castlewood Dr.	2011	12 - 2BR	\$540 - \$670	100%	LIHTC. Townhome units in six buildings. Income-limit = 60% of AMI, except three units are market rate. Rent includes water/sewer and trash. Property features in-unit laundry, picnic and play areas, patios, and attached garages. Fully occupied with waiting list. Tenant mix is mostly families.
		14 - 3BR	\$630 - \$770		
		4 - 4BR	\$700 - \$700		
		30			
<b>Willow Court</b> 1500 Darling Dr.	1996	24 - 3BR	\$600 - \$600	100%	LIHTC. Townhome units with attached garages. Income-limit = 60% of AMI. Rent includes water/sewer and trash. Property features picnic and play areas and in-unit washer/dryer hook-ups. Fully occupied with waiting list. Tenant mix is mostly families.
		24			
<i>(Continued)</i>					

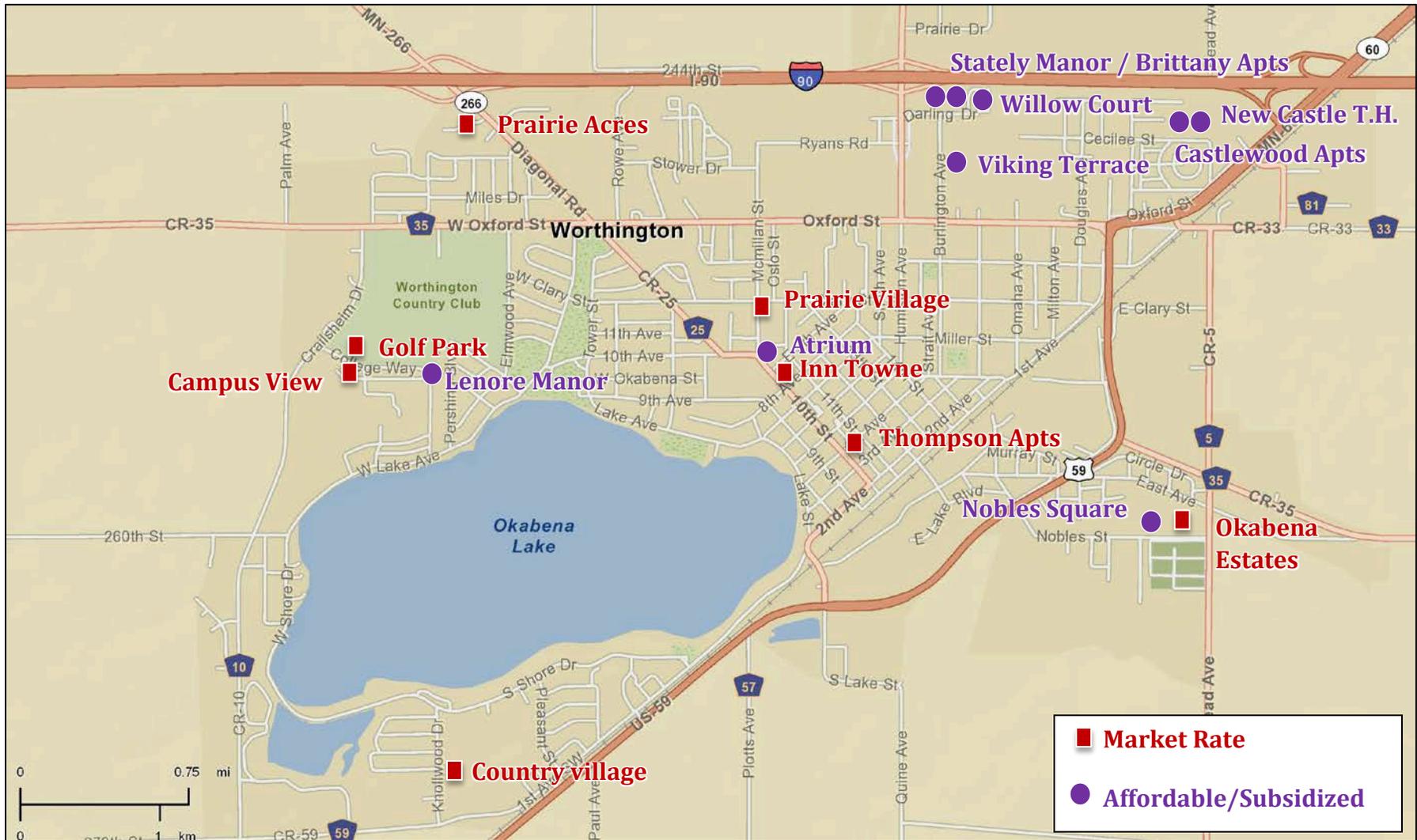
**Table 22 (Continued)  
Surveyed Rental Properties  
Worthington, 2013**

