

Pine County Strategic Housing Action Plan
Community Economic Development Associates

June 2018



Introduction

On behalf of Community Economic Development Associates and the Center for Innovative Communities, we would like to take this opportunity to thank the Minnesota Housing Partnership and Pine County for allowing us to work on this project and aid in seeking ways to improve and maximize the value of the housing market in Pine County.

As everyone involved in this project understands, housing is a complex issue that often faces pressure from multiple directions as a healthy market has to deal with economic forces impacting buyers as well as builders. A healthy economy often drives up labor and building costs just as demand increases, and those pressures ease together as well. Additionally, housing is subject to the whims of demographics and lifestyles. What was a popular housing choice for a demographic that is primarily selling homes is not going to always be a popular housing option for the demographic buying, creating further unbalance. And as we see rural areas like Pine County with flat or only slowly rising population, we also see changing household structures that may mean an increased demand for housing units that outpaces population changes.

This Action Plan first seeks to identify the realities of the Housing Market and related programs as they exist now in Pine County, as well as the various elements of the community and government that support housing and identify ways in which these programs could be modified to support a better housing development environment. Then, we introduce a number of larger programmatic concepts we recommend the County, Cities, or both could undertake to create a much healthier housing market that truly contributes to the economic growth of Pine County.

Populations by Geographic Area (2010 Census)

Pine County:	28,874
Askov:	364
Brook Park:	139
Bruno:	102
Denham:	35
Finlayson:	315
Henriette:	71
Hinckley:	1,800
Kerrick:	65
Pine City:	3,127
Rock Creek:	1,628
Rutledge:	229
Sandstone:	2,849
Sturgeon Lake:	439
Willow River:	415

Section One

Current Status of Pine County Housing and Related Information

This introductory section of our report will detail Pine County housing and other related information as was interpreted by the team during visitations and through research of various public websites. Areas where information is lacking or incomplete likely indicates a need to improve publicly available information on the subject. Additionally, there are recommendations on the broad structural operation of the various housing related departments and organizations at the County and Municipal level.

County Roles and Programmatic Functions

I. County roles as an owner/property manager of housing developments.

Pine County currently utilizes a Housing and Redevelopment Authority (HRA) to own and manage two housing projects, called Manors, in the northern half of the county; one in Finlayson and one in Sandstone. The board of directors in the past has had an on-staff Executive Director, however for several years has utilized Integrity Property Management out of Chaska, MN. The management company handles advertising, staffing, renting and maintenance of both facilities, and this appears to be the preference of the HRA Board.

The current structure and the recent use of the HRA has been primarily to run these facilities. Especially with the introduction of the contracted management service, there does not appear to be significant appetite of the HRA to take on additional roles. Any use of a county-wide HRA levy would likely require restructuring of the HRA, as we recommend later in this report. If the role of the HRA were expanded, a restructuring should include an Economic Development Authority (EDA) as per Minnesota State Statute 469.091 where it is stated a City or County may form an Economic Development Authority with the powers of a Housing and Redevelopment Authority.

Several cities operate their own HRAs, again targeted primarily at managing public housing, including Hillside Court in Pine City. Based on interviews by our group when visiting the county, we find there is apprehension in many of the communities about additional public housing due to the condition of the facilities, however this varies from community to community. In Pine City, the City has utilized their own HRA to establish an HRA levy and is seeking to begin programs to utilize the HRA beyond owning housing. Expanding and reorganizing the HRA at the county level would also be an opportune time to restructure the relationship with the city EDAs and HRAs.

II. County HRA and Planning department roles/authorities

The roles of the County HRA and Planning Department roles/authorities have been very limited and are currently not utilizing incentives and programs that neighboring counties may

have, such as Kanabec County's active HRA in Mora or the plans outlined in the Chisago County comprehensive plan to direct future growth. There is currently no Economic Development Authority for Pine County, however in the recent past there was an Economic Development Director and we feel it would be in the best interest of the county to consider bringing back this position within a restructured combined HRA/EDA. In the current structure, cities within Pine County are obligated to work individually to attract developers to their cities. However, the amount of resources cities spend on economic development varies greatly across the county. Pine City has the most comprehensive economic development strategy and has been the most proactive out of all of the cities within Pine County. Pine City utilizes incentives and has staff that leverage those resources. Other cities such as Rock Creek would need to develop their economic development strategies and take a more proactive approach to see development in their community, if that is their goal. And so, it would be most efficient to combine these programs at the county level for effective use of staff and resources.

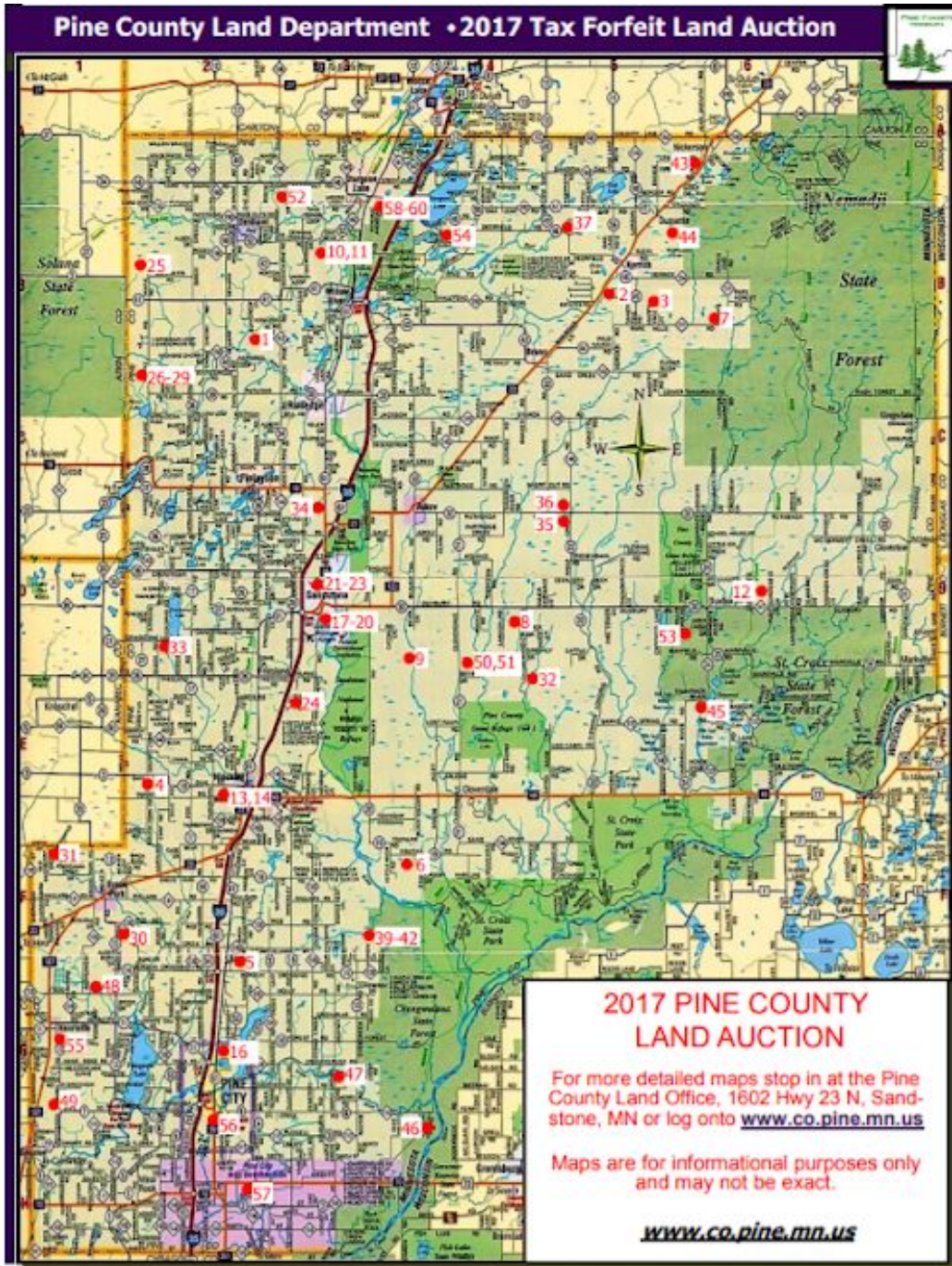
Land Use and Planning and Code Enforcement

