



Comprehensive Housing Needs Analysis

City of Elk River



Maxfield
Research & Consulting



Maxfield
Research & Consulting

December 4, 2015

Ms. Amanda Othoudt
Economic Development Director
City of Elk River
13065 Orono Parkway
Elk River, MN 55330

Dear Ms. Othoudt:

Attached is the *Comprehensive Housing Needs Analysis for the City of Elk River, Minnesota* conducted by Maxfield Research and Consulting LLC. The study updates the previous housing study completed in 2012 during the economic downturn and projects housing demand from 2015 through 2025. The updated study provides recommendations on the amount and type of housing that could be built in Elk River to satisfy demand from current and future residents over the next decade.

The study identifies a potential demand for over 1,500 new housing units in Elk River over the remainder of the decade and beyond (2015 to 2025, including a variety of housing options). Demand will be spread across all product types; including 787 for-sale units, 442 general-occupancy rental units, and 296 senior units. The existing single-family finished lot supply is dwindling; therefore new platted developed lots will be needed soon to meet future housing demand. Detailed information regarding recommended housing concepts can be found in the *Conclusions and Recommendations* section at the end of the report.

We have enjoyed performing this study for you and are available should you have any questions or need additional information.

Sincerely,

MAXFIELD RESEARCH AND CONSULTING LLC

Matt Mullins
Vice President

Brian Smith
Research Associate

Attachment



612-338-0012 (fax) 612-904-7979
7575 Golden Valley Road, Suite 385, Golden Valley, MN 55427
www.maxfieldresearch.com

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	1
DEMOGRAPHIC ANALYSIS	6
Introduction	6
Elk River Study Area Definition	6
Population and Household Growth Trends and Projections	8
Population Age Distribution Trends	9
Household Income	11
Tenure by Age of Householder	14
Household Type	15
Tenure by Income	18
Net Worth by Age of Householder	20
EMPLOYMENT ANALYSIS	22
Employment Growth Trends	22
Major Employer Interviews	28
HOUSING CHARACTERISTICS	31
Introduction	31
Residential Construction Trends 2000 to Present	31
American Community Survey	33
Age of Housing Stock	33
Housing Units by Structure and Occupancy or (Housing Stock by Structure Type)	35
Housing Units by Occupancy Status and Tenure	37
Owner Occupied Housing Units by Mortgage Status	38
Owner-Occupied Housing Units by Value	39
Renter-Occupied Units by Contract Rent	40
RENTAL MARKET ANALYSIS	41
Introduction	41
General Occupancy Rental Projects	41
Pending Rental Developments in Elk River	49
Rental Market Interview Summary	50
SENIOR HOUSING ANALYSIS	51
Senior Housing Defined	51
Senior Housing in Elk River	52

TABLE OF CONTENTS
(continued)

	<u>Page</u>
FOR-SALE MARKET ANALYSIS	59
Introduction.....	59
Overview of For-Sale Housing Market Conditions	59
Home Resales by Price	64
Home Resales per Square Foot ("PSF").....	65
Current Supply of Homes on the Market.....	67
Elk River Lot Supply	73
 HOUSING DEMAND ANALYSIS	 78
Introduction	78
Demographic Profile and Housing Demand	78
Housing Demand Overview	79
Estimated Demand for For-Sale Housing.....	83
Estimated Demand for General Occupancy Rental Housing	84
Estimated Demand for Independent Adult Few Services Senior Housing	86
Estimated Demand for Affordable Independent Senior Housing.....	88
Estimated Demand for Subsidized Senior Housing	89
Estimated Demand for Congregate Senior Housing	90
Demand Estimate for Assisted Living Housing	92
Estimated Demand for Memory Care Housing.....	94
 RECOMMENDATIONS AND CONCLUSIONS	 97
Introduction/Overall Housing Recommendations.....	97
Recommended Housing Product Types	100
For-Sale Housing	100
General Occupancy Rental Housing.....	105
Senior Housing	107
 Challenges and Opportunities	
Challenges and Opportunities.....	110
 APPENDIX - DEFINITIONS	 113

LIST OF TABLES

<u>Table Number and Title</u>	<u>Page</u>
D1. Population and Household Growth Trends and Projections, Elk River, 1990 to 2025 .	9
D2. Population Age Distribution, Elk River, 2000, 2010, 2015, and 2020.....	10
D3. Household Income by Age of Householder, Elk River, 2015 & 2020.....	13
D4. Tenure by Age of Householder, Elk River, 2000 and 2010	16
D5. Household Type Trends, Elk River, 2000 and 2010	17
D6. Tenure by Household Income, Elk River, 2000 and 2013*	20
D7. Net Worth by Age of Householder, Elk River, 2015	21
E1. Resident Employment, Sherburne County, 2000 – 2015*	24
E2. Covered Employment Trends, Elk River, 2000, 2005, 2010, and 2014	25
E3. Major Employers, City of Elk River, June 2012	32
HC1. Residential Construction, City of Elk River, Annual Building Permits Issued, 2000 to 2015*	32
HC2. Age of Housing Stock, Elk River, 2013*	34
HC3. Housing Stock by Units in Structure, Elk River, 2000 and 2013*	36
HC4. Housing Stock by Occupancy Status and Tenure, Elk River, 2000 to 2020.....	37
HC5. Housing Units by Mortgage Status, Elk River, 2013*	48
HC6. Units by Value, Elk River, 2013*	39
HC7. Units by Contract Rent, Elk River, 2013*	40
RM1. General Occupancy Rental Housing, City of Elk River, October 2015	43
RM2. Common Area Features/Amenities, City of Elk River, October 2015.....	46
SH1. Senior Housing Units By Type, City of Elk River, October 2015.....	52
SH2. Senior Housing, City of Elk River, October 2015.....	53
SH3. Unit Features/Building Amenities/Services, Existing Senior Housing, City of Elk River, October 2015	55
FS1. Home Resales, City of Elk River, 2000 to June 2015.....	60
FS2. Single Family and Multifamily Residential Sales, City of Elk River, 2000 through 2015	62
FS3. Home Resales by Sales Price & Product Type, City of Elk River, 2014.....	64
FS4. Housing Sales Per Square Foot (PSF), Elk River, 2005 to June 2015.....	66
FS5. Homes Currently Listed For-Sale, City of Elk River, August 2015	68
FS6. Active Listings by Housing Type, Elk River, August 2015	69
FS7. Active Listings by Housing Type, Elk River, August 2015	70
FS8. Active Listing by Year Built, Elk River, August 2015.....	72
FS9. Subdivision & Lot Inventory – Detached Housing Units, City of Elk River, 2 nd Quarter 2015	74
FS10. Subdivisions & Lot Inventory – Attached Housing Units, City of Elk River, 2 nd Quarter 2015	75

LIST OF TABLES
(continued)

<u>Table Number and Title</u>	<u>Page</u>
FS11. Vacant Lot for Parcels Platted, Sherburne County, 2000 to Present	76
HD1. For-Sale Housing Demand, Elk River, 2015 to 2025	77
HD2. Rental Housing Demand, Elk River, 2015 to 2025	78
HD3. Market Rate Adult/Few Services Housing Demand, Elk River, 2015 & 2020	80
HD4. Affordable Independent Senior Housing Demand, Elk River, 2015 & 2020	82
HD5. Subsidized Independent Senior Housing Demand, Elk River, 2015 & 2020	83
HD6. Market Rate Congregate Housing Demand, Elk River, 2015 & 20120	84
HD7. Market Rate Assisted Living Demand, Elk River, 2015 & 2020.....	87
HD8. Memory Care Demand, Elk River, 2015 & 2020	90
CR1. Summary of Housing Demand, City of Elk River, November 2015.....	97
CR2. Recommended Housing Development, City of Elk River, 2015 to 2025	99
HA4. Elk River Area Housing Affordability – Based on Household Income	110

Purpose and Scope of Study

Maxfield Research and Consulting LLC was engaged by the City of Elk River to update the *Comprehensive Housing Needs Analysis* for the City of Elk River that was completed in 2012. The Housing Needs Analysis provides recommendations on the amount and types of housing that should be developed in order to meet the needs of current and future households who choose to reside in the City.

The scope of this study includes: an analysis of the demographic and economic characteristics of the City; a review of the characteristics of the existing housing stock and building permit trends; an analysis of the market condition for a variety of rental and for-sale housing products; and an assessment of the need for housing by product type in the City. Recommendations on the number and types of housing products that should be considered in the City are also supplied.

Demographic Analysis

- The City of Elk River is forecast to add an additional 1,602 people and 742 households between 2010 and 2020.
- The population in Elk River is aging and older age cohorts are accounting for a significant percentage of the total population. Over the next five years, the age 55 to 64 cohort will continue to have the highest growth numerically (791 people, or 38%), but significant growth is also forecast in the age 65 to 74 cohort (716 people, or 60%) and 75+ households (262 people, or 27%). Older adults and younger seniors (those between the ages of 55 and 74) in these high growth age cohorts are the target market for active adult housing products.
- The overall median household income in 2015 in Elk River is estimated at about \$78,300. This is substantially higher than the Twin Cities Metro Area at \$67,795.
- Between 2000 and 2010, homeownership rates increased from 78.3% to 80.2% in the City of Elk River
- The County's unemployment rate of 4.2% in 2015 is slightly higher than the State of Minnesota (3.9%) and lower than the Nation (5.5%).

Housing Characteristics

- In total, Elk River is reported to have approximately 8,810 housing units, of which about 6,650 are owner-occupied, 1,602 are renter-occupied, and 457 are vacant as of 2015.
- Owner-occupied housing units account for about 78% of the City's total housing stock.

EXECUTIVE SUMMARY

- The City of Elk River issued permits for the construction of 2,704 new residential units from 2000 to 2010. That equates to 246 units annually. However, 91.5% of development occurred from 2000 to 2006. New residential construction declined significantly from 2006 through 2012. Permits have increased since the recession but not near the levels they were in the early 2000s.
- Approximately 81% of Elk River homeowners have a mortgage. About 24% of homeowners with mortgages also have a second mortgage or home equity loan. Comparatively, about 66% of homeowners in the United States have a mortgage.

Rental Housing Market Analysis

- In order to assess the current market conditions for rental housing in Elk River, Maxfield Research and Consulting LLC conducted an inventory of subsidized (i.e. housing that is income-restricted to households earning at or below 30% of the Area Median Income), affordable (i.e. housing that is income-restricted between 30% and 80% of the Area Median Income) and market rate (i.e. housing that is not income-restricted) projects located in the City.
- In total, Maxfield Research inventoried 931 general occupancy market rate rental units in the City of Elk River spread across 22 multifamily developments (16 units and larger). At the time of the survey, there 49 vacant units (5.3%). Of which 28 vacancies were located in Elk Park Estates that recently underwent a change in management. Excluding Elk Park Estates, the market rate vacancy rate totals 2.3%. Typically, a healthy rental market maintains a vacancy rate of roughly 5%, which promotes competitive rates, ensures adequate consumer choice, and allows for unit turnover.
- Elk River has a total of 54 subsidized units within two buildings and 244 affordable units across five developments. The buildings feature a variety of unit types that cater to a wide-spectrum of household types. There were four units vacant at the time of the survey for a rate of 1.3%. A healthy income based rental market typically maintains roughly a 3.0% vacancy rate.
- Coachman Ridge (Tax-Credit) recently opened in November of 2015 with 52 units. All of the units were leased prior to opening.
- Low vacancy rates in all general occupancy rental products indicate pent-up demand for additional rental housing in Elk River.

Senior Housing Market Analysis

- There are eight senior housing facilities located in Elk River with a total of 412 units. There were three vacant rental units and one ownership unit for sale at the time of the survey. This equates to a vacancy rate of 1.0%. This indicates a need for additional senior housing units.
- Guardian Angels by the Lake are the only facility that offers senior housing with services. The development contains 60 assisted living units and 30 memory care units. The recent expansion absorbed quickly and the units have remained steadily occupied.

For-Sale Housing Market Analysis

- The average and median resale price of homes in Elk River was approximately \$216,840 and \$209,975 respectively as of June 2015. The median sales price over the last decade peaked in 2005. From 2005 to 2011, median sales prices have declined by 44%. Since 2011, the median sale price has recovered increasing by 59% through June 2015.
- Home sales have remained relatively steady in Elk River with an average of roughly 400 homes annually in Elk River since 2010. Considering that Elk River has a supply of nearly 6,500 owned homes in 2010, this represents turnover of almost 6% of the owned homes annually.
- The median list price of homes for sale in Elk River was about \$245,960 in June 2015. Based on a median list price of \$245,960, a household would need an income of about \$63,225 in order to afford to make monthly housing payments of about \$1,245 (assuming a 10% down payment, 3.75% 30-year fixed mortgage). A household with significantly more equity (in an existing home and/or savings) could put more than 10% down and afford a higher priced home. About 67.8% of Elk River households have annual incomes at or above \$63,225.
- As of July 2015, Elk River had a total of nearly 200 vacant lots within 25 subdivisions. All of the subdivisions were platted between 2000 and 2014. Only 3% of Lots were platted after 2010.
- The lot supply benchmark for growing communities is a three- to five-year lot supply. This supply of lots is appropriate as it provides adequate consumer choice but minimizes developers' carrying costs. Given the number of existing platted lots and the annual absorption of single-family lots over the past few years, we conclude that Elk River is currently just under a three-year lot supply indicating the need for additional platted lots.

Housing Needs Analysis

- Based on our calculations, demand exists for the following general occupancy product types between 2015 and 2025:
 - Market rate rental 265 units
 - Affordable rental 133 units
 - Subsidized rental 44 units
 - For-sale single-family 601 units
 - For-sale multifamily 186 units
- In addition, we find demand for multiple senior housing product types. By 2020, demand for senior housing is forecast for the following:
 - Active adult ownership 0 units
 - Active adult market rate rental 77 units
 - Active adult affordable 42 units
 - Active adult subsidized 0 units
 - Congregate 102 units
 - Assisted living 47 units
 - Memory care 28 units

Recommendations and Conclusions

- Based on the finding of our analysis and demand calculations, the chart on the following page provides a summary of the recommended development concepts by product type for the City of Elk River through 2025. Detailed findings are described in the *Conclusions and Recommendations* section of the report.

EXECUTIVE SUMMARY

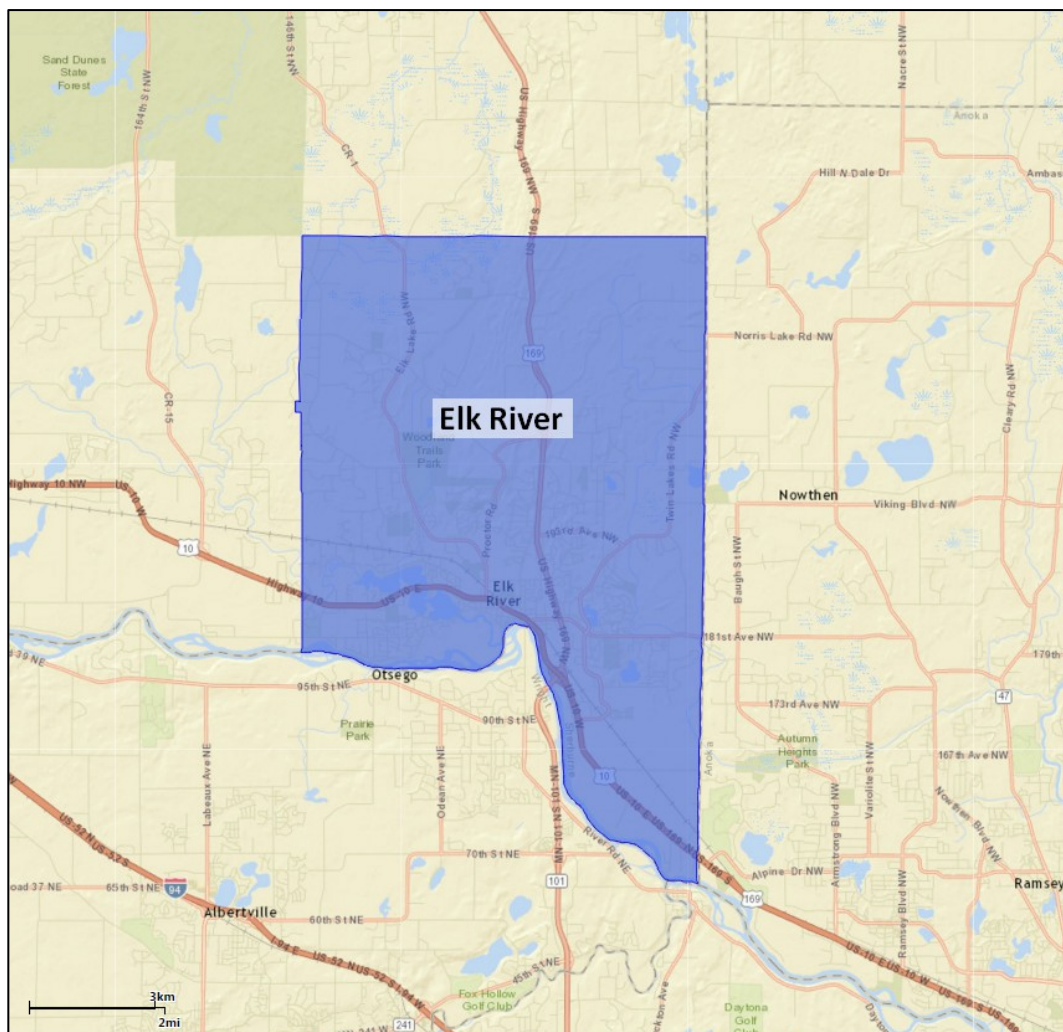
RECOMMENDED HOUSING DEVELOPMENT					
CITY OF ELK RIVER					
2015 to 2025					
		Purchase Price/ Monthly Rent Range ¹	No. of Units	Pct. of Total	Development Timing
Owner-Occupied Homes					
Single Family ²					
	Entry-level	>\$225,000	175 - 200	31%	2016+
	Move-up	\$250,000 - \$350,000	320 - 350	56%	2016+
	Executive	\$350,000+	75 - 80	13%	2017+
	Total		570 - 630	100%	
Townhomes/Detached Townhomes/Twinhomes ²					
	Entry-level	>\$200,000	50 - 60	31%	2018+
	Move-up	\$200,000+	110 - 130	69%	2016+
	Total		160 - 190	100%	
Total Owner-Occupied			730 - 820		
General Occupancy Rental Housing					
Market Rate Rental Housing					
	Apartment-style	\$950/1BR - \$1,450/3BR	180 - 200	78%	2017+
	Townhomes	\$1,200/2BR - \$1,500/3BR	50 - 60	22%	2016+
	Total		230 - 260	100%	
Affordable Rental Housing					
	Apartment-style	Moderate Income ³	90 - 100	73%	2017+
	Townhomes	Moderate Income ³	30 - 40	27%	2016+
	Total		120 - 140	100%	
Total Renter-Occupied			350 - 400		
Senior Housing (i.e. Age Restricted)					
	Active Adult Affordable Rental	Moderate Income ³	40 - 42	27%	2016+
	Active Adult Market Rate Rental ⁴	\$900/1BR - \$1,200/2BR+	50 - 60	36%	2019+
	Independent Living (Congregate)	\$1,750/1BR - \$1,950/2BR	60 - 80	45%	2018+
	Assisted Living	\$2,750/EFF - \$4,000/2BR	40 - 50	29%	2017+
	Memory Care	\$4,000/EFF - \$5,000/2BR	26 - 28	18%	2017+
	Total		144 - 164	100%	
Total - All Units			1,224 - 1,384		
¹ Pricing in 2015 dollars. Pricing can be adjusted to account for inflation.					
² Recommendations include the absorption of some existing previously platted lots.					
³ Affordability subject to income guidelines per MHFA. See Table HA-1 for Sherburne County Income limits.					
⁴ Alternative development concept is to combine active adult affordable and market rate active adult into mixed-income senior community					
Note - Recommended development does not coincide with total demand. Elk River may not be able to accommodate all recommended housing types based on a variety of factors (i.e. development constraints, land availability, etc.)					
Source: Maxfield Research & Consulting, LLC					

Introduction

This section of the report examines factors related to the current and future demand for for-sale and renter-occupied housing in Elk River, Minnesota. It includes an analysis of population and household growth trends and projections, employment data, projected age distribution, household income data and household tenure data for Elk River. A review of these characteristics provides insight into the demand for various types of housing in Elk River over the next decade.

Elk River Study Area Definition

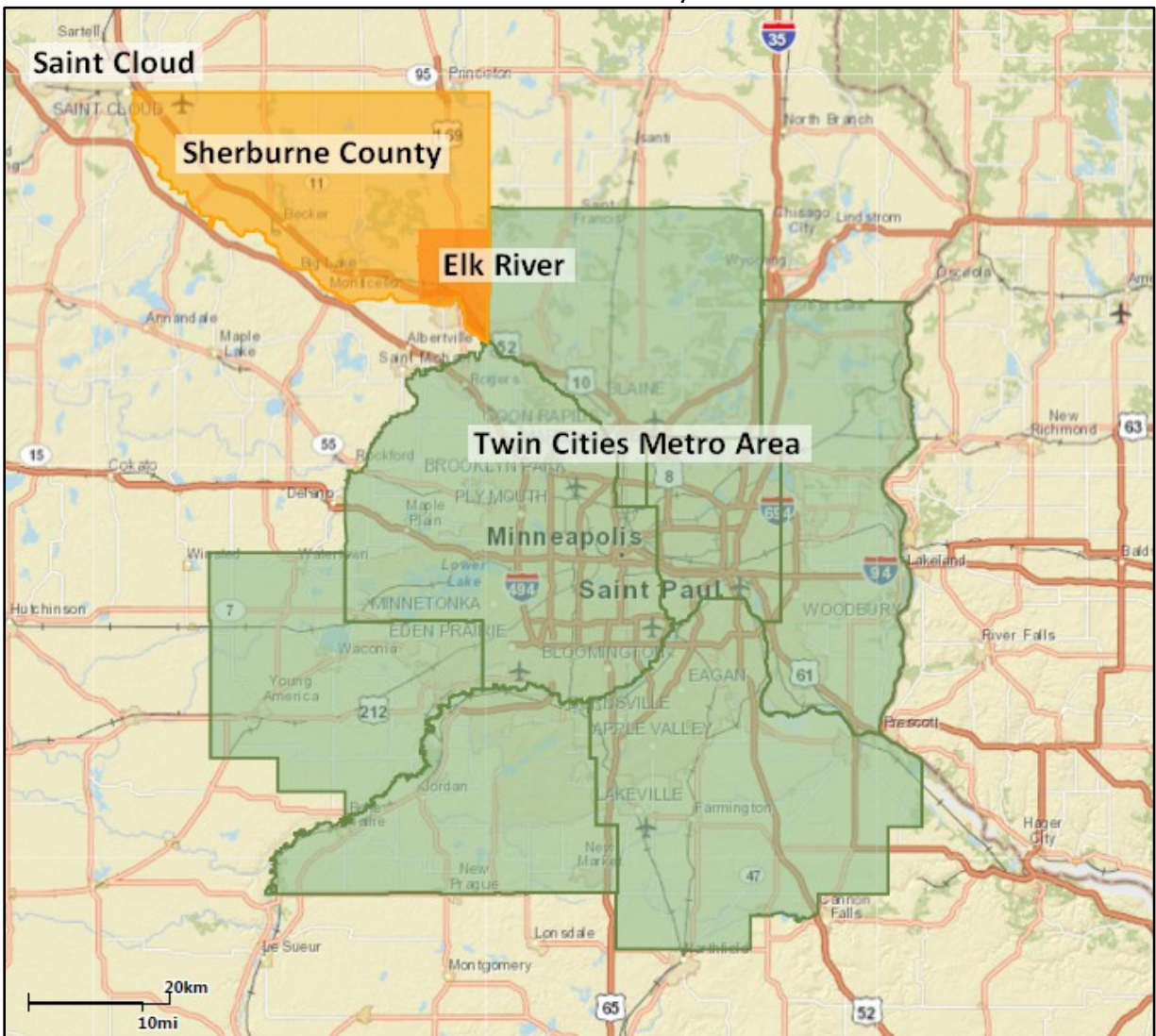
The draw area for determining current and future housing demand in the City of Elk River is based on traffic pattern orientation, proximity to other communities, interviews with local officials and community stakeholders, natural and manmade geographic barriers, and our knowledge of the draw areas for housing. The Study Area is defined as Elk River proper.



DEMOGRAPHIC ANALYSIS

Elk River is the county seat in Sherburne County. Sherburne County is northwest of the Twin Cities Metro Area and included in the Greater Metropolitan Statistical Area. The City of Elk River is about 35 miles northwest of Minneapolis and 40 miles southeast of Saint Cloud. The main routes to Elk River are US Highways 169 and 10, along with State Highway 101

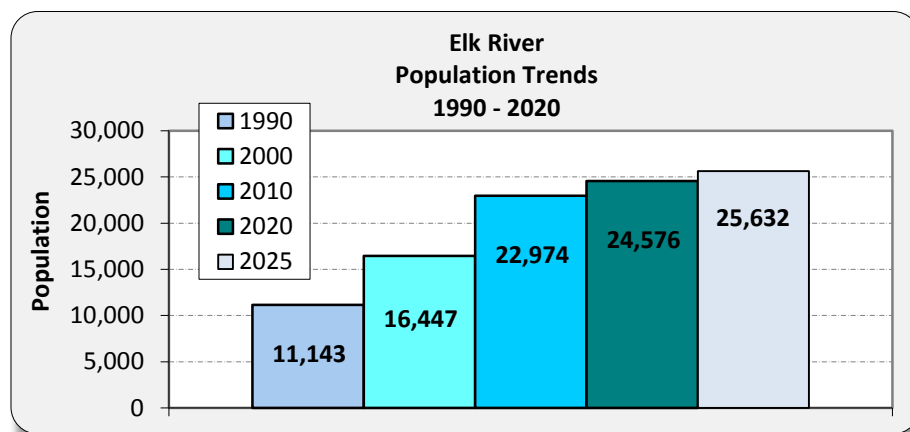
Elk River Location in Relation to Sherburne County and the Twin Cities Metro Area



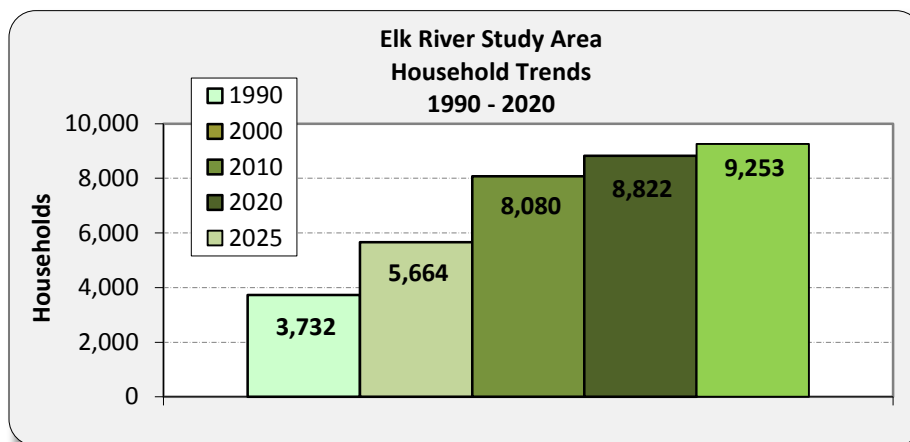
Population and Household Growth Trends and Projections

The following graphs show population and household growth trends for the City of Elk River from 1990 to 2025. Table D-1 presents data from 1990 to 2010 from the U.S. Census with projections to 2025 adjusted by Maxfield Research and Consulting LLC based on data from local building permit data, ESRI (a nationally recognized demographics provider), and the Minnesota Department of Administration/Office of Geographic and Demographic Analysis.

- According to the U.S. Census Bureau, the City of Elk River contained 22,974 persons and 8,080 households in 2010. Over the last decade, the Elk River's population increased significantly. Through 2010, the population increased by over 6,500 persons (40%), while its household base grew by over 2,400 households (43%).



- Based on our review of growth trend projections for Elk River, current economic trends and building permit history, we project that Elk River will continue to see growth through 2020, but at a much lesser rate than the past two decades due to the Recession and slowdown in the housing market. Between 2010 and 2020, the City of Elk River is projected to add nearly 2,100 persons (9%) and 850 households (10.5%).



