

City of Preston Housing Needs Assessment 2018

Adopted June 4, 2018



Preston
Minnesota



CEDA
Community and Economic
Development Associates

**CENTER
FOR
SMALL TOWNS**



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INTRODUCTION

THE PURPOSE OF THE 2018 PRESTON HOUSING STUDY IS TO CREATE AN UPDATE BASED ON FORMAT OF THE 2009 MAXFIELD RESEARCH FILLMORE COUNTY HOUSING NEEDS STUDY. THE 2018 UPDATE IS AN UNDERTAKING OF THE CITY OF PRESTON ECONOMIC DEVELOPMENT AUTHORITY AND THE UNIVERSITY OF MINNESOTA CENTER FOR SMALL TOWNS WORKING IN COLLABORATION.

IN 2009, THE MAXFIELD RESEARCH STUDY RECOMMENDED THAT PRESTON FOCUS ON DEMAND FOR SENIOR, EMPTY-NESTER, AND RETIREMENT HOUSING. RELYING ON TRENDS OF STABLE EMPLOYMENT AND DECLINING HOUSEHOLD SIZE, THE 2009 MAXFIELD STUDY PREDICTED MODEST POPULATION AND HOUSING UNIT GROWTH FOR PRESTON. IT INDICATED AN INCREASE IN FILLMORE COUNTY'S POPULATION OF 25,100 BY 2020.

ALMOST A GENERATION LATER, SINCE THE 2009 MAXFIELD RESEARCH STUDY, PRESTON IS EXPERIENCING POPULATION DECLINE. WHILE LARGER URBAN AREAS LIKE ROCHESTER AND MINNEAPOLIS CONTINUE TO GROW RAPIDLY, PRESTON'S POPULATION IS AGING AND SHRINKING. FILLMORE COUNTY HAS ALSO SEEN POPULATION DECLINE IN CONTRAST TO OLMTED COUNTY, HOME OF ROCHESTER, WHICH CONTINUES TO GROW.

THE GROWTH OF URBAN AREAS PRESENTS OPPORTUNITIES TO CREATE SPIN-OFF GROWTH IN SMALLER SURROUNDING COMMUNITIES. THE INTRODUCTION OF THE DESTINATION MEDICAL CENTER (DMC) IN ROCHESTER IS PROJECTED TO BRING SUBSTANTIAL EMPLOYMENT AND ECONOMIC GROWTH THROUGH 2034 AND BEYOND. THE DMC IS DEFINED AS THE STATE'S LARGEST ECONOMIC DEVELOPMENT FOR THE STATE'S LARGEST EMPLOYER. IN ADDITION, GROWING TOURISM, A COMFORTABLE RETIREMENT ENVIRONMENT, AND RISING URBAN HOUSING COSTS ARE ALL FACTORS THAT POINT TO POTENTIAL GROWTH FOR PRESTON.

THROUGHOUT THIS STUDY, WE IDENTIFY AND ADHERE TO TWO SCENARIOS FOR THE CITY OF PRESTON. THEY HAVE BEEN FORMED FROM ANALYZING THE CURRENT PRESTON TRENDS AS WELL AS NEW EMERGING GROWTH FACTORS IN SOUTHEAST MINNESOTA. THEY ARE DEFINED AS **CURRENT TRENDS AND OPPORTUNITY** SCENARIOS. THIS STUDY IDENTIFIES THE CURRENT AND OPPORTUNITY SCENARIOS FOR SINGLE FAMILY, MULTIFAMILY, AND SENIOR HOUSING.

CURRENT TRENDS SCENARIO

The Minnesota Demographic Center (Compass) and U.S. Census Bureau both forecast that Preston will continue to decrease in population at a rate of about 100 persons per decade. Preston may see an increase in housing demand for senior or retired individuals, but those trends won't promote or sustain overall community growth. Accompanied by aging, technology advances in agriculture, longer commute times to Rochester than other communities, and a lack of new housing supply, Preston population will decline to 1,250 by 2030 according to Compass current trends analysis. This scenario requires 57 housing units added for current trend 2020-2030 demand.

OPPORTUNITY SCENARIO

Under an opportunity growth scenario, Fillmore County could set a 2030 goal of 21,000 population and Preston could set a 2030 goal of 1,450 population—taking both back to 1980-1990 levels. Growth would be occasioned by an increased capture of workers commuting into Preston for work but living elsewhere, the retention of senior citizens, and an increase in second home and retiree population. It would also follow the example of communities surrounding Rochester already capturing spin-off growth as well as commuter growth from the Destination Medical Center (DMC) expansion. Combined with the potential for a State Veteran's Home and expansion of the Root River trail system, Preston could reverse slow decline and see positive population and housing unit growth in the coming years. This will rely on concerted action from government and elected officials on all levels. Strong local growth policies would be needed such as utilities and street extensions, city housing code enforcement, investment in tourism including riverfront and trails, new senior care and retirement housing, industrial park expansion, upgrading of U.S. Highway 52 to Rochester, Chamber of Commerce promotion, and new business investments. Preston would need an estimated 167 units by 2030 in this opportunity scenario.

SCOPE OF WORK

The 2018 Preston Housing study includes the following areas of study:

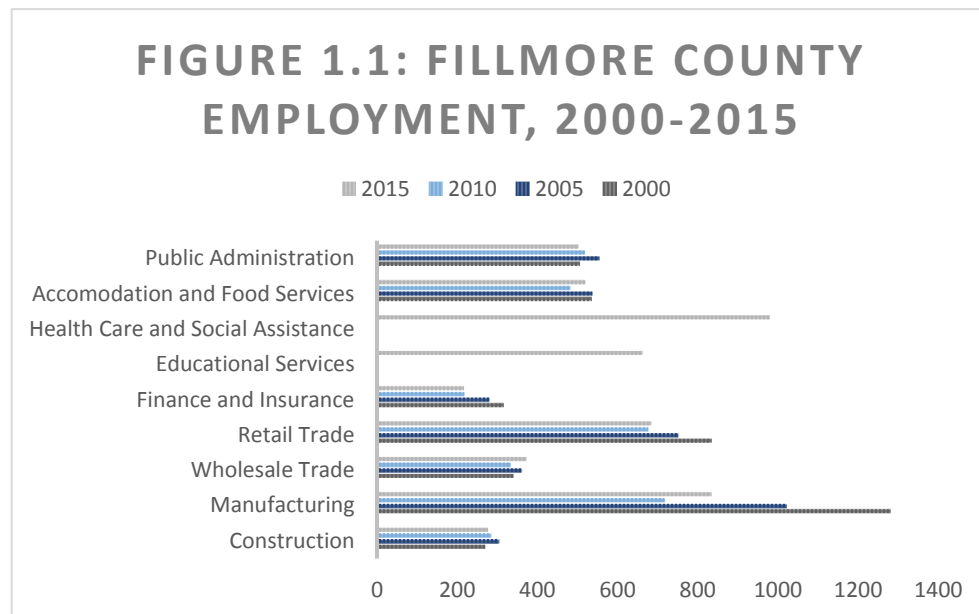
- analysis of demographic/economic indicators of declining growth;
- a detailed assessment for current and future commuter trends;
- an analysis of the area's income levels and what they mean for future housing demand;
- a breakdown of projected housing demand for Preston;
- a depiction of current supply trends in comparison to surrounding communities;
- suggestions for future phases of housing study project;
- Recommendations of suitable housing goals to promote community growth.

The report contains mostly secondary research, collected from sources such as the U.S. Census Bureau, and services that offer community projections like Esri. Primary research was used for an employer/employee survey, and often helped to craft the report's narrative. All of the data on existing housing developments is credited to the source. Calculations in the report were made by the author and research contributors for Preston's forecasted growth.