In regards to regulatory authority and jurisdiction (as it relates to land use planning), development review, mobile home parks, and other related services for incorporated and unincorporated areas of the county are shared by cities, townships, and the county. Larger cities generally exercise autonomy in this area and often perform their own regulatory functions through their planning and zoning departments. Whereas, unincorporated communities and townships often rely on the county to assist or oversee some of these functions due to their limited staff and resources. However, the county has yet to adopt a county-wide zoning plan, which makes it difficult to impose a standard expectation for all developments in the county. If the county were to enact county wide zoning, it would not apply within the incorporated municipalities unless those communities deferred that power to the County by ordinance or there was a restructuring of the zoning process as recommended here.

The county has very little to do with housing planning and housing development planning. However, the county does assist unincorporated areas and smaller cities when the need arises. This function is mostly undertaken by the larger cities in Pine County on their own.

The county does have a GIS mapping tool through Beacon-Schneider Corporation, which allows for parcel information gathering throughout the county, which can be used by potential developers when looking for sites to build on. Other GIS work appears to be the responsibility of the developer. This is generally not an issue for larger developers, however county staff should be conscientious to reach out to smaller and independent developers to ensure they are aware of the availability of the GIS services to aid in their site planning.

Site plan review, environmental review and compliance is conducted by both the larger cities and the county, and is currently focused on subdivisions and shoreland projects. This should be expanded to all projects. These processes are completed in congruence between both entities. The cities typically refer to their planning and zoning board and ordinances, whereas the County, having more specialized staff, is able to refer to both their planning and Land and Resources Manager, as well as their Land Services Director.



Source: Pine County Land Office

Properties within the County with unpaid taxes are forfeited to the State three years from the date judgment is taken against the property. The previous owner has 6 months to make application to repurchase the land. After the repurchase right expires and if the land is classified as non-conservation, state agencies can make a written request to withhold the land from public sale for a period not to exceed 6 months. The property can be transferred to the public agency for an authorized public use. A state agency is also authorized to purchase

'blighted' property at a reduced price and receive the property in fee title in order to clean it up and potentially resell it. The details of who and what can be done after forfeiture are set forth in Minnesota Statute 282.01. Recently, the County attempted to work with the City of Pine City to purchase the forfeited new property development east of the Courthouse. However, due to a variety of site related challenges the opportunity was not pursued. The County does not typically keep any forfeited lands that aren't suitable for timber management or recreational purposes for the public. The County sells at public auction an average of 60-80 parcels of varying size each year. Later in this report, we will make recommendations that this particular practice should change.

Housing Development

The County does not currently have any housing rehabilitation or development programs. The County has not applied for any new resources for housing resources or development outside of a small number of Small Cities Development Program grants, including one administered by Lakes and Pines for the City of Sandstone.

Additionally, the County has not offered any financial incentives to housing developers. The City of Pine City has offered Tax Increment Financing (TIF) to a Low Income Housing Tax Credit (LIHTC) project that has been submitted for financing to Minnesota Housing Finance Authority (MHFA). The City of Sandstone has expressed an interest in providing TIF for housing projects but has not actually provided any TIF to date. Sandstone is also willing to provide free land (if available) and a reduction in SAC and WAC fees.

Below, is a list of programs offered by the USDA and DEED which city or county agencies should consider applying for directly or market their assistance to individuals and community banks. These can help with various issues pertaining to housing, such assistance includes: loans, grants, down payment assistance, rental assistance, etc.

United States Department of Agriculture (USDA) Housing Programs

Farm Labor Housing Direct Loans & Grants - Provides affordable financing to develop housing for year-round and migrant or seasonal domestic farm laborers.

Household Water Well System Grants - This program helps qualified nonprofits and tribes create a revolving loan fund to increase access to clean, reliable water for households in eligible rural areas.

Housing Preservation & Revitalization Demonstration Loans & Grants- It restructures loans for existing Rural Rental Housing and Off-Farm Labor Housing projects to help improve and preserve the availability of safe affordable rental housing for low income residents.

Housing Preservation Grants- It provides grants to sponsoring organizations for the repair or rehabilitation of housing occupied by low and very low income people.

Multi-Family Housing Direct Loans- This program provides competitive financing for affordable multi-family rental housing for low-income, elderly, or disabled individuals and families in eligible rural areas.

Multi-Family Housing Loan Guarantees- The program works with qualified private-sector lenders to provide financing to qualified borrowers to increase the supply of affordable rental housing for low- and moderate-income individuals and families in eligible rural areas and towns.

Multi-Family Housing Rental Assistance- This program provides payments to owners of USDA-financed Rural Rental Housing or Farm Labor Housing projects on behalf of low-income tenants unable to pay their full rent.

Rural Housing Site Loans- Rural Housing site loans provide two types of loans to purchase and develop housing sites for low- and moderate-income families:

- Section 523 loans are used to acquire and develop sites only for housing to be constructed by the Self-Help method.
- Section 524 loans are made to acquire and develop sites for low- or moderate-income families, with no restriction as to the method of construction. Low-income is defined as between 50-80% of the area median income (AMI); the upper limit for moderate income is \$5,500 above the low-income limit

Minnesota Department of Economic Development (DEED) - Housing Programs

Small Cities Development Program- Small Cities Development Program (SCDP) helps cities and counties with funding for housing, public infrastructure and commercial rehabilitation projects.

Workforce Housing Development Program- The Workforce Housing Development Program targets communities in Greater Minnesota where a shortage of housing makes it difficult for businesses to attract the workers they need.

Intergovernmental Agreements

In regards to intergovernmental agreements, at this time, Hinckley, Rock Creek and Sandstone do not have intergovernmental agreements that impact housing development and preservation. The various programs that do exist in the county are as follows:

- a. Sandstone - SCDP awarded funds, \$325,000 available for owner-occupied. (Six qualified homeowners applications have been submitted to the City).
- b. Pine City
 - i. TIF has been applied in the past
 - ii. Tax Abatement, new to the city, has not been utilized

- iii. Awarded approximately \$36,000 in a first time levy to work some HRA programs
- iv. EDA has resources, but does not have a housing program at this time
- v. Contract with 'A Place For You' homeless shelter for transition services
- vi. Pine County HRA operates two senior rent controlled properties through contracts with HUD

Other communities often use Joint Powers Agreements to consolidate more of this responsibility in one office for professional efficiency. While this is most often done with inspection services such as building inspections or health inspections, there are organizations that do so with Zoning (Rochester/Olmsted Planning and Zoning Department) or multi-county HRAs (Bluff County HRA in Houston and Fillmore Counties and all encompassed cities) The League of Minnesota Cities offers sample language for Joint Powers Agreements as well as other forms of Intergovernmental Cooperative Agreements.