Property Name	Year Built	Unit Mix	Monthly Rent	Occupancy Rate	Comments
<b>Subsidized</b>					
<b>Atrium Highrise</b>	1969	103 - 1BR 1 - 2BR 104	30% of AGI	97%	HUD public housing. Income-limit = 50% of AMI. Tenants pay 30% of income, up to ceiling rent of \$400 (most tenants pay much less). Atrium Highrise is 97% occupied. The HRA has waiting list with 108 names, although most need a 2BR or larger unit. Vacancies are due to normal turnover. Tenant mix is mostly seniors and disabled individuals.
<b>Brittany Apts*</b> 1505 Darling Dr.	1984	10 - 1BR 14 - 2BR 24	\$488 - \$610 \$527 - \$728	100%	Rural Development. Two 2-story buildings adjacent to Stately Manor. Rental assistance is available in 21 units. All utilities are included in rent except electricity. Property features picnic and play areas and surface parking.
<b>Castlewood Knolls*</b> 2169 Cecilee St.	1989	10 - 1BR 14 - 2BR 24	\$488 - \$605 \$567 - \$723	100%	Rural Development. Two 2-story buildings. Rental assistance is available in 19 units. All utilities are included in rent except electricity. Property features picnic and play areas, common laundry room, secure entry, and surface parking.
<b>Lenore Manor*</b> 808 Thompson Ave.	1979	5 - 1BR 7 - 2BR 12	\$357 - \$469 \$407 - \$517	100%	Rural Development. Two-story building. Rental assistance is available in 19 units. All utilities are included in rent except electricity. Property features secure entry and surface parking.
<b>Nobles Square I &amp; II*</b> 2175 Nobles St.	1980/'82	8 - 1BR 32 - 2BR 8 - 3BR 48	\$445 - \$490 \$495 - \$540 \$535 - \$565	100%	Rural Development. Two 2-story buildings. Rental assistance is available in 21 units. Rent includes water/sewer and trash. Property features picnic and play areas and surface parking. SWMHP purchased Nobles Square in 2013 and will rehab the property. Rental Assistance will become available to all units.
<i>(Continued)</i>					

**Table 22 (Continued)  
Surveyed Rental Properties  
Worthington, 2013**

Property Name	Year Built	Unit Mix	Monthly Rent	Occupancy Rate	Comments
<b>Subsidized (Continued)</b>					
<b>Stately Manor*</b> 1535 Darling Dr.	1987	10 - 1BR 14 - 2BR <hr/> 24	\$459 - \$539 \$529 - \$639	100%	Rural Development. Two 2-story buildings adjacent to Brittany Apartments. Rental assistance is available in 19 units. All utilities are included in rent except electricity. Property features picnic and play areas, secure entrance, and surface parking.
<b>Viking Terrace</b> 1440 N. Burlington	1974	20 - 1BR 32 - 2BR 8 - 3BR <hr/> 60	\$320 - \$413 \$402 - \$511 \$461 - \$569	100%	HUD Section 236/LIHTC Development. Three 2-story buildings. Seven units are market rate (rents of \$433/1BR, \$541/2BR, \$617/3BR). Other units are income-restricted at 50% and 60% of AMI. Residents pay 30% of income for rent, but not less than basic or more than market rents shown. Rent includes all utilities except electric. Fully occupied with a 20 name waiting list.
<b>Scattered Site Public Housing</b>	1980/ 93/'95	4 - 2BR 25 - 3BR 3 - 4BR <hr/> 32	\$401 - \$401 \$450 - \$546 \$465 - \$465	100%	Worthington HRA properties -12 units are located on Lucy Drive. Income-limit = 50% of AMI. Tenants pay 30% of income, up to ceiling rents of \$401/2BR, \$450-\$546/3BR, and \$465/3BR. Fully occupied with 108 name waiting list (20 names for 1BR, 31 for 2BR, 45 for 3BR, and 12 for 4BR).
* Rural Development properties are income restricted to moderate-income households, or \$40,050/1-person households to \$58,800/5-person households. Residents with Rental Assistance assistance pay 30% of their income for rent. Residents without Rental Assistance pay 30% of their income for rent, but not less than the basic rent (lower end of range shown) and not more than the market rent (upper-end of range shown).					
Source: Viewpoint Consulting Group, Inc.					

### Multifamily Rental Properties



**Photographs of Worthington Market Rate Apartments**



Campus View



Country Village



Golf Park



Inn Towne



Okabena Estates



Prairie Acres



Prairie Village



The Thompson Apartments

**Photographs of Worthington Affordable/Subsidized Apartments**

*No Photograph*

Atrium High Rise



Brittany Apartments



Castlewood Apartments



Lenore Manor



New Castle Townhomes



Nobles Square



Stately Manor



Viking Terrace

### Photographs of Worthington Affordable/Subsidized Apartments



Willow Court



Scattered Site Public Housing (one property)

### Senior Housing Summary

Senior housing encompasses a wide variety of product types. The least service-intensive properties are **adult** properties, which offer virtually no support services or health care, but restrict tenancy to those ages 55 and over. Adult properties can be rental or owner-occupied (attached or detached townhomes, condominiums, and cooperatives). Congregate independent or **independent** properties, offer support services such as meals and housekeeping, sometimes included in rent and sometimes a-la-carte so that residents can choose whether or not to pay for them. Independent projects attract an older and frailer senior population than adult projects (generally seniors age 75 and over).

The most service-intensive housing types, **assisted living**, **memory care**, and **enhanced care suites** offer the highest level of services short of a nursing home. Typical services provided are meals, housekeeping, linen changes, personal laundry, 24-hour emergency response, and a wide range of personal-care and therapeutic services. The meals and services are either built into the monthly fee, charged through a tiered service package, or charged a-la-carte.

Table 23 shows the inventory of senior housing properties in Worthington. For each property, Table 23 provides information on type of senior housing, year built, number of units, monthly rents, and occupancy rate.