DEMOGRAPHIC ANALYSIS

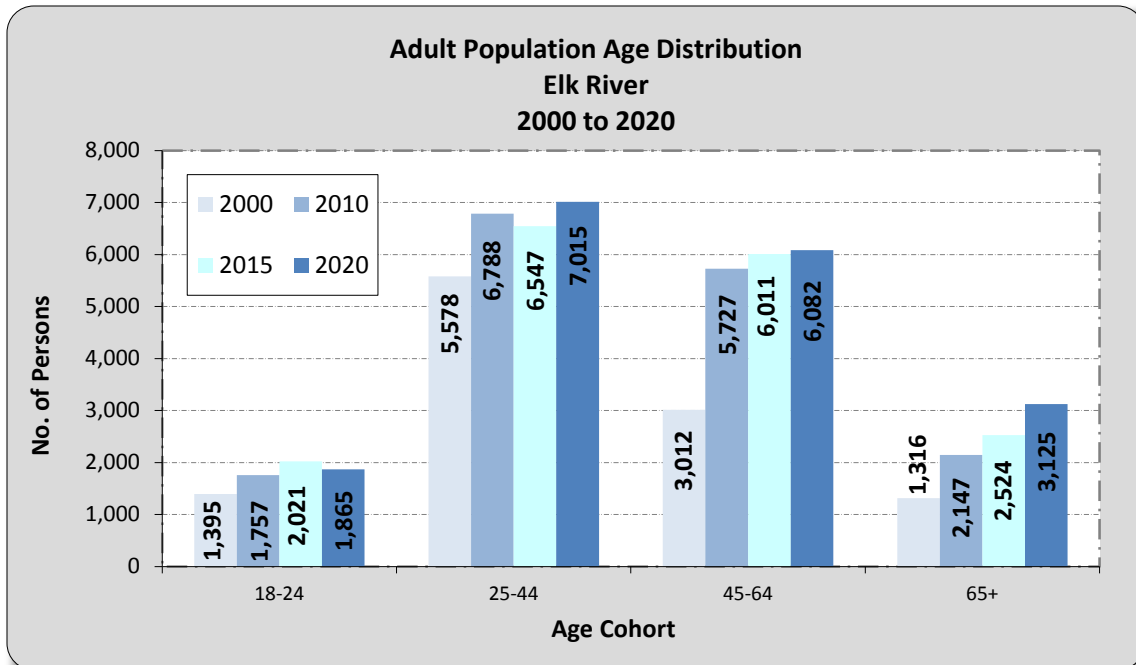
Household growth trends are a more accurate indicator of housing needs than population growth since a household is, by definition, an occupied housing unit. Mentioned previously, a comparison of historic and projected population and household growth rates shows that household growth is projected to continue to outpace population growth in Elk River, due in large part, to the aging of the baby boom population into their empty-nester years.

TABLE D-1 POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS ELK RIVER 1990 to 2025												
	U.S. Census			Estimated 2015	Projected		Change					
							1990 to 2000		2000 to 2010		2010 to 2020	
	1990	2000	2010		2020	2025	No.	Pct.	No.	Pct.	No.	Pct.
Population												
Elk River	11,143	16,447	22,974	23,547	24,576	25,632	5,304	47.6	6,527	39.7	1,602	7.0
Sherburne County	41,945	64,417	88,499	99,975	106,667	111,958	22,472	53.6	24,082	37.4	18,168	20.5
Wright County	68,710	89,986	124,700	143,740	155,175	163,610	21,276	31.0	34,714	38.6	30,475	24.4
Households												
Elk River	3,732	5,664	8,080	8,353	8,822	9,253	1,932	51.8	2,416	42.7	742	9.2
Sherburne County	13,643	21,581	30,212	34,310	36,874	39,041	7,938	58.2	8,631	40.0	6,662	22.1
Wright County	23,013	31,465	44,473	51,815	56,330	59,850	8,452	36.7	13,008	41.3	11,857	26.7
Sources: U.S. Census; Minnesota Planning; ESRI, Inc; Maxfield Research & Consulting, LLC												

Population Age Distribution Trends

The following graphs show the age distribution of the City of Elk River population in 2000 and 2010, as well as estimates and projections for 2015 and 2020, respectively. Data provided in Table D-2 for the 2000 and 2010 distributions are from the U.S. Census. Maxfield Research and Consulting LLC calculated the 2015 estimate and 2020 projection based off of data obtained from ESRI Inc., and the Minnesota Department of Administration. The following are key trends in Elk River's age distribution:

- The majority of age groups in Elk River experienced strong growth in population from 2000 to 2010. The baby boomers ages 55 to 64 experienced the largest rate of growth increasing by 109% (1,143 people) followed by the 45 to 54 age group increased by 80% (1,572 people, the largest numerical growth).
- Over the current decade, most age groups are projected to continue to grow in all age cohorts albeit a much lower rate than during the last decade. The younger age groups below age 44 are projected to have slight increases as these groups consist mostly of the baby bust generation.



- The 55 to 64 age cohort is projected to increase by nearly 791 people (36%), while the 45 to 54 age group is projected to decline by 436 people (-12%). These older adults and seniors may be considering downsizing into low-maintenance or independent living housing.

TABLE D-2 POPULATION AGE DISTRIBUTION ELK RIVER 2000 - 2020								
	Number of Persons				Change			
	2000	2010	2015	2020	2000-2010	2010-2020		
	No.	No.	No.	No.	No.	Pct.	No.	Pct.
17 & under	5,146	6,555	6,444	6,489	1,409	27.4	-66	-1.0
18-24	1,395	1,757	2,021	1,865	362	25.9	108	6.2
25-34	2,461	3,204	3,250	3,522	743	30.2	318	9.9
35-44	3,117	3,584	3,297	3,493	467	15.0	-91	-2.5
45-54	1,963	3,535	3,429	3,099	1,572	80.1	-436	-12.3
55-64	1,049	2,192	2,582	2,983	1,143	109.0	791	36.1
65-74	663	1,188	1,500	1,904	525	79.2	716	60.3
75+	653	959	1,024	1,221	306	46.9	262	27.3
Total	16,447	22,974	23,547	24,576	6,527	39.7	1,602	7.0
Sources: U.S. Census Bureau; ESRI, Inc.; Maxfield Research & Consulting, LLC								

Household Income

The estimated distribution of household incomes in Elk River for 2015 and 2020 is shown in the following graphs. The data in Tables D-3 and D-4 was estimated by ESRI, Inc. The data helps in ascertaining the demand for different housing products based on the size of the market at specific cost levels.

The Department of Housing and Urban Development defines affordable housing costs for families as 30% of a household's adjusted gross income. Maxfield Research and Consulting LLC uses a figure of 25% to 30% for younger households and 40% or more for seniors, since seniors generally have lower living expenses and can often sell their homes and use the proceeds toward rent payments.

A generally accepted standard for affordable owner-occupied housing is that a typical household can afford to pay 3.0 to 3.5 times their annual income on a single-family home. Thus, a \$50,000 income would translate to an affordable single-family home of \$150,000 to \$175,000. The higher end of this range assumes that the person has adequate funds for down payment and closing costs, but does not have savings or equity in an existing home which would allow them to purchase a higher priced home. The following are key points:

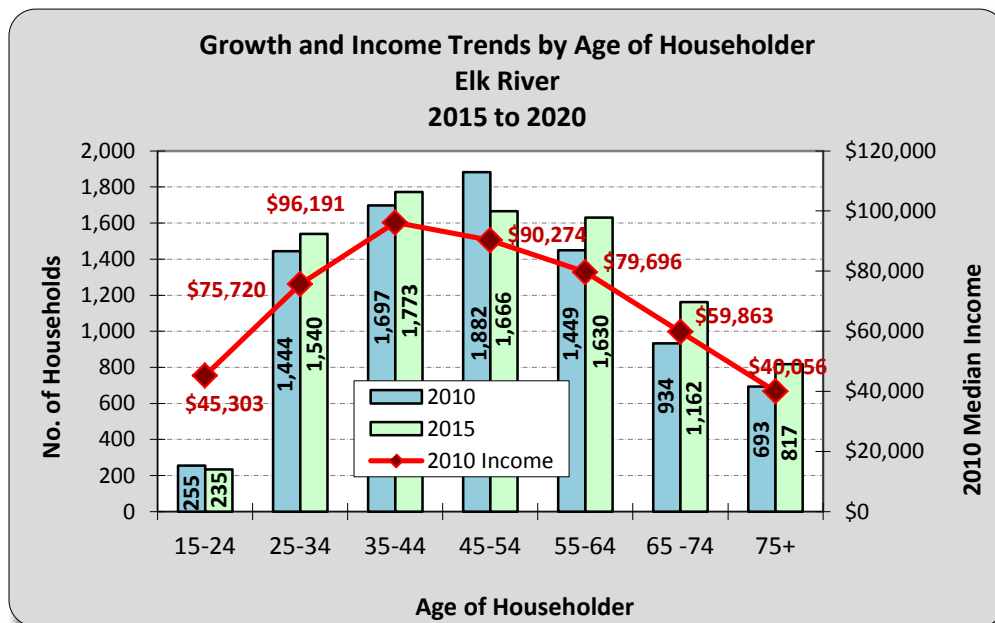
- The median household income in Elk River in 2015 was estimated to be about \$78,305. Elk River has a higher median income compared to the Twin Cities Metro Area at \$67,795. Overall, incomes are expected to increase by about 10% between 2015 and 2020, or about 2.0% annually. This will result in the median income in Elk River increasing from \$78,305 in 2015 to about \$86,198 in 2020.
- Between 2015 and 2020, the number of households will increase in all but two age groups in Elk River. The largest numerical gain will be in the 65 to 74 age group, with a projected increase of 228 households.

Non-Senior Households

- In 2015, roughly 4% of the non-senior households (15 to 64 years of age) in Elk River had incomes under \$15,000 (248 households). All of these households would be eligible for subsidized rental housing. Another 4% of Elk River's non-senior households had incomes between \$15,000 and \$25,000 (271 households). Many of these households would qualify for subsidized housing, but some could also afford "affordable" or older market-rate rentals. If housing costs absorb 30% of income, households with incomes of \$15,000 to \$25,000 could afford to pay \$375 to \$625 per month. Average monthly rents for one-bedroom units in Elk River are about \$862 (shown in Table R-1 in the *Rental Housing Analysis* section).

DEMOGRAPHIC ANALYSIS

- Median incomes for households in Elk River peak at \$96,191 for the 35 to 44 age group in 2015. Households in this age group are entering or are in their peak earning years. The majority of households (87%) in this age group are homeowners. By 2020, the median income for the 45 to 54 age group is projected to increase to \$102,476 a 6.5% increase.
- The median resale price of homes in Elk River was \$209,975 through June 2015 (see Table FS-1). The income required to afford a home at this price would be about \$60,000 to \$70,000, based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt). In 2015, 70% (4,696 households) of Elk River's non-senior households had incomes greater than \$60,000.



Senior Households

- The oldest householders were likely to have lower incomes in 2015. In Elk River, 5% of households ages 65 to 74 had incomes below \$15,000, compared to 10% of households age 75 and over. Many of these low-income older senior households rely solely on Social Security benefits. Typically, younger seniors have higher incomes because they are still able to work or are married couples with two pensions or higher Social Security benefits.
- Generally, senior households with incomes greater than \$30,000 can afford market-rate senior housing. Based on a 40% allocation of income for housing, this translates to monthly rents of at least \$1,000. About 475 senior households (75+) in Elk River (49% of senior households) had incomes above \$30,000 in 2015. Seniors will often move from rural areas to cities such as Elk River that provide more medical and other services.

DEMOGRAPHIC ANALYSIS

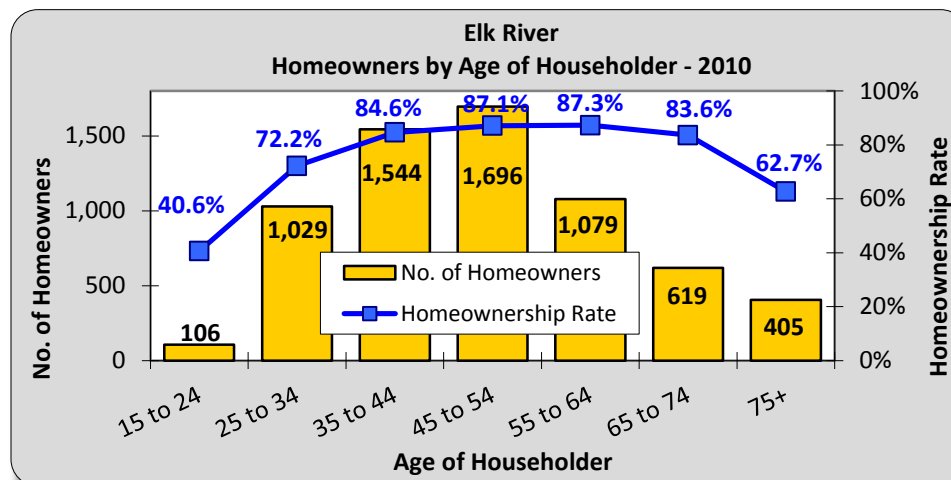
TABLE D-3 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER ELK RIVER (Number of Households) 2015 and 2020								
2015								
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
Less than \$15,000	364	25	56	42	47	78	46	70
\$15,000 to \$24,999	455	25	56	43	62	85	79	105
\$25,000 to \$34,999	499	38	95	66	62	73	77	88
\$35,000 to \$49,999	1,043	52	213	140	170	155	126	187
\$50,000 to \$74,999	1,518	54	291	236	284	254	269	130
\$75,000 to \$99,999	1,649	31	268	363	455	313	162	57
\$100,000 or more	2,826	30	465	807	802	491	175	56
Total	8,353	255	1,444	1,697	1,882	1,449	934	693
<\$25,000	819	50	112	85	109	163	125	175
\$35,000+	7,035	167	1,237	1,546	1,711	1,213	732	430
Median Income	\$78,305	\$45,303	\$75,720	\$96,191	\$90,274	\$79,696	\$59,863	\$40,056
Twin Cities Med. Incom	\$67,795	\$34,820	\$58,146	\$81,972	\$88,167	\$80,649	\$58,179	\$37,464
2020								
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
Less than \$15,000	325	24	47	33	32	66	47	77
\$15,000 to \$24,999	337	19	41	29	30	53	72	93
\$25,000 to \$34,999	397	31	71	44	37	54	72	88
\$35,000 to \$49,999	898	43	175	103	107	133	129	208
\$50,000 to \$74,999	1,435	48	267	201	197	239	317	167
\$75,000 to \$99,999	1,898	34	322	393	428	394	238	90
\$100,000 or more	3,532	36	617	971	837	691	287	93
Total	8,822	235	1,540	1,773	1,666	1,630	1,162	817
<\$25,000	662	43	88	62	62	119	119	170
\$35,000+	7,763	161	1,381	1,667	1,568	1,457	971	559
Median Income	\$86,198	\$50,168	\$85,936	\$102,476	\$100,124	\$90,002	\$68,761	\$44,478
Twin Cities Med. Incom	\$78,703	\$37,641	\$68,180	\$92,464	\$99,756	\$93,254	\$69,137	\$42,675
Change								
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
Less than \$15,000	-39	-1	-9	-9	-15	-12	1	7
\$15,000 to \$24,999	-118	-6	-15	-14	-32	-32	-7	-12
\$25,000 to \$34,999	-102	-7	-24	-22	-25	-19	-5	0
\$35,000 to \$49,999	-145	-9	-38	-37	-63	-22	3	21
\$50,000 to \$74,999	-83	-6	-24	-35	-87	-15	48	37
\$75,000 to \$99,999	249	3	54	30	-27	81	76	33
\$100,000 or more	706	6	152	164	35	200	112	37
Total	469	-20	96	76	-216	181	228	124
<\$25,000	-157	-7	-24	-23	-47	-44	-6	-5
\$35,000+	728	-6	144	121	-143	244	239	129
Median Income	\$7,893	\$4,865	\$10,216	\$6,285	\$9,850	\$10,306	\$8,898	\$4,422
Twin Cities Med. Incom	\$10,908	\$2,821	\$10,034	\$10,492	\$11,589	\$12,605	\$10,958	\$5,211
Sources: ESRI, Inc.; Maxfield Research & Consulting, LLC								

- Seniors who are able and willing to pay 80% or more of their income on assisted living housing would need an annual income of \$37,500 to afford monthly rents of \$2,500, which is about the beginning monthly rent for assisted living in rural areas of Minnesota. In Elk River, there were only an estimated 430 older senior (ages 75 and over) households with incomes greater than \$37,500 in 2015. Seniors age 75 and over are the primary market for assisted living housing.

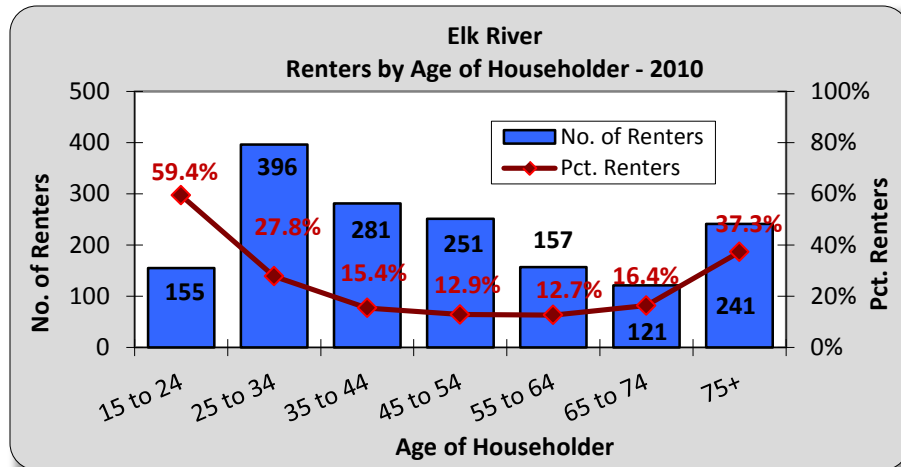
Tenure by Age of Householder

The following graphs show the number of owner and renter households in Elk River by age group as of 2010. The data in Table D-4 on Page 18 shows the propensity of households to own or rent their housing based on their age.

- In 2010, 80% of the households in Elk River owned their housing. This is up from 78% in 2000. Homeownership rates have slightly declined for those ages 25 to 64 in Elk River due to the declining housing market and the poor economic climate. Due to the lack of renter units built over the decade we can assume that many of the single-family homes have been converted to rental properties.



- The proportion of renter households decreases as households age and rises again in the senior years when rental housing is a more viable option than homeownership. In 2010, 60% of Elk River's households between the ages of 15 and 24 rented their housing, compared to householders ages 35 to 64 who were overwhelmingly homeowners, with no more than 15% of the householders in each 10-year age cohort renting their housing.
- Although the propensity for households ages 15 to 24 to rent their housing is higher, the 25 to 44 age groups had, by far, the largest number of renters with the 25 to 34 age group having 396 renters and the 35 to 44 age group with 281 renters. These two age groups account for slightly over 40% of all renter households.



- Between 2000 and 2010, the number of renter households increased in most age cohorts. Over the decade, the number of renters increased at a growth rate 30%. With a limited number of rental units developed through 2010, it's clear that the number of single-family rental homes has also increased due to the economy and decline in homeownership rate.

Household Type

The following graph shows the breakdown of the type of households in Elk River in 2000 and 2010. Table D-5 illustrates the data which is useful in assessing housing demand since the household composition often dictates the type of housing needed and preferred.

- From 2000 to 2010, Elk River observed the largest numerical increase in the number of families that are married without children (830 households, or 52%). The increase in households married without children can be attributed to couples waiting longer to have children, and the baby boomers aging into empty nester years.
- Persons Living Alone experienced the second highest numerical increase of 608 households (highest growth rate of 62.5%) in Elk River during the 2000s. This could indicate an aging senior population. As the frailty level of these seniors increases, they typically move out of their homes in pursuit of housing with services. However, the recession has affected many seniors, and their fears of the market can be affecting their decisions to move out of the homes and into age-restricted housing.
- Elk River also had significant increases in single-parent households (a gain of 378 households, or 51%). With only one income, these families are most likely to need affordable or modest housing, both rental and for-sale.

DEMOGRAPHIC ANALYSIS

**TABLE D-4
TENURE BY AGE OF HOUSEHOLDER
ELK RIVER STUDY AREA
2000 and 2010**

	Age of Householder														Total								
	15 to 24		25 to 34		35 to 44		45 to 54		55 to 64		65 to 74		75+										
	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent							
2010																							
City of Elk River	106	155		1,029	396		1,544	281		1,696	251		1,079	157		619	121		405	241		6,478	1,602
Pct. Own	40.6%			72.2%			84.6%			87.1%			87.3%			83.6%			62.7%			80.2%	
2000																							
City of Elk River	62	209		870	322		1,460	212		980	115		544	65		319	92		201	213		4,436	1,228
Pct. Own	22.9%			73.0%			87.3%			89.5%			89.3%			77.6%			48.6%			78.3%	
Change 2000 to 2010																							
	44	-54		159	74		84	69		716	136		535	92		300	29		204	28		2,042	374
Percentage Renters (2010)																							
	59.4%			27.8%			15.4%			12.9%			12.7%			16.4%			37.3%			19.8%	
Sources: U.S. Census; Maxfield Research & Consulting, LLC																							

**TABLE D-5
HOUSEHOLD TYPE TRENDS
ELK RIVER
2000 and 2010**

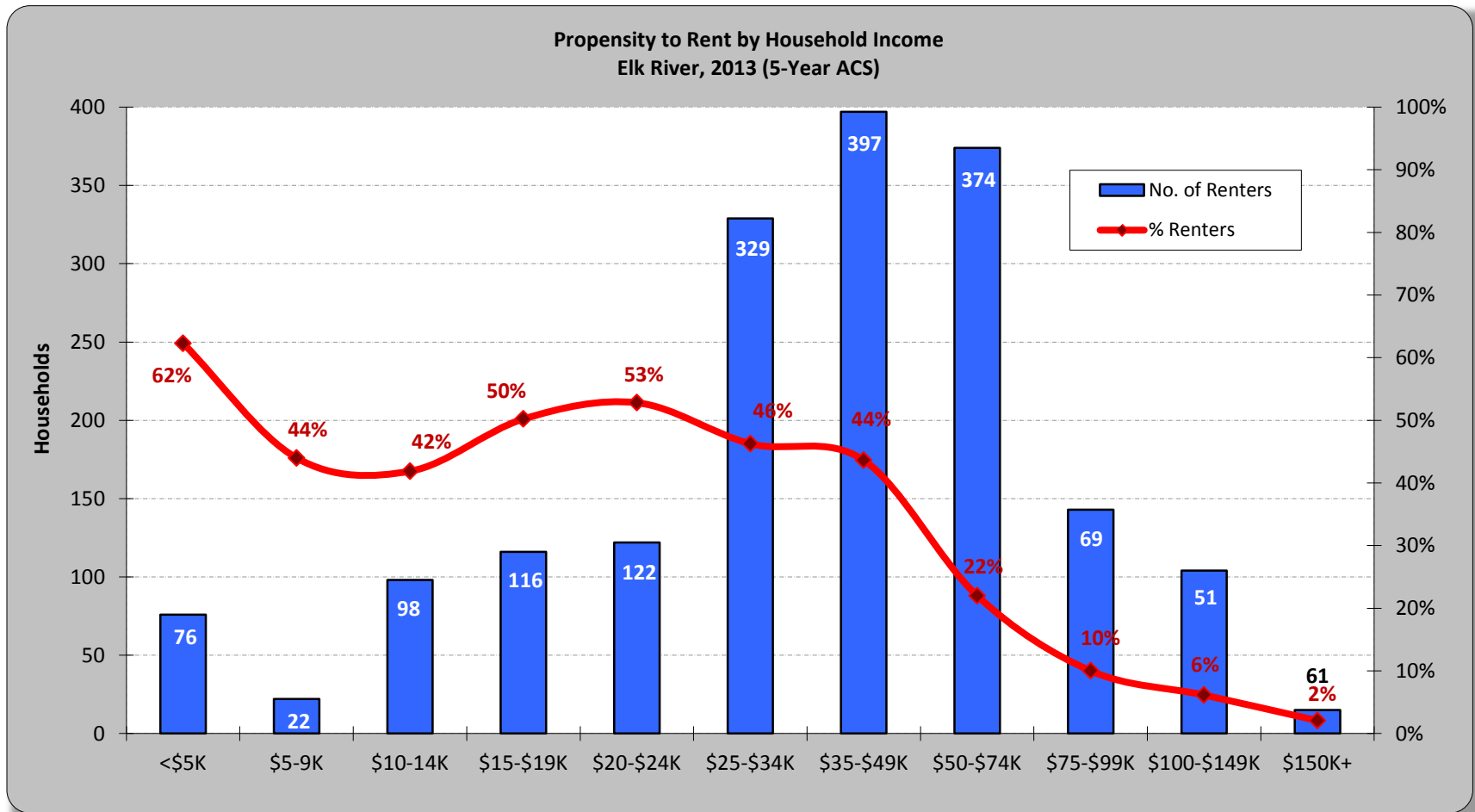
			Non-Family				Family					
	Total Households		Persons Living Alone		Other (Roommates)		Married With Children		Married W/O Children		Other Family (Single Parents)	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
Total Households	5,664	8,080	973	1,581	289	449	2,055	2,495	1,610	2,440	737	1,115
% of all Households	100.0	100.0	17.2	19.6	5.1	5.6	36.3	30.9	28.4	30.2	13.0	13.8
	<u>No.</u>	<u>Pct.</u>	<u>No.</u>	<u>Pct.</u>	<u>No.</u>	<u>Pct.</u>	<u>No.</u>	<u>Pct.</u>	<u>No.</u>	<u>Pct.</u>	<u>No.</u>	<u>Pct.</u>
Change (2000-2010)	2,416	42.7	608	62.5	160	55.4	440	21.4	830	51.6	378	51.3
Sources: U.S. Census; Maxfield Research & Consulting, LLC												

- Roommate households had the second highest rate of growth in Elk River during the 2000s. The number of roommates grew by a 55%, or 160 households. This, however, was the lowest numerical increase of all groups. This reflects the trend in society of couples living together before marriage and delaying having children until later in life, as well as other non-family households “rooming up” and sharing housing costs during the Great Recession.

Tenure by Income

The following graph shows the number of renter households in Elk River by income cohort as of 2000 and 2013 (5-year American Community Survey estimates). The data provided in Table D-6 is useful in that shows the housing options and preferences for households based on affordability. The Department of Housing and Urban Development determines affordable housing as not exceeding 30% of the household’s income. It is important to note however, that the higher the income, the lower percentage a household typically allocates to housing. Many lower income households, as well as many young and senior households, spend more than 30% of their income, while middle-aged households in their prime earning years typically allocate 20% to 25% of their income.

- As income increases, so does the rate of homeownership. The 2013 estimates for Elk River indicates that 89% of those households earning \$50,000 or more owned homes compared to 56% for households with incomes between \$35,000 and \$49,999, 54% with incomes of \$25,000 to \$34,999, and 50% of households with incomes of \$24,999 or less owned their housing. Many of these lower-income homeowners are seniors who live on fixed incomes but have paid off of their mortgage.
- Although, many of the lower-income households rent their housing, the largest number of renters (397 households or roughly 22% of all renters) have incomes between \$35,000 and \$49,999 followed closely by those with incomes from \$50,000 to \$74,999 (374 households or 21% of all renters). Should these households allocate 25% of their income on housing, they could afford monthly rents of roughly \$730 to \$1,550 per month. The incomes near \$35,000 could afford rents offered at most rental developments in Elk River while higher incomes could afford rents that are significantly higher than the rents at most market-rate apartment units in Elk River.
- Typically, renter households with incomes of \$20,000 or less qualify for government-subsidized housing, where rents are often based on sliding scale (30% of income). Based on a 30% allocation of income, these households could afford monthly rents of no more than \$500. As of 2013, there were 312 households in Elk River with incomes of \$20,000 or less renting their housing.



DEMOGRAPHIC ANALYSIS

- Renter households with incomes of between \$20,000 and \$35,000 are usually the market for “affordable” rental projects with a shallow subsidy (housing with income restrictions and rents slightly below market rents, such as those financed through Minnesota Housing Finance Agency’s Section 42/Low-Income Housing Tax Credit program). These households can typically afford housing costs of from \$500 to \$875 per month. As of 2013, there are an estimated 451 renter households in Elk River with incomes between \$20,000 and \$35,000.
- It is important to note that seniors are often able and willing, to allocate a larger share of their income on rental housing that meets their needs since they no longer have to save for retirement, their children’s education or major purchases (home, car, etc.). This is particularly true in “senior” rental projects where support services and personal care assistance are available. In fact, research has shown that, in assisted living projects, up to 50% of residents not only allocated all of their income but spent-down assets in order to afford monthly housing and service costs.

TABLE D-6 TENURE BY HOUSEHOLD INCOME ELK RIVER 2000 and 2013*								
	2000				2013*			
	Own		Rent		Own		Rent	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Less than \$5,000	46	59.7	31	40.3	46	37.7	76	62.3
\$5,000 to \$9,999	33	25.6	96	74.4	28	56.0	22	44.0
\$10,000 to \$14,999	73	23.3	240	76.7	136	58.1	98	41.9
\$15,000 to \$19,999	100	45.2	121	54.8	115	49.8	116	50.2
\$20,000 to \$24,999	159	58.2	114	41.8	109	47.2	122	52.8
\$25,000 to \$34,999	301	53.1	266	46.9	382	53.7	329	46.3
\$35,000 to \$49,999	651	83.1	132	16.9	513	56.4	397	43.6
\$50,000 to \$74,999	1,300	88.1	175	11.9	1,326	78.0	374	22.0
\$75,000 to \$99,999	1,059	95.6	49	4.4	1,285	90.0	143	10.0
\$100,000 to \$149,999	545	98.4	9	1.6	1,587	93.8	104	6.2
\$150,000 or more	164	100.0	0	0.0	709	97.9	15	2.1
Total	4,431	78.2	1,233	21.8	6,236	77.6	1,796	22.4
* Data for 2013 is from US Census, American Community Survey (5-Year Estimate)								
Source: US Census Bureau; Maxfield Research & Consulting, LLC.								