III. County roles/authorities as it relates to providing and maintaining supporting public infrastructure for housing.

Roadways

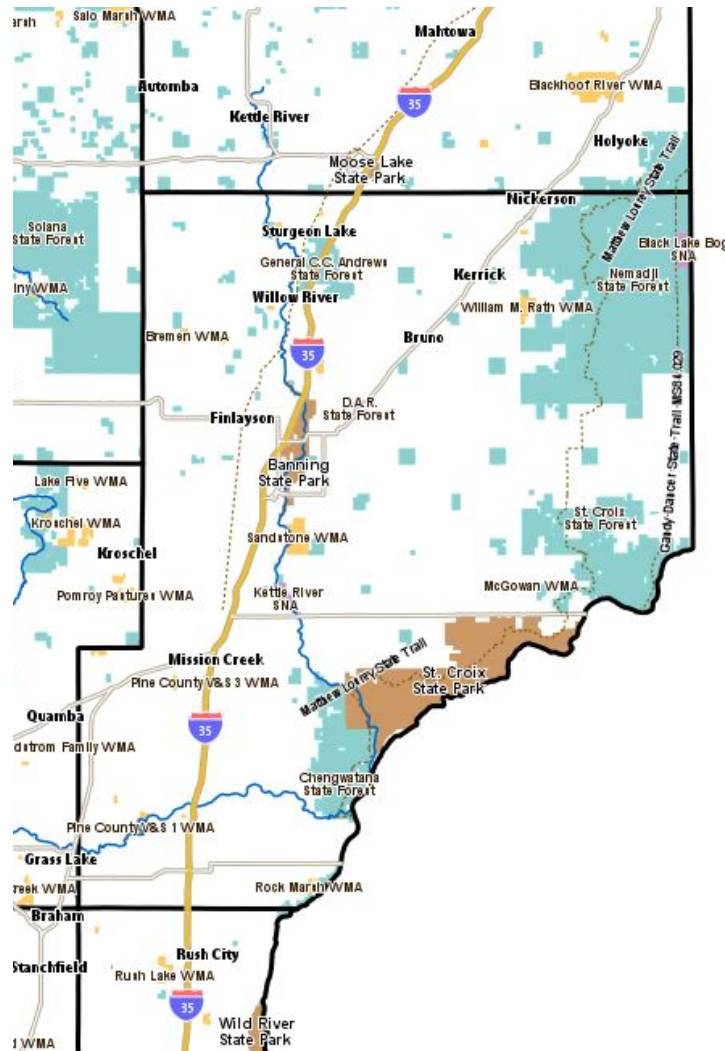
County public works provides the year round repair and maintenance along and within the road right of way on the highway system. Pine County is comprised of a highway system with approximately 690 miles, of which 383 miles are bituminous and 307 miles are gravel. Pine County maintains the removal of snow and ice control, culvert repair and installation, roadside brush control, maintenance of asphalt and gravel and traffic sign installation and repair. Maintenance Staff consists of Maintenance Superintendent, Maintenance Supervisor, and 15 Equipment Operators. There are also updated plans to inform citizens on what roads are being improved and when. This gives peace of mind to both current and future residents that may be looking to build new or buy existing housing.

Water Resource Management

There are organizations in Pine County and organizations that administer water resources, i.e. Pine County Soil and Water Conservation District and its Clean Water Grant funds that are available to pay up to 50% of the cost to seal unused and abandoned wells throughout the county. These types of incentives help improve the safety of residents in the community. The county does not maintain water supplies or infrastructure directly. One grant the Pine County SWCD received was for \$35,000. Part of those funds will be used for the City of Sandstone at Robinson Park. The remaining funds will be used for the City of Askov to install a rain garden and install signage to educate the public about rain gardens and low impact development practices. A design and planting workshop will also be held.

The second grant is for \$115,000. The money will be used to cost share on sealing abandoned wells in the City of Sturgeon Lake. Residents of the area have a large number of abandoned wells since the city installed municipal water a few years ago.

Outdoor Recreation



Source: Minnesota Department of Natural Resources LANDVIEW

Pine County has within its boundaries various parks and trails, many of which are operated by the Minnesota DNR. Additionally, the county and various cities manage various forms of public lands. It is recommended that the county compile a comprehensive recreational map as part of a broader tourism push to better identify these amenities for the development of recreation as well as for housing sites.

Proximity Natural Resource Amenities such as the parks within Pine County is an ever more important element in housing choice, especially for middle and high income households. Pine County should work to protect and expand these resources with the DNR or other agencies as relevant, and work to promote the county's plethora of outdoor recreation.

IV. County roles/authorities as it relates to providing supporting services for housing

Private Sector Services

Within Pine County there is a full array of privately offered personal services ranging from financial services to retail shopping to medical care, generally gathered in the larger cities, making those communities attractive places for residents. For smaller communities and unincorporated areas, there is sometimes a need to travel outside the county for a particular service, however most county residents can meet most needs in the county. While it is not the county's role to provide any of these services, the county does have an interest in ensuring they continue to be offered to all residents of the county and may need to act on attracting various private services in the future.

Social Services

Children's Services are offered to support Pine County children and their families to have a safe, healthy, and stable home life. Services offered include Child Care Resource and Referral, child care licensing, child foster care, adoption, and child protection. Children's Disability Services are designed to serve families with children who have severe emotional and behavioral disturbances. In a culturally sensitive manner, case managers help families address these needs.

Veterans Services provides guidance and assistance to veterans, their dependents and survivors in applying for veteran benefits provided by the State of Minnesota and the United States Department of Veterans Affairs. A collaboration between the County and County Veterans Council provides transportation to VA Medical Centers in the area, made possible from generous donations of veteran organizations and other charitable organizations in Pine County.

Adult related programs are available for disability services, developmentally disabled adults, Waivered Programs for disabled adults under 65, Community Alternative Care (CAC) and Community Alternative for Disabled Individuals (CADI). These programs connect residents with services such as habilitation, independent living services, home health, home delivered meals, respite care, therapies, prescriptions, adult day care, special services that are necessary to prevent nursing home placement, extended home health services, family counseling and training, and other services. Again, these services help disabled individuals live a more independent life, including often in their own standalone home.

Public Access Channel 13 information is a public access channel that allows time to any non-profit group or organization, entity, or non-profit event for announcements and notices. Pine Center for the Arts welcomes residents, visitors and artists through gallery openings, lessons, classes, concerts and the Summer Arts Program. Additional programs are offered through partnerships with groups such as the East Central Regional Development Commission.

Pine County Historical Society operates the Pine County Historical Museum and Library that offers various historical records to assist in research. Pine City also has a public library that is owned and managed by the city.