### Market Rate with Services

- ▶ There are two market rate senior housing properties with services in Worthington. Golden Horizons is a 25-unit assisted living that opened in 2004. Meadows of Worthington opened in 1992 and added units in 1995 and 2010. The most recent addition was 44 units, of which 30 were independent/assisted living and 14 were specialized memory care.
- ▶ Golden Horizons is at 92% occupancy. Independent/assisted living units at Meadows of Worthington are at approximately 90% while the memory care units are fully occupied. Turnover is typically high at assisted living properties because of the frail nature of the residents, thus occupancy rates tend to be slightly lower than at general-occupancy rental

properties. An occupancy rate of 93% is the industry standard for stabilized occupancy at assisted living/memory care properties. Combined, Golden Horizons and Meadows of Worthington are about at the stabilized occupancy rate.

- ▶ Other than the memory care units, residents at Meadows of Worthington can choose independent or assisted living service packages in any unit. The base monthly rent for the smallest units begins at \$2,100 for the independent living and exceeds \$3,000 for seniors who need assisted living services. The base rent for independent living includes two meals per day and all utilities, but no services. The base memory care rent is \$4,750 per month.
- ▶ The base monthly rent at Golden Horizons begins at \$1,900 for the smallest units. Included in the base monthly fee are three meals per day, housekeeping, laundry and linen services, activities, 24 hour staff, and all utilities. There are also five levels of personal care services available, which are based on the care needs of residents.
- ▶ While Meadows of Worthington and Golden Horizons are market rate properties, they allow some units to be occupied by lower-income residents who utilize the State's Elderly Waiver (Medicaid Waiver) program to pay for services.

### **Market Rate with no Services**

Worthington's only market rate senior housing property without services is Homestead Cooperative of Worthington. Homestead Cooperative is a 32-unit property that opened in 1996. Residents purchase their units, with prices beginning at an estimated \$85,000, and pay a monthly fee that covers utilities, cable, and taxes. There is a list of potential residents waiting for a unit to become available. Amenities at Homestead Cooperative include a community room, sunroom, and craft/exercise room.