Net Worth by Age of Householder

Table D-7 presents data on the net worth of households by age in Elk River as of 2015. Information in the table is sourced from ESRI with adjustments for the estimated household base as calculated by Maxfield Research & Consulting, LLC. Net worth is defined for an

DEMOGRAPHIC ANALYSIS

individual, the value of a person's assets, including cash, minus all liabilities. The amount by which the individual's assets exceed their liabilities is considered the net worth of that person.

- Data in the table is calculated as the total value of a household's wealth less any debts (unsecured or secured by assets). Overall, the median net worth of a household in Elk River is about \$215,064 and the average is \$632,168.
- There is a strong correlation between household age and net worth. Households under the age of 25 have substantially less net worth (median of \$20,584) compared to households between the ages of 55 and 64 (median of \$250,001). Net worth declines as adults age into their senior's years, which is likely due to these households spending down assets to support their living costs following retirement?

TABLE D-7 NET WORTH BY AGE OF HOUSEHOLDER ELK RIVER (Number of Households) 2015								
	Age of Householder							
	Total	Under 25	25-34	35-44	45-54	55-64	65 -74	75+
Less than \$15,000	1,031	101	306	203	145	133	56	87
\$15,000 to \$34,999	401	53	125	83	54	42	16	26
\$35,000 to \$49,999	268	25	90	65	35	28	14	11
\$50,000 to \$99,999	957	40	278	255	157	95	61	71
\$100,000 to \$149,999	638	14	168	140	122	85	69	41
\$150,000 to \$249,999	1,034	14	223	256	217	161	86	77
\$250,000+	3,771	1	210	642	1,095	861	602	359
Total	8,100	247	1,401	1,644	1,826	1,405	905	671
<i>Median Net Worth</i>	<i>\$215,064</i>	<i>\$20,584</i>	<i>\$75,767</i>	<i>\$171,652</i>	<i>\$250,001</i>	<i>\$250,001</i>	<i>\$250,001</i>	<i>\$250,001</i>
<i>Average Net Worth</i>	<i>\$632,168</i>	<i>\$45,783</i>	<i>\$158,099</i>	<i>\$445,138</i>	<i>\$735,457</i>	<i>\$983,767</i>	<i>\$1,151,689</i>	<i>\$578,786</i>
Data Note: Net Worth is total household wealth minus debt, secured and unsecured. Net worth includes home equity, equity in pension plans, net equity in vehicles, IRAs and Keogh accounts, business equity, interest-earning assets and mutual fund shares, stocks, etc. Examples of secured debt include home mortgages and vehicle loans; examples of unsecured debt include credit card debt, certain bank loans, and other outstanding bills. Forecasts of net worth are based on the Survey of Consumer Finances, Federal Reserve Board. Detail may not sum to totals due to rounding.								
Sources: ESRI; Maxfield Research & Consulting, LLC.								

- With significant residual net worth in later life many seniors will have sufficient funds to cover the costs of living in senior housing alternatives. The segment of age 75+ seniors with little or no net worth will rely on public subsidies in order to receive housing and services that meet their needs.
- Households often delay purchasing homes and instead choose to rent until they acquire sufficient net worth to cover the costs of a down payment and closing costs associated with home ownership. This will be especially true in the short-term as tightening lending requirements make mortgages with little or no down payments more difficult to obtain.

Employment Growth Trends

Since employment growth generally fuels household growth, employment trends are a reliable indicator of housing demand. Typically, households prefer to live near work for convenience. However, housing is often less expensive in smaller towns, making longer commutes attractive for households concerned about housing affordability.

The graphs on the following page depict recent employment growth trends for Sherburne County and are shown in Tables E-1 and E-2. Table E-1 presents resident employment data for Sherburne County from 2000 through September 2015. Resident employment data is calculated as an annual average and reveals the work force and *number of employed persons living in the County*. It is important to note that not all of these individuals necessarily work in the County.

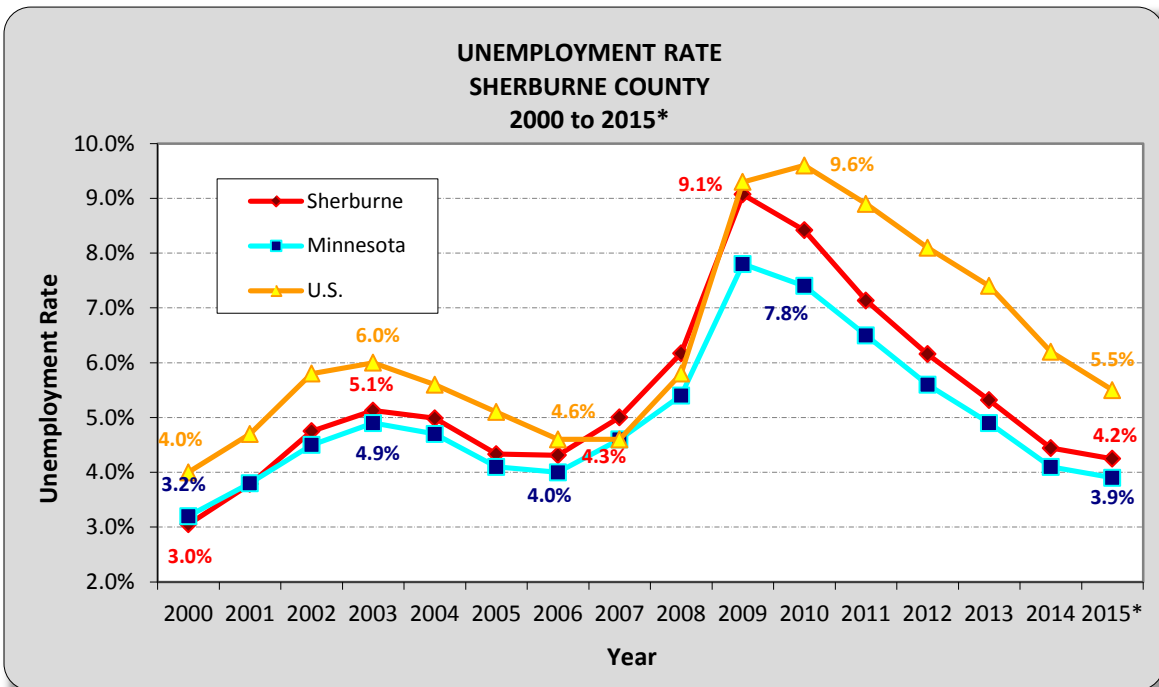
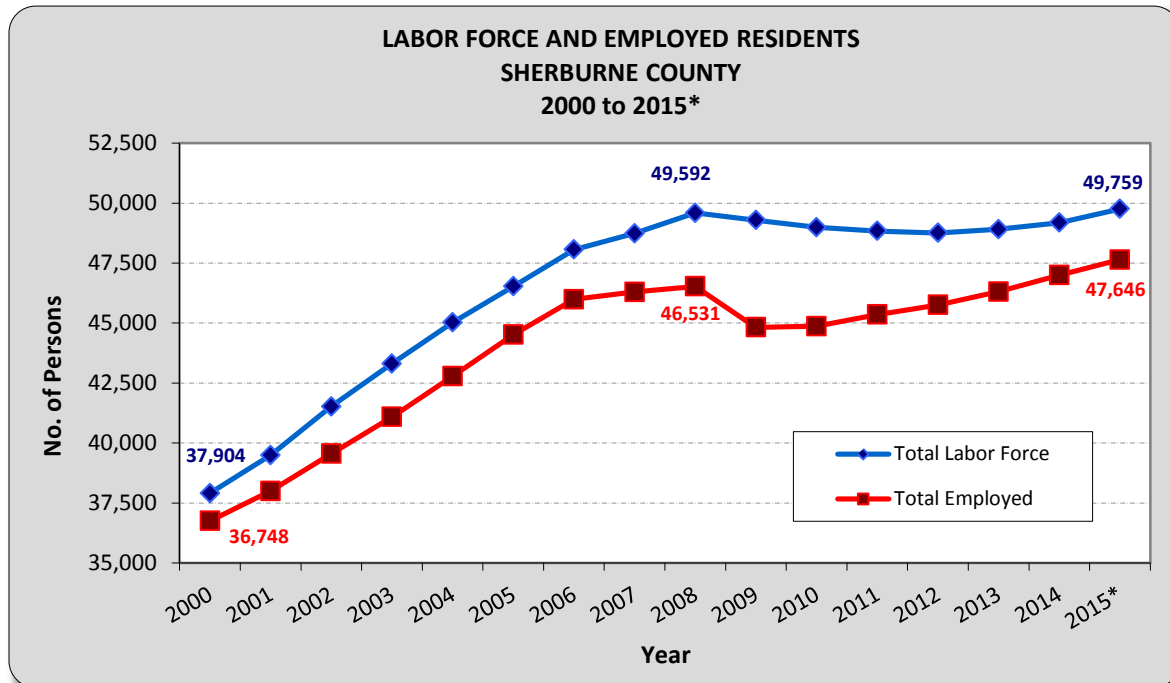
Table E-2 presents covered employment in Elk River from 2000 through 2014. Covered employment data is calculated as an annual average and *reveals the number of jobs in the County*, which are covered by unemployment insurance. Most farm jobs, self-employed persons, and some other types of jobs are not covered by unemployment insurance and are not included in the table. The data in both tables is from the Minnesota Department of Employment and Economic Development. The following are key trends derived from the employment data:

Labor Force/Resident Employment

- Between 2000 and 2014, Sherburne County experienced an increase in both its labor force and the number of employed residents. Between 2000 and 2014, the County's labor force increased by 11,855 persons (31%), while the number of employed residents increased by 10,898 persons (30%). Since 2010, the labor force has increased by only 346 persons (less than a 1% increase) compared to the total employed which increased by 1,646 persons (3.6%). This has resulted in the unemployed person decreasing by 1,300 people (-31.5%)
- After the peak year of 2008 however, both the labor force and employed residents declined until 2014 in which the total employed surpassed 2008 with 47,001. The labor force in 2009 was slightly lower than it was in 2008 but has been steadily increasing from 2012.
- The unemployment rate in Sherburne County was lowest (3.0%) at the beginning of the period in 2000. The unemployment rate fluctuated from 2000 to 2006 but remained relatively steady. Since 2006, the unemployment rate in Sherburne County has increased rapidly to a high of 9.1% (2009) and was higher than both the State and the Nation from 2007 through 2009 (slightly less than national average in 2009). As of September 2015, the unemployment rate has fallen to 4.2%, below the nation which is at 5.5%, yet remains slightly higher than the State of Minnesota at 3.2%.

EMPLOYMENT ANALYSIS

- Up until 2006, the unemployment rate in Sherburne County has been on par with that of the State of Minnesota. The rate remained roughly a full percentage point higher from 2006 through 2010. Since 2010, the unemployment rate difference compared to the State of Minnesota has been shrinking and in 2014 was back to earlier figures. Both the County and the State unemployment rates are below the national average.



**TABLE E-1
RESIDENT EMPLOYMENT (ANNUAL AVERAGE)
SHERBURNE COUNTY
2000 to 2015***

Year	Total Labor Force	Total Employed	Total Unemployed	Unemployment Rate	Minnesota Unemployment Rate	U.S. Unemployment Rate
2000	37,904	36,748	1,156	3.0%	3.2%	4.0%
2001	39,496	38,001	1,495	3.8%	3.8%	4.7%
2002	41,524	39,552	1,972	4.7%	4.5%	5.8%
2003	43,310	41,090	2,220	5.1%	4.9%	6.0%
2004	45,025	42,780	2,245	5.0%	4.7%	5.6%
2005	46,529	44,513	2,016	4.3%	4.1%	5.1%
2006	48,064	45,991	2,073	4.3%	4.0%	4.6%
2007	48,738	46,299	2,439	5.0%	4.6%	4.6%
2008	49,592	46,531	3,061	6.2%	5.4%	5.8%
2009	49,293	44,821	4,472	9.1%	7.8%	9.3%
2010	48,990	44,867	4,123	8.4%	7.4%	9.6%
2011	48,840	45,355	3,485	7.1%	6.5%	8.9%
2012	48,756	45,754	3,002	6.2%	5.6%	8.1%
2013	48,909	46,309	2,600	5.3%	4.9%	7.4%
2014	49,186	47,001	2,185	4.4%	4.1%	6.2%
2015*	49,759	47,646	2,113	4.2%	3.9%	5.5%
Change 2000-10	11,086	8,119	2,967	5.4%	4.2%	5.6%
Change 2011-14	346	1,646	-1,300	-2.7%	-2.4%	-2.7%
* 2015 data is the average from January through September.						
Sources: Minnesota Workforce Center; Maxfield Research & Consulting, LLC						

Covered Employment by Industry

- Overall, the number of covered jobs in Elk River increased by 44%, or 3,870 jobs since 2000. Covered jobs have remained relatively stable with few small declines from 2005 through the economic recession. The City of Elk River is currently at its highest point over the period with 12,737 jobs in 2014.
- Nearly all of the growth has occurred in the Education and Health Services sector (61%). Without the substantial growth in this industry, the City would still have experienced a gain in covered employment, however at a much lesser rate over the period.
- The Education and Health Services sector has overtaken the Trade, Transportation, and Utilities sectors for the largest portion (29%, or 3,745 jobs) of the jobs in Elk River as of 2014. The Trade, Transportation, and Utilities sector accounted for 22% (2,765 jobs) of covered jobs in the City.

EMPLOYMENT ANALYSIS

- The Education and Health Services industry has more than doubled in jobs over the period, adding 2,378 jobs (174%). There were nine other sectors that experienced growth which include by numerical growth: the top four were Public Administration which added 305 jobs (53.5%), Trade, Transportation, and Utilities which added 295 jobs (12%), Manufacturing which added 232 jobs (319%), and Other Services which added 131 jobs (34.5%).
- Of the 11 industry sectors in Elk River, two of those experienced a loss in covered jobs over the period (Information Sector and Financial Sector). The Construction industry has regained its employment increasing to 610 jobs in 2014 from 389 in 2010.

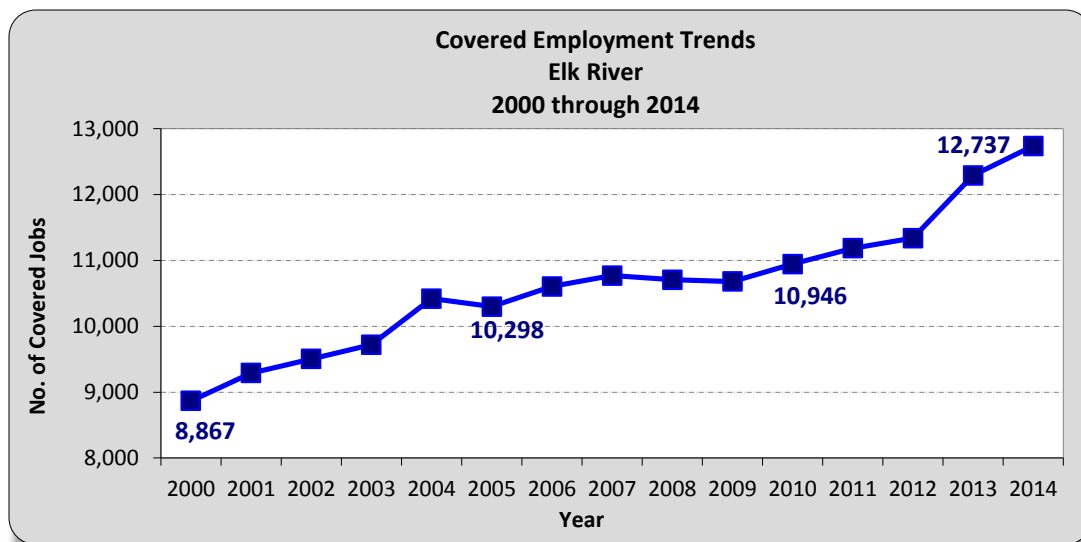
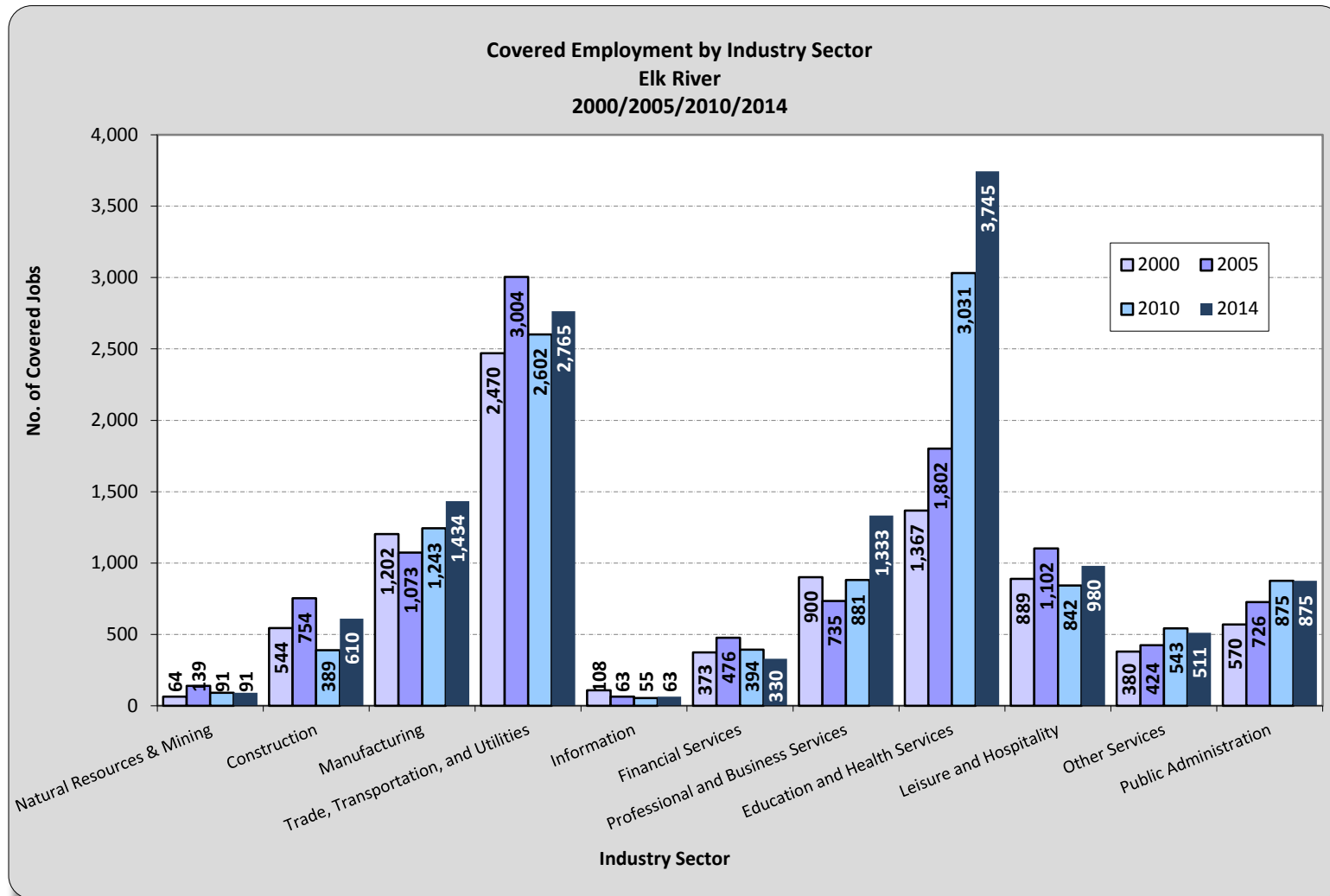


TABLE E-2 COVERED EMPLOYMENT TRENDS ELK RIVER 2000, 2005, 2010, and 2014 North American Industrial Classification System (NAICS)										
Industry	Average Number of Employees				Change 2000 - 2014		% of total			
	2000	2005	2010	2014	No.	Pct.	2000	2005	2010	2014
Natural Resources & Mining	64	139	91	91	27	42.2	0.7%	1.3%	0.8%	0.7%
Construction	544	754	389	610	66	12.1	6.1%	7.3%	3.6%	4.8%
Manufacturing	1,202	1,073	1,243	1,434	232	19.3	13.6%	10.4%	11.4%	11.3%
Trade, Transportation, and Utilities	2,470	3,004	2,602	2,765	295	11.9	27.9%	29.2%	23.8%	21.7%
Information	108	63	55	63	-45	-41.7	1.2%	0.6%	0.5%	0.5%
Financial Services	373	476	394	330	-43	-11.5	4.2%	4.6%	3.6%	2.6%
Professional and Business Services	900	735	881	1,333	433	48.1	10.1%	7.1%	8.0%	10.5%
Education and Health Services	1,367	1,802	3,031	3,745	2,378	174.0	15.4%	17.5%	27.7%	29.4%
Leisure and Hospitality	889	1,102	842	980	91	10.2	10.0%	10.7%	7.7%	7.7%
Other Services	380	424	543	511	131	34.5	4.3%	4.1%	5.0%	4.0%
Public Administration	570	726	875	875	305	53.5	6.4%	7.0%	8.0%	6.9%
Totals	8,867	10,298	10,946	12,737	3,870	43.6	100%	100%	100%	100%

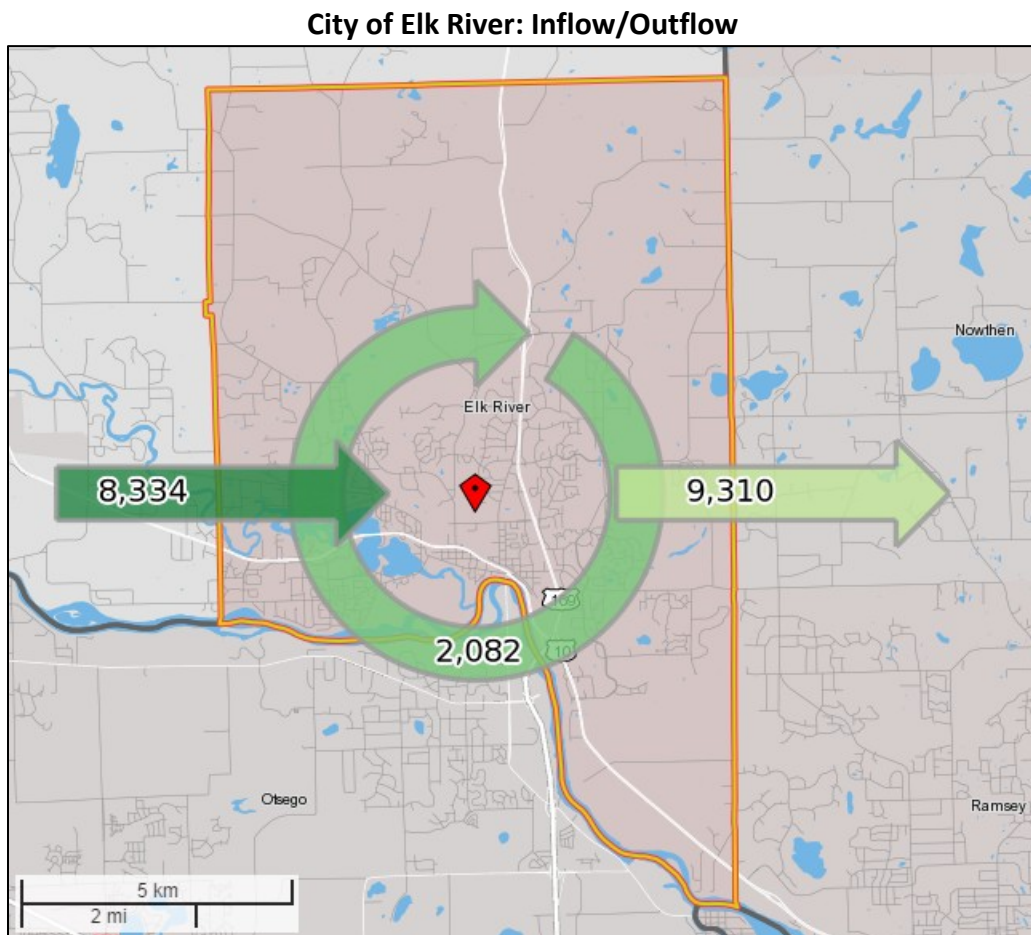
Source: Minnesota Workforce Center; Maxfield Research & Consulting, LLC.



Inflow/Outflow

The following graph shows the inflow and outflow of workers in Elk River. Outflow reflects the number of workers living in the City but employed outside of the City while inflow measures the number of workers that are employed in the City but live outside.

Technically, Elk River can be considered an exporter of workers, as the number of residents coming into the Elk River (inflow) for employment is less than the number of residents leaving the city for work (outflow). Elk River however has a significant number of employees coming into the city for employment (approximately 8,334 workers) and thus the city could also be an importer of jobs as well. The net difference between the net inflow to net outflow of workers was that 976 workers left Elk River than commuted to the city.



Major Employer Interviews

Maxfield Research and Consulting LLC interviewed representatives of large employers in Elk River in October 2015. The interviews covered topics such as recent trends in job growth, projected job growth, job types, and average hourly wages or annual salaries. Representatives were also asked about housing needs of their employees. Interviews with the area's largest employers not only provide data regarding commercial job growth, but also reveal employer attitudes and perceptions regarding housing demand in any given area. Table E-3 on the following page shows the top employers located in Elk River from 2015, this data was collected by Sherburne County and the City of Elk River Late 2014 and early 2015.

- Employers continue to say that the Elk River housing market is not a hindrance to their companies and hiring practices. There may be isolated issues with employees, but overall housing is not an issue. Most production, manufacturing, and retail employees are hired from the surrounding area and currently reside within the community or nearby area. Employees typically commute roughly 20 to 30 minutes to Elk River and do not relocate to Elk River.
- Although a lack of transitional rental housing continues to exist due to very low vacancy rates, any employee looking to relocate will typically commute while looking for a home to purchase.
- None of the companies interviewed had a relocation program in place. A relocation program is not really needed to attract potential employees according to employers. In addition, employees' living choices range from the northwest Twin Cities Metro Area to St. Cloud.
- Although the majority of manufacturing/processing jobs are filled with area residents, most professional and education jobs are filled by people from throughout Minnesota. The community perception of Elk River is good. People are attracted to the strong school district and level of service and retail that the area provides. Most often, housing is not a deciding factor.
- The largest employer in Elk River is the ISD-728, which employs 1,800 people throughout the district. ISD-728 employment has increased employment over the past few years with the growth in student enrollment. Although there was some decline in enrollment early this decade, the district has avoided further cutbacks. Overall, housing has not been an issue and there has not been much relocation of employees to Elk River.
- The majority of employers interviewed noted stable in increasing employment over the past three years. When asked about growth in the future, many indicated that they expect to remain stable or experience slow growth over the next few years. Companies are remaining cautious although the market continues to improve.

TABLE E-3 MAJOR EMPLOYERS CITY OF ELK RIVER 2015		
Employer	Products/Services	Count*
ISD #728	Education	1,800
Sherburne County	Government	595
Guardian Angels of Elk River, Inc	Nursing Care/Housing	374
Wal-Mart	Retail Store	354
Coborn's	Grocery Store	265
Elk River Nursing Home	Nursing Care	240
Great River Energy	Electric Utility	210
Sportech, Inc	Plastics Thermoforming	185
Menards	Retail Store	173
City of Elk River	Government	183
Tescom Corporation	Pressure Control Devices	156
Cornerstone Auto Resource	Automobile Sales	147
First National Financial Services	Financial Institution	142
Avalon Home Care	Home Health Care	110
E & O Tool and Plastics, Inc	Injection Molding	110
Cretex Companies, Inc.	Precast Concrete Products	109
The Bank of Elk River	Financial Institution	107
Metal Craft Machine & Engineering	Precision Machining	105
Cub Foods	Grocery Store	100
Crystal Distribution, Inc	Custom Curb Adaptors	100
The Home Depot	Retail Store	100
Morrell Companies	Professional Trucking Transport	100
Alltool Pinnacle Design & Mfg.	Metal Stamping	99
Elk River Ford	Automobile Dealership	94
Acromix Machinery	Mfg. & Custom Machining	90
Fairibault Foods, Inc	Pouch Packaging	84
Plaisted CO.	Sand & Gravel	80
Elk River Machine	Machine Shop	70
Wolf Material Handling Systems	Belt Conveyor Systems	66
Brothers Fire Protection	Sprinklers-Fire Protection	65
Select Transcription Inc.	Medical Back Office	62
Fairview Clinic	Health Care	60
Allina Health	Health Care	55
Jim's Market	Grocery Store	52
Quality Label , Inc	Label Printing	42
Total		6,684
* Employee counts were provided by employers. Employee counts may also includes jobs for that company located outside of Elk River Proper.		
Sources: Sherburne County; City of Elk River; Maxfield Research & Consulting, LLC		

EMPLOYMENT ANALYSIS

- Typical wages for those working at large local retail businesses range from \$9.00 to \$14.00 per hour. These positions are prime candidates for rental housing. These jobs are employed by residents currently living in the surrounding area of Elk River and commute from their current place of residence if hired new.
- Based on our interviews, professional service jobs typically start from around \$35,000 to \$40,000 annually. Households with an income of \$35,000 could afford monthly housing costs of \$875, based on spending on 30% of their gross income on housing.
- Considering a household with an annual income of \$35,000, and using the industry standard that a household can afford to pay a mortgage that is 30% of their household income for owner-occupied housing (assuming they have limited debt and not including equity), a household with this income could afford a home priced at \$87,500 to \$105,000. Many households in Elk River have two incomes, however. Using the same affordability standard, a household with two persons each earning \$35,000 annually could afford a home priced from \$175,000 to \$210,000.