Senior Services

Within Pine County, senior housing is available through the HRA Senior Housing, as well as six assisted living facilities within the County. The Central Minnesota Council on Aging (CMCOA) is a non-profit organization for the 14 county central Minnesota region. CMCOA provides planning assistance on aging issues, trends, and service development needs for the fourteen-county planning and service area. Currently projects focus on: improving dementia care, supporting older adults with chronic illness, caregiver support, and assisting municipalities to prepare for the aging of communities. CMCOA also administers Federal Older Americans Act funding to help older adults remain at home as long as possible, works with communities to develop local programming and support to aid in this effort, and operates Senior LinkAge on behalf of the MN Board on Aging at the local level.

MN Relay 711 is an additional senior living service available in Pine County. This program permits persons with a hearing or speech disability to use the telephone system via text telephone or other device to call persons with or without such disabilities. Dialing 711 eliminates the need to remember a seven or 10 digit access number. This service extends the amount of time a senior citizen can remain in their home before needing to move to a care facility.

Healthcare Services

Within Pine County, residents are able to find health care related services through a number of Health Care Centers:

- Hinckley – Firstlight Health System; Gateway Family Health Clinic, LTD; and Elderwood of Hinckley.
- Pine City – Davita; Firstlight Health System; Lakeside Medical Center; Meadow Creek Treatment Center; Fairview Clinics; The Pines Senior Care; and Pine City Memory Care.
- Sandstone – Golden Horizon Assisted, Inc; Pine Medical Center; Sandstone Health Care Center LLC; Gateway Family Health Clinic; and Essentia Health.

Additionally, Pine County Health and Human Services offers a variety of financial related assistance services:

- Cash Assistance – County Crisis Funding, EMSA, EGA. These programs offer short term help for people who need money for a crisis such as a fire, utility shut off, eviction, illness, theft, loss of job or other hardships.
- MN Family Investment Program (MFIP) – The State’s welfare reform program that helps low income people go to work and move toward financial stability. This program provides employment services and income assistance.
- Diversionary Work Program (DWP) – Helps parents with children meet their basic needs while helping parents move to financial stability through work.

- General Assistance (GA) – Monthly cash payment to help with food, housing, and other basic needs for people with minor children and are not able to get help from other State or Federal programs.
- Minnesota Supplemental Aid (MSA) – Monthly cash payment for people with disability, retirement, or when other sources of income is not enough; for age 65 or older, disabled and age 18 or older, or blind.
- Refugee Cash Assistance (RCA) – Cash payments for those who have been in the United States eight months or less.
- Group Residential Housing (GRH) – Monthly payment for room and board for those who cannot live in their own home.
- Child Care Assistance is a subsidized assistance program to help pay for child care services.
- Food Support – A program designed to assist low-income persons and families so they can purchase food, and better meet their nutritional needs. It supplements the persons or family to make an effort to become self-supporting.
- Health Care Assistance – Minnesota health care programs to meet the needs of people who have little to no income. Available if eligible: Medical Assistance (MA); MinnesotaCare; Tax Credits and/or Cost Sharing Reductions.
- Family Pathways-- Hunger Relief (Food Shelves, Mobile Food Truck, School Back Pack Program, Community Meals), The Refuge Network Domestic Abuse Programs and Shelter, Aging Services, Youth Programs and Teen Centers.
- Lakes and Pines-- Lakes and Pines CAC, Inc. is a a charitable, educational, private, non-profit corporation serving the seven county area of: Aitkin, Carlton, Chisago, Isanti, Kanabec, Mille Lacs and Pine.

Education

Education is a primary asset in Pine County with Head Start and Early Childhood Development, K-12 public and private programs, Pine Technical & Community College, Pine Innovation Center, and Pine City Area Alternative Learning Center. The Alternative Learning Center is an education choice for students, serving students and adults in acquiring high school diplomas, adult diplomas and credit recovery. Pine County could develop more material for marketing this particular asset of the county and include it with development packets or property marketing materials.

There are seven Independent School Districts in Pine County, however the vast majority of the territory falls into four districts: Pine City, Hinckley-Finlayson, East Central (Sandstone area), and Willow River. There is also a private school in Sandstone called “Harvest Christian School”. The school districts are relatively small geographically, apart from East Central which covers large State and National Forest lands, and so most new housing should be close enough to multiple schools to offer options for any family getting students to school. However, the county needs to keep themselves apprised of any school consolidation discussions. Should the schools be discussing any further consolidation, new HRA and housing plans need to consider the access to education afforded families. The concern here may be that a development is

planned and investments are made in infrastructure with the expectation that the development will be relatively near a school and thus attractive to families. However, there is a long term nationwide trend in rural school consolidation. If a developer considers a local school to be a benefit to potential homebuyers and after construction that school is no longer at that location due to consolidation, there is an increased likelihood of lots not selling. This simply highlights the many aspects of county life that impact housing that staff need to keep aware of and communicate to developers.

Public Safety

Many communities in Pine County provide community policing with service contracted through the County Sheriff's Department. Each community is individually contracted. The police force is a team made up of 32 officers. Hinckley, Pine City and Sandstone each have a remote office. The total area covered is 1,411 square miles of residential, business, agricultural, and recreational properties. Anecdotally, there is some concern around several of the cities that law enforcement needs to be increased to provide a safe environment for people to live and to encourage development. We recommend the county and partner cities give this serious consideration.

Drinking Water Supply

As many of the homes in Pine County exist outside municipal water supply areas, an extended contract with the Minnesota Pollution Control Agency has provided a properly licensed professional to provide an intermediate or advanced septic inspector to inspect septic systems over a capacity of 2,500 gallons or that have a pre-treatment device. Up to \$1,000 will be reimbursed for services of an advanced septic inspector as needed covering 75% of the cost of service. The other 25% will be added to the permit fee of the property owner. For the majority of systems, Pine County staff perform inspections. Maintaining this program and considering expanding inspection and planning services for rural personal water systems through partnerships with MPCA or the Minnesota Department of Health will help to ensure that continued rural development does not adversely affect water table quality, and highlights the existence of county level regulation that we would recommend expanding.

Pine County offers a household hazardous waste collection facility funded by a fee leveled on developed land. The facility also includes a reuse room, where reusable items are available for citizens to come and take for free. Furthermore, each community in Pine County has a recycling shed for acceptable recyclable items.

Housing Programs

East Central Housing Organization (ECHO), is a group of professionals that represent the east central Minnesota region in various capacities related to housing. The group meets once a month in Pine City with city, county and housing development staff to work on regional and local housing issues. Interested persons and newcomers can contact Lakes & Pines to get

on the meeting notification list. In 2015, a regional housing study was conducted in five of the counties. This project was funded in part by Minnesota Housing Partnership (MHP) and the Initiative Foundation improving home and community.