Fillmore County



DEMOGRAPHIC/ECONOMIC INDICATORS

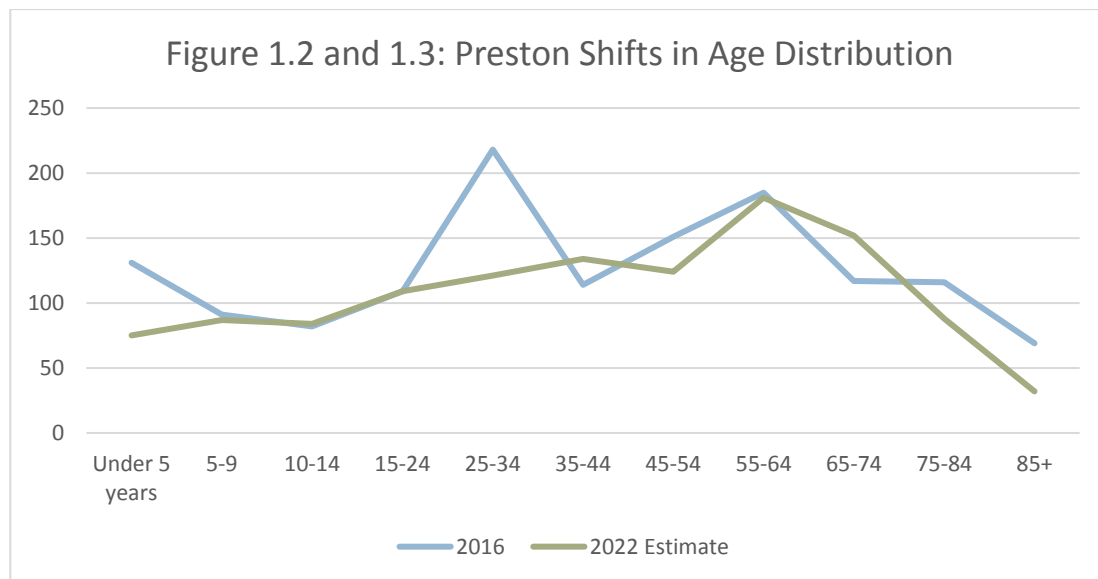


Employment

- ❖ Since 2010, Fillmore has had a steady increase in employment back to pre-recession or year 2000 numbers. The growth in Olmsted County is nearly 10,000 jobs since 2010.
- ❖ As of 2010 Fillmore County showed a decline of approximately 500 employees during the recession years. A decline also occurred in Olmsted County, yet Olmsted County only lost about 2.0% of its employees, while Fillmore lost 8.0%.
- ❖ The highest industries per employer in Fillmore County are: Manufacturing, Wholesale and Retail Trade, Educational Services, Health Care and Social Assistance, Accommodation and Food Services, and Public Administration (**Figure 1.1** in the appendix).
- ❖ Not featured in the above figure is the agriculture industry. Agriculture business plays a far-reaching role in Preston's economy, supporting other sectors such as retail, etc. The industry is declining as a percent of total employment due to technology, but farm income is up sharply which supplies more spending in the county and the region. See **Figure 1.8**.

- ❖ The high numbers in healthcare jobs are a promising factor for participation in DMC growth. The growing daily commute to healthcare jobs in Rochester should be pointed by Preston officials to illustrate the importance of the area’s labor supply to DMC managers and decision-makers.
- ❖ Manufacturers such as POET Biorefining, Foremost Farms USA and Root River Hardwood are significant employers in Preston. Fillmore Central School and agri-business companies including Dairy and Farm and Ristau Farm Services are additional large employers.

Population by Age Distribution Trends



- ❖ In the study surrounding “Brain Gain”, Ben Winchester (1) argues that young adults are returning to their home communities more than before. Young professionals in this age group can bring experience, resources, energy and connections to small communities.
- ❖ The 25-34-year-old group constitutes 15.8% of the total population in Preston in the MN Compass numbers for 2016 (**Figure 1.2**). Yet ESRI (2) predicts that 25-34-year olds will drop to 10.2% of the population age distribution by 2022 in Preston under current trends. (**Figure 1.3**)
- ❖ What are the reasons for this shift in population? For one, Preston has the opportunity to be known as a great retirement town. Older populations working in larger areas like Rochester and

the Twin Cities may find Preston attractive for its welcoming retirement environment. A study done by the Minnesota State Demographic Center says that residents of rural and small-town Minnesota are more than twice as likely to be age 80 or older than residents in urban parts of the state.

- ❖ On the other hand, the welcoming environment in a small town can be attractive for new families and young professionals. Those looking for a small-town home to raise a family with affordable housing and quality public schools may find Preston a suitable place to live. Preston will need “brain gain” from young professionals and recent college graduates in the coming years.
 - ❖ Preston is becoming an aging city - currently those aged 45-64 represent the largest generation but by 2030 the 65+ age groups become over 25% of the population. It is essential to accommodate their needs in planning for future housing needs. Preston will see an increase in senior housing demand whether or not other age groups are growing.
- (1) Ben Winchester’s research for the University of Minnesota Extension Program on Brain Gain focuses on high school graduates, and young adults returning from college. He shows how these individuals bring back degrees, experience, resources, and connections to their home communities. The study changed the way we think about rural MN communities, but Preston doesn’t seem to be a part of this narrative.
 - (2) Esri is an international supplier of geographic information system (GIS) software. The company is headquartered in Redlands, California. The company was founded as **Environmental Systems Research Institute** in 1969.

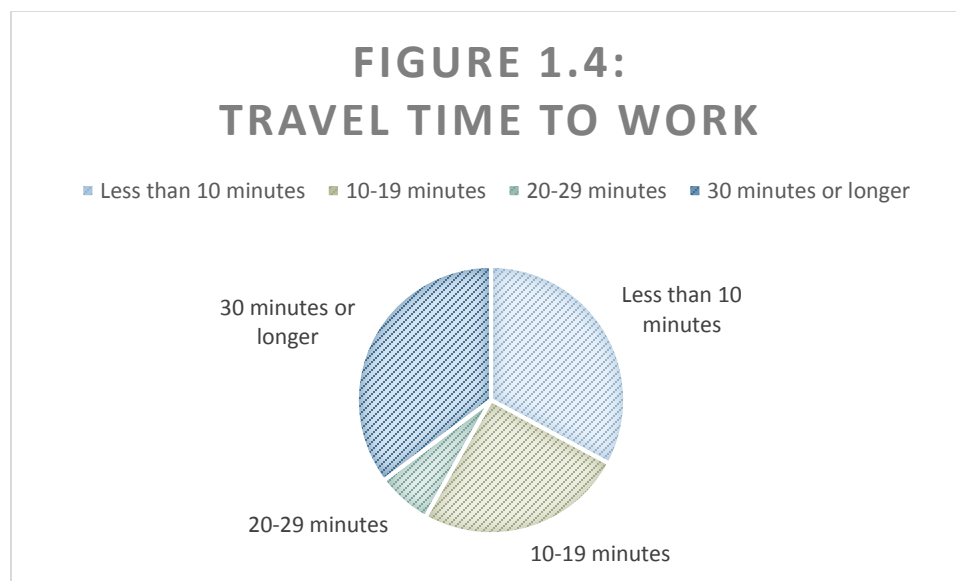
Total Population Trends

- ❖ As of 2015, Preston’s population was 1,315, or 6.3% of Fillmore County’s population of 20,832 – both down from 1,426 and 21,122 respectively in 2000.
- ❖ Larger metropolitan service areas like Minneapolis and Rochester are shown by MN Compass (1) to realize an increase in population, where counties in Greater MN are likely to realize a 2% of more decline. Preston is equally set for a fall, set to drop to 1,300 persons by 2020 and 1,250 persons by 2030.
- ❖ Preston will have lost over 200 residents from 1990 to 2020 under current trends. However, we see the DMC growth as a positive factor for reversing this population decline. In addition, a recent study conducted by CEDA (2) shows population growth potential from persons who work in Preston but live elsewhere if attractive and affordable housing was available.

- ❖ Assuming positive public support for expanding housing opportunities in Preston, we forecast in the opportunity scenario that Preston has the potential to reach a population of 1,450 by 2030 and perhaps rise to its historic level of 1,500 as detailed in the Demand Analysis.
- (1) MN Compass is a social indicators project that gives credible information, meant to track trends and progress that affect communities. One of the main data sources for MN Compass is the American Community Survey (ACS) that describe average characteristics of an area over a specific time period. The company was founded through **Wilder Research** in 2008.
- (2) CEDA staffed Preston’s Economic Development Authority (EDA) Board.

COMMUTING TRENDS

Workforce Commuting Patterns



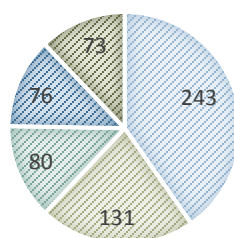
- ❖ Workforce location and commuting patterns in Preston break into three categories: those working in Preston and living elsewhere; those living in Preston and working elsewhere, and those living and working in Preston. (**Figure 1.4**)

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- ❖ Since the early 2000's those working in Preston but living outside have remained the largest sector in the workforce – indicative of a shortage of housing options in Preston (see CEDA Employer-Employee Study Survey results).
 - ❖ A large number of the respondents said that they chose to live outside of Preston because of a preference for living in the country. Several noted that housing options available in Preston were scarce, and some of the respondents chose to live in Harmony instead.
 - ❖ Those living in Preston and commuting elsewhere are the second largest sector – a sector that could grow with the DMC impact. The largest group of commuters are those traveling over 30 minutes – indicating the important role of Rochester as a center of employment for Preston area residents (**Figure 1.4**).
 - ❖ Those living and employed in Preston are the smallest sector and have been decreasing. In the opportunity scenario, it is important that Preston have attractive housing options for persons working in Preston and living elsewhere as well for workers commuting to the DMC seeking affordable regional housing options. (**Figure 1.5**)
 - ❖ As mapped by the U.S. Census Bureau, we can see that there is a high cluster of jobs in the center of downtown Preston reflecting its role as the county seat of Fillmore County. Along the Highway 52/16 corridor, employers including POET, government offices, and highway businesses account for much of the employment growth in Preston – with many employees being commuters with few Preston housing options. (**Figure 1.6**)