Introduction

The variety and condition of the housing stock in a community provides the basis for an attractive living environment. Housing functions as a building block for neighborhoods and goods and services. We examined the housing market in Elk River by reviewing data on the age of the existing housing supply; examining residential building trends since 2000; and reviewing housing data from the American Community Survey that relates to Elk River.

Residential Construction Trends 2000 to Present

Maxfield Research obtained data from the City of Elk River on the number of building permits issued for new housing units in Elk River over the past decade and through September 2015. Table HC-1 displays permits issued for single-family homes, townhomes/twin homes, and multifamily dwellings of three or more units. Multifamily units include both for-sale (condominium, townhomes, and townhomes) and rental projects.

- The City of Elk River issued permits for the construction of 2,704 new residential units from 2000 to 2010. That equates to about 246 units annually since 2000. After 2010, Elk River has added only 330 units, or 66 per year. Of the 330 units added, 16 of those units were apartments unit replaced due to fire.
- Through 2006, the City of Elk River issued 93% of the overall permitted units over the decade. Over that period, residential construction averaged over 354 units per year. However, beginning in 2007, which was the start of the Great Recession, building permits started declining rapidly, and from 2007 to 2010 the City has averaged only 37 units per year. Since 2007, 75% of the units (419) have been single-family homes, 137 units (25%) in three multi-family apartment buildings and the remaining (19 units) being rowhomes/townhomes.
- Since 2012, the City of Elk River has only issued an average of 71 residential permits (single-family) and built an additional 52 unit affordable rental building. The City also added three detached townhomes and replaced 16 apartment units that we destroyed by fire. This indicates an improving housing market although much more conservative than in the previous decade.

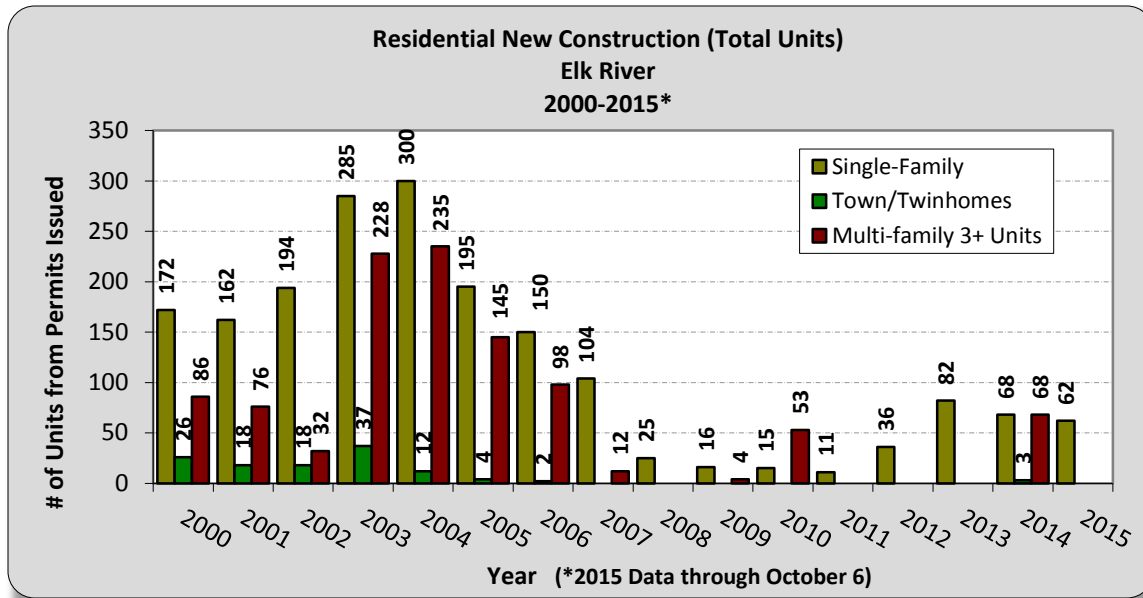


TABLE HC-1 RESIDENTIAL CONSTRUCTION CITY OF ELK RIVER ANNUAL BUILDING PERMITS ISSUED 2000 to 2015*				
	Permits Issued			
	Single-Family Homes	Townhome/ Twinhome	Multifamily 3+ Units	Total Housing Units
2000	172	26	86	284
2001	162	18	76	256
2002	194	18	32	244
2003	285	37	228	550
2004	300	12	235	547
2005	195	4	145	344
2006	150	2	98	250
2007	104	0	12	116
2008	25	0	0	25
2009	16	0	4	20
2010	15	0	53	68
2011	11	0	0	11
2012	36	0	0	36
2013	82	0	0	82
2014	68	3	68	139
2015	62	0	0	62
Total '00 to 10	1,618	117	969	2,704
Total 11' to 15	259	3	68	330
* Data through 10/6/15.				
Sources: City of Elk River; Maxfield Research & Consulting, LLC				

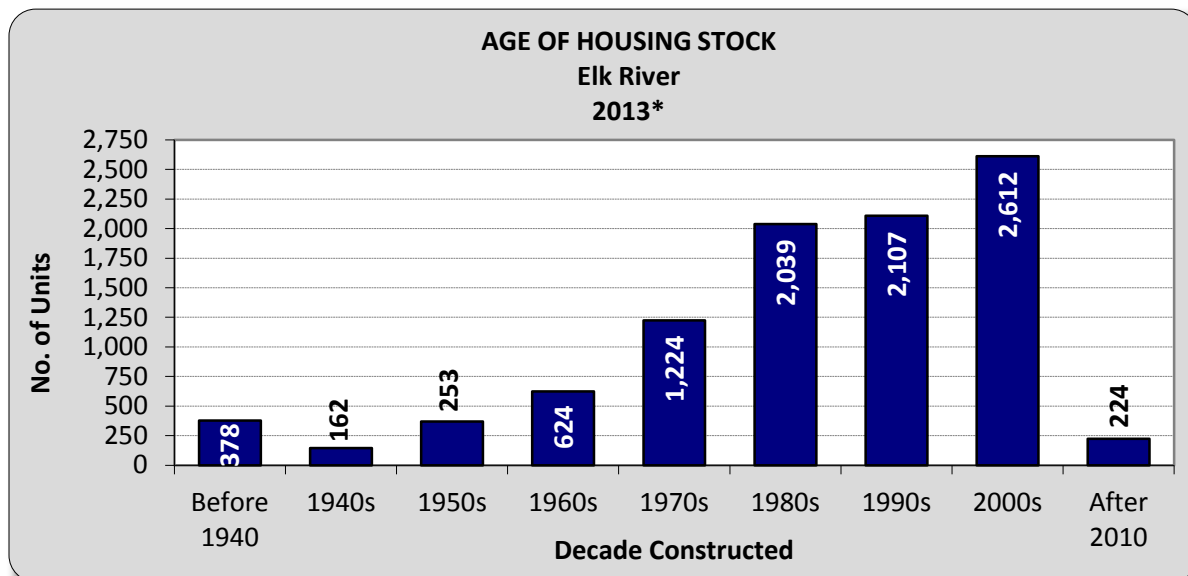
American Community Survey

The American Community Survey (“ACS”) is an ongoing statistical survey administered by the U.S. Census Bureau that is sent to approximately 3 million addresses annually. The survey gathers data previously contained only in the long form of the decennial census. As a result, the survey is ongoing and provides a more “up-to-date” portrait of demographic, economic, social, and household characteristics every year, not just every ten years. The most recent ACS highlights data collected between 2009 and 2013. Tables HC-2 to HC-7 show key data for Elk River Elk River.

Age of Housing Stock

The following graph shows the age distribution of the housing stock in 2000 based on data from the U.S. Census Bureau and 2013 from the American Community Survey (5-Year). Table HC-2 includes the number of housing units built in Elk River, prior to 1940 and during each decade since. The following are key points derived from Table HC-2.

- In total, Elk River is estimated to have nearly 10,000 housing units, of which about 8,415 are owner-occupied and just over 1,300 are renter-occupied. In total, owner-occupied housing units account for about 86.5% of Elk River’s total housing stock.
- The highest number of homes was built during the period from 2000 to 2009. Overall, roughly 27% of the total housing units were built during this period. Less than 10% of Elk River housing stock was built before 1970. Some of these housing units may be dilapidated and in need of replacement or repair.



HOUSING CHARACTERISTICS

**TABLE H-2
AGE OF HOUSING STOCK
ELK RIVER
2013***

Year Structure Built																			
Total Units	<1940		1940s		1950s		1960s		1970s		1980s		1990s		2000-2009		>2010		
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	
Owner-Occupied	8,415	367	4.4	144	1.7	219	2.6	534	6.3	1,020	12.1	1,708	20.3	1,827	21.7	2,495	29.6	101	1.2
Renter-Occupied	1,306	11	0.8	0	0.0	150	11.5	90	6.9	204	15.6	331	25.3	280	21.4	117	9.0	123	9.4
Subtotal	9,721	378	3.9	144	1.5	369	3.8	624	6.4	1,224	12.6	2,039	21.0	2,107	21.7	2,612	26.9	224	2.3
* Data for 2013 is from US Census, American Community Survey (5-Year Estimate)																			
Sources: Bureau of the Census; American Community Survey; Maxfield Research & Consulting, LLC																			

Housing Units by Structure and Occupancy or (Housing Stock by Structure Type)

Table HC-3 shows the housing stock in Elk River by type of structure and tenure as of 2000 and 2013. Data for 2000 is from the U.S. Census and 2013 data is from American Community Survey.

- The dominant housing type in Elk River is the single-family detached home, representing about 73% of all housing units as estimated in 2013.
- There are only about an estimated 840 total housing units located in buildings of more than 10 units, or about 11% of the housing stock.
- According to the data, an estimated 2% of the Elk River's housing stock was vacant as of 2000. As shown in Table HC-4 on Page 37, vacant units increased to 5% in 2010. ACS data for units in structure does not account for vacant units.
- It is important to note, however, that the Census' definition of vacant housing units includes: units that have been rented or sold, but not yet occupied, seasonal housing (vacation or second homes), housing for migrant workers, and even boarded-up housing. Thus, the U.S. Census vacancy figures are not always a true indicator of adequate housing available for new households wishing to move into the area.

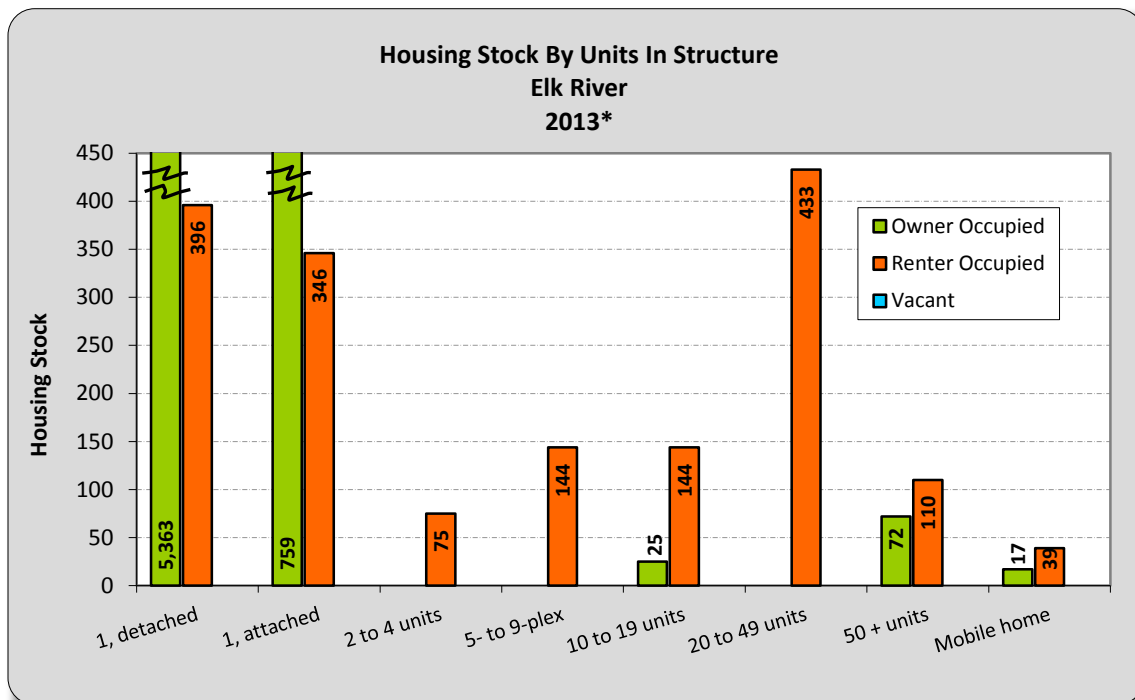


TABLE HC-3 HOUSING STOCK BY UNITS IN STRUCTURE ELK RIVER 2000 and 2013*				
	2000		2013*	
	No	Pct.	No	Pct.
Owner occupied:	4,431	100.0	6,236	100.0
1, detached	4,043	91.2	5,363	86.0
1, attached	319	7.2	759	12.2
2 to 4 units	40	0.9	0	0.0
5- to 9-plex	7	0.2	0	0.0
10 to 19 units	0	0.0	25	0.4
20 to 49 units	0	0.0	0	0.0
50 + units	0	0.0	72	1.2
Mobile home	22	0.5	17	0.3
Renter occupied:	1,233	100.0	1,687	100.0
1, detached	115	9.3	396	23.5
1, attached	67	5.4	346	20.5
2 to 4 units	57	4.6	75	4.4
5- to 9-plex	70	5.7	144	8.5
10 to 19 units	298	24.2	144	8.5
20 to 49 units	365	29.6	433	25.7
50 + units	252	20.4	110	6.5
Mobile home	9	0.7	39	2.3
Total occupied:	5,664	100.0	7,923	100.0
1, detached	4,158	73.4	5,759	72.7
1, attached	386	6.8	1,105	13.9
2 to 4 units	97	1.7	75	0.9
5- to 9-plex	77	1.4	144	1.8
10 to 19 units	298	5.3	169	2.1
20 to 49 units	365	6.4	433	5.5
50 + units	252	4.4	182	2.3
Mobile home	31	0.5	56	0.7
Vacant/Vac. Rate:	118	2.0	--	--
1, detached	58	1.4	--	--
1, attached	46	10.6	--	--
2 to 4 units	0	0.0	--	--
5- to 9-plex	3	3.8	--	--
10 to 19 units	0	0.0	--	--
20 to 49 units	11	2.9	--	--
50 + units	0	0.0	--	--
Mobile home	0	0.0	--	--
* Data for 2013 is from US Census, American Community Survey (5-Year Estimate)				
Sources: US Census Bureau, Maxfield Research & Consulting, LLC				

Housing Units by Occupancy Status & Tenure

Tenure is a key variable that analyzes the propensity for householders to rent or own their housing unit. Tenure is an integral statistic used by numerous governmental agencies and private sector industries to assess neighborhood stability. Table HC-4 shows historic tenure trends for 2000 and with estimates for 2015 and projections for 2020 (ESRI, with adjustment by Maxfield Research).

- Even though both owner- and renter-occupied housing units increased substantially over the decade, their percentage of total housing units decreased slightly due to an increased number of vacant units. Owner-occupied units decreased from 77% in 2000 to 76% in 2010 and renter-occupied units from 21% to 19%. Consequently, the number of vacant occupied units was only 2% in 2000 while increasing to over 5% in 2010. Projections through 2020 indicate a stabilization of owner-occupied housing and vacant units.

TABLE HC-4 HOUSING UNITS BY OCCUPANCY STATUS & TENURE ELK RIVER 2000 to 2020		
Year/Occupancy	Elk River	
	No.	Pct.
2000		
Owner Occupied	4,431	76.6
Renter Occupied	1,233	21.3
Vacant	118	2.0
Total	5,782	100.0
2010		
Owner Occupied	6,478	75.8
Renter Occupied	1,602	18.8
Vacant	462	5.4
Total	8,542	100.0
2015		
Owner Occupied	6,650	77.9
Renter Occupied	1,703	19.9
Vacant	457	5.4
Total	8,810	103.1
2020		
Owner Occupied	7,012	75.4
Renter Occupied	1,790	19.2
Vacant	495	5.3
Total	9,297	100.0
Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC		

The percentages in Table HC-4 compared to Table D-6 on Page 23 are due to the additional of vacant unit totals. Table D-6 does not account for vacant units and thus percentages are slightly different.

Owner-Occupied Housing Units by Mortgage Status

Table HC-5 shows mortgage status and average values from the American Community Survey for 2013 (5-Year). Mortgage status provides information on the cost of homeownership when analyzed in conjunction with mortgage payment data. A mortgage refers to all forms of debt where the property is pledged as security for repayment of debt. A first mortgage has priority claim over any other mortgage or if it's the only mortgage. A second (and sometimes third) mortgage is called a "junior mortgage," a home equity line of credit (HELOC) would also fall into this category. Finally, a housing unit without a mortgage is owned free and clear and is debt free. The following key points summarize findings from Table HC-5.

- Approximately 81% of Elk River homeowners have a mortgage. About 24% of homeowners with mortgages also have a second mortgage and/or home equity loan. Comparatively, about 66% of homeowners in the United States have a mortgage.
- The average home value of a home with a mortgage from Elk River homeowners is approximately \$216,650. By comparison, the same value in the U.S. is about \$263,629, or 22% higher than Elk River.

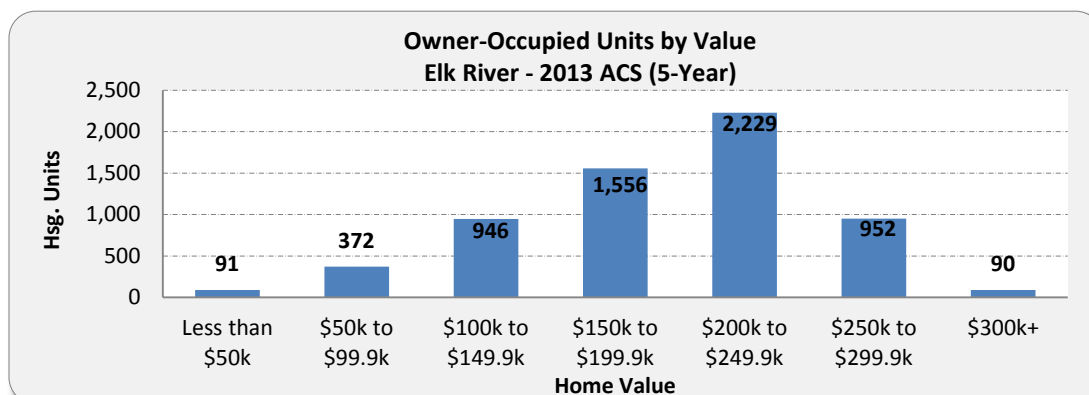
TABLE HC-5 HOUSING UNITS BY MORTGAGE STATUS ELK RIVER 2013 (5-Year Estimate)				
Mortgage Status	Elk River		Twin Cities	MN
	No.	Pct.	Pct.	Pct.
Housing units without a mortgage	1,184	19.0	24.2	30.4
Housing units with a mortgage/debt	5,052	81.0	75.8	69.6
<i>Second mortgage only</i>	423	6.8	5.6	4.7
<i>Home equity loan only</i>	990	15.9	15.3	12.6
<i>Both second mortgage and equity loan</i>	85	1.4	0.8	0.7
<i>No second mortgage or equity loan</i>	3,554	57.0	54.2	51.6
Total	6,236	100.0	100.0	100.0
Average Value by Mortgage Status				
Housing units with a mortgage	\$216,650		\$265,537	\$231,401
Housing units without a mortgage	\$256,762		\$250,624	\$202,693
Sources: U.S. Census Bureau - 2013 ACS; Maxfield Research & Consulting, LLC				

Owner-Occupied Housing Units by Value

Table HC-6 presents data on housing values summarized by nine price ranges. Housing value refers to the estimated price point the property would sell if the property were for sale. For single-family and townhome properties, value includes both the land and the structure. For condominium units, value refers to only the unit.

- Over one-third of the owner-occupied housing stock in Elk River is estimated to be valued between \$200,000 and \$299,999 (36%).
- The median and average owner-occupied home in Elk River is \$206,300 and \$224,226, respectively. Twenty-three percent of the Elk River's home values are valued under \$150,000.

TABLE HC-6 UNITS BY VALUE ELK RIVER 2013 (5-Year Estimate)				
Home Value	Elk River		Twin Cities	MN
	No.	Pct.	Pct.	Pct.
Less than \$50,000	91	1.5	3.5	6.1
\$50,000-\$99,999	372	6.0	4.4	10.4
\$100,000-\$149,999	946	15.2	12.0	16.6
\$150,000-\$199,999	1,556	25.0	22.2	21.4
\$200,000-\$299,999	2,229	35.7	30.7	25.0
\$300,000-\$499,999	952	15.3	19.4	14.8
Greater than \$500,000	90	1.4	7.8	5.7
Total	6,236	100.0	100.0	100.0
Median Home Value	\$206,300		\$221,493	\$187,900
Average Home Value	\$224,266		\$261,926	\$222,672
Sources: U.S. Census Bureau - 2013 ACS; Maxfield Research & Consulting, LLC				



Renter-Occupied Units by Contract Rent

Contract rent (also known as asking rent) provides information on the monthly housing costs for renters. Contract rent is the monthly rent agreed to regardless of any utilities, furnishings, fees, or services that may be included. Key findings from Table HC-7 follow.

- The median and average contract rents in Elk River were \$794 and \$898, respectively. Based on a 30% allocation of income to housing, a household would need an income of about \$31,760 to afford an average monthly rent of \$794.
- Approximately 34% of Elk River renters have monthly rents ranging from \$500 to \$749. Another 35% of renters have monthly rents ranging from \$750 to \$999. Over 48% of renters have monthly rents of \$1,000 or greater.
- Housing units without payment of rent (“no cash rent”) make up only 4% of Elk River renters. Typically units may be owned by a relative or friend who lives elsewhere whom allow occupancy without charge. Other sources may include caretakers or ministers who may occupy a residence without charge.

TABLE HC-7				
HOUSING UNITS BY CONTRACT RENT				
ELK RIVER				
2013 (5-Year Estimate)				
Contract Rent	Elk River		Twin Cities	MN
	No.	Pct.	Pct.	Pct.
No Cash Rent	48	3.6	2.7	4.8
Cash Rent	1,278	96.4	97.3	95.2
\$0 to \$249	64	4.8	6.1	7.9
\$250-\$499	144	10.9	7.3	15.1
\$500-\$749	446	33.6	24.7	29.0
\$750-\$999	463	34.9	30.5	24.6
\$1,000+	631	47.6	31.4	23.4
Total	1,326	100.0	100.0	100.0
Median Contract Rent	\$794		\$835	\$734
Average Contract Rent	\$898		\$887	\$784
Sources: U.S. Census Bureau - 2013 ACS; Maxfield Research & Consulting, LLC				

Introduction

Maxfield Research and Consulting LLC identified and surveyed larger rental properties of 16 or more units in the Elk River. In addition, interviews were conducted with real estate agents, developers, rental housing management firms, and others in the community familiar with Elk River's rental housing stock.

For purposes of our analysis, we have classified rental projects into two groups, general occupancy and senior (age restricted). All senior projects are included in the *Senior Rental Analysis* section of this report. The general occupancy rental projects are divided into three groups, market rate (those without income restrictions), affordable, (those receiving tax credits in order to keep rents affordable), and subsidized (those with income restrictions based on 30% allocation of income to housing).

General-Occupancy Rental Projects

Our research of Elk River's general occupancy rental market included a survey of 22 apartment properties (16 units and larger) in October 2015. These projects represent a combined total of 931 units, including 633 market rate units and 298 affordable/subsidized units. At the time of our survey, 45 market rate units and one affordable/subsidized units were vacant, resulting in an overall vacancy rates of 7.1% for market rate units and 1.3% for affordable/subsidized. It is important to note however, that 28 of the 45 market rate vacancies are located within Elk Park Estates which has changed ownership and management. Excluding this property decreases the vacancy rate to 3.0%. We were unable to gather complete information for the property of Elk Ridge Estates.

The overall market rate vacancy rate of 5.3%, excluding Elk Park Estates drops the vacancy rate to 2.4% which is lower than the industry standard of 5% vacancy for a stabilized rental market, which promotes competitive rates, ensures adequate choice, and allows for unit turnover. The pent-up market indicates a possible need of additional rental housing for all major sectors of the rental market: low-income, moderate-income, and market rate. Table RMA-1 summarizes information on general occupancy projects surveyed. The following are key points from our survey of these developments.

Market Rate

- Granite Shores, converted to rental in 2012, is the newest market rate general occupancy building built in nearly 20 years. Granite Shores contains a total of 67 units and was originally built as a for-sale condominium in 2006, but struggled to sell units and went into foreclosure. Granite Shores has the highest rents in Elk River, at \$1,129 to \$1,589 per month for one-bedroom units, \$1,299 to \$1,539 per month for one-bedroom plus Den units, and \$1,429 per month for two-bedroom units. The monthly rents are about 40% to

50% higher than the other older market rate properties and had three vacancies at the time of the survey.

- One-bedroom monthly rents ranged from \$675 to \$1,589 with rents per square foot from \$0.80 to \$1.28. Two-bedroom monthly rents ranged from \$725 to \$1,429 with rents per square foot from \$0.69 to \$1.38. Evans Meadows has six three-bedroom units that rent for \$1,965 per month (\$1.31 per square foot).
- Overall, the average price per square foot for units in Elk River is \$0.93. The average price per square foot rents for a efficiency unit is \$1.16, \$1.05 for a one-bedroom unit, \$1.44 for a one-bedroom plus den unit, \$0.94 for a two-bedroom unit, and \$0.90 for three-bedroom units. The newest units built at Evans Meadows are renting at a price per square foot ranging from \$1.31 for three-bedroom units to \$1.38 for one-bedroom units.
- A common laundry room with coin-operated washers and dryers is available in all market rate properties surveyed. Granite Shores has in-unit laundry and Tara Hills Estates has in-unit hook-up for laundry. All of the properties surveyed have underground, attached, or detached garages either included in the monthly rent or are available for an extra fee (\$25 to \$50 per month).

Affordable/Subsidized

- We identified five affordable projects (244 units) which are financed through the Low Income Housing Tax Credit (LIHTC) program, otherwise known as the Section 42 program. The maximum income limit for residency at these projects is at 60% of the area median income. Income limits are represented for both programs in Figures 1 and 2 on page 48.
- We also identified two subsidized projects (54 units). Both are Rural Development developments requiring rent of 30% of a resident's adjusted gross income (AGI).
- There have been three affordable developments built within the past 10 years. Coachman Ridge is the most recent development which opened in November 2015. Coachman Ridge was fully leased before the occupancy date. The other new affordable developments are Jackson Place (32 units) which was built in 2007 in Downtown Elk River and The Depot at Elk River Station (53 units) built in 2011 near the commuter rail station . The majority of the subsidized and Tax-Credit properties were built 15 or more years ago.
- All subsidized units were occupied and there were four vacant units in the affordable properties as of October 2015 for a total vacancy rate of 1.3%. Typically, subsidized and affordable rental properties should be able to maintain vacancy rates of 3% or less in most housing markets. The low vacancy rates in the market indicate pent-up demand for affordable and subsidized units and also are an indication of the current economic climate in the area.