ECHO assists these housing programs:

- Single Family Housing Direct Home Loans
- Single Family Housing Guaranteed Loan Program
- Central Minnesota Housing Partnership
- Rental Housing
- A Place for You
- New Pathways
- Lakes and Pines Community Action Council, Inc.
- Central Minnesota Council on Aging
- Seven County Senior Federation
- Get Help with Chores and Groceries
- Home Repairs

More extensive information on these programs can be found on the ECHO website, www.eastcentralhousing.org

Building Permitting and Inspections

In regards to building permits, Pine County requires Building Site Permits in Shoreland and Floodplain locations. An application online can be reviewed by the applicant, at which point they contact a Pine County Environmental Technician. The County does not require Building Site Permits outside of Shoreland and Floodplain areas, however the townships and cities may. We would recommend that Pine County strongly consider building permits to ensure that housing and other facilities are capable of contributing to the long term economic health and quality of life for the county. This will help avoid construction that will need greater costly attention from emergency services or a future developer. Building Permits can be relatively inexpensive so as to not discourage development while still encouraging compliance with good building practices. They also can help the county to make proper tax assessments and ensure other laws such as any zoning codes are being followed.

Pine County has not adopted the State Building Code and is therefore not charged with inspecting or enforcing State Building Code regulations. Choosing to enforce the State Building Code would help with ensuring the investments made by private individuals have a long term positive impact on the housing stock in the county and do not become liability properties after they have outlived too short of lifespans. Applicants are encouraged to contact their local City, Township or Minnesota Statewide Construction Standards. Electrical permits are issued by the State of Minnesota, Department of Labor and Industry, Electrical Division. Inspection of

electrical work is performed by State designated Electrical Inspectors. Two inspectors cover Pine County, one in North Pine County and one in South Pine County.

Public Transit

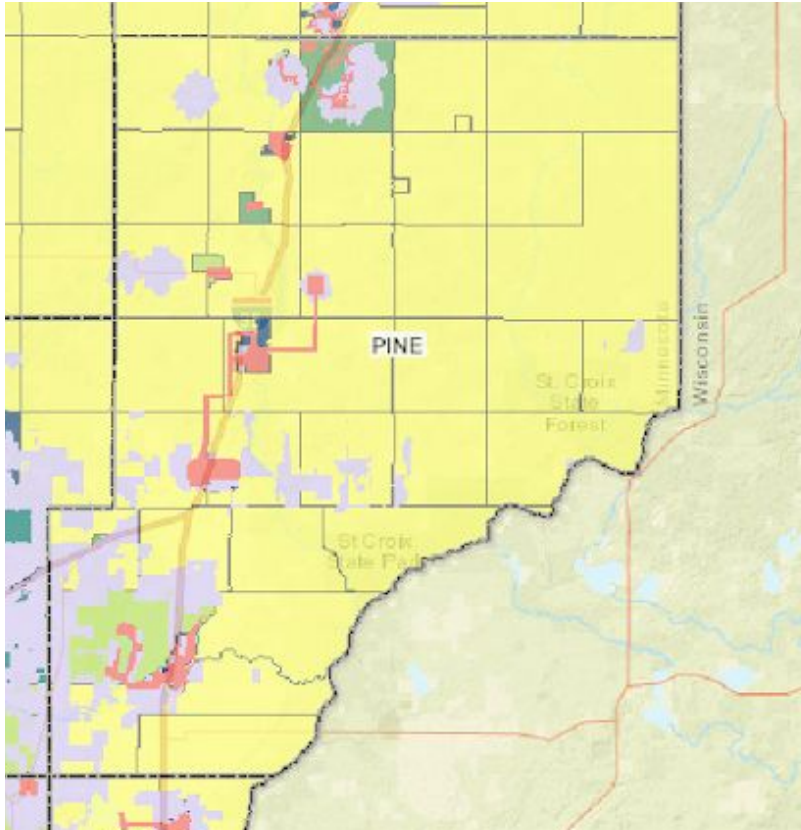
Pine County offers intermittent and dial-a-ride service through a contract with Arrowhead Transit operating locally out of Sandstone and connecting through the eight county Arrowhead/Duluth Region. The dispersed nature of most of the county's housing makes pricing for the service relatively high. Despite this, Arrowhead service does appear to be comprehensive and well run, and coordination with future HRA actions may maximize benefits and functionality. Beyond that, the ability to offer services through Arrowhead does mean that transit should not be a limiting factor to any development, however maximum efficiency would see housing construction along major routes in the largest cities. Rural transit is important to economic development because of the opportunities it provides residents of the county that do not own or operate vehicles for various reasons. Providing transit options allows for people to live in rural areas of Pine County and makes it possible to get groceries, dine, and use other amenities commonly found in city centers. This provides a benefit to both city and township dwellers, as services and goods are exchanged at a higher and more regular rate with reliable transportation.

Utility Power

Pine County is served primarily by three power companies. Two are Cooperatives: East Central Energy and Lake Country Power; and one investor owned company: Minnesota Power Co. There are several small service areas provided by other companies primarily in rural fringes of the county. East Central is by far the largest provider. Based on conversations during our visits, it appears the power companies and the County have a well functioning relationship. The power network appears to be completely built out, and so the only relationship requirements appear to be for collaboration on projects where public works cross utility Right of Way (ROW). It is recommended that the County bring the power companies into conversations with any major housing developments early and in order to maximize the affordability of new housing, seek input from the power companies on where future work is already scheduled or where build out would be most cost effective.

Broadband Communication

As in most rural areas of Minnesota, Pine County is almost completely lacking in any broadband access outside of the urban corridor. The County does not play any direct role in broadband development, but may want to consider programs through the EDA to incentivize access, particularly to the rural areas near smaller outlying clustered towns such as Askov or Finlayson where there is nearly enough density to make the projects profitable on a stand alone basis, but an additional subsidy is required to close the financial gap.



Source: Minnesota Department of Economic Development/ConnectMN Connectview
Note: Pale Yellow indicated <50%, the lowest category, have access to high speed internet

Section 2

Recommendations on County Housing Programs

Broadly, we are recommending a two tiered approach to address the housing issues present in Pine County. The first tier is to recognize that housing is in many ways a lagging indicator of economic and demographic realities. As such, it is important to reach a baseline of economic health and vitality for the county to progress on their housing challenges. The second tier is to create housing specific programs.

Economic Development

The first and most achievable item we recommend addressing is creating a structure either through an independent organization (i.e. a CVB/Convention and Visitors Bureau funded via a Local Use Lodging Tax as per MN Statute 469.190) or through the county itself to actively promote tourism in the county through a unified brand. A CVB would help in coordinating tourism based events and marketing them to people outside of Pine County in order to encourage visitors who will spend money and drive economic growth in the county. This can be as simple as search engine optimization (currently, a search for “Visit Pine County MN” brings results primarily related to visiting the prison), but would be better to manage cooperative advertising, coordinate festivals and activities between communities and develop new tourism attractions. As was mentioned in identifying the amenities in Pine County, there are numerous tourism stakeholders (Casino, DNR, Municipal Parks) who could bond together to increase their draw regionally and strengthen a potential cornerstone of the economy for a county perfectly located between the metro area and “Up North”. Currently, there is a CVB in Hinckley, which could serve as a basis to develop a larger, county wide organization that could promote many of the tourism amenities throughout the area.