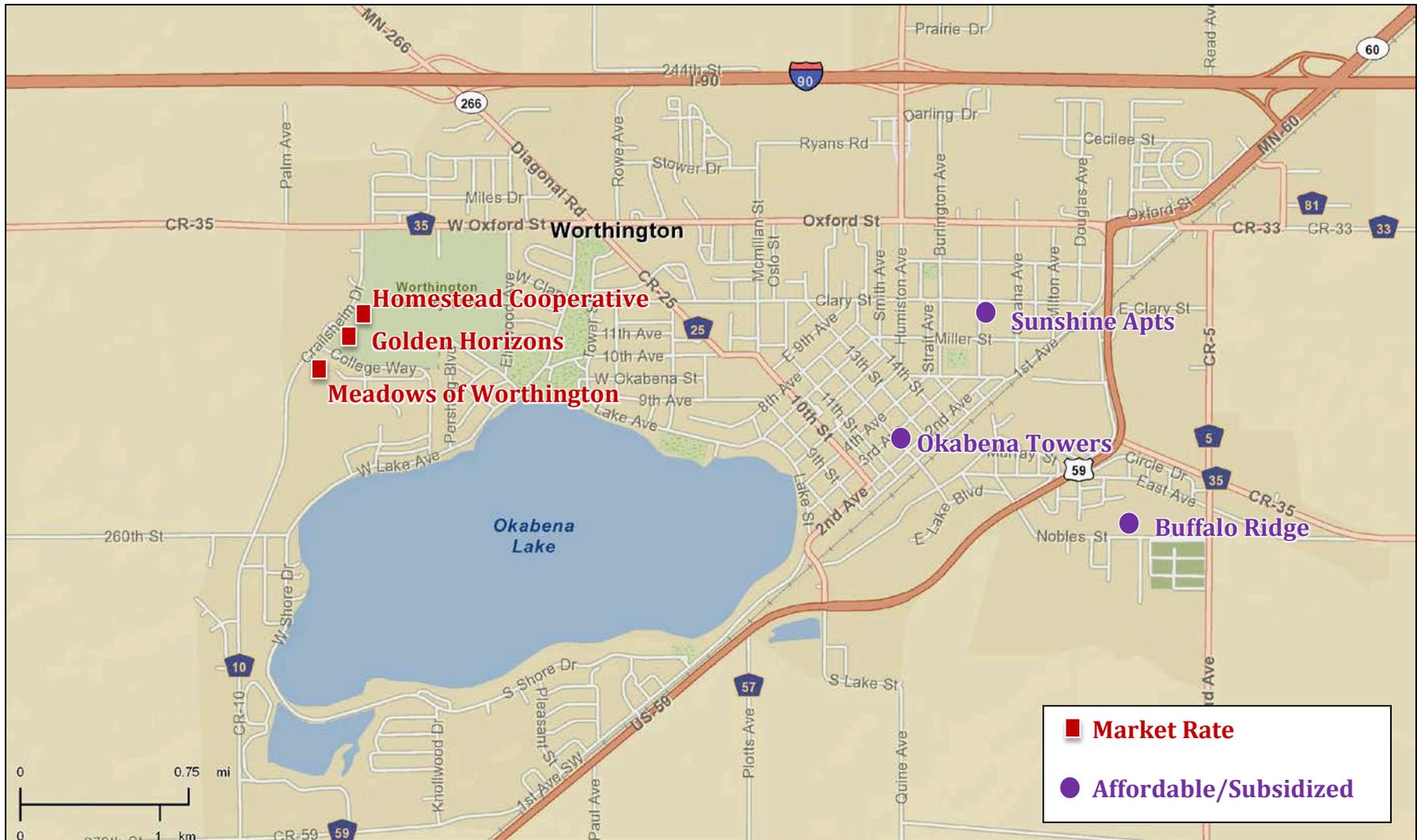
### **Affordable/Subsidized Senior**

- ▶ Worthington contains one affordable senior housing property (Sunshine Apartments) and two subsidized senior housing properties (Okabena Towers and Buffalo Ridge). While Okabena Towers is 97% occupied, Sunshine Apartments is 70% occupied and Buffalo Ridge is 30% occupied. Between these three properties, there are 29 vacant units.
- ▶ Okabena Towers is the oldest subsidized senior property, having opened in 1978. Buffalo Ridge opened in 2009 and has struggled to achieve stabilized occupancy since its opening. According to the manager, its somewhat isolated location from the Worthington's downtown and other services in the community have contributed to its low occupancy.
- ▶ Sunshine Apartments was financed through the Rural Development and LIHTC programs. Residents pay 30% of their AGI for rent, with a minimum (basic) of \$560 per month. The exception is that Rental Assistance is available in 33 of the 47 units. Residents with Rental Assistance pay 30% of their income for rent, even if it is below the basic rent.

**Table 23**  
**Senior Housing Properties, City of Worthington, 2013**

Property Name	Year Built	Unit Mix	Monthly Rent	Occupancy Rate	Comments
<b>Market Rate with Services</b>					
<b>Golden Horizons</b> 1790 Collegeway	2004	25 - Assisted Living	\$1,900+	92.0%	Single-story building featuring one-bedroom units. Base monthly fee includes 3 meals/day, housekeeping, laundry/linen, activities, and 24 hour staff. Five levels of personal care available for an additional fee. Approximately half the residents utilize the Elderly Waiver program.
<b>Meadows of Worthington</b> 1801 Collegeway	1992/ 1995/ 2010	94 - Indep./ Ass. Liv. 14 - Memory Care	\$2,100+ IL/AL \$4,750/MC	90% IL/AL 100%/MC	Developed in three phases - 44 units opened in 2010, including 14 memory care units. Residents in the 80 "housing with services" units choose independent or assisted living care. Base independent fees include 2 meals/day, housekeeping, and all utilities, but no services.
<b>Market Rate Without Services</b>					
<b>Homestead Cooperative</b> 1150 Crailsheim Rd.	1996	14 - 1BR 18 - 2BR	n.a.	97.0%	Units are purchased; values begin at approx. \$85,000. Residents pay a monthly fee that covers utilities, cable, and taxes. Common areas include a community room, sunroom, and craft/exercise room.
<b>Affordable (Tax Credit)</b>					
<b>Sunshine Apartments</b> 1620 Clary St.	1992	46 - 1BR 1 - 2BR	\$560 - \$745	70.2%	Three-story LIHTC & Rural Development building. Income limit = 60% of AMI. Rental assistance is available for 33 units (in which residents pay 30% of income for rent).
<b>Subsidized</b>					
<b>Okabena Towers</b> 212 12th Street	1978	59 - 1BR 1 - 2BR	30% of AGI	97.0%	Seven-story Section 8 building. Income-limit = 50% of AMI. Residency is restricted to seniors age 62+ and disabled individuals; most residents are seniors.
<b>Buffalo Ridge</b> 2107 Noble St.	2009	19 - 1BR	30% of AGI	30.0%	Two-story HUD 202 building. Income-limit = 50% of AMI. Residents pay 30% of income for rent plus electricity and cable. Buffalo Ridge has had low occupancy since it opened in 2009.
Source: Viewpoint Consulting Group, Inc.					

### Senior Housing Properties



**Photographs of Worthington Senior Housing Apartments**



Buffalo Ridge



Golden Horizons

*No Photograph*

Homestead Cooperative



Meadows of Worthington



Okabena Towers



Sunshine Apartments

**Planned and Proposed Rental and Senior Housing Developments**

There is only one planned rental housing development in Worthington that would add to the existing supply. The proposed development is a 30 unit townhome development by the Worthington HRA. The townhomes would be market rate and would be located at the intersection of County Road 35 and Read Avenue. There are no other rental or senior housing developments in the planning stages; with the exception that Okabena Estates has approval to add a second identical 24-unit building. The owner of Okabena Estates has not approached the City about adding the second building in several years, however.

## Interview Summary

Interviews with area rental property managers, real estate agents, private owners, and other persons familiar with the rental market in Worthington were conducted to solicit their impressions of the rental housing market. The following are some key points from these interviews:

- ▶ There is a shortage of rental housing in Worthington. Finding available rental units for new families moving to town is very difficult.
- ▶ Property managers maintain waiting lists of prospective residents, but the people on the list can only wait so long before they must find housing – some end up moving to housing outside the community.
- ▶ Property owners receive calls weekly from potential renters seeking housing. Demand is very high for rental housing in Worthington and additional units are needed.
- ▶ Demand for rental housing comes from production workers seeking affordable and modestly priced market rate units and also relocated workers to Worthington who prefer to rent upper-end units for about a year before purchasing a home.
- ▶ Much of the demand for rental housing in Worthington is generated by employment at JBS. Many of the employees at JBS do not income-qualify for subsidized housing, but prefer not to pay higher rents at the newest market rate properties. Older properties with modest rents accommodate much of the rental demand from JBS workers.
- ▶ Some property managers receive many calls from students and parents of students attending Minnesota West Community & Technical College. Often there are no vacancies available to accommodate students seeking rental housing.
- ▶ Minnesota West Community & Technical College has approximately 1,100 students, of which about 800 are full-time. While some of these students are living with their parents or other relatives/friends, an estimated 300 to 500 are seeking rental housing every year. Finding rental housing is difficult for students, and the College likely loses some students because of the lack of housing and/or the quality of the housing available.
- ▶ Meadows of Worthington and Golden Horizons appear to be meeting most of the need from seniors needing housing with services. The exception is that there are only 14 memory care units at Meadows of Worthington, which are fully occupied. Otherwise there generally are open units available between the two properties.

## Introduction

This section of the report utilizes data collected in the previous sections to calculate demand for owned and rented housing in Worthington through 2020. Recommendations on appropriate housing types to satisfy unmet demand over the next five years are also provided.

## Housing Demand Analysis

Table 24 outlines our calculation for owner and renter housing demand in Worthington from 2013 to 2020. Demand for additional housing in Worthington will primarily come from household growth. Pent-up rental demand will also be a source of housing demand, as will replacement need.

Worthington is projected to add 395 households between 2013 and 2020. This correlates to the need for 395 housing units to accommodate the household growth, or an average of about 55 new units annually. While Worthington will experience strong growth among older adults through the end of this decade, it will also continue to see strong growth among younger populations (20 to 34), as it did last decade. The growth of these younger households is creating demand for rental housing and entry-level homes.

**Table 24**  
**Potential Housing Demand**  
**City of Worthington**  
**2013 to 2020**

		<b>2013 to 2020</b>	
A	Household growth		395
B	Replacement need		43
C	Total housing demand (A + B)		438
D	Percent rental demand	55%	- 60%
E	Rental housing demand (C x D)	241	- 263
F	Pent-up rental demand	60	- 60
G	Total rental housing demand (E + F)	301	- 323
H	Percent owner demand	40%	- 45%
I	Total owner housing demand (C x H)	175	- 197
Source: Viewpoint Consulting Group, Inc.			

Replacement need is generated from the loss of housing or the need to replace housing units that are physically or functionally obsolete (i.e., they no longer meet the needs of the current housing market). A review of the age of Worthington's housing stock from the U.S. Census revealed that there are about 1,230 housing units built prior to 1950. Most of these homes are in good condition, and we estimate that only about one-half percent per year should be removed annually from the housing supply because of obsolescence, which equates to six units, or 43 units during the remainder of this decade. This rate of demolition is higher than past trends in Worthington, when excluding homes removed for the Highway 60 reconstruction.

A healthy rental market is expected to have a vacancy rate of about 5% to allow for sufficient consumer choice and unit turnover. With pent-up demand (a shortage of units), persons who would normally form their own rental households instead room with other persons in a housing unit, live with their parents, or live in housing outside of the area and commute to jobs. In Worthington, we found almost no vacant rental units – indicating significant pent-up demand. There are an estimated 1,350 households under age 65 living in rental housing in Worthington. At an estimated 99%+ occupancy rate, there are only about 10 vacant units available, which do not provide much choice for potential new renters. To reach a 95% occupancy rate, the industry standard for a healthy rental market, about 70 units would need to be available. Thus, pent-up demand is calculated for 60 additional rental units in Worthington.

Based on demographic and market trends, we project that 55% to 60% of the housing demand from household growth and replacement need in Worthington between 2013 and 2020 will be for rental housing. Combined with pent-up demand, there is total demand for approximately 300 to 325 rental units. This demand is for all types of rental housing – from subsidized to market rate general-occupancy housing to senior housing.

An estimated 40% to 45% of housing demand in Worthington between 2013 and 2020 is projected to be for owner-occupied housing. This equates to demand for 175 to 200 homes from 2013 to 2012 (25 to 30 homes annually). This demand is for single-family home and townhomes (condominiums).

### **Owner-Occupied Housing Demand**

Based on demographic growth trends, building trends and interviews, an estimated 60% of the demand for owned units in Worthington is for single-family homes. The remainder is for condominium units (townhomes) targeted to empty-nesters and seniors seeking an alternative to their single-family homes.

Sixty percent of the owner-occupied demand equates to a need for approximately 15 new single-family homes annually in Worthington, or about 100 to 120 homes between 2013 and 2020. In comparison, an average of eight homes were built annually in Worthington last decade.

The townhome demand is generated primarily from empty-nester over age 55. This primary target market – older adults ages 55 to 74 – is projected to be the fastest growing segment in Worthington this decade, growing by 22%. This growth is much faster than last decade. For example, the population age 65 to 74 in Worthington declined by 5% last decade, but is projected to grow by 34% this decade. The demand for townhomes equates to about 10 units annually between 2013 and 2020.

### **Rental Housing Demand**

With almost no available rental units in Worthington, there is some level of unmet demand for all rental product types. The two primary target markets in Worthington are wage earners seeking rental housing with rents that are modest and professionals and higher-income families moving to Worthington. Some wage earners will eventually seek owned housing, but many will also be long-term renters. The professionals and higher-income families moving to Worthington will most often seek owned housing, but they will rent until they are settled in their new employment position. They will seek newer market rate rentals on the upper-end of what currently exists in Worthington.