RENTAL MARKET ANALYSIS

TABLE RMA-1 GENERAL OCCUPANCY RENTAL HOUSING CITY OF ELK RIVER October 2015								
Project Name/ Address	Year Built	Total Units	Vacant	Unit Mix	Unit Size	Monthly Rent	Price Per Sq. Ft.	Comments
Market Rate								
Granite Shores	2008/	67	1	13 - 1BR	737 - 1,301	\$1,129 - \$1,589	\$1.22 - \$1.53	Condominium conversion. Began leasing in May 2012. Mixture of residents. The majority moved in from the area.
633 Main Street	2012		2	50 - 1BR+D	817 - 1,187	\$1,299 - \$1,539	\$1.30 - \$1.59	
	Conversion		0	4 - 2BR	965 - 1,077	\$1,429 - \$1,429	\$1.33 - \$1.48	
Evans Meadows	1990/	113	0	47 - 1BR	800 - 925	\$935 - \$1,258	\$1.17 - \$1.36	Three story apartments. Six total buildings along with a clubhouse. One building burned down in 2013 and was rebuilt.
325-385 Evans Avenue	2015		0	64 - 2BR	1,034 - 1,200	\$1,065 - \$1,655	\$1.03 - \$1.38	
			0	2 - 3BR	1,500	\$1,965	\$1.31	
Lion's Park	1988	62	0	1 - EFF	800	\$750	\$0.94	U-shaped three story apartment building.
1001 School Street			0	42 - 1BR	1,000 - 1,025	\$800 - \$850	\$0.80 - \$0.83	Recently renovated. The two vacant units will; be coming online in Novemeber and are expected to fill quickly.
			1	13 - 2BR	960 - 1,400	\$895 - \$960	\$0.69 - \$0.93	
			1	6 - 3BR	1,100 - 2,200	\$1,100 - \$1,250	\$0.57 - \$1.00	
Oak Crest Apartments	1987/	54	0	3 - 1BR	n/a	\$725	n/a	Three two-story buildings.
300-380 3rd Street	1988		2	51 - 2BR	n/a	\$825 - \$850	n/a	
Ridgewood Manor	1987	80	0	29 - 1BR	750	\$695	\$0.93	Three story apartments. Five total buildings.
11931 191 ^{1/2} Avenue			3	51 - 2BR	900	\$775 - \$795	\$0.86 - \$0.88	
Tara Hills Estates	1986	26	0	n/a - 1BR	n/a	\$540	n/a	Three-story apatment building.
151 5th Street			0	n/a - 2BR	n/a	\$640	n/a	
			0	n/a - 3BR	n/a	\$795	n/a	
Elk Park Estates	1985-87	72	5	n/a - 1BR	n/a	\$650	n/a	Three, Three-story apartment building.
1109-1115 School Street			7	n/a - 1BR/D	n/a	\$700	n/a	Previous caretakers took advantage of owners.
			8	n/a - 2BR	n/a	\$725 - \$775	n/a	New owner took over ownership with new caretaker. 15 evictions occurred. Turning around
			8	n/a - 2BR/D	n/a	\$800	n/a	
Elk Ridge Estates	1985	18	- - - NOT AVAILABLE - - -					
11755 191 1/2 Ave								
Balmoral Apartments	1979	24	0	1 - 1BR	625	\$675	\$1.08	Three story building with balconies for the upper two floors.
379 Baldwin			0	23 - 2BR	815	\$725 - \$775	\$0.89 - \$0.95	
Elk Crossings	1972	21	1	3 - 1BR	625	\$795	\$1.27	Three, three story buidlings.
814 Proctor Ave			4	18 - 2BR	950	\$895	\$0.94	
School Place Apartments	1965	16	0	2 - 1BR	700	\$695	\$0.99	Two, two-story buildings.
1179 School St. NW			0	14 - 2BR	1,050	\$795	\$0.76	
Continued								

RENTAL MARKET ANALYSIS

TABLE RMA-1 GENERAL OCCUPANCY RENTAL HOUSING CITY OF ELK RIVER October 2015 (Continued)								
Project Name/ Address	Year Built	Total Units	Vacant	Unit Mix	Unit Size	Monthly Rent	Price Per Sq. Ft.	Comments
Market Rate (continued)								
River Garden Apartments 337 Baldwin Ave	1973	30	1 1 0	15 - 1BR 14 - 2BR 1 - 3BR	750 950 1,000	\$725 \$800 \$800	\$0.97 \$0.84 \$0.80	Three story building
Pineview Estates 7/23 3rd Street	1972	30	0 0 0	1 - EFF 7 - 1BR 22 - 2BR	450 750 950	\$625 \$725 \$800	\$1.39 \$0.97 \$0.84	Three story building.
Lake Orono Estates 18594 Gary Street	1967	36	0	36 - 2BR	875	\$785 - \$825	\$0.90 - \$0.94	Three story building. Over 80% are families.
Market Rate Total		633	45	7.1% Vacancy Rate				
Affordable/Subsidized								
Coachman Ridge 17250 Twin Lake (Affordable)	Nov. 2015	52	0 0 0	9 - 1BR 26 - 2BR 17 - 3BR	796 1,097 1,309 - 1,332	\$695 \$830 \$940	\$0.87 \$0.76 \$0.71 - \$0.72	
The Depot of Elk River Station 10653 172nd Avenue NW (Affordable)	2011	53	0 1 0	11 - 1BR 26 - 2BR 16 - 3BR	796 1,097 - 1,134 1,309 - 1,332	\$738 \$880 \$995	\$0.93 \$0.78 - \$0.80 \$0.75 - \$0.76	Four-story development. LIHTC affordable at 60% of AMI. Wide mixture of residents
Jackson Place 300 Jackson Ave (Affordable)	2007	32	0 0	16 - 1BR 16 - 2BR	712 912	\$721 \$825	\$1.01 \$0.90	Three story building Downtown. LIHTC affordable at 60% of AMI. Majority of tenants live alone.
Dove Tree Apartments 1105 Lions Park Dr (Affordable)	1995	68	0 0 2 1	1 - EFF 16 - 1BR 34 - 2BR 17 - 3BR	n.a. 675 891 1,134	n.a. \$800 \$900 \$1,025	 \$1.19 \$1.01 \$0.90	Three story facilitiy. LIHTC affordable at 60% of AMI. Wide mix of resident types.
Continued								

RENTAL MARKET ANALYSIS

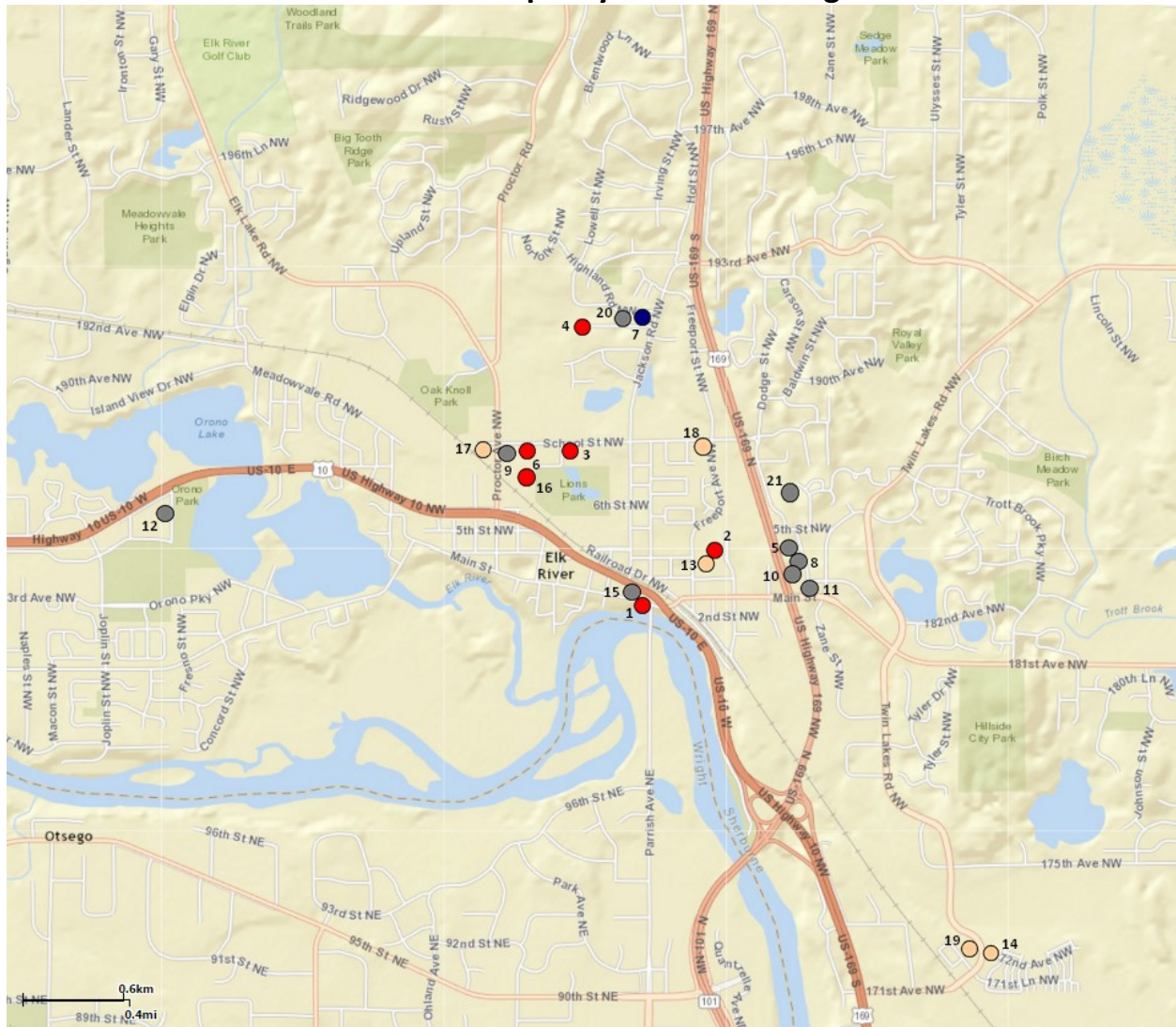
TABLE RMA-1 GENERAL OCCUPANCY RENTAL HOUSING CITY OF ELK RIVER October 2015 (Continued)								
Project Name/ Address	Year Built	Total Units	Vacant	Unit Mix	Unit Size	Monthly Rent	Price Per Sq. Ft.	Comments
Affordable/Subsidized (continued)								
Lanesboro Heights Townhomes	1992	30	0	21 - 2BR	850	\$823	\$0.97	Two-story rowhomes. 30% of income. 5 year waiting list. Unit mix is mostly families and empty nesters whos kids have moved out of development.
11798 Highland Road			0	8 - 3BR	950	\$935	\$0.98	
(Section 8)						Market Rents*		
Dove Terrace Apartments	1990	51	0	3 - 1BR	683	\$750	\$1.10	Three story building. LIHTC affordable at 60% of AMI. Wide mix of resident types.
1127 School Street			0	23 - 2BR	871 - 1,113	\$799	\$0.72 - \$0.92	
(Affordable)			1	24 - 3BR	995 - 1,066	\$899	\$0.84 - \$0.90	
Auburn Place	1989	24	0	17 - 2BR	750	\$535 - \$743	\$0.71 - \$0.99	Three story building. Section 515 Rural Development.
631 Auburn Place			0	7 - 3BR	850	\$570 - \$778	\$0.67 - \$0.92	
(Rural Development 515)						Base - Market		
Elk Ridge Manor	1986	40	0	n.a. - 1BR	595	\$740	\$1.24	Two story apartments and townhomes. LIHTC affordable at 60% of AMI. Community is primarily families with children.
847 Freeport Ave			0	n.a. - 2BR	795	\$790 - \$840	\$0.99 \$1.06	
(Affordable)			0	n.a. - 3BR	1,025	\$895	\$0.87	
Affordable/subsidized Total		298	4	1.3%	Vacancy Rate			
Rental Housing Total		931	49	5.3%	Vacancy Rate			
* Market rents that building would charge if not subsidized.								
Source: Maxfield Research & Consulting, LLC								

RENTAL MARKET ANALYSIS

TABLE RMA-2 COMMON AREA FEATURES/AMENITIES EXISTING GENERAL OCCUPANCY RENTAL PROJECTS CITY OF ELK RIVER October 2015																		
Projects	In Unit/Common Area Amenities											Utilities and Parking						
	Air Conditioning	Dishwasher	Patio/Balcony	Walk-in Closet	Laundry	Elevator	Community Room	Fitness Center	Playground	Pool	Extra Storage Space	Heat/Gas	Electricity	Water/Sewer	Trash	Cable	Parking	Parking Fee (per month)
Market Rate Rental																		
Granite Shores	Cent.	Y	Y	Y	IU	Y	Y	Y	N	N	Y			I	I		UG	Included
Evans Meadows	W	Y	Y	Y	C	N	Y	Y	Y	Y	Y			I	I		AG	Included
Lions Park	CA	Y	S	S	C	N	N	N	Y	N	N			I	I		UG	Included
Oak Crest	W	S	N	N	C	N	N	N	N	N	N			I	I		DG	Included
Ridgewood Manor	W	Y	S	Y	C	N	N	N	N	N	N			I	I		DG	Included
Tara Hills Estates	W	Y	Y	N	HU	N	N	N	N	N	N			I	I		DG	Included
Elk Park Estates	W	Y	Y	N	C	N	N	N	N	N	Y			I	I		DG	Included
Elk Ridge Estates	W	N	N	N	C	N	N	N	N	N	N			I	I		DG	Included
Balmoral Apartments	W	Y	S	Y	C	N	N	N	Y	N	N			I	I		DG	\$25
Elk Crossings	W	Y	N	N	C	N	Y	N	N	N	N			I	I		DG	\$50
School Street	W	Y	N	N	C	N	Y	N	N	N	N			I	I		DG	\$50
River Garden	W	Y	S	S	C	N	N	N	Y	N	N			I	I		DG	\$50
Pineview	W	S	Y	S	C	N	N	N	N	N	N			I	I		DG	\$50
Lake Orono Estates	W/S	N	S	N	C	N	N	N	N	N	Y			I	I		DG	\$35
Affordable/Subsidized Rental																		
Coachman Ridge	CA	Y	Y	Y	IU	Y	Y	Y	Y	N	Y			I	I		UG	Included
The Depot of Elk River	CA	Y	Y	Y	IU	Y	Y	Y	Y	N	Y			I	I		UG	Included
Jackson Place	CA	Y	S	Y	IU	Y	Y	N	N	N	N			I	I		UG	Included
Dove Tree	W	Y	Y	Y	C	N	Y	N	N	N	N			I	I		A/DG	\$45/\$55
Lanesboro Heights	W	N	Y	S	HU	N	N	N	Y	N	N			I	I		DG	\$30
Dove Terrace	W	Y	S	Y	C	N	Y	N	N	Y	N			I	I		DG	\$45
Auburn Place	W	Y	N	N	C	N	N	N	Y	N	N			I	I		DG	\$40
Elk Ridge Manor	CA	N	N	N	C	N	N	N	Y	N	N			I	I		DG	Included
Note: Y=Available, N=Not Available; I=Included CA=Central Air; W=Wall unit air; S=Some units; DG=Detached Garage; UG=Underground; AG=Attached Garage; O=Offstreet; IU=In-unit; HU=Hook-ups; C=Common Source: Maxfield Research & Consulting, LLC																		

- Along with income limits for residents, the projects have maximum rents that are based on a percentage of median income – usually 60% of median income. Rents at the affordable projects range from \$695 to \$800 for one-bedroom units, from \$70 to \$900 for two-bedroom units, and from \$899 to \$1,025 for three-bedroom units. These rents are similar to many of the market rate projects, and there is likely some market overlap.

Elk River General Occupancy Rental Housing Locations



Maxfield Research & Consulting, LVC

Key:

Market Rate

1. Granite Shores
2. Evans Meadows
3. Lion's Park
4. Ridgewood Manor
5. Tara Hills Estates
6. Elk Park Estates
7. Elk Ridge Estates
8. Balmoral Apartments
9. Elk Crossings/School Street
10. River Garden Apartments
11. Pineview Estates
12. Lake Orono Estates
13. Oak Crest Apartments

Affordable

14. The Depot at Elk River Station
15. Jackson Place
16. Dove Tree Apartments
17. Dove Terrace Apartments
18. Elk Ridge Manor
19. Coachman Ridge

Section 8

20. Lanesboro Heights Townhomes
21. Auburn Place

	60 + Units
	40-59 Units
	21-39 Units
	Less than 20 Units

Because the two newer Tax Credit properties were built in the last five years, the properties offer more amenities than the other older affordable and subsidized properties amenities include in-unit washer and dryers, dishwashers, central a/c units, and heated underground garages. Unit and common area amenities are minimal at the older affordable and subsidized projects. All projects feature attached or detached garages renting from \$30 to \$55 per month.

FIGURE 1 2015 MHFA/HUD Income Limits Sherburne County								
	Income Limits by Household Size							
	1 phh	2 phh	3 phh	4 phh	5phh	6phh	7phh	8phh
30% of median	\$18,210	\$20,790	\$23,400	\$25,980	\$28,080	\$30,150	\$32,220	\$34,320
50% of median	\$30,350	\$34,650	\$39,000	\$43,300	\$46,800	\$50,250	\$53,700	\$57,200
60% of median	\$36,420	\$41,580	\$46,800	\$51,960	\$56,160	\$60,300	\$64,440	\$68,640
	Maximum Gross Rents by Bedroom Size							
	0 BR	1BR	2BR	3BR				
30% of median	\$455	\$487	\$585	\$675				
50% of median	\$758	\$812	\$975	\$1,126				
60% of median	\$910	\$975	\$1,170	\$1,351				
Sources: MHFA; Maxfield Research & Consulting, LLC								

Figure 1 above shows the maximum allowable incomes by household size to qualify for affordable housing and maximum gross rents that can be charged by bedroom size in Sherburne County. Comparing the maximum rents with the market rate rents in Table RMA-1 we can see that all rental buildings except for The Depot at Elk River Station offer rents below 60% of the AMI and most units are below 50% of the AMI. The majority of the properties with rents below 50% of AMI are 20 years and older. The quick absorption occurring at Granite Shores, which offers the highest rents in the market and is the newest rental development, indicates the market is willing and able to afford higher market rents when buildings with updated amenities are offered.

Subsidized Housing Assistance Program

In addition to subsidized apartments, Elk River also has a “tenant-based” subsidy called *Housing Choice Vouchers* to help lower income households find affordable housing. The tenant-based subsidy is funded by the Department of Housing and Urban Development’s (HUD), and is managed by the St. Cloud Housing and Redevelopment Authority (HRA). Under the Housing Choice Voucher program (formerly Section 8 Certificates and Vouchers) qualified households are issued a voucher that the household can take to an apartment that has rent levels allowable under HUD guidelines. The household then pays 30% of their adjusted gross income for rent and utilities, and the Federal government pays the remainder of the rent to the landlord.

RENTAL MARKET ANALYSIS

Applicants in Elk River may be eligible for the program if their income is below the current limits shown in Figure 2, which are set by HUD on an annual basis.

Currently, the HRA is maxed out on the 873 vouchers they issue. Because the majority of these households have very low incomes, very few could afford rental housing in Elk River without the assistance of the voucher program. Demand for the program is high, as there is at least a five year waiting list and currently stands at over 3,000 households. The funding for the program is very low so the HRA cannot issue any more vouchers and the waiting list is currently closed. The St. Cloud HRA manages their vouchers throughout St. Cloud, Benton, Sherburne, and Wright Counties. The HRA could not provide the amount being used specifically in Elk River.

FIGURE 2 Income Limits Sherburne County Housing Choice Voucher Program		
<u>Family Size</u>	<u>Extremely Low-Income</u>	<u>Very Low-Income</u>
1-Person	\$18,200	\$30,350
2-Persons	\$20,800	\$34,650
3-Persons	\$23,400	\$39,000
4-Persons	\$26,000	\$43,300
5-Persons	\$28,410	\$46,800
6-Persons	\$32,570	\$50,250
7-Persons	\$36,730	\$53,700
8-Persons	\$40,890	\$57,200
Source: St. Cloud HRA		

Pending Rental Developments in Elk River

Maxfield Research and Consulting LLC interviewed City staff in Elk River to determine pending and planned rental developments. As of November 2015, there are no rental developments planned within Elk River.

Rental Market Interview Summary

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

- The majority of property managers stated that rental demand has remained strong and vacancy rates remain low. Most of the issues continue to revolve around finding the right qualified tenants. Although they are usually fully occupied, most market rate properties do not maintain a waiting list, and if they do the list is relatively small. Managers state that most vacancies will be filled relatively quickly over a few months. Most of the affordable and subsidized properties maintain lengthy waiting lists due to the strong demand for low-income rental units. The subsidized properties in particular have very long lists with Lanesboro Heights stating a five-year wait.
- If an apartment is not available in Elk River, the potential tenant will search in the surrounding communities such as Rogers, Monticello, Albertville, Otsego, and Big Lake.
- The majority of managers prefer not to divulge renter profiles and typically stated they had a wide mix of tenants. Most of the managers indicated that the majority of tenants work locally.
- Most managers indicated that very few, if any renters utilized the commuter rail for work purposes as most renters work in the local area.
- Many of Elk River's rental housing buildings are composed of larger-sized (30 to 60 units) structures targeted at the low- to moderate-income market. The majority of these buildings were built at least 20 year ago and do not feature a variety of contemporary amenities.

Senior Housing Defined

The term “senior housing” refers to any housing development that is restricted to people age 55 or older. Today, senior housing includes an entire spectrum of housing alternatives, which occasionally overlap, thus making the differences somewhat ambiguous. However, the level of support services offered best distinguishes them. Maxfield Research and Consulting LLC classifies senior housing projects into five categories based on the level of support services offered:

Adult/Few Services; where few, if any, support services are provided, and rents tend to be modest as a result;

Congregate/Optional-Services; where support services such as meals and light housekeeping are available for an additional fee;

Congregate/Service-Intensive; where support services such as meals and light housekeeping are included in the monthly rents;

Assisted Living; where two or three daily meals as well as basic support services such as transportation, housekeeping and/or linen changes are included in the fees. Personal care services such as assistance with bathing, grooming and dressing is included in the fees or is available either for an additional fee or included in the rents.

Memory Care; where more rigorous and service-intensive personal care is required for people with dementia and Alzheimer’s disease. Typically, support services and meal plans are similar to those found at assisted living facilities, but the heightened levels of personalized care demand more staffing and higher rental fees.

These five senior housing products tend to share several characteristics. First, they usually offer individual living apartments with living areas, bathrooms, and kitchens or kitchenettes. Second, they generally have an emergency response system with pull-cords or pendants to promote security. Third, they often have a community room and other common space to encourage socialization. Finally, they are age-restricted and offer conveniences desired by seniors, although assisted living projects sometimes serve non-elderly people with special health considerations.

The five senior housing products offered today form a continuum of care (see Figure 2 on the following page), from a low level to a fairly intensive one; often the service offerings at one type overlap with those at another. In general, however, adult/few services projects tend to attract younger, more independent seniors, while assisted living and memory care projects tend to attract older, frailer seniors.


SENIOR HOUSING ANALYSIS

CONTINUUM OF HOUSING AND SERVICES FOR SENIORS

Single-Family Home	Townhome or Apartment	Congregate Apartments w/ Optional Services		Assisted Living	Nursing Facilities
	Age-Restricted Independent Single-Family, Townhomes, Apartments, Condominiums, Cooperatives	Congregate Apartments w/ Intensive Services		Memory Care (Alzheimer's and Dementia Units)	

Fully Independent
Lifestyle

Fully or Highly
Dependent on Care

 Senior Housing Product Type

Source: Maxfield Research & Consulting, LLC

Senior Housing in Elk River

As of October 2015, Maxfield Research identified nine senior housing developments in Elk River. These projects contain a total of 412 units. Three of the projects are subsidized, while the remaining six are market rate. Guardian Angels owns and manages seven of the nine properties.

Table SH-1 provides information on the total units by product type and Table SH-2 shows detailed information on each development including year built, number of units, unit mix, number of vacant units, rents, and general comments about each project.

TABLE SH-1 SENIOR HOUSING UNITS BY TYPE CITY OF ELK RIVER October 2015				
Active Adult/Few Services				
Ownership	MR Rental	AFF/Sub. Rental	Assisted Living	Memory Care
124	83	115*	60	30
* All units are subsidized. There are no designated affordable senior units in Elk River.				
Source: Maxfield Research & Consulting, LLC				

Market Rate Senior Projects

- We identified five existing adult/few service senior project in Elk River with a total of 207 units. Two of the developments are ownership (124 units) and the other three are rental (83 units) buildings. Pullman Place is the newest market rate development built in 2005 and is a cooperative ownership product with 65 units. The remaining products are 10 years and older.

SENIOR HOUSING ANALYSIS

TABLE SH-2 SENIOR HOUSING CITY OF ELK RIVER October 2015								
Project Name/City	Year Built	No. of Units	No. Vacant	Unit Mix/Sizes/Rents			Monthly Rent/ Sale Price	Comments
				No.	Type	Sizes		
Adult/Few-Services Ownership								
Pullman Place 17155 Quincey St (Cooperative)	2005	65	0	14 - 1BR	798 - 920	\$672 - \$923	55+. <i>Guardian Angels</i> . In 2012, units were selling at 35% to 55% less than scheduled share price. Now units are selling for full share prices. Residents typically sell due to health issues and need for higher level of care, with some relocating near family. In 2012, units took longer to sell and could be up to 2+ years market time for some units. Now units sell quickly and there is a waiting list. Avg. Age = 82, 16 couples.	
						\$50,051 - \$69,188		
			0	9 1BR+D	1,058	\$1,066		
						\$79,558		
			0	39 - 2BR	1,110 - 1,272	\$1,110 - \$1,276		
			1	On Market		\$83,474 - \$95,660		
0	1 - 2BR+D	1,440	\$1,450					
			\$108,295					
0	2 - 3BR+D	1,440	\$1,450					
			\$108,295					
Elk Run Village 19200 Freeport Court NW	1997/ 1999	59	0	52 - 2BR	1,400	\$145,900 - \$179,900 Recent Sales Price 2014 and 2015	For sale one-level age restricted townhome community for active adults.	
Ownership Subtotal		124	0	0%	Vacancy Rate			
Adult/Few-Services Rental								
Market Rate								
Elk Terrace 385 Holt Avenue	1993	23	0	20 - 1BR	688	\$585 - \$698	62+. <i>Metroplains</i> . All utilities covered except for electric, cable/phone;	
			0	3 - 2BR	734	\$635 - \$734		
Evans Park 330 Evans Avenue	1985	36	1	24 - 1BR	638	\$896	55+. <i>Guardian Angels</i> . Grocery store and gift shop located within property.	
			1	12 - 2BR	826	\$1,109		
Riverview Apts. 925 Angel Avenue	1973	24	1	20 - EFF	320	\$517	62+. <i>Guardian Angels</i> . Electric and heat are included in rent. 7 units occupied with Section 8 voucher. No longer accept Section 8. When those tenants move out, no new Section 8 allowed. Units come with assigned	
			0	4 - 1BR	380	\$618		
Market Rate & Subsidized)								
Market Rate Rental Subtotal		83	3	4%	Vacancy Rate			
Market Rate Total		207	3	1%	Vacancy Rate			
Continued								

SENIOR HOUSING ANALYSIS

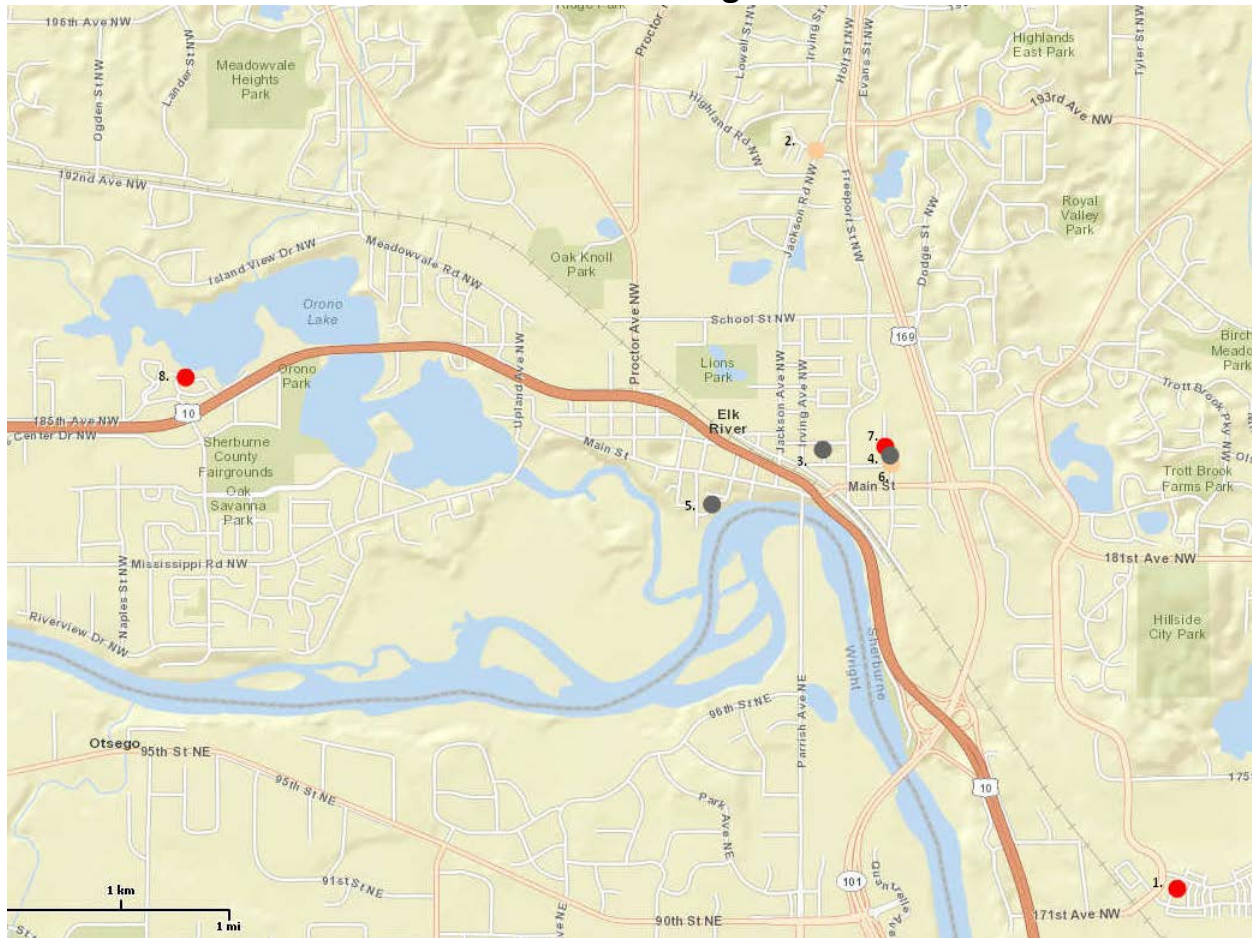
TABLE SH-2 SENIOR HOUSING CITY OF ELK RIVER October 2015 (Continued)							
Project Name/City	Year Built	No. of Units	No. Vacant	Unit Mix/Sizes/Rents			Comments
				No.	Type	Sizes	
Monthly Rent/ Sale Price							
Affordable/Subsidized							
Angel Ridge	1992	53	0	52 - 1BR	540	30% of AMI	62+. Guardian Angels . HUD 202 - Section 8. Provides noon meals.
280 Evans (Subsidized)			0	1 - 2BR	800	30% of AMI	
Guardian Oaks	1980	62	0	60 - 1BR	540	30% of AMI	62+. Guardian Angels . HUD 202 - Section 8 subsidised. The rent per unit varies on case by case basis per the tenants needs. Disabled/medical demands, modified units.
350 Evans Avenue (Subsidized)			0	2 - 2BR	800	30% of AMI	
Affordable/Subsidized Subtotal		115	0	0%	Vacancy Rate		
Adult/Few Service Total		322	3	1%	Vacancy Rate		
Assisted Living							
Guardian Angels by the Lake	1998/	60	0	58 - 1BR	440 - 520	\$2,517 - \$2,891	55+. Guardian Angels . Personal Care a-la-carte and can run from \$330 to roughly \$3,000. Avg= 84. Wait list.
13439 185th Lane	2012		0	2 - 2BR	650	\$3,127	
Memory Care							
Guardian Angels by the Lake	1998/	30	0	22 - Studio	324 - 354	\$2,331 - \$2,442	55+. Guardian Angels . Personal Care a-la-carte and can run from \$923 to roughly \$3,500. Avg Age = 84.
13439 185th Lane	2012		0	6 1BR	456	\$2,708	
			1	2 2BR	745	\$3,462	
Overall Senior Housing Total		412	4	1.0%			
Source: Maxfield Research & Consulting, LLC							