Further, the county should work to promote and drive entrepreneurship and small business development throughout the area. Small businesses create a more authentic living experience in a community, which can drive tourism but also increase resident retention as people feel more bonded to the community if it is unique. Already, Pine County has a remarkable base of unique small businesses such as Three Twenty Brewing and Sprouts on 5th, and should leverage the experiences of these business owners to encourage others to take the same risks, and the cities and county should take whatever steps needed to eliminate roadblocks to someone doing so. An additional benefit of small, locally owned businesses is they help to keep more money circulating in the community, increasing community wealth. This is primarily because the ultimate profit of the business stays with the owner and is spent in the same place rather than going off to a corporate headquarters out of state. Local owners will be driven to invest locally as well, including in housing, to protect and develop the asset they have in their business, with again the profit staying local and being recirculated. Additionally, locally owned businesses have consistently been shown to give more and be engaged more in the community, helping to build a strong base for growth.

The fostering of local businesses will also help in the third item of economic development we recommend, prioritizing economic diversity. Currently, the largest employer in the county, Grand Casino, drives so much of the wage-based economic activity that it warps what the market will bear, including in housing. While the Casino is a fantastic asset and drives significant property tax collections, the county must make it a priority to attract other industries or more ideally to foster growth at existing businesses in the county.

A specific Economic Development Program that could be tied to housing would be to partner with local community colleges (in particular Pine Technical and Community College, though others colleges regionally be better suited for this program) to create a housing construction and rehabilitation trades program. This would both help the employability of the population as well as upgrade homes that may come up for auction and be purchased by the county for resale after rehabilitation as described in paragraph 2.B.ii in the Strategic Overview section below. A similar program could also be started at the high schools in the area or with the Federal Correctional Institution at Sandstone.

Economic Development, again, is key to creating demand for housing that will help to work against the trend of aging homeowners moving out and a lack of middle to high income homebuyers moving in. However, it is also important to create a base of housing that supports growth in any of the areas identified above. This includes housing available for short term rental to tourists, affordable workforce housing and housing that encourages small business patronage through proximity. Next, we identify the practices by which the county and partner cities can work specifically on housing to stem the current decline and build a strong base for community wide growth.

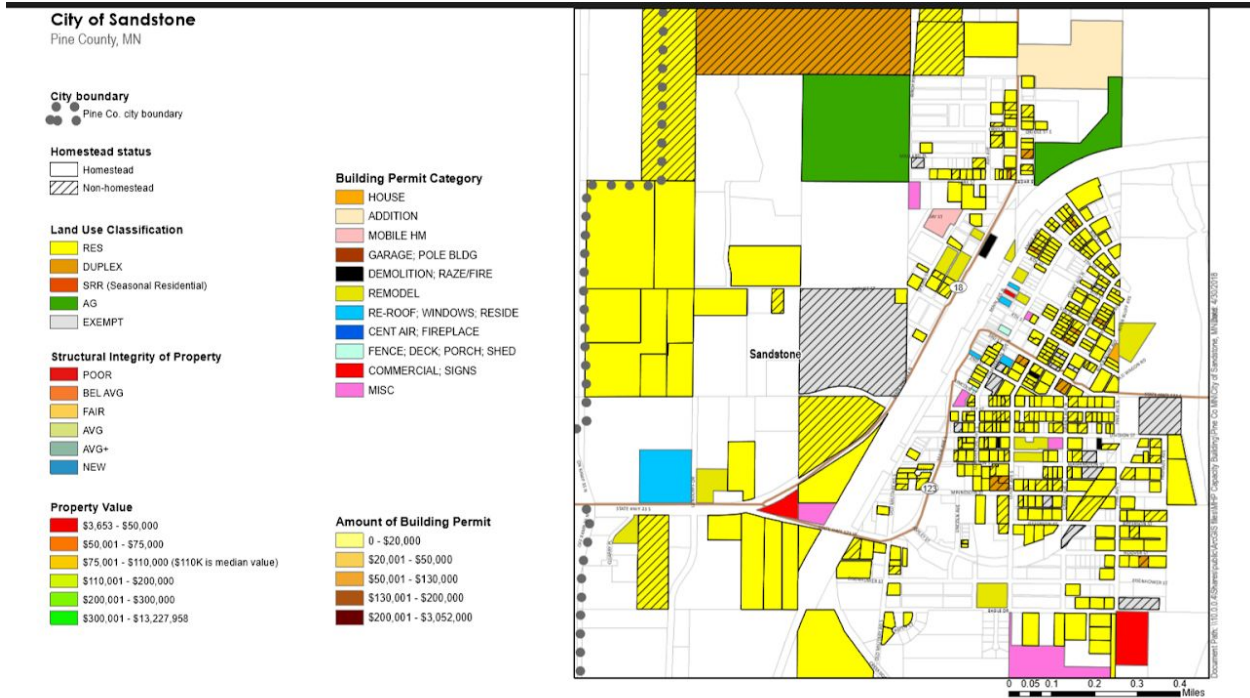
Strategic Overview of Housing Recommendations

The following steps are recommendations based on the available material and interviews with key public officials and organizations. These recommendations are not exclusive of other efforts that may occur within the county. Support for other projects or initiatives is assumed. For example, if a developer plans to create more subdivision development, that should be supported. However, we are not recommending a strategic focus on that effort.

1. Develop Baseline Maps and Property Information Layers

The County has the GIS capability to create a parcel by parcel map and data set that will assist in the strategic targeting of resources and the tracking of short and long term trends. Much of the data that could be included in this type of mapping already exists within the County's database. However, we recommend the creation of a property by property windshield survey be completed by local community leaders using a common set of evaluation criteria. Overlaying this windshield survey data will provide important information to the maps. Evaluation Criteria can include the property's current

condition, preservation value, number of units in the property, abandoned cars, locations for boulevard trees, etc. These criteria will then drive community metrics over time and provide a useful tool for outside funding organizations and developers to understand how their resources fit within the community's goals.



Source: Pine County Land Office

2. Deteriorated Housing Interventions

Each year, more than 70 properties in Pine County fall into property tax foreclosure and are sold at auction by the State of Minnesota. This amounts to nearly 1% of the existing properties in Pine County going into property tax foreclosure each year. These properties are sold to the highest bidder and anecdotal evidence suggests that the houses that are auctioned end up becoming low cost, low quality rental properties after limited investment by landlords. Over time, the percentage of homes that are owned by the occupant will become lower.

With a better baseline mapping capability, Pine County will be able to better understand the full impact of the tax foreclosure crisis. Foreclosed properties fall into the following categories and should be dealt with as shown for each property type.

- a. Land foreclosure – sell at auction
- b. Home Foreclosures – County purchase and distribute to local units of government. From there the properties would fall into three broad categories.

- i. Homes deteriorated beyond repair. These homes should be removed and the land put into a local property development trust that can sell the properties in the future for development.
- ii. Homes that are in a condition that requires rehabilitation. These homes could be rehabilitated by the County or the City alone or in partnership with a local community college, or a non-profit organization and then resold to home buyers. Homes in this program should be sold with permanent covenants that ensure that future sales are to homeowners and not rental owners.
- iii. Homes in a condition that does not require rehabilitation. These homes should be sold to homeowners with attached permanent covenants ensuring long term homeownership.



Home in Sandstone

3. Increase the quality of the rental stock in Pine County.

There is an adequate supply of low-cost housing in Pine County. However, much of that housing is of very low quality. Several solutions to this problem could be attempted:

- a. Create a rental registry of all the rental properties in the County along with rental criteria and an inspection regime. Included in this recommendation is the need for a fee for landlords to rent their properties. This fee will ensure that the rental registry and inspection program is funded over time.

