

City of Watertown Residential Marketing Campaign



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Executive Summary

This report was commissioned by the Resilient Communities Project (RCP) in order to identify the factors most important to first-time homebuyers as well as the aging Baby Boomer population when making home purchasing decisions. The information gathered was used to aid in the development of a housing analysis for both populations and marketing framework. Currently, Watertown is experiencing a lower volume of residents moving into the area, less new home construction, and fewer home loan requests than their neighboring communities. Subsequently, both social and economic growth is suffering.

Housing stock analysis of both first-time homebuyers and the aging residents of Watertown has revealed a need for housing specific to both populations. However, the city of Watertown is a bustling community that boasts a great deal of amenities and services that are appealing to all walks of life. As a result, it is highly recommended that the city of Watertown, in conjunction with the framework proposed below and strategies of a professional team, develop a marketing campaign communicating these amenities and services to draw first-time home buyers to the community and demonstrate to prospective residents that Watertown supports citizens at every stage of their lives.

Introduction

Watertown, located in Southern Minnesota, resides in Carver County and offers a diverse amalgamation of amenities, services, and a peaceful, small-town personality. It is an idyllic place to raise a family or retire in. Yet, the city of Watertown faces unique challenges when addressing the housing needs of first-time homebuyers and the elder demographic. This report addresses the

low volume of new residents moving to Watertown, as well as the lack of transitional housing units for Baby Boomers aging out of their homes.

The report first explores the demographics of Watertown as they compare to greater Carver County, specifically younger to middle-aged residents and the Baby Boomer population. This is followed by an analysis of the housing stock found in Watertown in terms of what impact housing, or lack thereof, may have on the community. It goes on to discuss the factors that have been found to be of utmost importance to first-time homebuyers as well as the elderly when shopping for homes, which was utilized to develop a marketing framework that may potentially be used to draw in new residents and retain aging residents.

General Demographics & Demographics of Target Markets

According to the 2010 United States Census, the total population of Watertown was 4,205. As illustrated in Figures 1 and 2, the population of Watertown has steadily increased since 1940, as has the population of greater Carver County. In order for the population of Watertown to expand as it has over previous decades, it is imperative that young residents looking to purchase their first home continue to migrate to the community and new housing units be developed for the elderly.

Figure 1: Total Population of Carver County 1940-2010

	1940	1950	1960	1970	1980	1990	2000	2010
Total Population	17,606	18,155	21,358	28,331	37,046	47,915	70,205	91,042

(US Census Bureau, 2010)

Figure 2: Total Population of Watertown 1940-2010

	1940	1950	1960	1970	1980	1990	2000	2010
Total Population	737	837	1,046	1,390	1,818	2,515	3,167	4,205

(US Census Bureau, 2010)

Carver County is home to residents of all ages, with Baby Boomers, those born between the years of 1946 and 1964, constituting 20.6% of the overall population. First-time homebuyers, those between the ages of 30 to 39, make up 13.6% of the population overall. The number of Baby Boomers residing in Watertown constitutes 25.2% of the population while first-time homebuyers compose 30.0% (US Census Bureau, 2010).

The following is a discussion and analysis of the current housing stock found in Watertown in relation to resident demand, income, and age, focusing specifically on first-time homebuyers and Baby Boomers.

Housing Stock Analysis

In Carver County, the area median income for a household of four is \$87,000. Eighty percent of the area median annual for a four-person household is \$67,000, which is considered low income. Very low income is marked at fifty percent of the area median annual income for a four-person household and is \$43,000. The area median income for Watertown as of 2010 was \$62,244. Both first-time homebuyers and the older Baby Boomer generation struggle with lack of affordable housing options in the community.

According to former HUD secretary and author Henry Cisneros, the aging population will explode by 2030, making those older than 65 an enormous portion of the country's population. Cisneros also states that 64% of Americans can expect to live to the age of 75 and

35% to age 85 (Cisneros, 2012). Watertown and greater Carver County serve as prime examples of locations where seniors may not be adequately supported residentially or financially.