We project that nearly one-third of the rental demand in Worthington is from households earning \$35,000 or more annually who could afford gross monthly rents of \$850 or more. Between 2013 and 2020, this equates to demand for 80 to 85 market rate units. Some of this demand will be from wage earners whose incomes are too high to qualify for subsidized and affordable housing and also from professionals relocating to Worthington for employment.

We project that nearly three-quarters of the rental demand in Worthington is from wage-earners seeking rental housing with modest rents. While most of these households would income-qualify for subsidized or affordable rental housing, many also could afford rents at older market rate buildings in Worthington. Between 2013 and 2020, there is estimated demand for 170 to 175 units with modest rents.

Other target markets for rental housing in Worthington are students at Minnesota West Community and Technical College and seniors. Demand from these two specific target markets is discussed in more detail in the following sub-sections. Overall, we project that up to 65 units of the rental demand is from these two markets.

### **Student Housing Demand**

A portion of the rental demand in Worthington originates from Minnesota West Community and Technical College, which has approximately 1,100 full- and part-time students, but no on-campus student housing. Several property managers stated that they receive multiple calls from students and/or their parents seeking rental housing and the College has identified lack of housing as a cause for concern among students.

In 2010, approximately 15% of Worthington's renter households were under age 25 – many of these younger renters are likely students. Estimating that 10% of the total rental supply in Worthington is occupied by students equates to about 165 units. The closest apartments to campus are Campus View, which has only 27 units and is 30 years old, and Golf Park, which is mostly occupied by workers in the community and is going on 35 years old. We conservatively project that a new student housing apartment on or near the Minnesota West Community & Technical College campus could capture one-quarter rental demand from students – or approximately 35 to 40 units. With one student per bedroom and unit having two- to four-bedrooms, an apartment building of this size could accommodate upwards of 100 students.

### **Senior Housing Demand**

Demand was calculated for the number of additional senior housing units needed in Worthington through 2020. The calculations were made for the various market rate senior housing product types, including congregate, assisted living, and memory care. Because of low occupancy rate among subsidized and affordable senior rental housing in Worthington, that market is considered to be over-supplied and no units are projected to be needed through the remainder of this decade.

The calculations of unmet demand for market rate senior housing are based on multiplying the age/income-qualified base for market rate senior housing by appropriate capture rates for each product type and then subtracting the existing supply. Generally, the age/income-qualified base for market rate senior housing is seniors age 75+ with incomes of \$30,000+, although lower income homeowners also income-qualify by allocating their home equity toward the cost of senior housing.

Currently, the City of Worthington has a supply of 133 units of senior housing with services – at Meadows of Worthington and Golden Horizons. When comparing the calculated total demand to the existing supply, we find that Worthington has an adequate supply of congregate and assisted living units to meet most of the city's need through 2020. The exception is memory care housing. Other than beds in skilled nursing facilities, the only specialized memory care housing in Worthington are 14 units at Meadows of Worthington. Demand was calculated for an additional 20 to 25 units of memory care housing through 2020.

Since the target market for senior housing with services is seniors age 75 and over and this population is projected to remain flat through 2020, the overall demand for congregate and assisted living housing is not projected to increase much from the current level. Fewer than 15 units of congregate/assisted living housing are calculated as all that is needed to satisfy the need from area seniors through 2020.

## Housing Recommendations

Recommendations to meet the unmet housing needs in Worthington through the remainder of the decade are outlined on the following pages. The recommendations are based on demographic trends, current housing market conditions, the demand analysis, and interviews with persons knowledgeable about Worthington's housing market. Table 25 shows the number of units of each recommended housing type that should be built in Worthington through the remainder of the decade. Table 25 is followed by detailed descriptions of each recommended housing type.

**Table 25**  
**Recommended Housing Developments**  
**Worthington, 2013 to 2020**

	<u>No. of Units</u>	<u>Price/Rent Range</u>
<b>Owner-Occupied Housing</b>		
Single-Family		
Entry-Level	60 - 70	\$150,000 - \$225,000
Move-Up	<u>40 - 50</u>	\$225,000+
Total	100 - 120	
Townhomes/Condominiums	75 - 80	\$175,000+
<b>Rental Housing</b>		
Affordable Rental	170 - 175	<\$550/1BR, <\$700/2BR, <\$800/3BR
Market Rate Rental	<u>80 - 85</u>	\$650+/1BR, \$850+/2BR, \$925+/3BR
Total	250 - 260	
<b>Student Housing</b>		
Apartments	35 - 40	\$425/bedroom (\$850/2BR, \$1,275/3BR)
<b>Senior Housing</b>		
Memory Care	20 - 25	\$4,750+/Studio

Source: Viewpoint Consulting Group, Inc.

## **Single-Family Homes**

Based on incomes and housing trends in Worthington, we estimate that approximately 60% of the single-family demand is for entry-level homes and 40% is for move-up homes. Entry-level homes in Worthington are generally priced under \$225,000 and move-up homes are generally priced above \$225,000. Most households with incomes above \$75,000 who also have adequate down payment and good credit history can afford homes priced above \$225,000, while households with incomes below \$75,000 are the primary market for entry-level homes. Current historically low interest rates are making move-up homes affordable to some households with incomes below \$75,000, however. Rates tend to fluctuate and it is unlikely that they will remain at historic lows through the remainder of the decade.