INCOME/POVERTY TRENDS

**FIGURE 1.7: PRESTON
HOUSEHOLD INCOME**

■ Less than \$35,000 ■ \$50,000-\$74,999 ■ \$35,000-\$49,999
■ \$75,000-\$99,999 ■ \$100,000 or more



- ❖ Approximately 40.0% of households in Preston make less than \$35,000 a year. In comparison to the Minnesota median household Income amount (\$65,599), a large number of individuals in Preston are making less than needed. When we look farther into this income level, about 50.0% of those making under \$35,000 are making between \$25,000 and \$34,999.
- ❖ In 2016, about 181, 18% of the residents living in Preston had an income level below the poverty level of \$15,000 for a two-person household. We estimate that an additional 49 people are living on less than this poverty threshold. ESRI tells us that a significant portion of these households in poverty have an absent parental figure. This indicates a continuing need for affordable multi-family apartments with FMHA or other assistance.
- ❖ Preston's household income index corresponds with Fillmore County's level of social wellbeing. Social Wellbeing is determined from factors such as median household income, educational attainment, and percentage of people above poverty level. Fillmore County's Social Well Being factor was found to be -0.22, significantly lower than the neighboring county Olmsted, which had a factor of 10.96. See **Figure 2.0** for more background information.

DEMAND ANALYSIS

*The following summarizes a Housing Demand Analysis Spreadsheet in Appendix C. Calculations were made conservatively, but with Preston’s potential and opportunity in mind. The analysis profiles three demand sectors: Household Demand; Replacement Demand, and Commuter/DMC/Tourism Demand related to new growth potentials. The analysis summarizes housing unit demand for both current trend and opportunity growth potentials for Preston for 2020-2030. **Household and replacement demand make up current trend potential.** See Appendix Demand tables for details.*

Sector One: Household Demand

Preston Household Demand Summary:

(Housing Units)

2015-2020: 6

2020-2030: 21

- ❖ Population is declining in Preston but decreasing household size still occasions a modest increased demand for housing units. This corresponds with national trends due to such factors as an aging population with spouses living to different ages, growing divorce rates, young people marrying later, and more single person households at all ages.
- ❖ ESRI tells us that there is an estimated six household increase in Preston between 2015 and 2020 and a projected 20 household increase during the 2020-2030 forecast time period. To allow for normal housing unit turnover a vacancy allowance of 5% is added for each period bringing the 2020-2030 household-based demand to 21 units.

Sector Two: Replacement Demand

Figure 1.9: 2010-2017 Preston Planning and Zoning Permit Totals

RESIDENTIAL	2010	2011	2012	2013	2014	2015	2016	2017
Single Family Home	1	1		2	2	1	1	
Multi Family Home					1			
House Addition	1	1	5	1	2	1	1	
Detached Garage	1	3		1	2	2	2	1
Fence	1	4	2	1	2	2	3	4
Deck	8	2	3	6		3	7	8
Storage Shed	6	4	5	1	4	6	2	4
Retaining Wall			1		1			1
Re-Roof/Siding							12	1
Variance	2	1	3		4	2	2	4
Rezone	1	1				1		2
Demolition Permit		4			1	2	2	2
Conditional Use								
Re-Side/Re-Shingle		15	10	1				

Replacement Demand

(Housing Units)

2015-2020: 18/3.6 per year

2020-2030: 36/3.6 per year

- ❖ A second source of housing unit demand is the need to replace obsolete or abandoned or destroyed units during the coming forecast years. We used replacement factors of 1.0% for homes built 1939 or earlier and 1/2% for units built during 1940-1969 in line with the 2009 Maxfield study and in reviewing demolition permits from the City of Preston since 2009.
- ❖ This estimate of replacement demand average 3-4 units per year (3.6 units) for both forecast periods resulting in a replacement demand of 18 for 2015-2020 and 36 for 2020-2030.
- ❖ CEDA Employer-Employee Survey respondents mentioned that there are buildings and structures in Preston that are abandoned and need to be taken down indicating that replacement is an important component of new housing need in the city.

- ❖ In our summary, we have added calculations from Sector One’s total household demand to Sector Two’s replacement demand. This gives us the demand for housing units for 2015-2020 and 2020-2030 based on the current trends of declining population for Preston.

Preston Total Current Trend Demand
(Housing Units)

2015-2020: 24/4.8 per year

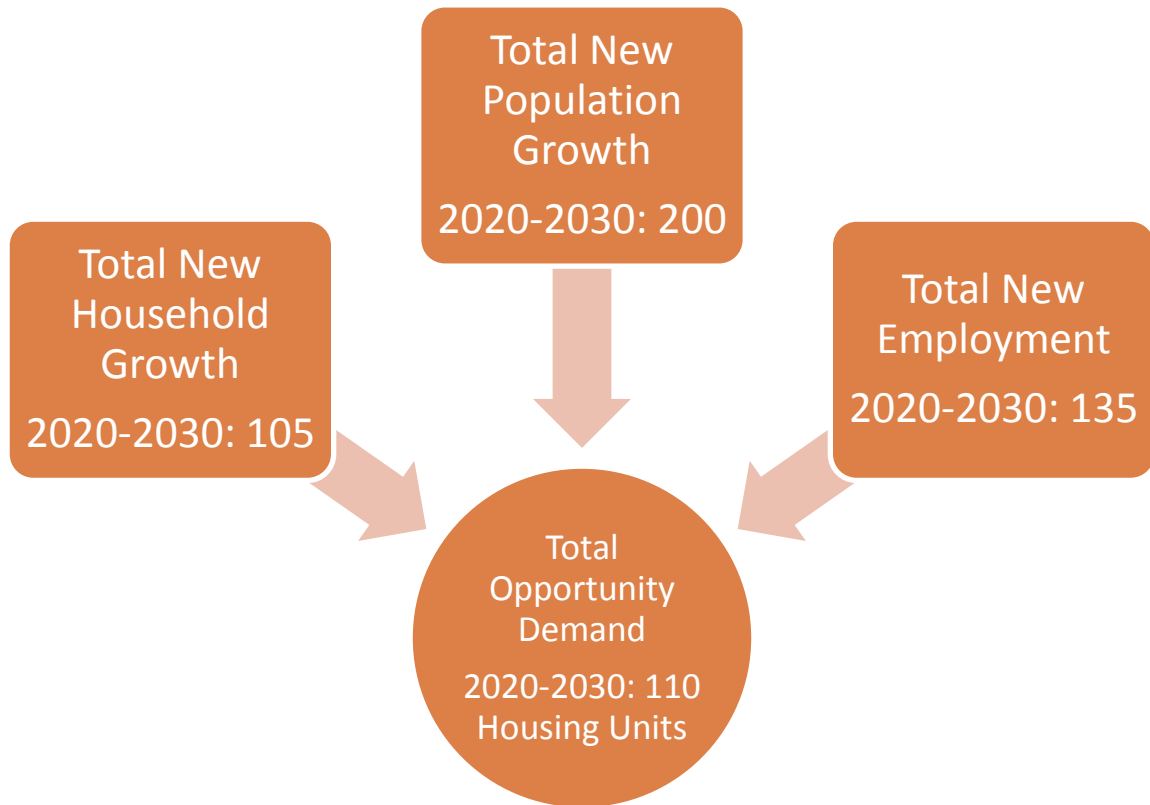
2020-2030: 57/ 5.7 per year

Sector Three: Commuter/DMC/Tourism/Retirement Opportunity Demand

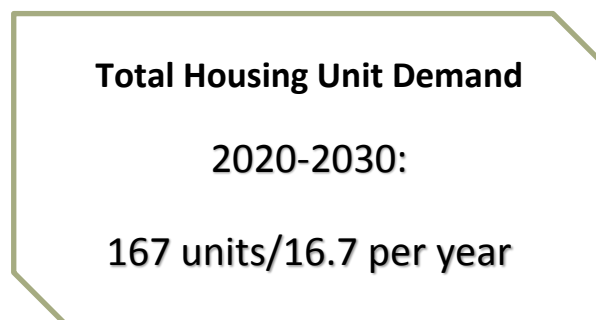
*This section of the spreadsheet is a look into what growth Preston could experience under an Opportunity Scenario. Most of the estimates were made from sections of DMC’s Fiscal and Economic Analysis Report, which is included in the Appendix. Our base numbers for Employment Commuting trends are from **On The Map**, a data tool from the U.S. Census Bureau. There are additional figures of the commuter data in Appendix C: Demand.*

- ❖ Opportunity demand in Preston is based off (1) capturing a share from the largest employment sector in Preston – those working there but living elsewhere – as (2) well as a portion of the new employment growth from the DMC as well as spin-off growth from tourism and retirement.
- ❖ The Employer/Employee Survey conducted by CEDA for this analysis indicates a significant number of workers working in Preston and living elsewhere would consider living in Preston if attractive and affordable housing were available.
- ❖ Those who would consider living in Preston who also have other factors inclining them – such as spouse working there, children in school, shopping, and long commuting trips results in a possible “capture” of 1% of these workers per year as new Preston residents or an increase of 8-9 workers per year.
- ❖ In addition to account for Preston’s growth potential from the DMC economic expansion, we have calculated the capture share based on the projected DMC employment growth.