According to the US Department of Housing and Urban Development, Carver County offers 25 affordable rental properties, for a combined total of 1,048 units. Of those 25 properties, only seven provide housing for seniors, at 204 units total. Only 59 of those units include federal support from Sec 202, which is directed at seniors (Carver County, 2010). Because there are so many aging Baby Boomers in this area and so few affordable rental units available to them, there are bound to be situations in which seniors need affordable rental units because they can no longer afford to live in or modify their existing homes. This is especially the case in Watertown. Although there are various levels of care centers found in Watertown, the downsized rental options are slim, especially on a budget. The sheer size of the Baby Boomer generation supports the fact that it is imperative to prepare for and accommodate an aging population, especially when it comes to housing them. Baby Boomers who are aging out of their homes and are unable to maintain their homes, can no longer make their way around their homes, or who are simply looking to downsize before they move to nursing homes or assisted living do not have many options in Watertown. The community must develop a larger supply of transitional rental units for the aging in order to properly accommodate older residents.

As of April 2016, there were 40 single family homes for sale in Watertown. Households with very low income, earning up to \$43,000 annually, would only be able to afford four of these 40 homes. These homes range in price from \$109,000 to \$174,000. Households with low income (up to an 80% area median income) would have an additional 18 homes to choose from. These homes range in price from \$187,000 to \$275,000. There are an additional 14 households

available for people with median incomes. These homes range in price from \$276,000 to \$349,000. In regards to buildable residential lots, there are 35 lots priced from \$31,000 to \$59,000. The median lot price is \$44,900. According to *Builder Magazine*, the average price per square foot for a new home construction is \$100, not including the lot. So, purchasing a lot and then building on that lot would cost anywhere from \$231,000 to \$259,000. This would be an affordable home option for households in the 80% area median income range, which are households that earn approximately \$67,000 per year (considered low income). After reviewing the current housing stock of Watertown in comparison to median income levels, it appears as though homes are appropriately priced but first-time homebuyers are unable to afford the majority of the homes on the market in Watertown based on their annual income. In order for Watertown to successfully draw new residents to the area, it is imperative that they develop more affordable housing units, provide first-time homebuyer education, and consider incentive packages to open the housing market to more potential homebuyers.

Because purchasing a home for the first time may prove to be financially daunting for those buyers who fall within the lower to median annual income brackets, and therefore may bar many from doing so, it may also be useful for Watertown to develop assistance programs in order to assist first-time buyers in the successful purchase of a home. Numerous counties throughout Minnesota offer assistance and incentive programs to boost the volume of residents moving to their community and purchasing a home. These programs have been highly successful in the past and have aided in making the dream of owning a home a reality for many who would not have been able to do so in the past. The following is a discussion of just a few of these

programs, which Watertown may benefit from replicating in order to draw new homeowners to the area.

First-Time Homebuyer Incentive Programs of Neighboring Communities

Counties surrounding Carver have developed various programs that provide incentives to attract first-time homebuyers to their area. Although these programs are supported on a larger scale by entire counties, it may be useful for the city of Watertown to follow suit and offer similar incentives to draw new residents in, even if they may be on smaller scale.

Ramsey County, for example, offers a first-time homebuyer assistance program valuing up to \$10,000. The Ramsey County Down Payment Assistance Program works as a second “community” loan. The mortgage is considered the first or “primary” loan. The community loan assists with any closing or down payment expenses. For instance, if a buyer wants to purchase a \$200,000 home, they will need 3.5% of that amount as a down payment (\$7,000). The buyer will also need \$6,000 for closing costs (if the home seller is not willing to pay the closing costs). This totals \$13,500 required to purchase the \$200,000 home, at which point the assistance program comes into play. The community loan covers \$10,000 of fees, requiring the buyer to pay only \$3,500 out of pocket. The Ramsey County Down Payment Assistance Program is a zero interest, deferred loan. This means that the homebuyer does not need to make monthly payments. The buyer is responsible for repaying the loan only once they have finished paying off the primary loan, decide to refinance the home, or transfer the title to another relative.