SENIOR HOUSING ANALYSIS

TABLE SH-3
UNIT FEATURES/BUILDING AMENITIES/SERVICES
EXISTING SENIOR HOUSING
CITY OF ELK RIVER
October 2015

	Unit Features						Building Amenities								Services					Utilities		
	A/C	Dishwasher	Microwave Oven	W/D	Walk-in Closet	Balcony/Patio	Community Rm.	Dining Rm.	Craft/Hobby Rm.	Library	Computer Ctr.	Storage Lockers	Exercise Rm.	Garage Parking	Guest Suite	Transportation	Activities	Laundry	Housekeeping		Meals	
ACTIVE ADULT																						
Market Rate																						
Pullman Place Cooperative	Y Cent.	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	UG Incl.	Y \$35/n	N	Y	N	N	N	Tenant pays elec, phone, & cable.		
Elk Run Village	Y Cent.	Y	Y	N	Y	Y	Y	N	N	N	N	N	AG Incl.	N	N	N	N	N	N	Tenant Pays all.		
Evans Park	Y Wall	N	N	N	N	N	Y	Y	Y	Y	N	Y	N	DG	N	N	Y	O	O	Noon Included	Tenant pays elec, phone, & cable.	
Riverview Apartments	Y Wall	N	N	N	N	N	Y	Y	Y	Y	N	Y	N	N	N	N	N	Y	O	O	N	Tenant pays phone, & cable.
Affordable/Subsidized																						
Angel Ridge	Y Wall	N	N	N	N	N	Y	Y	Y	Y	N	Y	N	N	N	Y	Y	O	O	Noon fee	Tenant pays elec, phone, & cable.	
Elk Terrace	Y Wall	N	N	N	N	N	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	Tenant pays elec, phone, & cable.	
Guardian Oaks	Y Wall	N	N	N	N	N	Y	Y	Y	Y	N	Y	N	N	N	Y	Y	O	O	N	Tenant pays elec, phone, & cable.	
ASSISTED LIVING																						
Guardian Angels by the Lake	Y Wall	N	Y	N	Y	N	Y	Y	Y	Y	N	N	N	N	N	Y	Y	Y	Y	Y	Tenant pays phone, & cable	
Guardian Angels by the Lake	Y Wall	N	N	N	Y	N	Y	Y	Y	Y	N	N	N	N	N	Y	Y	Y	Y	Y	Tenant pays phone, & cable	
Y = Yes; N = No; S = Some; O = Optional, A = Attached Garage; DG = Detached Garage; U = Underground Parking																						
Source: Maxfield Research & Consulting, LLC																						

Elk River Senior Housing Locations



Maxfield Research & Consulting LLC

Key:

Adult/Few-Services Ownership

1. Pullman Place
2. Elk Run Village

Adult/Few-Services Rental

Market Rate

3. Elk Terrace
4. Evans Park
5. Riverview Apartments

Subsidized

5. Riverview Apartments
6. Angel Ridge
7. Guardian Oaks

Assisted Living

8. Guardian Angels by the Lake

Memory Care

8. Guardian Angels by the Lake

	60 + Units
	40-59 Units
	21-39 Units
	Less than 20 Units

- Pullman Place is a limited equity cooperative. Cooperative products involve purchasing a unit (or share) and then paying monthly fees which includes all utilities, of property and commons areas, and future building maintenance. Pullman Place sold out fairly quickly when it opened at the height of the real estate market. However current residents who purchased during the peak have lost value in their units. All unit types currently sell fairly quickly compared to 2012 and a few years before.
- Elk Run Village is a for sale age-restricted townhome development for active adults. There are a total of 52 homes along with a clubhouse. All of the units are one-level, two-bedrooms with attached garages.
- Monthly rent for the rental buildings ranges \$517 for efficiency units at Riverview Apartments to \$1,109 for a two-bedroom unit at Evans Park. Unit sizes range from 320 square feet for an efficiency to 826 for a two-bedroom unit. Both of the market rate buildings are about 30 years and older.

Subsidized Senior Housing Projects

- There are a total of 138 units in two subsidized senior projects. As of October 2015, all of the subsidized units were occupied indicating pent-up demand for subsidized senior rental units.
- Overall, the unit sizes at the subsidized senior projects are considerably smaller than many of the previously mentioned general-occupancy rental projects. One-bedrooms range from 540 to 688 square feet and two-bedrooms range from 734 to 800 square feet.
- Typically subsidized senior housing offers limited to no amenities. However Guardian Angels has developed Angel Ridge and Guardian Oaks with common area amenities such as a grocery store, gift shop, beauty salon, dining room, community room, extra storage space, and coffee shop. Personal care services are also available at an extra cost along with scheduled activities.

Subsidized senior housing offers affordable rents to qualified lower income seniors and handicapped/disabled persons. Typically, rents are tied to residents' incomes and based on 30 percent of adjusted gross income (AGI), or a rent that is below the fair market rent. For those households meeting the age and income qualifications, subsidized senior housing is usually the most affordable rental option available.

Senior Housing with Services

- There is one facility in Elk River that offers assisted living and memory care services. Guardian Angels by the Lake is a 90 unit development opened in 1998 and recently

expanded in 2012. A new 30 unit memory care wing was added in 2012 and the former 13 unit memory care wing in the original building, have been converted to assisted living.

- Personal care services are provided a-la-carte for both assisted living and memory care. The base fee included weekly housekeeping and linens. Assisted living included two meals per day and memory care includes three meals per day.

Introduction

Maxfield Research and Consulting LLC analyzed the for-sale housing market in Elk River by analyzing data on single-family and multifamily home sales and active listings; identifying pending for-sale developments; and conducting interviews with local real estate professionals, developers and planning officials.

Overview of For-Sale Housing Market Conditions

Table FS-1 presents home resale data on single-family and multifamily housing in Elk River from 2000 through June 2015. The data was obtained from the Regional Multiple Listing Services of Minnesota and shows annual number of sales, median and average pricing, average days of market, cumulative days on market, and percentage of sales that are lender-mediated (i.e. short-sale or foreclosure). It should be noted that lender-mediated sales were not categorized until July 2008 and the cumulative days on market were not calculated until 2006.

Table FS-2 breaks down resale activity from Table FS-1 into single-family and multifamily resales. The following are key points observed from our analysis of this data.

- Like across the Twin Cities Metro Area and the nation, pricing peaked in 2005 & 2006 at the height of the real estate boom. The average and median sales price plateaued at roughly \$254,000 and \$234,900 respectively. For comparison, the Twin Cities Metro Area median sales price peaked at \$230,000 in 2006.
- Between 2000 and 2005, the median sales price increased annually from \$159,000 to \$234,900, a gain of 48%. However, from 2005 to 2010 the median sales price declined to \$160,000 (-32%). Since 2010, home resale prices have increased significantly rising to \$209,975 (31%).
- Sales prices increased between 2009 and 2010, mostly a result of the first-time homebuyer tax credit that was available in the second half of 2009 through September 2010. The tax credit also spurred transaction activity, resulting in nearly 400 sales in 2009 (17% over 2008 sales). However, the sales price was at its lowest in 2009 at \$132,000. Since 2011; the median sales prices has rising annually and is at \$209,975 (+59%).
- The average number of resales has averaged about 405 sales annually during the last decade. So far through June 2015, the number of sales has averaged 391. The years of 2013 and 2014 showed substantial improvement in sales from early this decade.
- The number of lender-mediated properties accounted for over one-half of all home transactions between 2008 and 2012; peaking in 2010 and 2011 at 70%. Since 2012, the number has come down substantially and was at about 12% through the first half of 2015.

FOR-SALE MARKET ANALYSIS

TABLE FS-1 HOME RESALES CITY OF ELK RIVER 2000 to 2015 (First Half)										
Year	No. Sold	Avg. Sales Price	Avg. % Change	Med. Sales Price	Median % Change	Days on Market		Cumul. DOM¹		% Lender Mediated²
						Avg.	Median	Avg.	Median	
2000	353	\$172,769	-	\$159,000	-	49	25	-	-	-
2001	324	\$187,299	8.4%	\$172,900	8.7%	56	36	-	-	-
2002	435	\$210,268	12.3%	\$186,000	7.6%	61	38	-	-	-
2003	466	\$227,956	8.4%	\$208,149	11.9%	61	39	-	-	-
2004	611	\$238,559	4.7%	\$224,350	7.8%	57	39	-	-	-
2005	519	\$254,038	6.5%	\$234,900	4.7%	88	61	-	-	-
2006	439	\$248,640	-2.1%	\$230,000	-2.1%	83	58	169	111	-
2007	360	\$233,069	-6.3%	\$210,450	-8.5%	85	66	206	178	-
2008	340	\$201,085	-13.7%	\$190,000	-9.7%	82	61	180	152	50.6%
2009	397	\$166,138	-17.4%	\$158,000	-16.8%	75	55	163	101	71.5%
2010	313	\$173,153	4.2%	\$160,000	1.3%	70	49	134	77	69.9%
2011	382	\$145,781	-15.8%	\$132,000	-17.5%	88	59	147	106	70.2%
2012	390	\$162,862	11.7%	\$157,000	18.9%	81	50	114	68	56.7%
2013	445	\$184,650	13.4%	\$172,000	9.6%	56	35	82	47	33.8%
2014	466	\$207,424	12.3%	\$195,000	13.4%	60	42	78	49	17.6%
2015*	272	\$216,840	4.5%	\$209,975	7.7%	61	36	85	39	11.8%
Total 00'-14'		6,512								
Summary 00' to 10'										
Change		0.2%		0.6%						
Average	407	\$210,270		\$193,977		70	48	170	124	
Summary 11' to 15'										
Change		48.7%		59.1%						
Average	391	\$183,511		\$173,195		69	44	101	62	
* January through June 30, 2015										
¹ Cumulative Days on Market initiated in 2006. Cumulative days equals the number of days on market over the course of the past year (i.e. covers number of days if the property was relisted)										
² Lender Mediated Properties include foreclosures and short sales. MLS data for this property type began in July 2008.										
Sources: Regional Multiple Listing Service of Minnesota, Maxfield Research & Consulting, LLC										

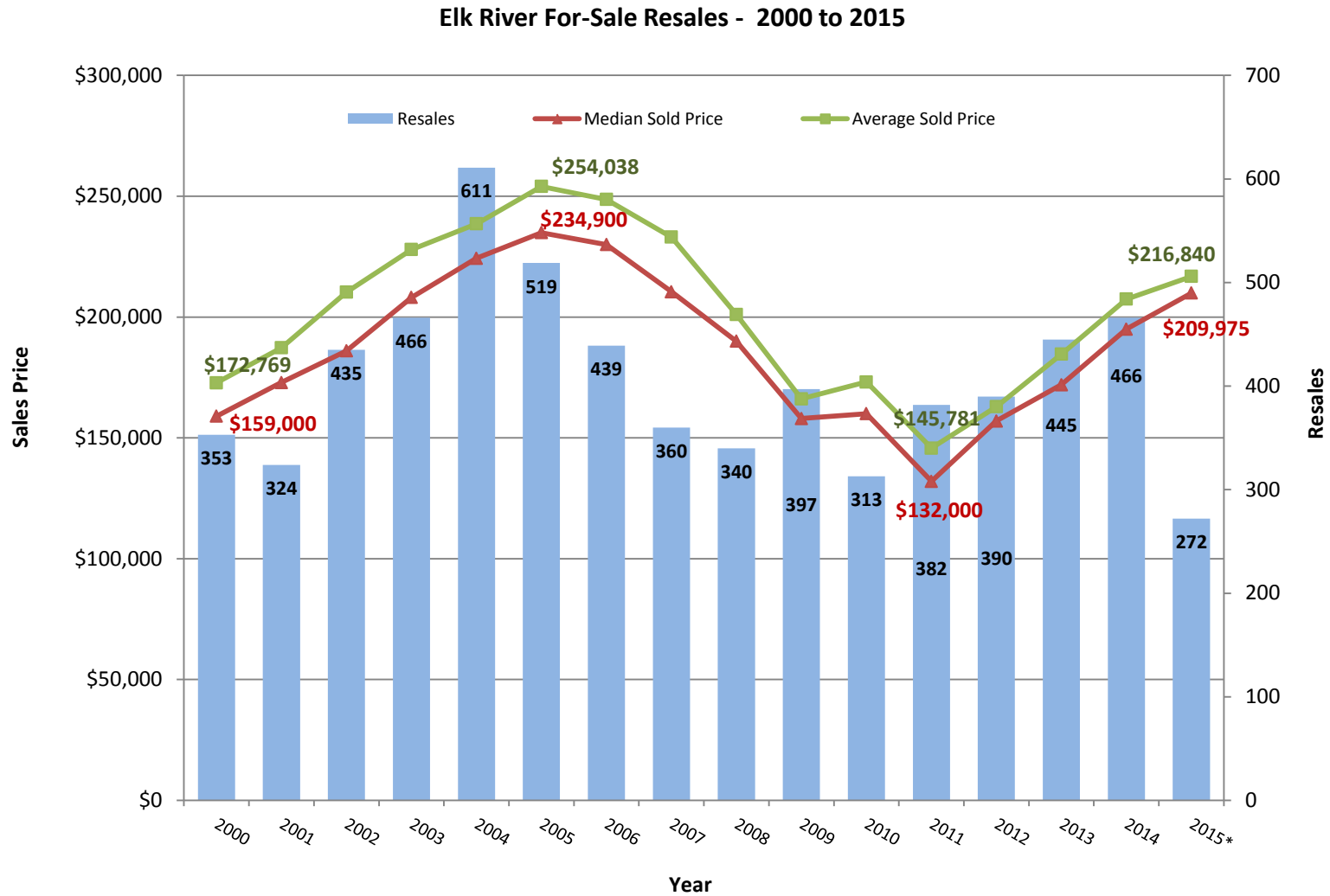
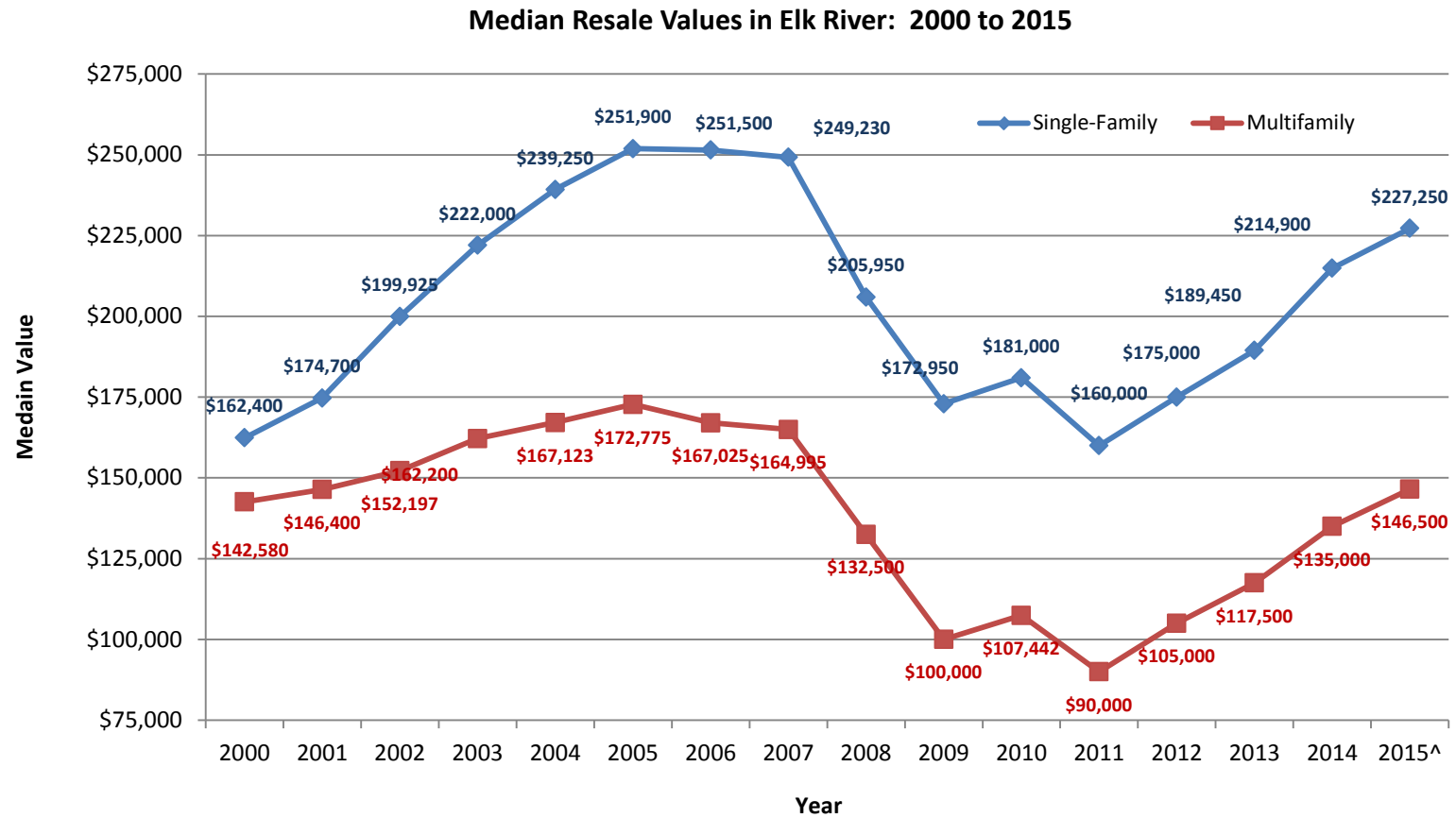


TABLE FS-2 SINGLE-FAMILY AND MULTIFAMILY RESIDENTIAL SALES CITY OF ELK RIVER 2000 through 2015 (1st Half)					
Year	Number of Sales	Median Selling Price	% Chg.	Average Selling Price	% Chg.
Single-Family					
2000	318	\$162,400	--	\$175,779	--
2001	288	\$174,700	7.6%	\$191,433	8.9%
2002	358	\$199,925	14.4%	\$219,401	14.6%
2003	360	\$222,000	11.0%	\$244,366	11.4%
2004	470	\$239,250	7.8%	\$256,351	4.9%
2005	411	\$251,900	5.3%	\$272,383	6.3%
2006	325	\$251,500	-0.2%	\$273,785	0.5%
2007	252	\$249,230	-0.9%	\$260,260	-4.9%
2008	262	\$205,950	-17.4%	\$220,158	-15.4%
2009	308	\$172,950	-16.0%	\$183,223	-16.8%
2010	235	\$181,000	4.7%	\$193,931	5.8%
2011	273	\$160,000	-11.6%	\$166,955	-13.9%
2012	293	\$175,000	9.4%	\$181,439	8.7%
2013	350	\$189,450	8.3%	\$202,385	11.5%
2014	353	\$214,900	13.4%	\$225,623	11.5%
2015^	208	\$227,250	5.7%	\$234,692	4.0%
Pct. Change					
00' - 14'	11.0%	32.3%		28.4%	
Multifamily*					
2000	35	\$142,580	--	\$145,163	--
2001	36	\$146,400	2.7%	\$154,227	6.2%
2002	77	\$152,197	4.0%	\$167,803	8.8%
2003	106	\$162,200	6.6%	\$172,222	2.6%
2004	141	\$167,123	3.0%	\$179,253	4.1%
2005	108	\$172,775	3.4%	\$184,227	2.8%
2006	114	\$167,025	-3.3%	\$176,956	-3.9%
2007	108	\$164,995	-1.2%	\$169,623	-4.1%
2008	78	\$132,500	-19.7%	\$137,021	-19.2%
2009	89	\$100,000	-24.5%	\$107,015	-21.9%
2010	78	\$107,442	7.4%	\$110,555	3.3%
2011	109	\$90,000	-16.2%	\$92,842	-16.0%
2012	97	\$105,000	16.7%	\$106,746	15.0%
2013	95	\$117,500	11.9%	\$119,313	11.8%
2014	113	\$135,000	14.9%	\$150,570	26.2%
2015^	64	\$146,500	8.5%	\$158,818	5.5%
Pct. Change					
00' - 14'	222.9%	-5.3%		3.7%	
^2015: Sales from January to June					
* Multifamily includes twinhomes, townhomes, and condominiums (cooperatives are typically not listed in the MLS)					
Source: Regional Multiple Listing Service of MN; Maxfield Research & Consulting, LLC					



FOR-SALE MARKET ANALYSIS

- Single-family housing types accounted for about 90% of all sales since 2000. Multifamily resales were highest in 2007 when they accounted for 30% of total sales. Since 2008, multifamily home sales have remained relatively stable accounting for roughly 24% of total sales
- During the real estate boom, multifamily housing priced closely to single-family housing and sold for about 12% to 25% less than a single-family home. However, during the later-half of the last decade and early part of this decade multifamily pricing decreased substantially and was priced about 44% lower in 2011. The gap between the housing types is slowly closing with multifamily homes priced currently 35% lower than single-family homes.

Home Resales by Price

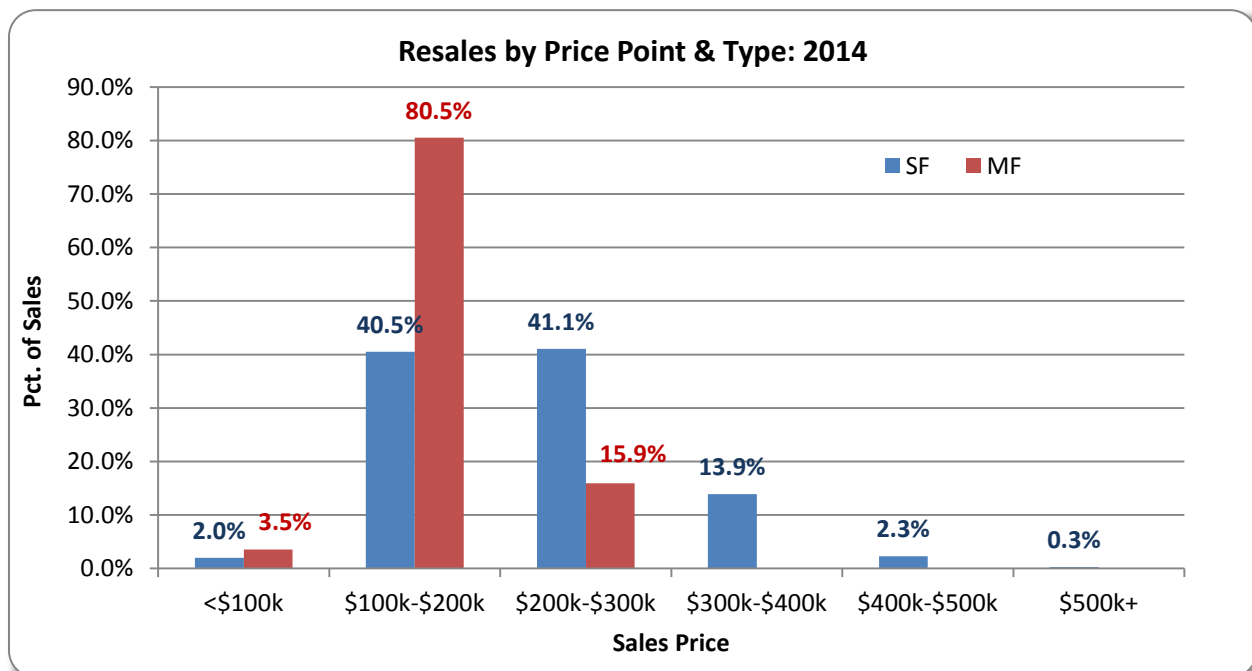
Table FS-3 shows the distribution of sales within nine price ranges from resales in 2014. The graph on the following page visually displays the sales data.

- Homes priced from \$150,000 to \$249,999 accounted for 58% of total single-family home resales in 2014. Conversely, homes priced under \$100,000 and over \$400,000 accounted for less than 5% of resales.
- Multifamily homes priced from \$100,000 to \$150,000 accounted for 59% of resales in 2014. Another 21% priced from \$150,000 to \$199,999 and 16% from \$200,000 to \$249,999. There were no multifamily homes sold over the price of \$250,000.

TABLE FS-3 HOME RESALES BY SALES PRICE & PRODUCT TYPE CITY OF ELK RIVER 2014						
Price Range	Single-family		Multifamily		Combined	
	No.	Pct.	No.	Pct.	No.	Pct.
Under \$100,000	7	2.0%	4	3.5%	11	2.4%
\$100,000 to \$149,999	39	11.0%	67	59.3%	106	22.7%
\$150,000 to \$199,999	104	29.5%	24	21.2%	128	27.5%
\$200,000 to \$249,999	101	28.6%	18	15.9%	119	25.5%
\$250,000 to \$299,999	44	12.5%	0	0.0%	44	9.4%
\$300,000 to \$349,999	37	10.5%	0	0.0%	37	7.9%
\$350,000 to \$399,999	12	3.4%	0	0.0%	12	2.6%
\$400,000 to 499,999	8	2.3%	0	0.0%	8	1.7%
\$500,000+	1	0.3%	0	0.0%	1	0.2%
Total	353	100.0%	113	100.0%	466	100.0%
Sources: Regional Multiple Listing Service of Minnesota, Maxfield Research & Consulting, LLC						

FOR-SALE MARKET ANALYSIS

- Overall, 75% for all home resales in 2014 were priced from \$100,000 to \$249,999. Less than 3% of home are sold for less than \$100,000 and only 4.5% sold for more than \$350,000.
- Based on the median price of \$210,000 in Elk River as of the first half of 2015, a household's monthly payment (assuming 10% down and principal/interest, insurance, taxes, and 4% mortgage interest rate) would be about \$1,350. The income required to afford a home at this price would be about \$54,000 based on purchasing a home utilizing 30% of their adjusted gross income (and assuming they do not have a high level of debt or existing equity). In 2015, 74% (4,964 households) of Elk River's non-senior households had incomes greater than \$54,000, meaning that three-quarters of non-senior households in Elk River can afford a median-priced home in the city.



Home Resales per Square Foot (“PSF”)

Table FS-4 on the following page shows the distribution of sales from 2005 to June 2015. Data is provided the existing homes and new construction in Elk River. The graph on the following page visually displays the sales data.

- The median and average price per square foot has declined significantly since 2005. The median price per square foot was \$122 in 2005 declining to its lowest point in 2011 at \$69 per square foot (-43%). Since 2011 the price per square foot has steadily increase to \$96 per square foot (39%) as of June 2015.

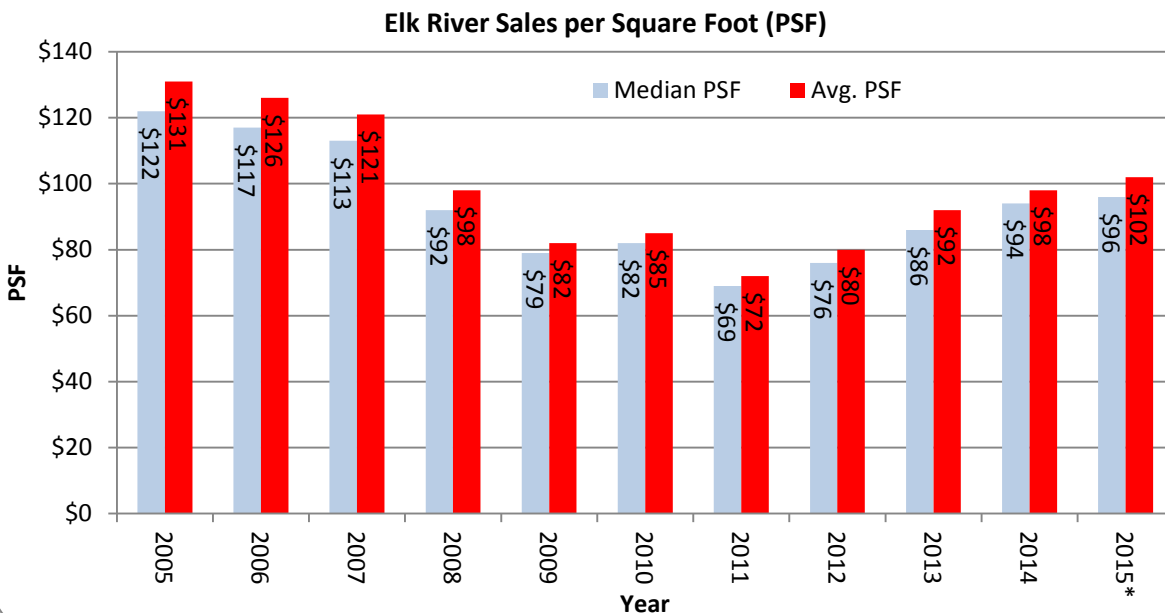
FOR-SALE MARKET ANALYSIS

- Before the housing bust and the Great Recession, the price per square foot for existing home was about 10% to 20% less than new home construction. In 2007, the price per square foot between the two was exactly the same. Since 2007, price per square foot for new home construction has been considerably higher. The highest difference occurring in 2012 when the new home construction was 71% higher. New home construction is currently 50% higher as of June 2015.