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- ❖ DMC employment is projected to increase by over 28,000 new workers – bringing Rochester’s medical employment to an estimated total of more than 61,000 workers by 2034.
 - ❖ Based on current commuting patterns from Preston to Rochester, starting in 2020, an estimated 2.60% per year of the job growth in DMC could be new employees choosing to live in Preston if housing is available – a capture rate declining to 1.5% by 2030 resulting in 7-8 new workers per year in Preston.
 - ❖ DMC estimates that only half of new DMC workers will choose to or be able to live in Rochester. Moreover, as Rochester continues to grow some existing workers and families may make a decision to live in a smaller community and/or be priced out of Rochester housing. Living in Preston would offer residents affordable housing in comparison to Rochester and offer other amenities like quality public schools, easy retirement, tourism, etc.
 - ❖ Based on the estimated increased capture of those working in Preston but living elsewhere, a capture of new workers commuting to DMC, and spin-off growth as well as tourism and retirement, the opportunity population level is estimated to be 1,450 people by 2030
 - ❖ The “opportunity” housing demand is for 110 new units by 2030 averaging 11 units per year. This number is calculated from a new employment resulting in population, and household growth in the city. We have included a 5.0% vacancy allowance. This growth will occur premised on the growth factors outlined in the demand analysis plus implementation of many of the recommendations discussed in this report.
 - ❖ The new “GRAND TOTAL DEMAND” is a result of combining “current trend” and “opportunity demand for a total of 167 new housing units, or 16.7 per year for 2020-2030. Please see the summary tables below as well as Appendix C:



Grand Total: Trend plus Opportunity Demand



SUPPLY TRENDS

The following section is mainly in coordination with the Halo Effect Spreadsheet in the Appendix. In the document, we analyze the surrounding communities and determine the reason behind the occurring “Halo Effect”.

Housing Activity/Pricing in Greater Area

RESIDENTIAL HOUSING SALES, S.E. MINNESOTA, March 2016-March 2017

Rochester Halo Impact

	List	Sold Volume	List Price	Sold Price	Sq. Ft.	List/Sq	Sold/Sq	Days
Stewartville	88	12,588,021	190,869	179,829	1,756	112	109.1	45
Spring Valley	73	8,671,869	150,704	142,162	1,851	84	80.38	63
Grand Meadow	20	2,696,438	153,300	158,614	1,821	86.4	85.95	80
Subtotal	181	23,956,328						
Average			164,958	160,202	1,809	94.1	92	63
Chatfield	56	7,637,749	182,346	166,038	1,807	99	93.64	67
Fountain	7	699,800	130,514	99,942	1,278	106	105.1	96
Preston	29	2,375,750	158,434	131,986	2,212	72.5	64.55	85
Total County	92	10,713,299						
Average			157,098	132,655	1,766	92.4	88	83

Second Home/Tourism Impact

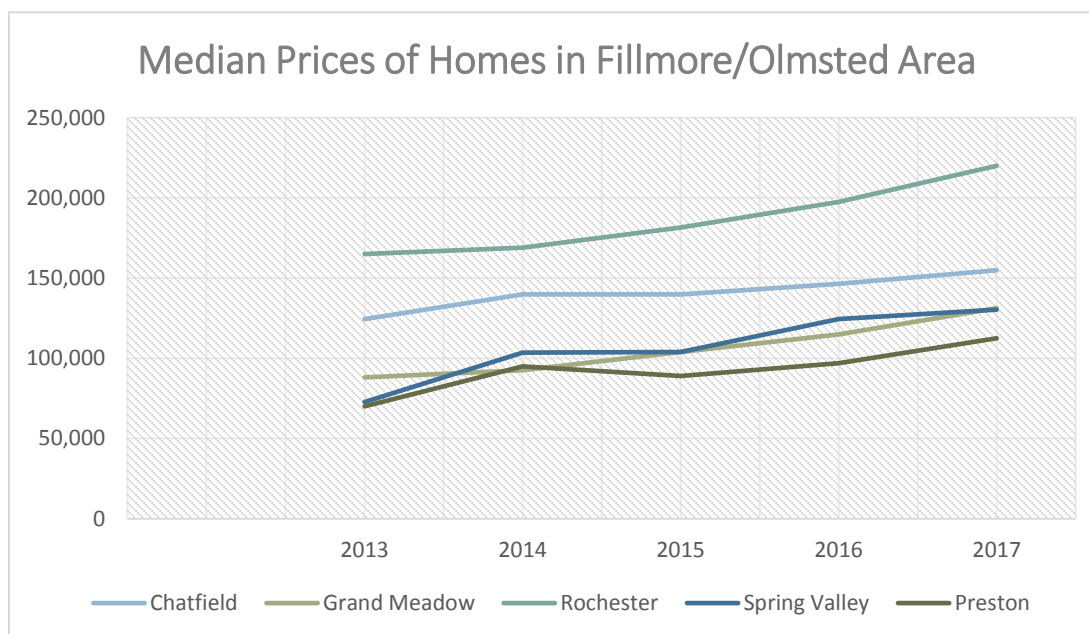
Lanesboro	33	4,760,969	309,279	198,374	2,322	110	98.74	144
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Source: S.E. Minnesota Realtors MLS

- ❖ We have estimated that approximately one-half of the housing demand in Preston (and surrounding communities) will be from DMC growth. The DMC is creating, essentially, an uplifting “halo effect” on Olmsted and Fillmore counties accelerating a trend already underway with commuting to get to more affordable and quality schools, small town environments, etc.
- ❖ To see the trends in supply, we compare housing activity in cities in Mower and Fillmore County. Cities closest to Rochester like Stewartville, Spring Valley, and Grand Meadow have a dramatically higher number of listings and sales than cities in Fillmore County. Yet, the average of the sold units is about \$30,000 higher than those in Fillmore County (Chatfield, Fountain, Preston).

- ❖ We expect that if Fillmore County and its cities closest to Rochester can maintain affordable housing pricing, continuous building lot and site availability, and a high quality of life, they will be able to draw individuals and families from Rochester.
- ❖ Chatfield, specifically, has had spin-off growth in recent few years. With 56 listings and a large volume of homes sold, they are adjusting to the growth in Rochester. Their average sold price is currently at \$166,038, which Preston can easily compete at \$131,986 – although Preston’s price point will also rise as more new housing is build and a smaller percent of sales are existing homes.
- ❖ The Preston zoning permit numbers for 2010-2017 indicate fewer single family homes being built than the estimated 3.6 homes being lost to abandonment or in need of replacement (**Figure 1.9**).
- ❖ In effect to capture all of Preston’s sales, data was collected from both S.E. MN Realtors Association and the County Appraiser office. The Appraiser data shows that between 2016-2017, Preston had approximately 56 residential sales (28 realtor listings and 28 private listings), and 66 listings.

Supply Trends: Price Points



- ❖ When looking at housing, it’s important that we examine it from the potential homebuyer’s perspective. Above, we have the Historical Median Prices for listings in the Fillmore/Olmsted

County area. We can see that even though Preston’s housing prices are increasing, they are staying significantly lower than the surrounding communities.

- ❖ Harmony has recently undertaken a housing “rebate” program to stimulate new housing development resulting in new single family and four-plex construction. Several respondents in the Employer/Employee CEDA survey indicated they had looked for housing in Preston but ended up purchasing in Harmony. In the last two years, they have issued seven permits, five of which are speculation and one is a four-plex.
- ❖ Preston developed a housing incentive in 2009. For new construction the EDA incentive offers approximately \$3,500 in incentives per unit of new construction and cost the EDA \$1,000 in Preston Bucks per unit. Since 2009 through 2017, there have been 7 new housing units constructed that used the housing incentive.

FINDINGS AND RECOMMENDATIONS

Survey Findings/Potentials

As part of the background research for the report, CEDA undertook an employer/employee survey with community employers in Preston to gather resident opinions on housing. We included questions on simple demographics like employment location and owner/renter housing, and then asked them if they would be inclined to move to Preston if affordable and attractive housing was available. A summary of the survey is included in the Appendix.

The survey achieved a strong return of completed responses allowing for an acceptable “sample” of the target audience. The quantitative results can be summarized as follows:

- 72 responses collected – of these 48 had full-time jobs and 13 had part-time jobs in Preston.
- 48 of the 72 reported living outside of Preston and 24 in Preston.
- 80% of those commuting into Preston are in nearby rural locations - under 19 minutes away.
- 20% are commuting 20 minutes or more and half of those commute over 30 minutes
- Of the 48 working in Preston and living outside of Preston 22% responded they would be inclined to move to Preston if housing were available and 14% said they would be interested in senior/empty nester housing – with some level of overlap possible in these groups.