Dakota County also offers a first-time homebuyer assistance program of up to \$10,000. The Dakota County Down Payment Assistance Program is also a zero interest, second community loan that is deferred and is similar to the Ramsey County program. The only

difference is that the Dakota County Down Payment Assistance Program must be paired with a specific loan product, the Minnesota Housing Finance Agency (MHFA)'s "Start Up" loan. The buyer must have a 640 credit score to qualify for a conventional MHFA loan and a 660 credit score to qualify for an FHA MHFA loan.

These programs are just two examples of the countless methods and programs utilized by Minnesota communities to attract new residents looking to purchase their first home and make their dreams of homeownership a reality. Admittedly, a program out of Watertown may not be valued as high as those in neighboring regions due to resources and size, but supporting first-time homebuyers financially is something that would greatly expand the town's younger population. Even if potential homebuyers did not end up settling in Watertown, an incentive program would draw them in and make them aware of the countless ways in which Watertown will meet their needs and cater to the factors that they feel are important when shopping for a home and community.

Important Factors in Homebuying Process

When targeting young families and first-time homebuyers, it is important to consider the factors that they value most when selecting a home and community.

When shopping for their first home, potential home buyers consider factors such as affordability, low crime rates, walkability, a variety of amenities, services, and retail within their community, positive relationships with neighbors, safety, ease of transportation, a reasonable time of commute to and from employment, vibrant nightlife, and community involvement. Those first-time homebuyers with children seek to move to communities with well-rated schools, safe and convenient outdoor spaces where their children can play, and an adequate number of

children for their children to play with. First-time homebuyers, when shopping for their future community, also enjoy areas that boast a variety of residential housing types, such as rental apartments or condos, mixed use buildings, large-scale developments, and single-family homes (Zillow, 2013). Watertown offers many of these elements. It is a bedroom community to larger cities in all directions and therefore is within a 30 minute commute of employment, but also offers ample employment opportunities within town in the sales, insurance, and service sectors. There are various schools in town, downtown Watertown is vibrant and unique, there are amenities available, especially outdoors, and the small-town lifestyle and family-friendly personality of Watertown creates peace of mind for parents raising children here.

Because the proportion of aging Baby Boomers to other age groups is presently higher across the board than it has ever been in the past, it is of utmost importance that existing housing stock is modified to accommodate their needs as they age and future housing supply is designed with both the elderly and disabled in mind. Obviously, as people age, their health becomes more fragile, basic sensory functions and everyday tasks become difficult or completely impossible to manage, seemingly harmless household items become a threat to safety, and their housing needs change in response (Cisneros, 2012). Homes must be supportive of aging in place and should preserve homeowner independence across the entirety of their lifespan. Future residences best suited for aging in place should ideally be one level, with a gradual incline leading from inside to outdoors, rather than steps. Basic accommodations such as installing bathroom grab bars, more lighting, replacing carpet with hardwood flooring, and easy to operate appliances, technology, and safety features have the potential to transform a previously unsupportive home into one that is accommodating of all need levels (SeniorLiving, 2015).

The built environment is not the only concern aging Baby Boomers are faced with, however. Installing accommodations in a residential home, building a home that supports aging in place, simply affording existing mortgage payments, or taking up residence in assisted living facilities are all paramount when retirement is looming. At this point in an individual's life, they are either nearing the end of their steady income, are currently in retirement, or are forced to return to work because their retirement funds are inadequate to support them. Research recently conducted by the Insured Retirement Institute found that "70 percent of middle-income Boomers are not confident in having enough money to live comfortably in retirement" (SeniorLiving, 2015). Because such a large number of people will be aging into retirement at the same time, it is necessary to take steps in order to make it financially feasible to house them properly and ensure they have the financial support they need to live as independently and as healthily as possible.

Factors such as ease of transportation, walkability, community services such as volunteer taxis, availability of in-home care, meal preparation assistance, home cleaning and maintenance, personal care aid, flexibility in selecting care packages, easy accessibility to those that provide in-home care, availability of community involvement opportunities, and low crime rates are of utmost importance when an elderly individual is considering where to move next as they age out of their homes. Watertown is supportive of aging residents in many ways. The community offers multiple health care facilities, assisted living, memory care units, and nursing homes. Multiple outdoor amenities such as ponds, trails, and parks are open to the public. There are community programs available such as a volunteer taxi service. The small size of Watertown not only makes for ease of getting around town, but it also provides distance from the chaos and fast pace of city living that can be stressful to aging individuals.