Year	Median PSF	Avg. PSF	Existing Home Median PSF	New Const. Median PSF
2005	\$122	\$131	\$116	\$140
2006	\$117	\$126	\$114	\$127
2007	\$113	\$121	\$113	\$113
2008	\$92	\$98	\$90	\$118
2009	\$79	\$82	\$76	\$103
2010	\$82	\$85	\$79	\$107
2011	\$69	\$72	\$68	\$111
2012	\$76	\$80	\$76	\$130
2013	\$86	\$92	\$84	\$130
2014	\$94	\$98	\$91	\$136
2015*	\$96	\$102	\$93	\$140

* Through June 2015

Source: Regional Multiple Listing Service of MN, Maxfield Research & Consulting, LLC



- For comparison, the median PSF cost for housing in the Twin Cities is \$113 PSF for an existing home and \$152 PSF for new construction. Existing construction is about 18% less than the Twin Cities median; however new construction is only about 8% less PSF than the Twin Cities median.

Current Supply of Homes on the Market

To more closely examine the current market for available owner-occupied housing in Elk River, we reviewed the current supply of homes on the market (listed for sale). Tables FS-5 through FS-8 homes shows currently listed for sale in Elk River. The data was provided by the Regional Multiple Listing Services of Minnesota and is based on active listings in August 2015. MLS listings generally account for the vast majority of all residential sale listings in a given area.

Table FS-5 shows the number of listings by property type (i.e. single-family, townhome/twinhome, or condominium) while Table FS-6 shows listings by home style. The following points are key findings from our assessment of the active single-family and multifamily homes listed in Elk River.

- About 150 homes were listed for sale in Elk River as of August 2015. Single-family homes accounted for 73% of all active listings. The remaining listings are townhomes (27%). There were no condominiums listed.
- The median list price in Elk River was \$245,960 for single-family homes and \$215,725 for multifamily homes). The median sale price is generally a more accurate indicator of housing values in a community than the average sale price. Average sale prices can be easily skewed by a few very high-priced or low-priced home sales in any given year, whereas the median sale price better represents the pricing of a majority of homes in a given market.
- Based on a median list price of \$245,960, a household would need an income of about \$63,225 in order to afford to make monthly housing payments of about \$1,581 (assuming a 10% down payment, 4.00% 30-year fixed mortgage). A household with significantly more equity (in an existing home and/or savings) could put more than 10% down and afford a higher priced home. About 67.8% of Elk River's non-senior households have annual incomes at or above \$63,225.
- About 21% of listings in Elk River are priced under \$175,000 and none of those listings are priced under \$100,000. Homes priced from \$200,000 to \$299,999 account for 45% of those listed in August 2015. Higher priced homes (\$300,300 to \$399,999) consist of 21% of the listings and those \$400,000 constitute 7%.

FOR-SALE MARKET ANALYSIS

- The majority of multifamily listings (44%) are priced between \$200,000 and \$249,999 and between \$125,000 and \$174,999 (44%). For single-family listings, 16.5% are priced between \$150,000 and \$199,999, 43% are priced between \$200,000 and \$299,999, and 28% are between \$300,000 and \$399,999.

TABLE FS-5 HOMES CURRENTLY LISTED FOR-SALE CITY OF ELK RIVER August 2015				
Price Range	Single-Family		Multifamily ¹	
	No.	Pct.	No.	Pct.
< \$99,999	0	0.0%	0	0.0%
\$100,000 to \$149,999	5	4.6%	9	22.0%
\$150,000 to \$174,999	8	7.3%	10	24.4%
\$175,000 to \$199,999	10	9.2%	0	0.0%
\$200,000 to \$249,999	20	18.3%	18	43.9%
\$250,000 to \$299,999	27	24.8%	3	7.3%
\$300,000 to \$349,999	19	17.4%	1	2.4%
\$350,000 to \$399,999	12	11.0%	0	0.0%
\$400,000 and Over	8	7.3%	0	0.0%
	109	100%	41	100%
Minimum	\$114,900		\$104,900	
Maximum	\$625,900		\$328,350	
Median	\$279,900		\$215,725	
Average	\$285,456		\$197,080	
¹ Includes townhomes (attached & detached), twinhomes, and condominiums				
Sources: Regional Multiple Listing Service of MN Maxfield Research & Consulting, LLC				

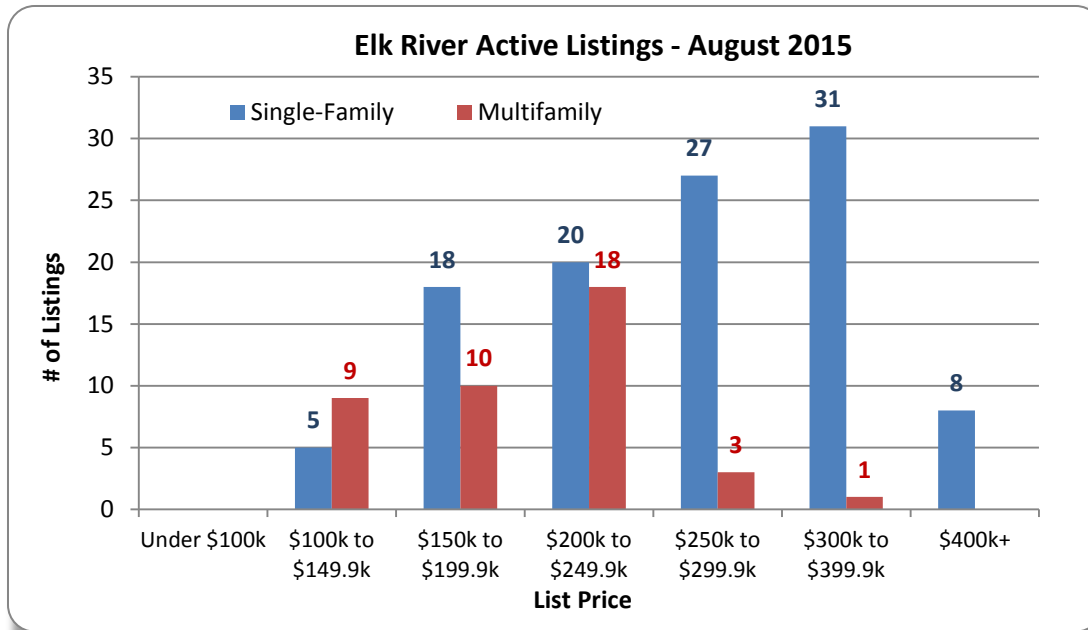


TABLE FS-6 ACTIVE LISTINGS BY HOUSING TYPE ELK RIVER August 2015		
Property Type	Listings	Pct.
Single-family	109	72.7%
Townhome/Twinhome	41	27.3%
Condominium	0	0.0%
Total	150	100.0%
Sources: Regional Multiple Listing Service of MN; Maxfield Research & Consulting, LLC		

- The majority of active single-family listings are among one-story and two-story housing types with 33% and 32%, respectively. The remaining types are distributed fairly evenly.
- Detached townhomes comprise the majority of current townhome listings (49%). Side-by-side townhomes are the next largest type townhome listing at 39%). There are only a few twin home and quad townhomes listed.

FOR-SALE MARKET ANALYSIS

TABLE FS-7
ACTIVE LISTINGS BY HOUSING TYPE
ELK RIVER
August 2015

Property Type	Listings	Pct.	Avg. List Price	Avg. Home Size Sq. Ft.	Avg. List Price Per Sq. Ft.	Avg. Age of Home
Single-Family						
One story	36	33.0%	\$283,275	2,467	\$115	1986
1.5-story	3	2.8%	\$176,500	1,651	\$107	1944
2-story	35	32.1%	\$314,979	2,795	\$113	2001
Modified 2-story	10	9.2%	\$358,470	3,310	\$108	1999
Split entry/Bi-level	10	9.2%	\$213,082	1,832	\$116	1995
3-level split	5	4.6%	\$231,900	2,201	\$105	1990
4 or more split-level	10	9.2%	\$248,800	2,442	\$102	1991
Total	109	100.0%	\$285,456	2,554	\$112	1992
Townhomes/Twinhomes						
Detached Townhomes	20	48.8%	\$244,098	1,605	\$152	2015
Twin Homes	4	9.8%	\$152,631	1,313	\$116	1996
Side-by-side	16	39.0%	\$151,119	1,526	\$99	2003
Quad	1	2.4%	\$169,900	1,850	\$92	2006
Total	41	100.0%	\$197,080	1,552	\$127	2008
Condominiums/Cooperatives						
Condominium		100.0%				
Total	0	100.0%	\$0		\$0	0
Total	150		\$261,300	2,280	\$115	1997

Source: Regional Multiple Listing Service of MN; Maxfield Research & Consulting, LLC

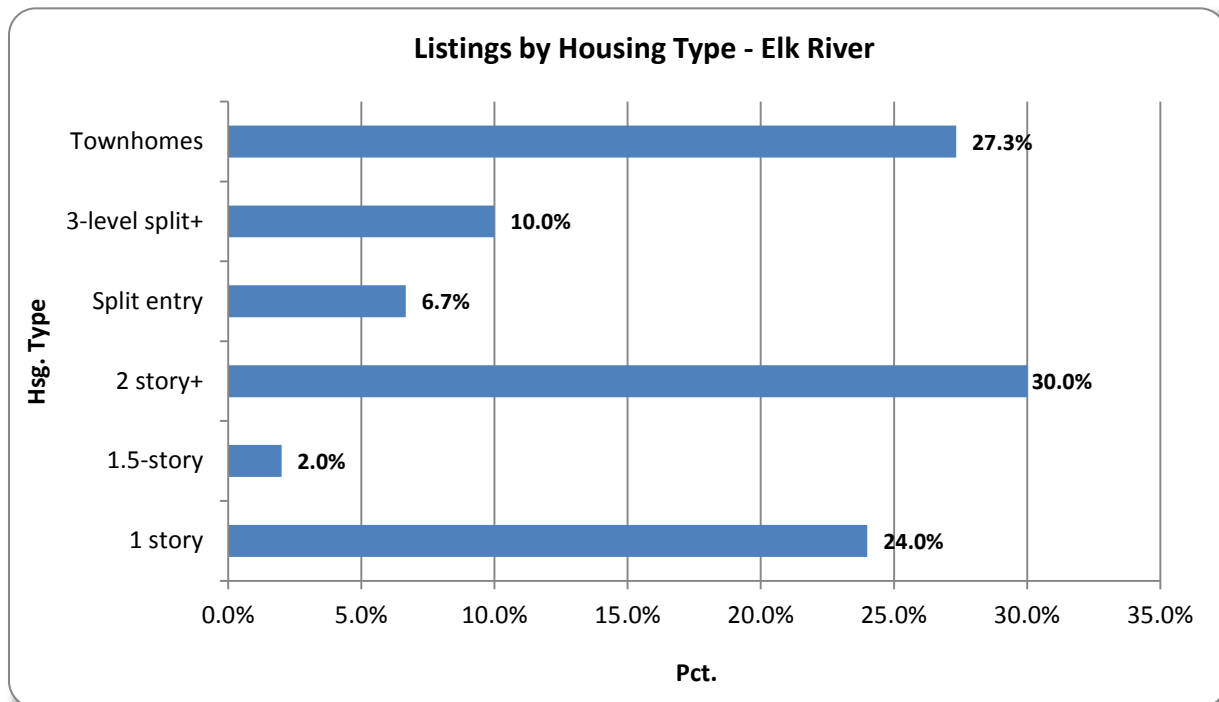
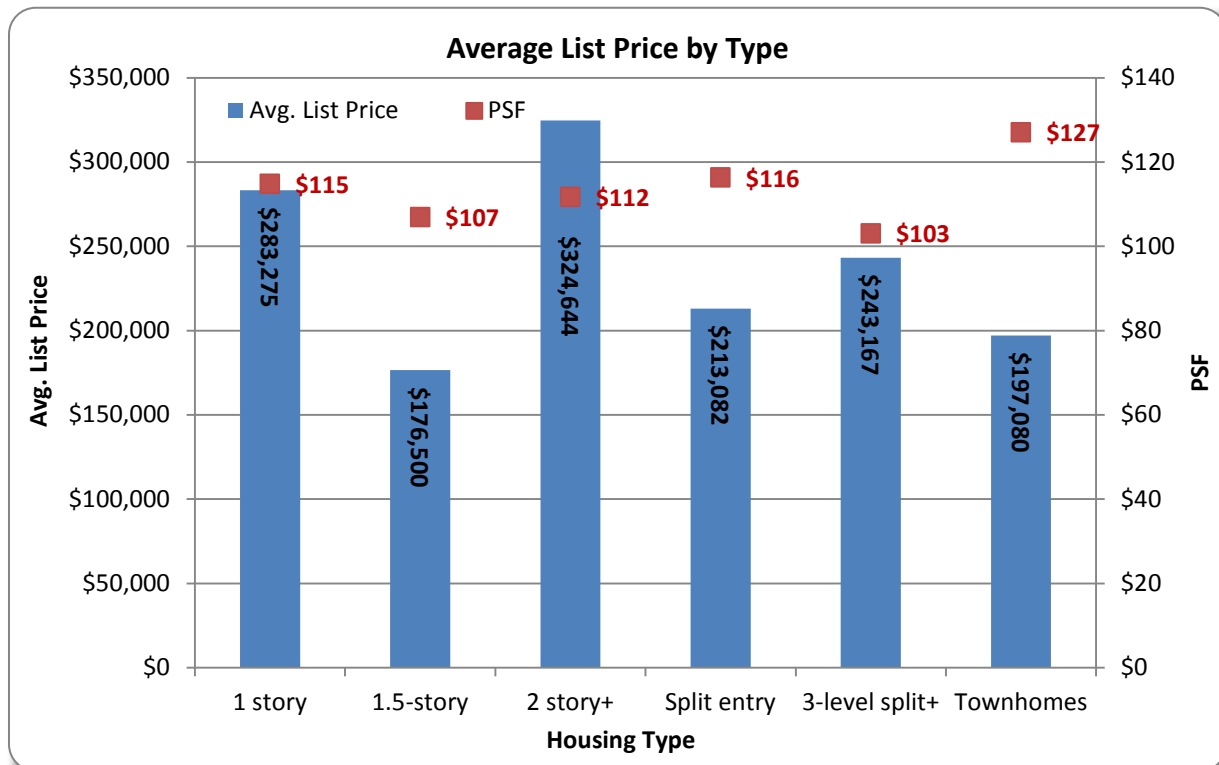
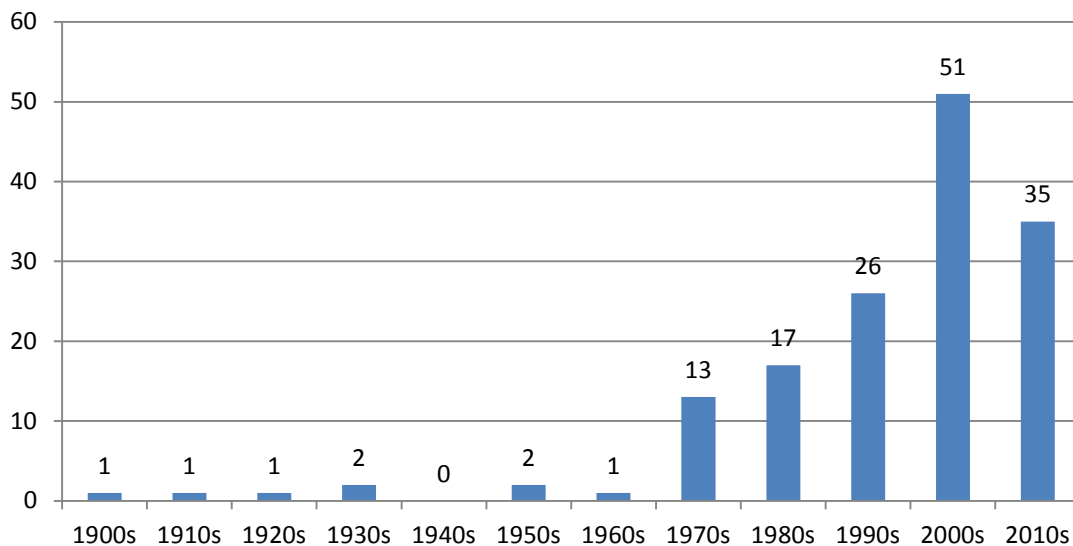


TABLE FS-8
ACTIVE LISTINGS BY YEAR BUILT
ELK RIVER
August 2015

Decade	Number of Listings	Pct. Listings	Avg. List Price
1900 to 1909	1	0.7%	\$124,900
1910 to 1919	1	0.7%	\$169,900
1920 to 1929	1	0.7%	\$139,100
1930 to 1939	2	1.3%	\$142,400
1940 to 1949	0	0.0%	n/a
1950 to 1959	2	1.3%	\$165,000
1960 to 1969	1	0.7%	\$249,900
1970 to 1979	13	8.7%	\$227,815
1980 to 1989	17	11.3%	\$274,012
1990 to 1999	26	17.3%	\$253,008
2000 to 2009	51	34.0%	\$279,088
2010+	35	23.3%	\$270,425
Subtotal	150	100.0%	

Source: Regional Multiple Listing Service of MN, Maxfield Research & Consulting LLC

Listings by Decade Built: Elk River



Elk River Lot Supply

Tables FS-9, FS-10, and FS-11 show an inventory of lots within platted subdivisions in Elk River. The table includes information on the year the subdivision was platted, the total number of lots platted, number of lots developed, lots available, and type of lot. The data in Tables FS-9 and FS-10 was provided by Metrostudy (a nationally recognized firm providing data for the residential housing market). The data in Table FS-11 was provided by Sherburne County.

The following terms are used in the lot inventory tables:

- ▶ Annual Starts and Closings: The sum of activity for the most recent four quarters.
- ▶ Closing: Defined as when a “move in” has occurred and the home is occupied.
- ▶ Future Lots Inventory: Future lots are recorded after a preliminary plat or site plan has been submitted for consideration by the city.
- ▶ Lot Front: Range of all lot sizes within the subdivision; based on the lot front foot width
- ▶ Occupied: A buyer has taken possession of the home that was previously under construction or a model home.
- ▶ Price: Range of all base home price offered within the subdivision
- ▶ Starts: The housing slab or foundation has been poured.
- ▶ Total Lots: A summation of all lots platted in a subdivision, including those closed, under construction, and vacant.
- ▶ Vacant Developed lot (VDL): The subdivision is considered developed after subdivision streets are paved and vehicles can physically drive in front of the lot.

The following are key points from Tables FS-9 and FS-10:

- As of 2nd Quarter 2015, Elk River had a total of 200 vacant lots within 26 subdivisions. However, 188 of the vacant lots were single-family lots while 11 vacant lots were attached lots.
- The majority of the subdivisions (20) were platted between 2000 and 2006. Roughly 54% of the lots were platted between 2004 and 2006, the peak years of the real estate boom. There have been three subdivisions platted recently in over the past two years.

FOR-SALE MARKET ANALYSIS

TABLE FS-9
SUBDIVISION & LOT INVENTORY - DETACHED HOUSING UNITS
CITY OF ELK RIVER
2ND QUARTER 2015

TMA	Subdivision Name	Initial Active Qtr.	Status	Product Type	Lot Range (Ft.)	Pricing (\$1,000)		Annual Starts	Annual Closings	Currently Occupied	Vacant Developed Lot Inventory (VDL)	Future Units (Fut)	Total Units (Tot)
Detached Housing Subdivisions													
Elk River Detached	Aspen Hills in Elk River	1Q03	Active 1Q03	Single Family	115'	\$225	\$360	3	3	64	13	0	78
Elk River Detached	Belmont Estates in Elk River	2Q05	Active 2Q05	Single Family	100'	\$256	\$340	0	1	31	1	0	32
Elk River Detached	Birchview	1Q08	Active 1Q08	Single Family	170'	\$220	\$250	0	0	2	3	0	5
Elk River Detached	Eagles Marsh	4Q06	Active 4Q06	Single Family	90'	\$163	\$393	2	1	16	0	0	17
Elk River Detached	Elk River Rapids	1Q06	Active 1Q06	Single Family	100'	\$412	\$586	0	0	7	4	0	11
Elk River Detached	Hillside Estates in Elk River	1Q97	Active 1Q97	Single Family	85'	\$200	\$365	2	5	151	4	0	156
Elk River Detached	Hillside, The Woods at	2Q00	Active 2Q00	Single Family	115'	\$212	\$373	4	5	51	10	0	62
Elk River Detached	Kingdom Estates	1Q06	Active 1Q06	Single Family	180'-275'	\$400	\$800	0	2	16	6	0	22
Elk River Detached	Kliever Lake Fields East/(DTH)	2Q13	Active 2Q13	Single Family	60'	\$186	\$225	23	16	16	14	0	43
Elk River Detached	Kliever Lake Fields, Farms	1Q02	Active 1Q02	Single Family	90'	\$180	\$225	2	2	88	3	0	92
Elk River Detached	Meadows of Elk River	4Q06	Active 4Q06	Single Family	255'	\$458	\$485	0	0	4	2	0	6
Elk River Detached	Mississippi Oaks	1Q97	Active 1Q97	Single Family	85'	\$200	\$425	0	4	125	19	0	144
Elk River Detached	Nordic Hills	1Q03	Active 1Q03	Single Family	105'	\$250	\$400	1	0	48	1	0	50
Elk River Detached	Park Pointe	3Q02	Active 3Q02	Single Family	85'	\$183	\$290	0	0	93	2	0	95
Elk River Detached	River Park/	2Q06	Active 2Q06	Single Family	75'	\$225	\$400	6	3	26	7	282	318
Elk River Detached	Twin Lakes/(DTH)	2Q05	Active 2Q05	Single Family	40'	\$180	\$220	0	0	31	1	0	32
Elk River Detached	Twin Lakes/Estates	4Q04	Active 4Q04	Single Family	80'	\$160	\$255	1	0	122	23	0	146
Elk River Detached	West Oaks of Elk River/	4Q04	Active 4Q04	Single Family	80'	\$180	\$240	0	0	15	5	0	20
Elk River Detached	West Oaks of Elk River/(DTH)	4Q14	Active 4Q14	Single Family	35'	\$180	\$215	3	0	0	41	0	44
Elk River Detached	Windsor Meadows	3Q05	Active 3Q05	Single Family	110'	\$299	\$500	5	4	18	13	0	33
Elk River Detached	Windsor Oaks of Elk River	4Q04	Active 4Q04	Single Family	100'	\$260	\$350	0	1	28	4	0	32
Elk River Detached	Windsor Park	2Q00	Active 2Q00	Single Family	75'	\$253	\$348	0	0	118	3	0	121
Elk River Detached	Woodland Hills	4Q04	Active 4Q04	Single Family	85'-200'	\$271	\$600	10	5	24	9	87	127
Subtotal								62	52	1,094	188	369	1,686
Elk River Detached	Cranberry Ridge	0	Future	Single Family	0'			0	0	0	0	16	16
Subtotal								0	0	0	0	16	16
Source: Metrostudy, Maxfield Research & Consulting, LLC													

FOR-SALE MARKET ANALYSIS

TABLE FS-10
SUBDIVISION & LOT INVENTORY - ATTACHED HOUSING UNITS
CITY OF ELK RIVER
2ND QUARTER 2015

TMA	Subdivision Name	Initial Active Qtr.	Status	Product Type	Lot Range (Ft.)	Pricing (\$1,000)		Annual Starts	Annual Closings	Currently Occupied	Vacant Developed Lot Inventory (VDL)	Future Units (Fut)	Total Units (Tot)
Attached Housing Subdivisions													
Elk River Attached	Boulder Point (TH)	Active 1Q05	Active 1Q05	Townhouse	28'	\$120	\$180	0	0	5	4	0	9
Elk River Attached	Trout Brook/Crossing (TH)	Active 4Q04	Active 4Q04	Townhouse	37'	\$200	\$220	0	0	23	5	0	28
Elk River Attached	West Oaks of Elk River/(TW)	Active 4Q14	Active 4Q14	Duplex	35'	\$205	\$251	4	1	1	2	0	6
Subtotal								4	1	29	11	0	43
Source: Metrostudy, Maxfield Research & Consulting, LLC													

TABLE FS-11 VACANT LOT FOR PARCELS PLATTED SHERBURNE COUNTY 2000 to Present		
City/Township	2012	2015
Elk River	253	117
Baldwin Township	248	193
Becker	69	37
Becker Township	221	130
Big Lake	118	43
Big Lake Township	70	43
Blue Hill Township	152	142
Clear Lake	40	25
Clear Lake Township	36	29
Haven Township	7	6
Livonia Township	244	162
Orrock Township	244	178
St. Cloud	26	12
Palmer Township	12	13
Princeton	10	11
Santiago Township	12	4
Zimmerman	94	53
Subtotal	1,856	1,198
Source: Sherburne County, Maxfield Research & Consulting, LLC		

- Only 5% of the available lots are within three subdivisions that have townhome lots platted. Consequently, nearly all the demand for new construction today is for single-family lots as townhome product suffered more so during the recession and has not recovered to the same degree as single-family product.
- Although the current single-family vacant lot is waning as few new subdivisions have been platted since the recession; there are enough lots in the short-term to meet lot demand. In addition, there are 369 lots classified as future lots that will likely make the transition from future lots to finished lots to meet forthcoming demand.
- The median lot size for new single-family construction is about 0.40 acres for single-family product type and 0.10 acres for attached housing products. Although there are few attached lots identified in Table FS-10; they are actively marketing twinhomes and detached townhomes in the West Oaks subdivision. Kliever Lake Fields is also actively marketing detached townhomes.

FOR-SALE HOUSING ANALYSIS

- The average price of new construction in Elk River is approximately \$250,000, or \$136 per square foot for single-family housing. Comparatively, new construction detached townhomes and twinhomes are priced similar to single-family housing and averaging prices around \$236,000 (\$152 PSF).
- According to recent data provided by Sherburne County, vacant platted lots have decreased significantly since 2012. Elk River experienced a decline from 253 lots in 2012 down to 117 lots in 2015. This equates to just over half of the platted lots in Elk River being absorbed since 2012.

Pending For-Sale Developments

According to the City of Elk River, there are no pending for-sale housing developments in the planning process at this time.

Introduction

Previous sections of this study analyzed the existing housing supply and the growth and demographic characteristics of the population and household base in Elk River. This section of the report presents our estimates of housing demand in Elk River from 2015 through 2025.

Demographic Profile and Housing Demand

The demographic profile of a community affects housing demand and the types of housing that are needed. The housing life-cycle stages are:

1. *Entry-level householders*
 - Often prefer to rent basic, inexpensive apartments
 - Usually singles or couples in their early 20's without children
 - Will often "double-up" with roommates in apartment setting
2. *First-time homebuyers and move-up renters*
 - Often prefer to purchase modestly-priced single-family homes or rent more upscale apartments
 - Usually married or cohabiting couples, in their mid-20's or 30's, some with children, but most are without children
3. *Move-up homebuyers*
 - Typically prefer to purchase newer, larger, and therefore more expensive single-family homes
 - Typically families with children where householders are in their late 30's to 40's
4. *Empty-nesters (persons whose children have grown and left home) and never-nesters (persons who never have children)*
 - Prefer owning but will consider renting their housing
 - Some will move to alternative lower-maintenance housing products
 - Generally couples in their 50's or 60's
5. *Younger independent seniors*
 - Prefer owning but will consider renting their housing
 - Will often move (at least part of the year) to retirement havens in the Sunbelt and desire to reduce their responsibilities for upkeep and maintenance
 - Generally in their late 60's or 70's

6. *Older seniors*

- May need to move out of their single-family home due to physical and/or health constraints or a desire to reduce their responsibilities for upkeep and maintenance
- Generally single females (widows) in their mid-70's or older

Demand for housing can come from several sources including: household growth, changes in housing preferences, and replacement need. Household growth necessitates building new housing unless there is enough desirable vacant housing available to absorb the increase in households. Demand is also affected by shifting demographic factors such as the aging of the population, which dictates the type of housing preferred. New housing to meet replacement need is required, even in the absence of household growth, when existing units no longer meet the needs of the population and when renovation is not feasible because the structure is physically or functionally obsolete.