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- 43% had other family members working in Preston; 26% had a child in school in Preston, and 86% report regularly shopping and purchasing services in Preston.
 - Cross referencing those who were generally inclined with those who had long commutes or additional ties to Preston resulted in a projected capture of 10% rate extended over the 2020-2030 forecast period – or about a 1% capture rate per year.
 - A conclusion of the survey is that attracting those working in Preston but living elsewhere could represent 50% of the opportunity demand (the DMC demand being the other 50%).

In addition to the Yes/No quantitative portion respondents were also asked to write-in any comments. The results from the comments can be summarized as follows:

- ❖ A recurring theme from the survey results suggests that those trying to live in Preston have a difficult time finding the adequate housing types. Attempts to rent or downsize were unsuccessful because of unsafe living conditions and lack of housing appropriate housing units.
- ❖ Preston residents notice that there may not be room for new housing developments within the current city limits.
- ❖ Some thought that existing buildings are unattractive and obsolete to the community. They suggested that these structures be removed in order to make way for attractive housing.
- ❖ Some noted that some of the apartments they viewed were unclean and needing attention.
- ❖ Several respondents mentioned the differences between the communities of Harmony vs. Preston MN. They described housing searches being unsuccessful in Preston but finding options in Harmony. Other respondents noted Harmony's safe and friendly business environment.

Housing Demand, By Rent/Price, 2020-2030

The following information is from the Housing Demand by Price-Rent Chart in the Appendix. Calculations were made by taking household income, housing as a percent of income, monthly HSG costs, monthly payments, and mortgage levels to project housing unit demand for 2020-2030.

PRESTON SUMMARY UNIT DEMAND BY RENT/PRICE RANGE, 2020-2030

Household Incomes	Housing Rent/Price Levels		Housing	HH	2020-2030
<u>Incomes</u>	<u>Low</u>	<u>High</u>	<u>Type</u>	<u>Percent</u>	Total Units: 167
\$0-\$34,999 - Rent	\$338	\$962	Rental	0.35	58
\$35,000-49,999	\$170,588	\$223,529	Modest	0.16	27
\$50,000-\$74,999	\$223,529	\$294,118	Move-Up	0.25	42
\$75,000-99,999	\$294,118	\$341,176	Move-Up	0.14	23
\$100,000 or more	\$341,176	\$376,471	Executive	0.10	17

- ❖ Preston's largest household income group includes those making under \$35,000 a year. We have assumed that this group will mostly consist of those renting with 30-40% of their income going to housing costs. An estimated 47% of these renter households with incomes less than \$24,999 will require rental assistance of some kind. The remaining estimated 53% with incomes over \$25,000 will be able to rent at monthly market rates of \$625 or more. **(Figure 1.8)**
- ❖ There is also a demand for "first-time" or "modest" for-sale housing for the \$35,000-\$49,999 household income group. Some creative product types such as the duplex and triplex developments and various townhouse styles underway in Byron and Kasson plus assisted mortgage programs will be needed for units to be affordable to this group.
- ❖ The next highest income group is those making \$50,000-\$74,000 – buyers "moving up" from their first-time homes. They make up approximately 16% of the housing market. This group will be vital to Preston's influx of opportunity because they will be the ones from the DMC growth, making wages closer to the state average.
- ❖ A second "move-up" group comprising 25% of the market will come from the \$75,000-\$99,999 category and will include those working in Preston and living elsewhere who haven't been able to find available and affordable housing in Preston as well as some portion of the DMC spin-off commuters. Some retirement and second home buyers will also seek housing in this price range.

-
- ❖ A small but growing portion of the market is for “executive” housing – an estimated 10% of the market including management personnel, retirees returning to the area, rural households moving into town as empty nesters, and some portion of the DMC spin-off. This group may also include those renovating vintage homes as well as seeking large lot single family locations.
 - ❖ There will be a continuing need given the aging of the population to provide a wide range of senior housing options to compliment those in place in Preston:
 - Traditions of Preston
26 assisted apartments, 1 vacancy
Memory care is not offered, the clients area referred to Clara House in Harmony
Skilled care is brought in by Good Samaritan
 - Park Lane Estates Assisted Living
18 assisted living apartments, 4 openings
Memory care is not offered
Skilled care would have to be brought in
 - The 72 bed Veterans Home project has the opportunity to attract more older residents to live in Preston prior to entering the Homes and adds 72 short term housing units.

Final Recommendations

Preston is at a junction of declining population versus capturing opportunity. The following recommendations are to capture opportunity.

- ❖ It is essential that Preston utilize proactive housing efforts for the groups of people it needs to attract. New single-family housing will bring needed opportunity, prosperity, and tax base growth to the area. Our survey respondents and future population trends point to the fact that Preston needs more single-family housing for both working households and retirees.
- ❖ Preston would also benefit from newer duplex and multi-family housing. With new DMC growth, it is very likely that young professionals may need more short-term housing options. This need corresponds with the decreasing household size. DMC growth may not only bring families and couples, but it also may bring individuals in the workforce, looking for a smaller, more affordable home environment. This type of housing has also proven historically attractive to empty nester and retiree buyers in Preston.

-
- ❖ It's clear from the Employer/Employee CEDA survey that households seeking housing in Preston have been unable to locate the type of units they seek – either for-sale or rental. This problem is confirmed by the large number of employees in Preston living outside of the town – some by choice in rural settings but others in nearby towns and many commuting long distances.
 - ❖ To address housing needs and achieve positive population growth Preston needs to institute a more proactive utility/infrastructure strategy in collaboration with private landowners to provide a steady and affordable supply of lots in new development areas.
 - ❖ Another strategy to increase the supply of housing lots and sites would be the adoption and implementation of a city-wide housing code inspection program – designed to stimulate rehabilitation or demolition of obsolete and/or vacant houses and structures. This would have the advantage of providing lots in areas where roads and utilities already exist.
 - ❖ The 30% group of low-moderate income household and those with disabilities will require coordination with federal and state programs to provide more assisted and special needs housing.
 - ❖ We recommend that Preston continue to expand its housing incentive programs both for rehabilitation and new construction. It should also seek to continue small city block-grant and other state and federal resources to expand its housing stock. Below are examples of potential and current programs to assist local housing projects.
 - Local Community Programs and Bank initiatives
 - Development in Perham, MN where City Manager reports on a bank agreement to invest in \$1 million in Community Home Improvement low-interest loans and related city inspection services. This could be used as a model for Preston.
 - Preston New Construction Housing Incentive (applications on the EDA website).
 - Preston Significant Rehabilitation Housing Incentive (developing opportunity).
 - Preston Small Cities Block Grant Program (sunsets 12-31-2018).
 - Minnesota Housing
 - 2018 Minnesota pending Legislation
 - Workforce and Affordable Homeownership Development efforts would be expanded to include loan authority and add an estimated \$750,000 to the program.
 - New Funding Availability

-
- Multifamily Rental Housing, Single Family Homeownership, and Home Improvement through deferred loans, grants, and interim loan financing on a competitive basis.
 - ❖ Preston and Fillmore County should collaborate to set population growth goals in line with the recommendations of this analysis for 2030 and identify joint strategies for achieving them. There is a unique opportunity to reverse population decline and participate fully in the regional growth nearby as well as addressing the needs of the changing demographics of the area.
 - ❖ To act on these population and growth goals a follow-up housing and economic growth study is recommended to be undertaken by CEDA, the Utility Commission and the City to identify policies and funding strategies resulting in a 2020-2030 action and implementation plan.
 - ❖ In addition to housing policies to stop population (and tax base) decline, other strategies to be explored during this and future phases of study and action could include these and others to be identified by the community:
 - Additional investment in tourism including river reclamation, state trail extensions, historic attractions, and greenway conservation areas
 - New retirement housing and care facilities - including the proposed VA Home
 - Industrial park expansion and support of new business development
 - Upgrading of area roads including U.S. Highway 52 to Rochester to assist commuters
 - Collaboration with the DMC efforts and regional economic development partners
 - Chamber of Commerce promotion and branding
 - Attract a real estate office
 - Add a livability tab to the City and Chamber websites
 - Utilize the economic potential of the local power provider to create and enhance housing incentives for developers.
 - Promote the City to areas with large populations of Veterans
 - Promote the City to area of residents with large populations of 31-44-year old's such as Rochester, Minneapolis, LaCrosse, and Winona to capture those in their "brain gain" years
 - Reinforce the percentage of rental units verses single family units to be developed
 - Given the aging population and lack of memory care the need for memory care units should be defined
 - Phase two study to identify potential sites for the various types of housing needed throughout the community

-
- Phase three infrastructure evaluation to identify the needs and potential cost to add infrastructure for future housing projects

The attached **Appendix** provides detailed background, findings and documentation for the conclusions and recommendations of the study. Additional exhibits, maps and documents will be added as the study moves through consideration by the EDA Board, City Council and the public. The authors thank all those who assisted in providing and gathering information, participated in the housing survey, and offered information. Any omissions and errors are the responsibility of the authors alone. Comments and additions are welcome.