- b. Create a rental rehabilitation program with local and outside resources. This fund will contribute to the quality of the existing rental property in the County. This fund will also provide assistance to landlords who do not pass inspections.
 - c. Support and encourage the creation of new rental housing using Low Income Housing Tax Credits by developers and the Mille Lacs Band Corporate Ventures. The creation of new LIHTC rental units will increase the overall quality of the rental stock and provide some competition to owners of rental property to encourage them to fix up their properties.
4. HRA Levy for housing programs.
- To support the housing programs identified above, the County should pass an HRA levy to provide resources to this plan. The HRA should be reimagined to be more actively pursuing opportunities related to housing interventions and housing creation. Funding from the HRA Levy would be the seed money for all of the above programs.
5. Long Range Project Development.
- Within the larger communities in the County, project sites and concepts should be pursued over time to create transformative and innovative projects. Examples of these types of projects include:
- a. The Rock in Sandstone. This project could become a mixed-use building with City Offices, a new Library, and space for a local arts organization, as well as apartments for low/moderate income people. A combination of LIHTC, Historic Rehab Tax Credits, Bonding, and New Market Tax Credits make this innovative project a real possibility.
 - b. Pine City Downtown Revitalization Projects.
 - c. Pine City new Subdivision creation.
 - d. Hinckley should assist Mille Lacs Corporate Ventures in building out their master planned developments.

Metrics and Criteria

At various points in this Action Plan, we have recommended the use of metrics and criteria in prioritizing projects. This section is meant to identify some of those metrics and criteria, however we feel it is important that the county work to ensure what they are measuring and prioritizing aligns with the long term goals of the Commissioners, City Councilors and the Comprehensive Plans of the various communities.

Metrics

Having baseline metrics is important for a number of reasons. The primary reason is to identify the current situation. Are the issues quantitatively accurate, or are things being viewed through a certain screen? The community needs to know where it is in factual terms on as many

subjects as possible. Once the community has concretely identified as much of the information as possible, that data can be shared with supporting agencies, showing the importance being put into the programs we are asking them to support and demonstrating that measurable results can be produced in the future. And, once those results have been measured, it can be determined , quantifiably, which programs have worked and which did not, and which can be dropped or improved. At that point, the community will be able to reset their efforts and continue forward.

Some suggested metrics may include but are not limited to:

- Historic Status of Properties
- Structural Integrity of Properties
- Tax Yield (taxes collected per size of parcel)
- Homeownership Rate
- Average Tenure of Occupancy
- Diversity of Employment (measured through a Gini Coefficient of Employers)
- Net Commuting Rate (including by wage)
- Tax Foreclosure Rate
- Bank Foreclosure Rate
- Median Rent
- Number of Units by Type
- Basic Demographics

Criteria

In addition to measuring the work, it will be necessary at times to be selective in which projects or portions of projects are undertaken, for budgetary reasons or otherwise. It is imperative to have established criteria for which portions of projects will be undertaken to ensure maximum impact towards the goals of the community as well as equitable and consistent treatment of those impacted.

Some suggested criteria for development projects may include but should not be limited to:

- Proximity to Amenities (tourism, social/civil, recreation, etc.)
- Ability for Small Businesses to occupy
- Impact on neighboring properties
- Potential for Improved Aesthetics
- Keystone Capacity of Projects
- Fiscal Return on Investment

Section 3

Recommendations for Specific Municipalities

Pine City

Single Family and Townhome Development

Pine City has a relatively strong single family new home market compared to other communities in Pine County. The City has seen several subdivisions and smaller townhome developments constructed over the last ten years. While high end homes are typically constructed outside of the City in the County, there have consistently been more than 10 new homes constructed in Pine City per year in recent years.

Single Family / Townhome Subdivisions currently under construction include:

- The Pines on Cross Lake, a small detached townhome development of 6 homes. These homes are on Cross Lake with a homeowners association. This subdivision is a converted single-family lot that has been marketed to retirees that want to live in the City and have access to the lake. As of June 2018, one home has been constructed and has been sold.
- The Cross Lake Preserve, a larger scale subdivision in Pine City. This development has about 60 lots and is about 60% built out. The homes are sold for about \$180,000 and are ranch and split level with sidewalks on one side and attached garages.
- Fawn Meadows is an incomplete subdivision located in the north part of the City. This subdivision is located between the railroad tracks and the sewage treatment ponds. The lots with infrastructure have been completely built out but there are additional lots that have been platted that have not been developed because the previous developer has not extended water and sewer and roads to the rest of the site. These platted, undeveloped lots were recently purchased in October of 2017 from tax forfeiture by a private party. There seems to be a question as to whether the site will continue to develop without significant investment in infrastructure, which is estimated to cost around \$1.5 million. The homes on the site are more modest than the Cross Lake Preserve homes and probably sell in the \$140,000 range
- Beaver Pond is a small attached townhome development that has been 50% built out with 8 completed units and 8 remaining. This development caters to seniors and there is some question of whether the City is willing to accept the roadway constructed in the development. The roadway question and a shared ownership of the property have stalled this project out.

In the past, the City has approved projects with private roads that are not constructed to the City's standards. After the construction starts, the City is often asked to take on the streets for snow and other maintenance. This has caused issues of who is responsible for the upgrades to the streets after their construction. The City should establish a coherent strategy going forward to require private streets to meet City standards and require all streets to be turned over to the City upon construction. In the meantime, the City should accept the streets

and prepare for their reconstruction upon the termination of their expected lifespan. Homeowners that live on streets that do not meet the City's standard could expect a higher reconstruction cost percentage. The reality is that the developer will not improve the streets and reconstructing the streets before their lifespan is over could lead to lawsuits and higher homeowner costs.

The City has adequate land for new subdivision development at the scale that has been done in the past. A strategy should be devised for dealing with the redevelopment of lakeshore properties that can be purchased at a relatively low cost, removing the single family structure(s) and replacing it with multiple attached or detached townhomes. This type of redevelopment will change the single family nature of the neighborhoods around the lake and while it will improve the tax base and provide more tourism to the community, vacation homes may have a negative impact as well. Preserving the single family neighborhood feel while allowing some redevelopment to occur is likely in the best interest of the City and the County.

Multi-Family Rental Projects

The market for market rate rental projects is weak in Pine City. Because of the low wages in the community and county and the high construction costs for new construction, the prospect of new market rate rental housing is low in the foreseeable future.

The likely solution for new multi-family rental is new Low Income Housing Tax Credit (LIHTC) apartments or townhomes. LIHTC projects are projects that use federal tax credits to build high quality income-based housing for families. The Minnesota Housing Finance Agency controls these resources and is a potential partner in the development of new LIHTC projects.

There is currently one LIHTC project proposed for the southern part of Pine City. The project has been submitted to the competitive MHFA process twice and nearly received funding. The developer is an experienced group that is tenacious and will likely find a way to receive the necessary funding. The City owns the land and has agreed to contribute it to the project. The City should identify two other parcels for this type of housing and work with developers to submit applications to MHFA. Because competition is strong for LIHTC resources, multiple submissions to MHFA are usually required and developments often take up to five years to be completed from concept.