When the aging demographic is ready to move out of their homes but do not yet require the level of care that nursing homes or assisted living facilities provide, they require a range of a form of transitional housing to settle into. At this point in their lives, they are seeking a smaller residence that does not require the maintenance of their previous home. They may also seek a smaller arrangement because they have become unable to access various parts of their home due to the inability to climb stairs, etc. These transitional options must be affordable and accessible. It may also be useful to only allow those of a certain age group in these developments so as to ensure availability to those who would truly benefit.

Marketing Framework

Based on the above analysis of current housing stock found in Watertown, the factors that potential home buyers take into account when considering a home, and the issues and goals outlined by the city's comprehensive plan, it is imperative that an innovative marketing strategy be utilized to draw new residents to the area and boost resident confidence that Watertown is a community in which they may comfortably and affordably live at any stage of their lives. Therefore, the proposed theme of an effective marketing campaign would be that of "life cycle housing" or a "life cycle community". More specifically, Watertown must be marketed as a community that offers adequate housing, services, and amenities for those at every phase of life, whether they are young families, first- and second-time home buyers, middle-aged singles, Baby Boomers who are downsizing due to age, or those who are in need of additional care and support in their day-today activities.

When developing a campaign that targets first-time home buyers, it would be pertinent to emphasize the family-friendly, small-town lifestyle that Watertown provides its residents while

also being within a reasonable commute to neighboring communities and employment opportunities as well as the Twin Cities. Factors such as low crime rates, a vibrant downtown, a wealth of outdoor amenities, commercial opportunity, and a variety of area schools are also important to include in the campaign when targeting young, first-time home buyers.

When targeting the older demographic who are aging out of their homes but are not yet ready for the assistance that nursing homes or assisted living provide, it is important to highlight the fact that new, transitional developments are within walking distance of many services and amenities, crime rates are low, medical services are ample, and the pace of small-town life is stress-free. Transitional housing developments and, for those remaining independently in their homes, should provide the option of care services such as transportation, home cleaning and maintenance, and meal programs.

Regardless of a resident's stage in the cycle of life, Watertown can cater to all needs. Home prices are relatively affordable in relation to the budgets of first-time home buyers, there is a vibrant downtown and schools for their children to attend, a wealth of employment opportunities are available in surrounding regions, and, if they need a change of pace from the small-town lifestyle of Watertown, they are just a short commute to the bustling Twin Cities. As residents age out of their homes, they will have multiple options for housing and care in the area, no matter the level of care that they may require.

As for sharing the campaign with the public, there are countless methods of doing so. Many people today expect that a high level of information be available through the Internet. Property web pages, apartment search engines, and locator services are often consulted as the first step in any apartment or home search. A carefully planned and well-executed profile should

be created to obtain the best possible position on these web-based platforms. Again considering the importance of technology in the lives of today's younger generations, it would be imperative that multiple social media campaigns be utilized. These sources may include but are not limited to: Facebook, Craigslist, Twitter, and Instagram. A mobile-friendly version of the campaign's website and a presence on community message boards should also be explored. More traditional marketing efforts like advertising in neighborhood editions of the community newspaper, local magazines, and apartment directories will also be used to reach potential residents who seek information in a non-digital format. It may also be useful to share postings in community centers and other establishments where the aging demographic frequents so that they see campaigns for new transitional housing. This may, in turn, cultivate a casual and informal relationship between community centers, new housing developments, and the elderly.

Conclusion

As Carver County expects growth in the coming decades to be among the strongest in the state (Carver County, 2010), the need to understand resident demographics and housing stock will be crucial to managing development and maintaining the character that its communities desire while providing housing to an expanding, aging and diversifying population. As the county grows and ages it will face challenges providing affordable housing for young families and first-time homebuyers as well as retired individuals who wish to age in their communities. Watertown is one such community in which these issues are currently present, as illustrated by the above housing analysis. Expansion of current housing stock and appreciation of the factors that are important to first-time homebuyers and the elderly in home selection are paramount for the growth and vitality of Watertown.

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