APPENDIX A: FIGURES

Figures 1-1.7

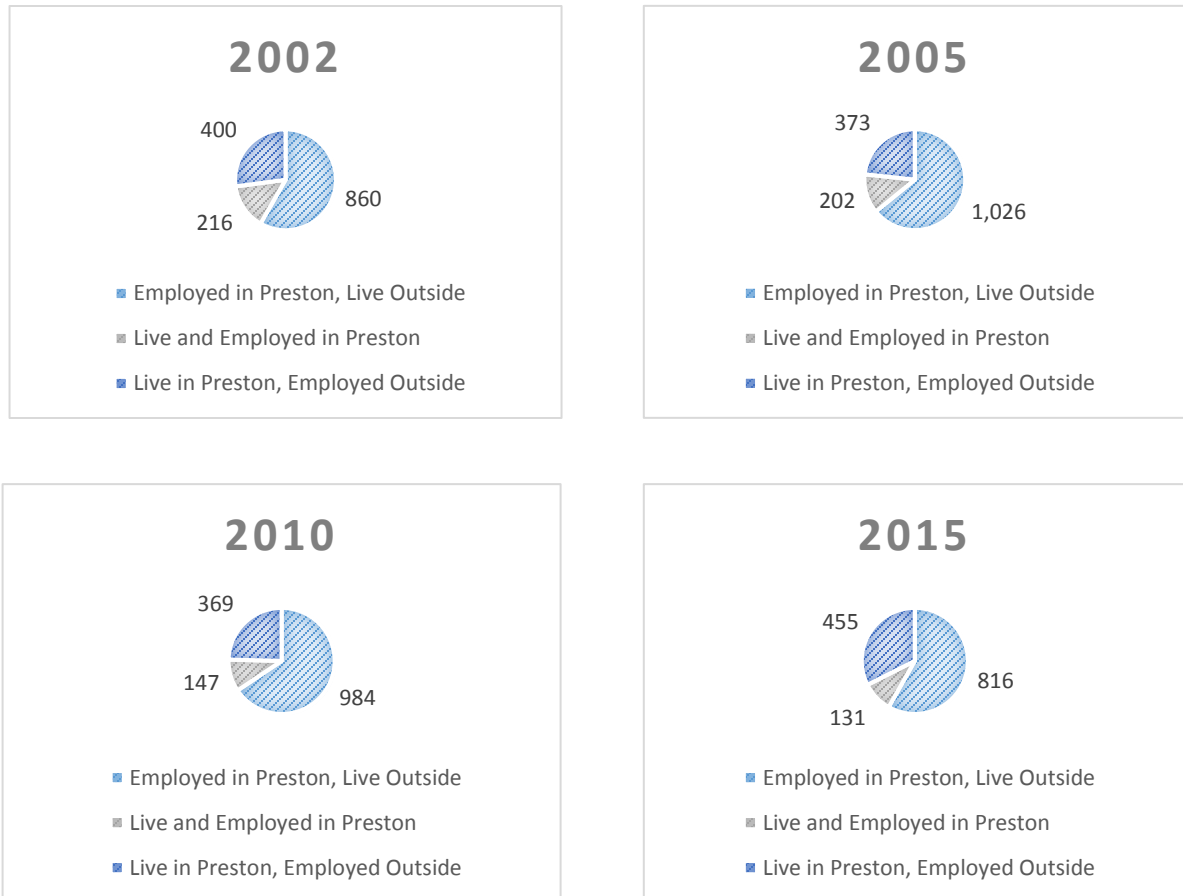
Figure 1.1: Employment by Industry in Fillmore County									
Employment						2000	2005	2010	2015
Construction						271	305	285	277
Manufacturing						1,280	1,022	717	834
Wholesale Trade						341	362	334	374
Utilities							80	85	80
Retail Trade					834	752	676	684	719
Transportation and Warehousing							155	160	191
Information					99	75	77	70	64
Finance and Insurance					316	281	218	217	231
Real Estate and Rental and Leasing					15	43	33	18	24
Professional, Scientific, and Technical Services					89	99	112	109	98
Administrative and Support and Waste Management and Remediation Services					75	77		49	57
Educational Services								663	
Health Care and Social Assistance								980	
Arts, Entertainment, and Recreation					89	135	88	98	118
Accommodation and Food Services					536	537	482	520	670
Other Services (except Public Administration)					375	359	387	148	140
Public Administration					506	555	518	503	561
Source: MN Department of Employment and Economic Development (DEED)									
*Note: Figure 1.1 in the report has been simplified, only showing the largest industries.									

Figure 1.2: Preston Population by Age, 2016 Source: MN Compass		
Total	1,383	100%
Under 5 years	131	9.50%
5-9	91	6.60%
10-14	82	5.90%
15-17	23	1.70%
18-24	86	6.20%
25-34	218	15.80%
35-44	114	8.20%
45-54	151	10.90%
55-64	185	13.40%
65-74	117	8.50%
75-84	116	8.40%
85 years and older	69	5.00%

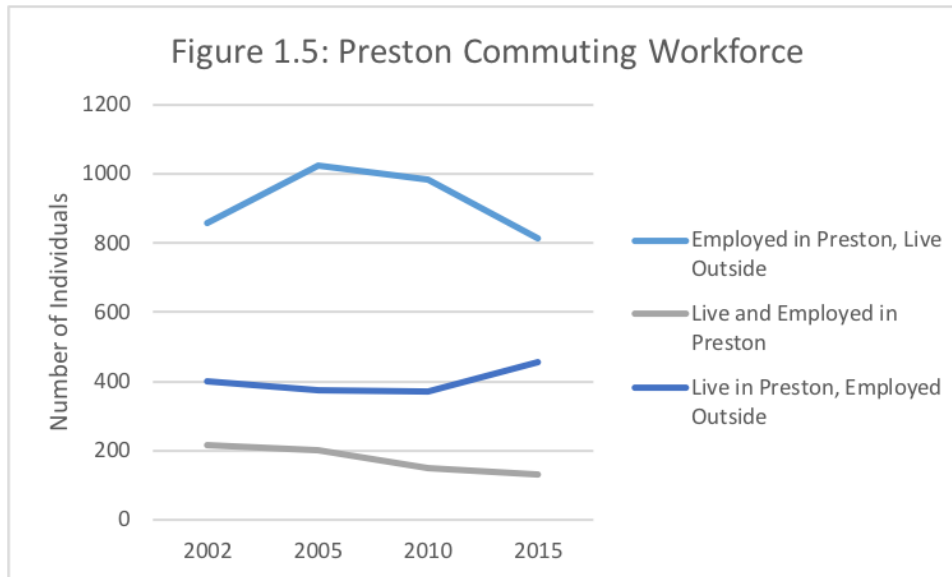
Figure 1.3: Preston Estimated 2022 Population. Source: ESRI		
Total	1,191	100%
Under 5 years	75	6.30%
5 - 9	87	7.30%
10 – 14	84	7.10%
15 – 24	109	9.20%
25 – 34	121	10.20%
35 – 44	134	11.30%
45 – 54	124	10.40%
55 – 64	181	15.20%
65 – 74	152	12.80%
75 - 84	88	7.40%
85 years and older	32	2.70%

Figure 1.4: Preston 2016 Commuting Times		Travel Time to Work
Total age 16+ (not home based)	633	100.00%
Less than 10 minutes	208	32.90%
10-19 minutes	160	25.30%
20-29 minutes	42	6.60%
30 minutes or longer	223	35.20%
Source: MN Compass		

Figure 1.5: Preston Commuting Workforce Distribution



Source: MN Census Bureau, On The Map



Source: MN Census Bureau, On The Map.