As already stated, the LIHTC process is competitive and the developer receives points for City participation in the project. Land contributed by the City as well as subsidized water and sewer hookups can contribute to a competitive project. Without these City contributions, there will not be any MHFA funding available to developers of these types of projects in the community. There is adequate land available for new LIHTC projects in the City, and much of it is already City owned. A conscious effort to use those parcels for future LIHTC redevelopment will attract developers.

Senior Housing

There is interest from regional developers in senior housing in Pine City. These developers should be supported by the City through the use of reduced fees, Tax Increment Financing, and free or low-cost land when possible. The construction of new senior housing will open up affordable single-family homes for new families to purchase in Pine City. In addition, these types of housing projects will create long term jobs in the community.

Old Mill Project

Support the redevelopment of the Old Mill Site in downtown Pine City. The current property is an eye sore and should be removed as soon as possible. Environmental remediation should be undertaken to create a useable site for redevelopment. If remediation efforts are too costly or remediation resources are not available, an alternative use for the site should be found using input from downtown business owners and residents. The health of the downtown is critical to the continued investment in downtown housing.

Financial Support for Developers

Create a clear set of financial support mechanisms for real estate developers that show interest in Pine City. Once the support mechanisms are available, it will be important to articulate their availability to the local and regional development community. The mechanisms should include the following:

- Tax Increment Financing for housing and commercial redevelopment in the downtown areas.
- Reduced sewer and water fees for housing and commercial projects.
- Eliminate sewer and water fees for low income housing developments to increase competitiveness for scarce resources.
- Identify and compile a list of City owned properties that are available for redevelopment. Create a list of criteria for granting or selling these properties to developers.
- Maintain an updated housing study for Pine City that can be used by developers to provide support for their financing.
- Utilize Levy funds as a grant or revolving loan fund to help leverage other funding.

New Programs

Create new programs that improve the existing housing stock.

- City staff has initiated a Federal Home Loan Bank Application for an owner-occupied rehab program specific to the downtown neighborhood. This program would benefit low income homeowners and the neighborhood by improving structures that are in some level of disrepair.
- Another program that would be beneficial would be a rental rehabilitation program to rehab existing rental properties. This type of program could utilize MHFA funding sources that could leverage up to a relatively small amount of HRA Levy funds.

Other non-housing recommendations:

- The City should consider a Public dock to connect the downtown to the River/Lake.
- The city should work with the local arts organization to create art installations that enhance the downtown, use underutilized spaces, and help to promote existing local businesses.
- Put together a list of vacant sites, City owned sites, and the applicable zoning code to help small developers create new housing or commercial developments.
- Create core mapping layers for the County to add to their current mapping project that will help when applying for funding. Examples include current condition and preservation maps of the residential and commercial properties in the community.

Sandstone

Sandstone has some great attributes, including its proximity to the river, a cute downtown, restaurants, grocery store, and other small-town amenities. In recent years, the housing stock has become more and more renter occupied, and the current figure is that 50% of the properties in Sandstone are rental, although most of the rental units are in single family homes that have been converted to rental. In addition, the number of property tax foreclosures in Sandstone continues to be a problem, and currently those homes are being sold at auction to the highest bidder and most likely being converted to substandard rental units.

The Rock Redevelopment

The former school, now vacant, is listed on the National Register of Historic Places. We recommend that the redevelopment of this former school be a top priority for the City of Sandstone. The redevelopment of this school could bring a new library, new City offices, LIHTC rental units, and an arts incubator to the downtown. We have spoken with two developers that are interested in the redevelopment project, utilizing City Bonding, LIHTCs, and Historic Rehab Tax Credits from both the State of Minnesota and Federal Government.

The redevelopment of this property would be transformational for Sandstone's downtown. Bringing new residents into the downtown, saving a historic building from ruin, and replacing a dangerous property with a beautiful and functional rehabilitated building would change the perception for the community both from within and without the community. Downtown property owners will respond with their own building improvements. Community residents will enjoy a new and expanded library space.

This project is a challenging one, but the rewards will be worth the time and financial investment from the City. Rather than supporting new subdivision development, the City should prioritize the Rock redevelopment.

One method for the City to help finance the Rock is to review the existing bond agreements and the financial structure of the city owned rental townhomes. The City should consider selling the townhomes to build a fund for the Rock redevelopment and other projects.

Property Tax Foreclosures

In our tour of the City, there were a number of properties that were abandoned and were in the process of foreclosure. Rather than let the County sell these properties to the highest bidder, the City should immediately begin a program to purchase these homes. Once purchased, each home should be evaluated to determine the economic feasibility of rehabilitation or the removal of the structure for resale as a developable lot. It is our strong opinion that the continued sale at auction of these foreclosed homes will lead to more and more blight in the community. The City must invest in the existing housing stock and should not be pursuing new subdivision developments at this time.

One Roof Housing is a Duluth-based non-profit housing developer and is interested in Sandstone. Programs should be developed with One Roof and others to rebuild homes on existing tax foreclosed lots and for the rehab and resale of foreclosed homes that can be rehabilitated.

Rental License Program

Ideally the City's rental license program would be rolled together with a new County-wide rental license program. This would free up some staff resources to work on creating the two new programs mentioned above.

Hinckley

The City of Hinckley's commercial and housing development is dominated by the presence of the Casino. Nearly all of the new housing created in Hinckley is developed by the Casino or the Mille Lacs Corporate Ventures (MLCV) organization. The MLCV organization has a master plan for the area near the highway and they have begun the development of the site. A LIHTC project, developed and financed by the MLCV is under construction and the organization has said they intend to continue to develop more of these types of projects both in Hinckley and in other cities where they have casinos.

Because the Casino is such an outsized player in the community's housing market, the City should support the MLCV organization projects. In addition, the City of Hinckley is likely to experience some of the same issues as Sandstone over time, with a declining home ownership rate and more and more substandard rentals. The City should work together with the County to create a County-wide rental licensing program and support its implementation.

The 2016 Maxfield Housing Study for Hinckley suggests that the City (and surrounding area) will have a demand for the following housing units between 2016 and 2025:

- 35 owned housing units and 54 rental units
- Of the 54 RENTAL units, 37% of the demand will be for market rate units, 33% for affordable units, and 30% for subsidized units, or,
 - 20 market rate rental units
 - 18 affordable units
 - 16 subsidized units
- AFFORDABLE SENIOR rental housing demand for the Hinckley area will be 40 units.
- MEMORY CARE and ASSISTED LIVING demand is for 12 units.

During the approximately ten-year time period of the Maxfield Study, the projected demand target for 35 owned housing units will likely be exceeded by the Casino's new construction program for band members. In addition, the affordable housing rental unit demand will be met by the LIHTC project currently under construction by the Mille Lacs Corporate Ventures organization. The City should look to support developers looking to provide additional single family and townhome ownership opportunities as well as market rate rental developments to meet the projected rental need and to diversify the owned home market beyond just band member housing.

The Maxfield Study points to the need for additional senior and assisted living units needed in the City of Hinckley. Aligning this projected demand with existing City land ownership could lead to the redevelopment of the former school site and the Family Dollar parcel.

Our recommended method would be to develop a Request for Proposals (RFP) for senior housing developers to provide their vision for these parcels. If the City receives a legitimate proposal that fits their RFP requirements, the City could work with the developer to provide incentives such as free or reduced cost land and/or infrastructure assistance to make a project feasible.