We recommend maintaining a three-year lot supply, which ensures adequate consumer choice without excessively prolonging developer carrying costs. Worthington has a current lot supply of about 20 lots priced for move-up homes and virtually no lots left that are priced for entry-level homes. With the projected demand for housing, Worthington has less than a three-year supply of lots for both entry-level and move-up single-family homes. To maintain an adequate lot supply, new subdivisions will need to come on-line starting in 2013 for entry-level homes and 2014 for move-up homes.

Based on the demand and recent construction trends, no more than 12 to 18 lots for entry-level homes or 18 to 24 lots for move-up homes need to come on-line in any given year. Adding lots incrementally will help avoid developers carrying the costs of infrastructure for an extended period of time.

While the private market typically responds to the demand for move-up housing, the city of Worthington and/or other agencies may need to assist in the development of entry-level development. The Southwest Minnesota Housing Partnership's development of the Morning View Addition, with 16 lots, will accommodate a portion of demand for entry-level homes for potentially the next three years. Lots in the Morning View Addition were placed in a Community Land Trust to make them more affordable for entry-level homes.

In addition to the Morning View Addition, new homes in a targeted area can be more affordable if buyers participate in the "Workforce Housing Program." This program provides monetary assistance for qualified households (with incomes that are below 80% of area median income) to finance the cost of public infrastructure associated with new homes. The Workforce Housing Program is available to qualified households in a limited target area – north of Oxford Street, south of Interstate 90, and east of Humiston Avenue. Only one buyer has utilized the Workforce Housing Program to date. We recommend promoting the benefits of this program to expand its use in Worthington.

### **Townhomes/Condominiums**

The target market for condominiums in Worthington has primarily been empty-nesters and young seniors who want to own their residence but do not want the responsibility of maintenance. There are currently seven townhome lots remaining at West Park Acres, Worthington's only active townhome development. With a growing older adult population, we anticipate that demand for townhomes will accelerate throughout the remainder of the decade in Worthington. At the current pace of development, West Park Acres will likely meet the demand for new units for the next two years. We recommend an additional townhome/condominium development come on-line by 2015 with 20 to 30 units. The units should be one-level in duplex and tri-plex buildings with attached two-car garages that can be built as units are sold. Price points in the \$165,000 to \$200,000 range would be appropriate to capture the majority of the target market.

### **Market Rate Rental Housing**

With the exception of a couple newer buildings, the rental apartment stock in Worthington consists largely of 1970s-era buildings. Based on the research, demand exists for newer market rate units that would appeal to professionals and other higher-income households moving to Worthington. An appropriate development to appeal to this target market is a townhome development targeted toward families and apartment units targeted toward professional singles and couples.

The Worthington HRA is planning to develop a 36-unit townhome development that will appeal to this market. It would be located at County Road 35 and Read Avenue. The development will feature 12 two-bedroom units with 890 square feet and 24 three-bedroom units with 1,080 square feet. The units would have attached garages, patios, and in-unit washer/dryers. Monthly rents will be approximately \$830 for two-bedroom units and \$925 for three-bedroom units, excluding all utilities. This development will partially satisfy the demand for rental townhomes. Research indicates that there may be sufficient demand for another townhome development of similar size by 2020.

Okabena Estates is a 24-unit market rate apartment built in 2006 that is the current rental market leader. Original development plans call for a second, identical 24-unit building on the site. Combined with the proposed townhome development by the Worthington HRA, this second phase of Okabena Estates, provided it is developed, would satisfy much of the upper-end market rate rental demand in Worthington through 2020. If the second phase of Okabena Estates does not move forward, we recommend the development of a building with similar features, a unit mix of mostly two-bedroom units, and monthly rents beginning at approximately \$650 for one-bedroom units, \$825 for two-bedroom units, and \$950 for three-bedroom units.

### **Affordable Rental Apartments**

The analysis found demand for 170 to 175 units of rental housing in Worthington for households earning roughly \$35,000 per year or less. Households with this income, allocating 30% of their income on housing, could afford gross rents (rent plus utilities) of up to \$875 per month. Excluding utilities, the shelter rent affordable is about \$800 per month or less.

Utilizing the LIHTC program may be necessary for a development with these rents to be financially feasible. The current income-limit for the LIHTC program (at 60% AMI) in Nobles County ranges from \$25,920 for a one-person household to \$40,020 for a five-person household. Many wage earners in Worthington would income-qualify for an affordable rental development, but many also would not. For example, wages at JBS, Worthington's largest employers, are high enough that most employees' incomes exceed the income-limit for affordable housing, particularly if two household members are employed.

We recommend the development of two affordable rental developments come on-line within the next few years. We recommend an affordable townhome development and a mixed-income apartment development.

Other LIHTC townhome developments in Worthington are performing well, such as the 30-unit Castlewood Townhomes which opened for occupancy in 2011. A similar development would also perform well as it would satisfy the largest unmet need in Worthington. We recommend another 30 to 40-unit LIHTC townhome development in Worthington, similar to Castlewood Townhomes, with a mix of two- and three-bedroom units that would be affordable to households at 60% of AMI.