Figure 1.7: 2010 Preston Household, by Income Level, 2010

Income	Number	Percent
Less than \$35,000	243	40.30%
\$50,000-\$74,999	131	21.70%
\$35,000-\$49,999	80	13.30%
\$75,000-\$99,999	76	12.60%
\$100,000 or more	73	12.10%
Total:	603	100.0%
Source: MN Compass		

Figure 1.8: 2010 Preston Household, by Income Level, Below \$35,000

Income	Number	Percent
Less than \$10,000*	28	11.5%
\$10,000 to \$14,999*	21	8.6%
\$15,000 to \$24,999*	66	27.3%
\$25,000 to \$34,999**	128	52.6%
Total:	243	100.0%
Source: MN Compass		
*Needs assistance		
**Market rate assuming 30% to housing and \$625 and above monthly rent		

Figure 1.6: 2015 Job Clusters in Preston

Source: U.S. Census Bureau

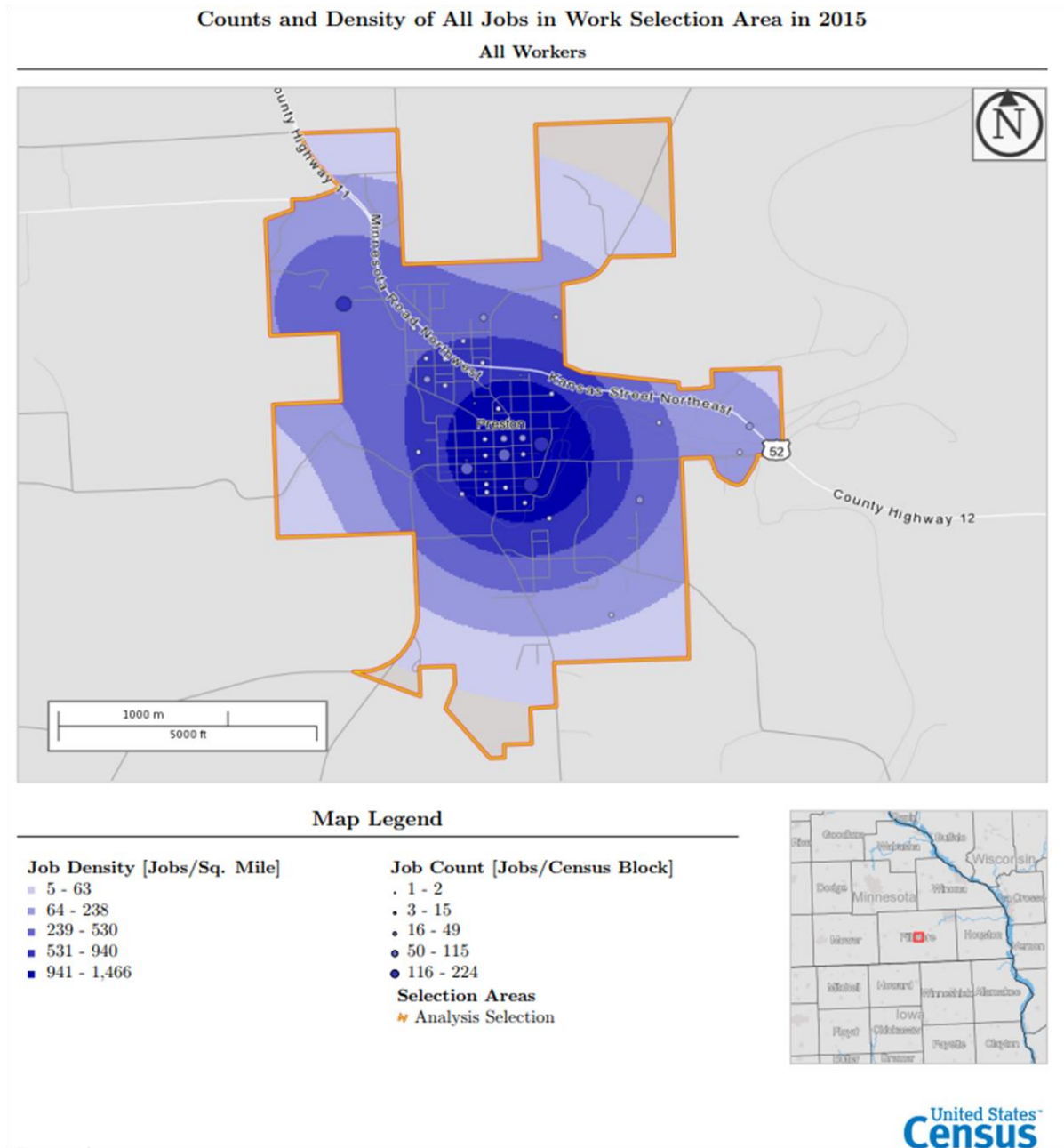


Figure 2.0: 2000's Minnesota Counties
Social Well Being

<u>Index of Social Well Being</u>	
<i>Fillmore</i>	<i>-0.22</i>
<i>Olmsted</i>	<i>10.96</i>
<i>Winona</i>	<i>3.47</i>
<i>Houston</i>	<i>5.93</i>
<i>Mower</i>	<i>-0.6</i>

Social and Economic Indicators for Social Well-Being

- Median household income;
- Educational attainment, measured by percentage of people 25 years of age or older with a bachelor's degree in 1990;
- Percentage of people above poverty level;
- Percentage of housing units with complete plumbing;
- Infant death rate per 1,000 live births;
- Death rate per 1,000 persons;
- Death rate from pneumonia and influenza per 10,000 persons;
- Percentage of children younger than 18 years of age living in two-parent households;
- Percentage of female-headed households with children younger than 18 years of age;
- Suicide rate per 10,000 persons; and
- Death rate from chronic liver disease and cirrhosis per 10,000 persons.

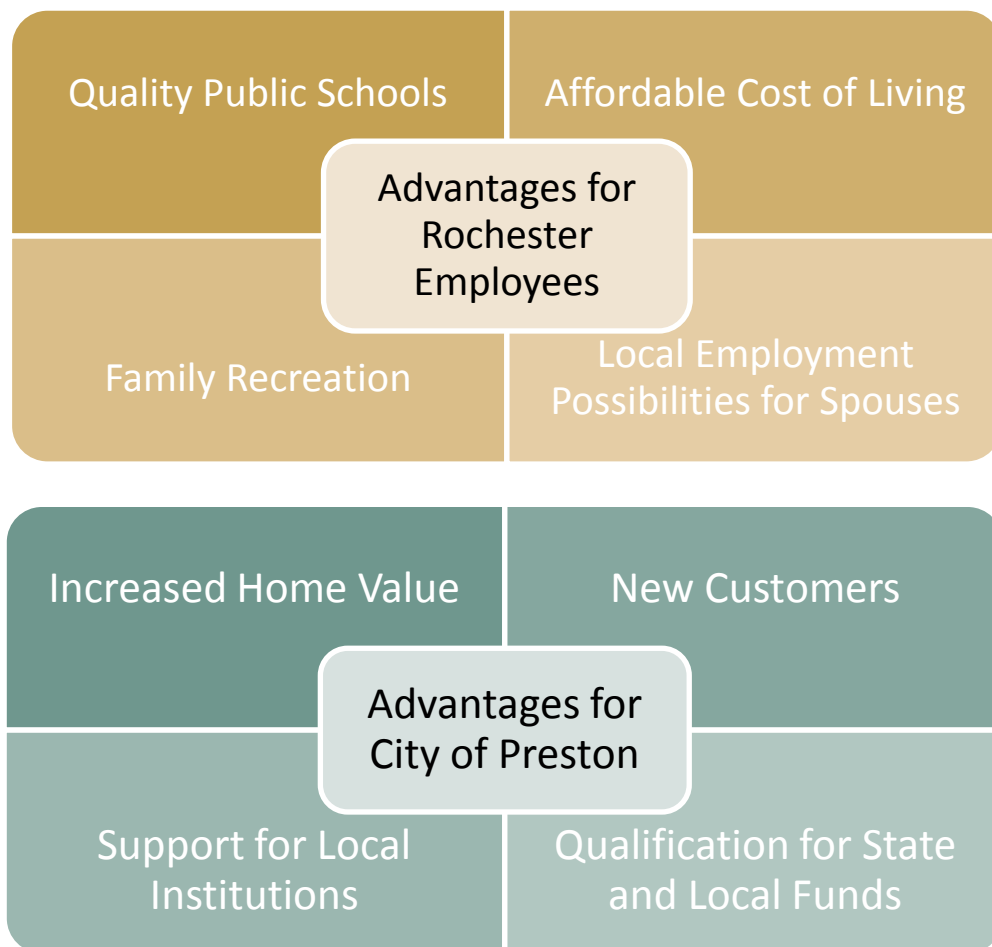
Sources: Menanteau-Horta, Dario
Yigzaw, Michael

Figure 2.1

Agricultural Trends: Acres/Crops Sold/Employment, Fillmore County, Minnesota, 2007 & 2012		
Year*	<u>2007</u>	<u>2012</u>
Farm Trends:		
Acres/Average	268	272
Value Crops Sold	\$ 223,107,000	\$ 342,205,000
Farm Employment:		
Operators/Farms	1,667	1,553
Workers	1,120	717
Total Employment:	2,787	2,270
Employment Per Farm	1.7	1.5
Employment Trends:		
Total Non-Farm Employment by Industry	6,383	6,116
Total Farm Employment	2,787	2,270
Total Employment/Industry plus Farm	9,170	8,386
Farm Share of Total	30%	27%
Total Employment By Residence	10,562	10,547
Total Farm Employment	2,787	2,270
Farm Share of Total	26%	22%
* 2017 Census Forms sent December 2017 - tabulation in 2018.		
Source: Census of Agriculture, USDA, 2007 and 2012 and MN. Dept. of Employment and Economic Development (DEED)		

APPENDIX B: OPPORTUNITY

The Role of Destination Medical Center



Additional Findings

- ❖ Businesses in Preston would thrive under new residents from the DMC growth. Along with new customers, Preston would see a rise in new industries, such as entertainment businesses. DMC-attributed prosperity would also support existing institutions like churches, schools, and foundations that have already served Preston well.

