Housing Growth in Perham

Grow Perham

By David Schornack
About me

- Director of Sales & Business Development for Arvig
  - Managing a variety of Arvig divisions
- MBA from University of Minnesota
- Real estate business for more than 35 years
  - Owner of several small businesses, including rental partnerships of apartment buildings, duplexes, triplexes, houses, and commercial properties
- Married to wife, Denise, for 38 years
  - Three children and seven grand children
Housing Growth in Perham

- Perham community highlights
- Area statistics
- Grow Perham has taken the lead in developing multi-unit housing
- We have experienced great success
- What other housing initiatives are happening in Perham
- Lessons learned
Perham Community Highlights

- Perham has a population of about 3,000 people and is located in the heart of the lakes area in Otter Tail County
- Perham has always been a small town with big ideas
- We work together, play together, and grow together
Perham Major Employers

- Shearers, formerly Barrel O’ Fun (830 employees)
- Perham Health / Perham Living (465 employees)
- Tuffy’s Pet Foods (228 employees)
- Perham / Dent Schools (210 employees)
- Arvig (190 local employees, 700 company-wide)
- Kit Masters (135 employees)
- Kenny’s Candy (121 employees)
- Bongards’ Creameries (120 employees)
- Industrial Finishing Services, “IFS” (80 employees)
Table 1 gives a breakdown of where those who work in Perham commute from. Unfortunately, seventy percent of the data is unaccounted for. For those who are determined to be traveling from outside Perham, New York Mills (3.1%), Detroit Lakes (2.1%), Wadena (2.1%) and Otter Tail City (1.2%) are each popular places where Perham workers live and commute from. An estimated 40 people also travel from Frazee, MN.
Population Statistics

Projected county population changes in Minnesota, 2010-25.

CLAY ▲10.1%
BECKER ▲18.6%
MAHNONEN ▲13.1%
OTTER TAIL ▲9.2%
WILKIN ▲11.3%
NORMAN ▲6.8%

Source: Minnesota State Demographic Center
Fall, 2007

- Concept and organizational meetings
- Group recognized a large housing shortage in Perham
  - Realized that we needed employees to live in Perham for a more stable workforce
  - Recognized that the capital investment had to come from the people who had the most to gain (local businesses owners)
  - Understood that the investment was an investment for the community
  - Realized there would be little to no immediate return on investment
- We asked for a firm commitment at the first meeting of who was in and who was out
- We wanted to utilize local contractors as much as possible
  - Builders
  - Electrical
  - Plumbing
  - Excavating
  - Banks
- Initial investment was $10,000 per share
December, 2008

- Initial 14-unit apartment building opens up
  - 1-bedroom: 2
  - 2-bedroom: 8
  - 3-bedroom: 4
  - with garages
- Within three months, the apartment was fully rented
- Construction costs were $1.02m
- We were able to raise capital of $297,000
October, 2009

- Second 14-unit building opened
  - 1-bedroom: 2
  - 2-bedroom: 8
  - 3-bedroom: 4
  - With garages
- Apartment was full within two months
- Construction costs were $1.03m
- Capital raised was $297,000 again
2010

- The housing crisis occurred
- It was more difficult to buy a house
  - Credit was tighter
- Renter mix was different than we originally had thought
  - Teachers
  - Professionals
  - Older people
- Interest rates were low, enabling us to cash-flow the apartments
October, 2011

- Third building constructed, 12-units
  - 2-bedroom: 8
  - 3-bedroom: 4
  - With garages
- Construction costs of $1.26m
- Raised capital of $387,000
- Grow Perham accepts Perham Capital property next to current apartments as equity in Grow Perham
- Group decides to add more character and finish to exterior of building
2012

- **June: Fourth building, 14-units**
  - 1-bedroom: 2
  - 2-bedroom: 8
  - 3-bedroom: 4
  - With garages
  - Unit fills up in three months

- **October: Fifth Building, 16-units**
  - Construction starts on another 16-unit apartment
  - Construction costs of $1.34m
  - Capital raised was $419,000
2013

- May: 14-unit apartment
  - 1-bedroom: 4
  - 2-bedroom: 8
  - 3-bedroom: 2
  - Apartments fill quickly

- September:
  - Construction starts on a 16-unit building
  - Construction costs of $1.46m
  - Capital raised was $507,750
• January – Hired property manager

• April – Purchased Country Pine Apartments (24 units) for $819,500
  • Capital raised was $291,875

• June – 16-unit apartment opens
  • 1-bedroom: 8
  • 2-bedroom: 8
  • With garages
  • Fills up quickly – the smaller units seem to fill faster

• June – Roach constructs 8 4-plexes across the street from Grow Perham apartments
  • All units are ground level with attached garages
  • Older residents, units fill up quickly
2015

- June – Constructed 20-unit apartment (all 1-bedroom):
  - Construction costs of $1.76m
  - Capital raised was $571,550
  - Units were all rented within 30 days

- June – Constructed 24-unit efficiency apartment (21 efficiencies, 3 1-br):
  - Construction costs were $870,900
  - Capital raised was $182,980
  - Starter units, rent is only $395/mo.
  - Received tax abatement
2016

- September – Started construction on 24-unit workforce apartment
  - Cost of construction was $2.6m
  - Capital raised was $150,000
  - Received tax abatement for $353,000
  - Received workforce grant of $620,000 from the state of MN
  - Planned construction completion for June 2017

- October – Purchased 18-unit Highland Apartments
  - Cost of $877,500
  - Capital raised was $220,000
Current Status / Summary

- 10 buildings as of today
- 156 current units (almost 100% full)
- 180 total with the workforce apartment
- Currently there are more than 220 people in total living in the units
- All units are rented at market rates
- 24-unit apartment under construction will be completed June, 2017
- Total approximate construction costs of $13m
- Total capital raised of $3m
- Average cost per unit is approximately $72,407
- Current ownership consists of 23 partners
- TIF funds, tax abatement, and state grants being utilized
Other Housing Developments

- Perham Capital – Westwind
  - Developing residential lots
  - Have three spec houses under construction
  - More than 100 houses have been built in this development since 2000

- City of Perham
  - Developing residential and commercial lots next to Perham Schools and Perham Hospital

- Essers / Hemmelgarn
  - Developing residential lots
  - Building spec houses

- Low/middle income 24-unit apartment complex. Started construction in September, 2016
• It takes all of us working together to make a community grow
• We need buy-in from the investors that their investment will make a difference
  • People with a vested interest in the community need to be investors in solving the housing issues
• People living in the apartments become more vested in their jobs and in their communities
• Employees living in the community in which their job is located stay longer at that job
• Housing takes on many forms:
  • Apartments
  • Single-family housing
  • Senior housing
  • Assisted living
• Local public support is vital to the success of the project
• Don’t wait for the government to solve your housing issues
• Balanced housing is the key to long-term growth within the community
• It takes one person to take the lead and 40+ to make it happen
We need to grow Perham’s population by 200 people per year for the next five years to keep up with job growth