The recommended mixed-income apartment should have 60 to 70 units, with approximately half the units income-restricted at 50% and 60% of AMI. The remaining units should be market rate, but with "affordable market rate rents," or rents that are affordable to households earning less than 80% of AMI. The market rate units in this mixed-income building would satisfy a portion of the demand from households who do not income-qualify for affordable housing but are unable to afford rents at new market rate developments. We recommend an apartment-style building featuring a few one-bedroom units for single workers plus two- and three-bedroom units. The building should feature common laundry rooms, a party room, and detached garages available for a fee.

### **Student Housing**

To accommodate a portion of the rental demand that originates from Minnesota West Community and Technical College, we recommend a student-only apartment with 35 to 40 units. The apartment development should be located on or very near the campus enabling students to walk to classes and events. The units should be primarily two- to four-bedroom units to accommodate roommates. In total, a building of this size could accommodate approximately 100 students.

For a new-construction building on or near the campus, we recommend monthly rents of approximately \$450 to \$500 per student, which equates to rents of \$900+ for two-bedroom units to \$1,800+ for four-bedroom units. The development should feature a common gathering/study room and detached garages available for a fee.

### **Senior Housing**

No addition to the supply of subsidized and affordable senior housing is needed in Worthington as existing properties will meet the housing needs of lower-income seniors through the remainder of the decade. As for market rate senior housing with services, the recently opened 43-unit addition to Meadows of Worthington will satisfy most of the need through the remainder of the decade. The exception is specialized memory care housing. The only existing units, outside of a skilled care setting, are 14 units at Meadows of Worthington. We recommend an additional 20 to 25 units of memory care housing.

A stand-alone memory care property with less than 25 units may be financially unfeasible. These units may instead need to be added to an existing property in Worthington, where they can share the costs of administration and services with a larger property. Appropriate base fees for memory care housing, which would include all utilities, three meals per day, weekly housekeeping and linen service, activities and programming, 24 hour staff, emergency response, and a base personal care package, should begin at approximately \$4,750 per month.

### **Other Housing Recommendations**

New housing products that should be built in Worthington through the remainder of the decade to satisfy housing demand from current and future residents are outlined on the preceding pages. In addition, there are other programs that Worthington can implement to assist in meeting local housing needs and improving the quality of the existing housing stock. Four key programs/initiatives that Worthington should pursue are outlined below.

#### **1. Housing Rehabilitation**

Maintaining the quality of the existing housing stock is vital to any community. Since 2004, Worthington has received \$3.6 million in funds from the Small Cities Development Program (SCDP) for the purpose of rehabilitation of commercial and residential properties. The funds, which must benefit low- and moderate-income persons, have been used to repair 24 commercial properties, 57 owner-occupied homes, and 91 rental units. The funds were also utilized to construct 30 rental units.

Worthington has submitted an application to SCDP for funds to rehab 29 additional housing units (23 owner-occupied homes and six rental homes). If awarded, the rehab would be available from late 2013 through 2015. We recommend that Worthington continue to apply for these rehab funds from SCDP as they assist in the preservation of housing stock affordable to low- and moderate-income households.

## 2. Rental Registration and Inspection Program

The City of Worthington adopted a Rental Housing Ordinance in 2007. The purpose of the Ordinance is to assure that all rental housing units in the City are decent, safe, and sanitary. Currently, 1,320 rental units in Worthington are registered. We recommend continuing the program, as a well maintained rental housing stock benefits both the residents of the rental housing and the entire neighborhoods in which rental housing is located.

## 3. Housing Choice Vouchers

Housing Choice Vouchers (Section 8), funded by HUD, are a tenant-based rent subsidy utilized by lower income households in market rate housing developments. Voucher recipients pay 30% of their adjusted gross income for rent and the subsidy payment makes up the difference to the landlord. With limited funds available to construct new subsidized housing buildings, Housing Choice Vouchers are a great way to meet the housing needs of low-income households who cannot afford market rate housing.

The Housing Choice Voucher program is managed for a seven county area that includes Nobles County. Of the 195 vouchers issued in the seven-county area, only 27 are being used in Worthington. This is despite a waiting list of 144 applicants from Worthington. In comparison, 95 vouchers are in use in Marshall despite a waiting list of only 83 applicants. We recommend increased efforts to not only educate Worthington residents about the program, but also to maintain contact with applicants during the waiting period so that a higher percentage of applicants are reached when awarded a Voucher. Increasing Worthington's use of the program to 95 Vouchers, the same as Marshall, is the equivalent of adding 68 subsidized housing units.

## 4. Emerging Markets Homeownership Initiative

Increasing homeownership is a goal of most communities as there are significant community benefits to homeownership. Owning a home gives individuals and families a greater stake in the community. Homeowners do not move as frequently as renters and this stability often leads to reduced crime, improved childhood education, and greater neighborhood upkeep. Homeownership is also how many individuals/families accumulate the majority of their wealth.

We recommend the City of Worthington continue to work with the Southwest Minnesota Housing Partnership (SWMHP) to implement the Emerging Markets Homeownership initiative (EMHI) as a tool to increase homeownership among Worthington's minority populations. As of 2010, white non-Hispanics had a homeownership rate of 73.5%, compared to 44.7% for Hispanics households and 37.1% for non-Hispanic, non-white households. The purpose of the EMHI is to increase homeownership among households of color and Hispanic ethnicity in Minnesota. Since 2008, 202 persons in Worthington have attended homebuyer workshops hosted by the SWMHP, 57 persons have attended a home maintenance workshop, and 49 have attended pre-purchase counseling. Through the EMHI program, the SWMHP has assisted 63 households to become homeowners in Worthington.