-
- ❖ DMC expects to have fiscal impacts in Olmsted County, a 0.5% sales and property tax. Olmsted County may receive \$218 million over 20 years, a majority from property taxes collected. DMC also plans to create 26,150 jobs and associate with 10,560 households by 2034.
 - ❖ For Preston, the increase in home value would be important for the tax base in Preston.
 - ❖ When calculating the equivalent dwelling units that may be created because of DMC's impact, approximately 53% of the people working in Rochester live in Rochester. This leaves 47% of needed new dwelling units for the surrounding areas- including Fillmore County and Preston.

APPENDIX C: DEMAND

Year	1950	1960	1970	1980	1990	2000	2005	2010	2015	2020	2025	2030
Preston												
Sector One												
HOUSEHOLD DEMAND												
Population/C	1,399	1,491	1,413	1,478	1,530	1,426		1,325	1,326	1,300	1,275	1,250
Household Size/ESRI						2.1		2.2	2.0	2.0	1.9	1.9
Households/ESRI					584	594		603	649	655	671	675
Household Change (Forecast Periods)												
Sub-Total									6		20	
Vacancy Allowance									0		1	
Annual									1.3		2.1	
Total Household Demand									6		21	

Sector Two												
REPLACEMENT DEMAND												
Housing Stock												
1939 or Earlier												
Replacement Factor								253		250.5		
1940-1969								0.01		0.01		
Replacement Factor								205		204		
Annual Replacement*								0.005		0.005		
								3.6		3.6		
*demolitions/fire/abandonment												
SUMMARY: TOTAL CURRENT TREND DEMAND												
Annual									3.6		3.6	
Total									18		36	

Sector Three		2000	2005	2010	2015	2020 ^A	2025 ^A	2030 ^A
OPPORTUNITY DEMAND: COMMUTERS/DMC/VA HOME/RETIREES, ETC.								
Working in Preston/Living Elsewhere			1,026	984	815	790	780	765
Living in Preston/Working Elsewhere*				369	455	475	500	550
Living/Working in Preston**				147	131	120	160	205
Total				1,500	1,401	1,385	1,440	1,520
Capture Share for New Workers Based on Increasing DMC Growth*								
Capture 1% Annual Share persons working in Preston and Living Elsewhere**						2.60%	1.40%	1.20%
Total New Employment Growth in Preston					2015-2020	2020-2030		
TOTAL NEW POPULATION GROWTH***					(16)	135		
TOTAL NEW HOUSEHOLD GROWTH****					-32	200		
Vacancy Allowance					-16	105		
Annual Opportunity					-1	5		
Total Opportunity Demand					-3.3	11.0		
					-16	110		
GRAND TOTAL: TREND PLUS OPPORTUNITY DEMAND - Sectors 1-3								
Total Housing Unit Demand					2015-2020	2020-2030		
Annual Housing Unit Demand					8	167		
					1.5	16.7		

* To be based on 75% share of commuters from Preston as % of Mayo employment

** Based on CEDA Preston Housing Survey, April 2018 - 10% capture over 10 years of workers working in Preston and living elsewhere..

***Labor participation rate for Minnesota, February 2018, 68%, Minnesota Employment and Economic Development

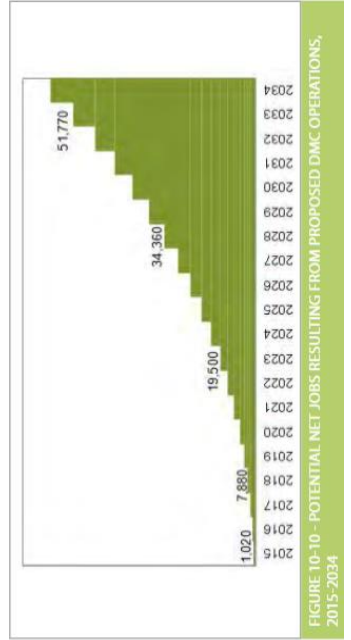
****1.9 persons per household

Source: On The Map; 2010 Census

.75xNumber of People Living in Preston and Working Elsewhere by Year

Net Jobs from DMC Impact by Year

Figure 10-10: Potential Net Jobs From DMC	
Year	Net Jobs
2015	1,020
2018	7,880
2020	13,690
2025	26,930
2030	44,000



Calculations made by author are based on numbers from the DMC Economic and Fiscal Analysis Report, highlighted in Figure 10-10. Some averages were calculated for years 2020, 2025, and 2030 to approximate because numbers were not given in DMC's Figure 10-10. The equation used is featured to the left.

POPULATION TRENDS, County and City													
Fillmore	1950	1960	1970	1980	1990	2000	2005	2010	2015	2020	2025	2030	
Total population	24,465	23,768	21,916	21,930	20,777	21,122	21,138	20,866	20,832				
Forecast - Compass										20,336	19,929	19,497	
Forecast - DMC										20,500	21,000	22,000	
Preston													
Current Trend:	1,399	1,491	1,413	1,478	1,530	1,426		1,325	1,315	1,300		1,250	
Opportunity Trend:												1,450	
Percent of County:	5.7%	6.3%	6.4%	6.7%	7.4%	6.8%		6.4%	6.3%	6.4%		6.4%	
												6.6%	
Chatfield	1,605	1,841	1,885	2,055	2,226	2,394		2,779	2,839				
Spring Valley	2,467	2,628	2,572	2,616	2,461	2,518		2,479	2,484				
Olmstead													
Total population	48,228	65,532	84,104	92,006	106,470	124,277	134,953	144,248	151,251				
Total population forecast										159,558	165,148	168,996	
Source: Minnesota State Demographic Center													

APPENDIX D: SURVEY AND HARMONY STATISTICS

City of Preston Housing Needs Study

RE: Preston – April 2018 – Employer/Employee SURVEY WITH RESULTS

A study on future housing needs for the City of Preston is underway by the Preston EDA along with assistance from the Center for Small Towns, University of Minnesota, Morris. The study needs information on persons commuting to Preston for work and living elsewhere. We would appreciate if employees or business owners could answer the following questions: **72 RESPONSES**

1. Are you employed in Preston?				
Full-Time	YES	48	NO	22
Part Time	YES	13	NO	52
2. Do you live outside the City of Preston?	YES	48	NO	24
3. How long is your commute between home and work?				
Less than 10 minutes:	YES	48.6%		
10-19 minutes:	YES	31.9%		
20-29 minutes:	YES	9.7%		
30 minutes or longer:	YES	9.7%		
4. Do you have other family member(s) working in Preston?	YES	31	NO	41
5. Do you have children attending school in Preston?	YES	19	NO	53
6. Do you regularly shop or use services in Preston?	YES	62	NO	10
7. Do you own or rent your home?				
Own	YES	93%		
Rent	YES	7%		

8. If you do not live in Preston, would you be inclined to move to Preston if affordable and attractive housing was available?

For Sale/Owner/Single Family/Existing	YES 11/22.9%	NO 37/77.1%
---------------------------------------	--------------	-------------

For Sale/Owner/Single Family/New Construction	YES 11/22.9%	NO 37/77.1%
---	--------------	-------------

Rental Apartments/Multi-Unit	YES 3/6.3%	NO 45/93.7%
------------------------------	------------	-------------

Empty Nester/Retiree/Senior/All Types	YES 7/14.6%	NO 41/85%
---------------------------------------	-------------	-----------

9. Please add any additional factors that would prevent you from moving to Preston, for instance you might reply, I like my children's school, I would not move until my children are out of school.

Please return your
completed survey by
email to:

Or drop the forms off at
Preston City Hall,
attention Cathy

Cathy Enerson

*Community and Business Development
Specialist, **Community and Economic
Development Associates***

[507-951-3532](tel:507-951-3532)

e: cathy.enerson@cedausa.com

Harmony Economic Development Authority

New Home Construction Rebate Program Ledger

- April 23,
2018

Total Project Funds	\$65,000
Total Funds Committed	\$44,000
Total Funds Remaining	\$21,000
Average Value of Structure	\$279,889
High EMV	\$395,233
Low EMV	\$205,924
Total # of Units	7
Total # of Structures	4

Address of Bldg	Recipient	Rebate Approved	Value of Bldg	Date	Expiration	Moving From	Spec?	Units
615 3rd Ave SE	Sikkink	\$10,000	\$218,900	4/14/2016	4/14/2017	Rural Harmony	No	1
3rd Ave NW	Peters	\$12,000	\$299,500	9/29/2016	9/29/2017	Harmony, MN	No	1
455 1st Ave SW	Bunge Hammel	\$12,000	\$395,233	9/28/2017	9/28/2018	n/a	Yes	4
830 3rd Ave SE	House	\$10,000	\$205,924	4/12/2018	4/12/2019	n/a	Yes	1
Totals:		\$44,000	\$1,119,557					7

APPENDIX E: SOUTHEASTERN MN COUNTIES