Rural areas tend to have higher proportions of younger households that own their housing than in the larger growth centers or metropolitan areas such as the Twin Cities Metro Area. In addition, senior households tend to move to alternative housing at an older age. These conditions are a result of housing market dynamics, which typically provide more affordable single-family housing for young households and a scarcity of senior housing alternatives for older households.

The graphic on the following page provides greater detail of various housing types supported within each housing life cycle. Information on square footage, average bedrooms/bathrooms, and lot size is provided on the subsequent graphic.

Housing Demand Overview

The previous sections of this assessment focused on demographic and economic factors driving demand for housing in the Elk River. In this section, we utilize findings from the economic and demographic analysis to calculate demand for new general occupancy housing units in Elk River.

Housing markets are driven by a range of supply and demand factors that vary by location and submarket. The following points outline several of the key variables driving housing demand.

Demographics

Demographics are major influences that drive housing demand. Household growth and formations are critical (natural growth, immigration, etc.), as well as household types, size, age of householders, incomes, etc.

DEMOGRAPHICS & HOUSING DEMAND							
Age Cohort	Student Housing	Rental Housing	1st-time Home Buyer	Move-up Home Buyer	2nd Home Buyer	Empty Nester/ Downsize	Senior Housing
18-24	18 - 24						
25-29		18-34					
30-34			25-39				
35-39				30-49			
40-44							
45-49							
50-54					40-64		
55-59						55-74	
60-64							
65-69		65-79					
70-74							55+ & 65+
75-79							
80-84							
85+							

Source: Maxfield Research & Consulting, LLC

TYPICAL HOUSING TYPE CHARACTERISTICS				
	Housing Types	Target Market/ Demographic	Unit/Home Characteristics	Lot Sizes/ Units Per Acre ¹
For-Sale Housing	Entry-level single-family	First-time buyers: Families, couples w/no children, some singles	1,200 to 2,200 sq. ft. 2-4 BR 2 BA	80'+ wide lot 2.5-3.0 DU/Acre
	Move-up single-family	Step-up buyers: Families, couples w/no children	2,000 sq. ft.+ 3-4 BR 2-3 BA	80'+ wide lot 2.5-3.0 DU/Acre
	Executive single-family	Step-up buyers: Families, couples w/no children	2,500 sq. ft.+ 3-4 BR 2-3 BA	100'+ wide lot 1.5-2.0 DU/Acre
	Small-lot single-family	First-time & move-down buyers: Families, couples w/no children, empty nesters, retirees	1,700 to 2,500 sq. ft. 3-4 BR 2-3 BA	40' to 60' wide lot 5.0-8.0 DU/Acre
	Entry-level townhomes	First-time buyers: Singles, couples w/no children	1,200 to 1,600 sq. ft. 2-3 BR 1.5BA+	6.0-12.0 DU/Acre
	Move-up townhomes	First-time & step-up buyers: Singles, couples, some families, empty-nesters	1,400 to 2,000 sq. ft. 2-3 BR 2BA+	6.0-8.0 DU/Acre
	Executive townhomes/twinhomes	Step-up buyers: Empty-nesters, retirees	2,000+ sq. ft. 3 BR+ 2BA+	4.0-6.0 DU/Acre
	Detached Townhome	Step-up buyers: Empty-nesters, retirees, some families	2,000+ sq. ft. 3 BR+ 2BA+	4.0-6.0 DU/Acre
	Condominiums	First-time & step-up buyers: Singles, couples, empty-nesters, retirees	800 to 1,700 sq. ft. 1-2 BR 1-2 BA	Low-rise: 18.0-24.0 DU/Acre Mid-rise: 25.0+ DU/Acre Hi-rise: 75.0+ DU/Acre
Rental Housing	Apartment-style rental housing	Singles, couples, single-parents, some families, seniors	675 to 1,250 sq. ft. 1-3 BR 1-2 BA	Low-rise: 18.0-24.0 DU/Acre Mid-rise: 25.0+ DU/Acre Hi-rise: 75.0+ DU/Acre
	Townhome-style rental housing	Single-parents, families w/children, empty nesters	900 to 1,700 sq. ft. 2-4 BR 2BA	8.0-12.0 DU/Acre
	Student rental housing	College students, mostly undergraduates	550 to 1,400 sq. ft. 1-4BR 1-2 BA	Low-rise: 18.0-24.0 DU/Acre Mid-rise: 25.0+ DU/Acre Hi-rise: 50.0+ DU/Acre
Both	Senior housing	Retirees, Seniors	550 to 1,500 sq. ft. Suites - 2BR 1-2 BA	Varies considerably based on senior product type

¹ Dwelling units(DU) per acre expressed in net acreage (minus right-of-way)

Source: Maxfield Research & Consulting, LLC

Economy & Job Growth

The economy and housing market are intertwined; the health of the housing market affects the broader economy and vice versa. Housing market growth depends on job growth (or the prospect of); jobs generate income growth which results in the formation of more households and can stimulate household turnover. Historically low unemployment rates have driven both existing home purchases and new-home purchases. Lack of job growth leads to slow or diminishing household growth, which in-turn relates to reduced housing demand. Additionally, low income growth results in fewer move-up buyers which results in diminished housing turnover across all income brackets.

Consumer Choice/Preferences

A variety of factors contribute to consumer choice and preferences. Many times a change in family status is the primary factor for a change in housing type (i.e. growing families, empty-nest families, etc.). However, housing demand is also generated from the turnover of existing households who decide to move for a range of reasons. Some households may want to move-up, downsize, change their tenure status (i.e. owner to renter or vice versa), or simply move to a new location.

Supply (Existing Housing Stock)

The stock of existing housing plays a crucial component in the demand for new housing. There are a variety of unique household types and styles, not all of which are desirable to today's consumers. The age of the housing stock is an important component for housing demand, as communities with aging housing stocks have higher demand for remodeling services, replacement new construction, or new home construction as the current inventory does not provide the supply that consumers seek.

Pent-up demand may also exist if supply is unavailable as householders postpone a move until new housing product becomes available.

Housing Finance

Household income is the fundamental measure that dictates what a householder can afford to pay for housing costs. According to the U.S. Department of Housing and Urban Development (HUD), the definition of affordability is for a household to pay no more than 30% of its annual income on housing (including utilities). Families who pay more than 30% of their income for housing (either rent or mortgage) are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.

The ability of buyers to obtain mortgage financing has been increasingly challenging since the Great Recession as lenders have overcorrected from the subprime mortgage crisis. As a result, many borrowers have remained on the sidelines as lenders have enforced tight lending requirements, thereby increasing the demand for rental housing.

Mobility

It is important to note that demand is somewhat fluid between other northeast Iowa communities and will be impacted by development activity in nearby areas, including other communities outside Sherburne County.

Estimated Demand for For-Sale Housing

Table HD-1 presents our demand calculations for general occupancy for-sale housing in Elk River between 2015 and 2025.

The 65 and older cohort is typically not a target market for new general occupancy for-sale housing, therefore, we limit demand from household growth to only those households under the age of 65. According to our projections, the Elk River is expected to increase by estimated 704 households under the age of 65 between 2015 and 2025. Of this projected household growth, we estimate that 82% have a propensity to own, thus projected demand from household growth total 577 households.

TABLE HD-1 FOR-SALE HOUSING DEMAND ELK RIVER 2015 to 2025			
Demand from Projected Household Growth			
Projected HH growth under age 65 in the Market Area 2015 to 2025 ¹			704
(times) % propensity to own ²	x	82.0%	
(equals) Projected demand from new HH growth	=		577
Demand from Existing Owner Households			
Number of owner households (age 64 and younger) in Market Area (2015) ³			5,745
(times) Estimated percent of owner turnover ⁴	x	55%	
(equals) Total existing households projected to turnover	=		3,160
(times) Estimated percent desiring new housing	x	8.3%	
			261
(equals) Total demand from HH growth and existing HHs 2015 to 2025	=		838
(times) Demand from outside Elk River Market Area			15%
(equals) Total demand potential for ownership housing, 2015 to 2025			986
		Single Family	Multi-family*
(times) Percent desiring for-sale single-family vs. multifamily ⁵	x	80%	20%
(equals) Total demand potential for new single-family & multifamily for-sale housing	=	789	197
(minus) Units marketing or approved platted lots (undeveloped and developed lots) ⁶	-	188	11
(equals) Excess demand for new general occupancy for-sale housing	=	601	186
¹ Estimated household growth based on data from Table D-1 as adjusted by Maxfield Research & Consulting, LLC ² Pct. of owner households under the age of 65 (U.S. Census - 2010, ESRI, Maxfield Research Inc.). Adjusted by Maxfield Research to account for shift in ³ Estimate based on 2010 owner households and new owner household growth 2010 to 2015 (under age 65) ⁴ Based on on turnover from 2010 American Community Survey for households moving over 10-year period. ⁵ Based on preference for housing type and land availability ⁶ Approved platted lot data does not account for the scattered lot supply which includes individual lots and lots in older non-marketing subdivisions. * Multi-family demand includes demand for townhomes, twinhomes, and condominium units.			
Source: Maxfield Research & Consulting, LLC			

Demand is also forecast to emerge from existing Market Area householders through turnover. An estimated 5,745 owner-occupied households under age 65 are located in the Elk River in 2015. Based on mobility data from the Census Bureau, an estimated 55% of owner households will turnover in a ten-year period, resulting in 3,160 existing households projected to turnover. Finally, we estimate 8.3% of the existing owner households will seek new for-sale housing, resulting in demand for nearly 261 for-sale units through 2025. Combining the demand from new household growth and from household turnover equals a total demand for 838 for-sale housing units from 2015 to 2025.

Next, we estimate that 15% of the total demand for new for-sale units in the Elk River will come from people currently living outside of the Market Area. A small portion of this market will be former residents of the area, such as “snow-birds” heading south for the winters. Adding demand from outside the Elk River to the existing demand potential, results in a total estimated demand for 986 for-sale housing units by 2025.

Based on land available, building trends, and demographic shifts (increasing older adult population), we project 80% of the for-sale owners will prefer traditional single-family product types while the remaining 20% will prefer a maintenance-free multi-family product (i.e. twin homes, townhomes, or condominiums).

We then subtract the current identified platted lots that are under construction or approved. **After subtracting the current lot supply in subdivisions (188 total single-family lots) we find total demand through 2025 resulting in 601 single-family lots and 186 multifamily lots.**

Estimated Demand for General-Occupancy Rental Housing

Table HD-2 presents our calculation of general occupancy rental housing demand for Elk River. This analysis identifies potential demand for rental housing that is generated from both new households and turnover households.

The 65 and older cohort is typically not a target market for new general occupancy rental housing, therefore, we limit demand from household growth to only those households under the age of 65. According to our projections, the Elk River is expected to increase by 704 households under the age of 65 between 2015 and 2025.

Demand is also forecast to emerge from existing Market Area householders through turnover. An estimated 1,450 renter-occupied households under age 65 are located in the Elk River in 2015. Based on mobility data from the Census Bureau, we estimate renter household by age group for turnover in a ten-year period, resulting in existing households projected to turnover. Finally, we estimate the percentage of the existing renter households that will desire new rental housing, resulting in demand for 244 rental units through 2025.

HOUSING DEMAND ANALYSIS

TABLE HD-2 RENTAL HOUSING DEMAND ELK RIVER 2015 to 2020						
		Number of Households				
		Under 25	Age 25 to 34	Age 35 to 44	Age 45 to 64	Age 65 & Over
Demand From Household Growth						
Projected Growth in Household Base by 2025		21	171	246	266	342
(times) Proportion Estimated to Be Renting Their Housing ¹	x	59.4%	27.8%	15.4%	12.8%	26.1%
(equals) Projected Demand for Rental Housing Units	=	12	48	38	34	89
Demand From Existing Households						
Number of renter households in 2015		145	330	370	604	254
(times) Estimated % of renter turnover between 2015 & 2025 ²	x	99.0%	98.0%	98.0%	95.0%	70.5%
(equals) Total Existing Renter Households Projected to Turnover	=	144	323	363	574	179
(times) Estimated % Desiring New Rental Housing ⁴	x	15%	10%	8%	5%	4%
(equals) Demand From Existing Households	=	22	32	29	29	7
Total Demand From Household Growth and Existing Households		34	80	67	63	96
(equals) Total Demand for Rental Housing		375				
(times) Demand from outside Elk River Market Area		15%				
(equals) Total demand potential for rental housing, 2015 to 2025		442				
		Subsidized	Affordable		Market Rate	
(times) Percent of rental demand by product type ³		10%	30%		60%	
(equals) Total demand for new general occupancy rental housing units		44	133		265	
(minus) Units under construction or pending*		0	0		0	
(equals) Excess demand for new general occupancy rental housing		44	133		265	
¹ Based on 2010 Census data.						
² Based on Turnover from 2010 American Community Survey for households moving after 2010.						
³ Based on the combination of current rental product and household incomes of area renters.						
⁴ Based on US Census: Desire to Move and Residential Mobility 2000-2010 from 2010 American Community Survey.						
* Pending/proposed competitive units at 95% occupancy.						
Source: Maxfield Research & Consulting, LLC						

Combining demand from household growth plus turnover results in total demand in Elk River for 375 rental units over the next 10 years. Next, we estimate that 15% of the total demand for new for-sale units in the Elk River will come from people currently living outside of Elk River for a total of 442 rental units.

We then estimate the number of rental units each product type could capture in Elk River. This capture rate is estimated based on the current products and product pricing within in Elk River along with household incomes for current renters. We find that there is demand for 44 subsidized housing units, 133 affordable rental units, and 265 market rate units.

From the total demand for general occupancy units, we subtract any development under construction or proposed at market equilibrium (95% occupancy) to find the remaining excess demand in Elk River. At the time of this study there was no one planned rental developments and thus, excess demand remains for 44 subsidized units, 133 affordable units, and 265 market rate units.

Estimated Demand for Independent Adult/Few Service Senior Housing

Table HD-3 presents our demand calculations for market rate independent senior housing in Elk River in 2015 and 2020.

In order to determine demand for independent senior housing, the potential market is reduced to those households that are both age and income qualified. The age-qualified market is defined as seniors age 55 and older, although independent living projects will primarily attract seniors age 65 and older.

We calculate that the minimum income needed to afford monthly rents is \$35,000, since seniors with this income could afford a monthly rent of \$1,165 based on spending 40% of their income, which is much higher than the rents of \$635 to \$734 for two-bedroom units at Elk Terrace and slightly higher than rent of \$1,109 at Evans Park for two-bedroom apartments. It is important to note that the existing developments are both over 20 years old and a new senior development would garner the higher rents. In addition, we add households with incomes between \$25,000 and \$34,999 who would be able to supplement their incomes with the proceeds from a home sale. We estimate the number of age/income-qualified senior households in Elk River in 2015 to be 2,558 households.

Adjusting to include appropriate long-term capture rates for each age cohort (0.5% of households age 55 to 64, about 5.0% of households age 65 to 74, and 15.0% of households age 75 and over) results in a market rate demand potential for 119 independent senior rental units in 2015.

Some additional demand will come from outside Elk River. We estimate that 25% of the long-term demand for independent senior housing will be generated by seniors currently residing

HOUSING DEMAND ANALYSIS

outside Elk River. This demand will consist primarily of parents of adult children living in Elk River, individuals who live just outside of Elk River and have an orientation to the area, as well as former residents who desire to return. Together, the demand from Elk River seniors and demand from seniors who would relocate to Elk River results in a total long-term demand for 159 active adult units in 2015.

Independent demand in Elk River is split into housing that offers ownership housing and rental housing. Based on the current product available in Elk River, we project that 40% of Elk River's demand will be for adult ownership housing (63 units) and 60% will be for rental housing (95 units).

TABLE HD-3 MARKET RATE ADULT/FEW SERVICES HOUSING DEMAND ELK RIVER 2015 & 2020						
	2015			2020		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of >\$35,000 ¹	1,213	732	430	1,412	928	789
# of Households w/ Incomes of \$24,999 to \$34,999 ¹	+ 73	+ 77	+ 88	+ 72	+ 79	+ 113
(times) Homeownership Rate	x 87%	x 84%	x 63%	x 87%	x 84%	x 63%
(equals) Total Potential Market Base	= 1,277	= 796	= 485	= 1,475	= 994	= 860
(times) Potential Capture Rate	x 0.5%	x 5.0%	x 15.0%	x 0.5%	x 5.0%	x 15.0%
(equals) Demand Potential	= 6	= 40	= 73	= 7	= 50	= 129
Potential Demand from Market Area Residents	= 119			= 186		
(plus Demand from Outside Market Area (25%) ²	+ 40			+ 62		
(equals) Total Demand Potential	= 159			= 248		
	Owner-Occupied		Renter-Occupied	Owner-Occupied		Renter-Occupied
(times) % by Product Type	x 40%		x 60%	x 40%		x 60%
(equals) Demand Potential by Product Type	= 63		= 95	= 99		= 149
(minus) Existing and Pending MR Active Adult Units ³	- 111		- 72	- 111		- 72
(equals) Excess Demand for MR Active Adult Units	= 0		= 23	= 0		= 77

¹ 2020 calculations define income-qualified households as all households with incomes greater than \$40,000 and homeowner households with incomes between \$30,000 and \$39,999.

² Based on project manager interviews and historical trends. We estimate that roughly 40% of demand will come from outside the market area.

³ Existing and pending are deducted at market equilibrium (95% occupancy).

Source: Maxfield Research & Consulting, LLC

Next, we subtract existing competitive market rate units (minus a vacancy factor of 5% to allow for sufficient consumer choice and turnover) from the owner and rental demand. Subtracting the existing competitive market rate units results in total demand potential for zero adult owner-occupied units and 23 adult rental units in 2015.

HOUSING DEMAND ANALYSIS

Adjusting for inflation, we have estimated that households with incomes of \$40,000 or more and homeowners with incomes of \$230,000 to \$39,999 would income qualify for market rate independent senior housing in 2020. Considering the growth in the older adult base, the income distribution of the older adult population in 2020, **the methodology projected that there will be no demand for adult owner-occupied units and increase to 77 adult rental units in the City of Elk River by 2020.**

Estimated Demand for Affordable Independent Senior Housing

Table HD-4 presents our demand calculations for affordable senior housing for households with incomes qualifying at or below 50% and 80% of AMI in Elk River in 2015 and 2020.

In order to arrive at the potential age and income-qualified base for low-income and affordable housing, we include all senior (65+) households that qualify for the income guidelines for one- and two-person households in 2015 at or below 50% and 80% of AMI (\$30,350 and \$52,650).

Adjusting to include appropriate long-term capture rates for each age cohort (1.5% of households age 55 to 64, about 10.0% of households age 65 to 74, and 20.0% of households age 75 and over) results in a market rate demand potential for 23 independent senior rental units in 2015.

TABLE HD-4 AFFORDABLE INDEPENDENT SENIOR HOUSING DEMAND ELK RIVER 2015 & 2020						
	2015			2020		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of \$28,000 to \$52,650	233	208	262	197	213	288
(times) Percent Renter Households	x 13%	16%	37%	x 13%	16%	37%
(equals) Total Potential Market Base	= 30	33	97	= 26	34	107
(times) Potential Capture Rate	x 1.5%	10.0%	20.0%	x 1.5%	10.0%	20.0%
(equals) Demand Potential	= 0	3	19	= 0	3	21
Total Market Rate Demand Potential	= 23			= 25		
(plus) Demand from Outside Market Area (40%)	+ 15			+ 17		
(equals) Total Demand Potential	= 39			= 42		
(minus) Existing and Pending Aff. Independent Units ¹	- 0			- 0		
(equals) Total Demand Potential in Market Area	= 39			= 42		
¹ Includes existing and pending units at 95% occupancy, or market equilibrium. No additional units are planned through 2020.						
Source: Maxfield Research & Consulting, LLC						

We then estimate that seniors currently residing outside of Elk River would generate 40% of the demand for affordable senior housing. This demand includes seniors who reside outside of Elk River that would move to the city, as well as those who would relocate from other places of residence (i.e. rural areas, other areas of the state and out-of-state). Together, demand from Elk River seniors and demand from seniors who would locate to Elk River total an estimated 39 affordable units in 2015.

There are no affordable senior rental properties in Elk River and thus, the total potential demand remains at 39 units in 2015.

Following the same methodology, we project that **excess demand capturable in Elk River is calculated to increase slightly to 42 affordable independent senior housing units by 2020.**

Estimated Demand for Subsidized Senior Housing

Table HD-6 presents our demand calculations for subsidized senior housing in Elk River in 2015 and 2020.

The 2015 income qualifications for extremely-low income housing in Sherburne County are \$18,200 for a one-person household and \$20,800 for a two-person household. Seniors with incomes meeting these guidelines are designated as having low incomes and are in need of subsidized housing; households with incomes above these guidelines but below those necessary to obtain market rate housing would be candidates for affordable housing. Seniors living at a Section 202 building pay their rent according to their monthly income (30% of monthly income). Households with incomes slightly above 50% of MFI are primarily a target for affordable housing, with rents usually set at 50% to 80% of MFI, and would not qualify for deeply-subsidized housing. It should be noted that many senior households in low and very low income categories own their homes and therefore have untapped equity which, upon the sales of their homes, can be used toward market rate housing.

Maxfield Research & Consulting LLC calculated demand for subsidized senior housing as displayed in Table HD-5. We assume that all households over the age of 65 with incomes of \$20,800 or less in Elk River are income-qualified and would be candidates for subsidized senior housing. In 2015, we find a total of an estimated 223 households over the age of 65 in Elk River meeting these age- and income-qualifications.

We estimate that approximately 30% of the total age/income-qualified market would both need and desire subsidized senior housing. The remaining households would either remain in their homes until in need of housing with services or obtain affordable/market rate housing with assistance from family members or through the sale of a home or other assets. Applying a 30% capture rate, results in an estimated potential demand for 67 subsidized senior housing units in Elk River in 2015 and 66 units in 2020.

HOUSING DEMAND ANALYSIS

TABLE HD-5 SUBSIDIZED INDEPENDENT SENIOR HOUSING DEMAND ELK RIVER 2015 & 2020		
	2015	2020
Age 65+ Households w/Incomes < \$20,000	223	220
(times) Percent of Income Qualified Seniors Needing/Desiring Subsidized Senior Housing	x 30%	30%
(equals) Demand Potential from Market Area residents	= 67	66
(plus) Demand From Outside the Market Area (40%)	+ 45	44
(equals) Total Demand Potential for Subsidized Senior Housing in Market Area	112	110
(minus) Existing & Pending Subsidized Senior Units in Market Area*	- 118	118
(equals) Total Market Area Subsidized Senior Housing Demand Potential	= 0	0
* Competitive subsidized units, minus a 7% vacancy rate.		
Source: Maxfield Research & Consulting, LLC		

We anticipate that at least 40% of the demand for subsidized senior housing in Elk River will come from seniors currently residing in surrounding communities who would move to the Elk River to be near their family or for other reasons. Including demand from outside of Elk River increases total demand potential to 112 units in 2015 and 110 units in 2020.

From this potential demand, we subtract the existing number of competitive housing units in Elk River. Currently, there are only two identified subsidized senior buildings in the Market Area with a total of 122 units and are both fully occupied with waiting lists. Subtracting these units, minus a 3% vacancy factor, results in sufficient subsidized units in Elk River in both 2015 and 2020. The existing subsidized housing units are sufficiently serving the Elk River market through 2020.

Estimated Demand for Congregate Senior Housing

Table HD-6 presents our demand calculations for congregate housing in Elk River in 2015 and 2020.

The potential age- and income-qualified base for congregate senior housing includes all senior (65+) households with incomes of \$35,000 as well as homeowner households with incomes between \$25,000 and \$35,000 who would qualify with the proceeds from the sales of their homes. The proportion of eligible homeowners is based on the homeownership rates of areas seniors, as identified in the demographics section of this study. The number of age, income, and asset-qualified households in Elk River is estimated to be 1,282 households in 2015.

Adjusting to include appropriate capture rates for each age cohort (1.5% of households age 65 to 74 and 11.0% of households age 75 and older) results in a local demand potential for 65 congregate units in 2015.

TABLE HD-6
MARKET RATE CONGREGATE HOUSING DEMAND
ELK RIVER
2015 & 2020

	2015		2020	
	Age of Householder		Age of Householder	
	65-74	75+	65-74	75+
# of Households w/ Incomes of >\$35,000 ¹	732	430	928	489
# of Households w/ Incomes of \$25,000 to \$34,999 ¹	+ 77	+ 88	+ 79	+ 113
(times) Homeownership Rate	x 84%	x 63%	x 84%	x 63%
(equals) Potential Market	= 65	= 55	= 66	= 71
(equals) Total Potential Market Base	= 797	= 485	= 994	= 560
(times) Potential Capture Rate ²	x 1.5%	x 11.0%	x 1.5%	x 11.0%
(equals) Demand Potential	= 12	= 53	= 15	= 62
Potential Demand from Market Area Residents	= 65		= 77	
(plus) Demand from Outside Market Area (25%)	+ 22		+ 26	
(equals) Total Demand Potential	= 87		= 102	
(minus) Existing and Pending Congregate Units ³	- 0		- 0	
(equals) Excess Demand for Congregate Units	= 87		= 102	

¹ 2020 calculations define income-qualified households as all households with incomes greater than \$40,000 and homeowner households with incomes between \$30,000 and \$49,999.

² The potential capture rate is derived from data from the Summary Health Statistics for the U.S. Population: National Health Interview Survey, 2007 by the U.S. Department of Health and Human Services. The capture rate used is the percentage of seniors needing assistance with IADLs, but not ADLs (seniors needing assistance with ADLs typically need assistance with multiple IADLs and are primary candidates for assisted living.).

³ Existing and pending are deducted at market equilibrium (95% occupancy).

Source: Maxfield Research & Consulting, LLC

We estimate that seniors currently residing outside of Elk River will generate 25% of the demand for congregate senior housing. This demand will consist primarily of parents of adult children living in Elk River, individuals who live just outside Elk River and have an orientation to the area, and former residents who desire to return upon retirement. Together, the demand from Elk River seniors and demand from seniors who are willing to locate to Elk River totals 87 units of congregate senior housing in 2015.

Since there are no existing congregate units in Elk River, we do not reduce the demand potential by any competitive units. As a result, **demand is calculated for 87 congregate units in Elk River in 2015.**

Adjusting for inflation, we estimate that households with incomes of \$35,000 or more and senior homeowners with incomes between \$25,000 and \$35,000 would qualify for congregate housing in 2017. Following the same methodology, **demand is calculated to increase to 102 units through 2020.**

Demand Estimate for Assisted Living Housing

Table HD-7 presents our demand calculations for assisted living senior housing in Elk River in 2015 and 2020. This analysis focuses on the potential *private pay/market rate* demand for assisted living units.

The availability of more intensive support services such as meals, housekeeping and personal care at assisted living facilities usually attracts older, frailer seniors. According to the 2009 Overview of Assisted Living (which is a collaborative research project by the American Association of Homes and Services for the Aging, the American Seniors Housing Association, National Center for Assisted Living, and National Investment Center for the Seniors Housing and Care Industry), the average age of residents in freestanding assisted living facilities was 87 years in 2008. Hence, the age-qualified market for assisted living is defined as seniors ages 75 and over, as we estimate that of the half of demand from seniors under age 87, almost all would be from seniors over age 75. In 2010, there were 1,024 seniors age 75 and older in the PMA.

Demand for assisted living housing is need-driven, which reduces the qualified market to only the portion of seniors who need assistance. According to a study completed by the U. S. Census Bureau (2008 panels of the Survey of Income and Program Participation (SIPP) files), 30% of seniors needed assistance with everyday activities (from 25.5% of 75-to-79-year-olds, to 33.6% of 80-to-84-year-olds and 51.6% of 85+ year olds). Applying these percentages to the senior population yields a potential assisted living market of 370 seniors in the PMA.

Due to the supportive nature of assisted living housing, most daily essentials are included in monthly rental fees, which allow seniors to spend a higher proportion of their incomes on housing with basic services. Therefore, the second step in determining the potential demand for assisted living housing in the PMA is to identify the income-qualified market based on a senior's ability to pay the monthly rent. We consider seniors in households with incomes of \$40,000 or greater to be income-qualified for assisted living senior housing in the PMA. Households with incomes of \$40,000 could afford monthly assisted living fees of \$3,000 by allocating 90% of their income toward the fees.

According to the 2009 Overview of Assisted Living, the average arrival income of assisted living residents in 2008 was \$27,260, while the average annual assisted living fee was \$37,281 (\$3,107/month). This data highlights that seniors are spending down assets to live in assisted living and avoid institutional care. Thus, in addition to households with incomes of \$40,000 or greater, there is a substantial base of senior households with lower incomes who income-qualify based on assets – their homes, in particular.

Sixty-three percent of the age 75+ households in the PMA are homeowners, and the 2015 year-to-date median resale price of homes in the PMA was \$209,975. Seniors selling their homes for the median resale price would generate about \$197,367 in proceeds after selling costs. With an average monthly fee of \$3,000, these proceeds would last just over five years in an assisted living facility, which is longer than the average length of stay in an assisted living facility (27

HOUSING DEMAND ANALYSIS

months according to the 2009 Overview of Assisted Living). For each age group in Table HD-7, we estimate the income-qualified percentage to be all seniors in households with incomes above \$40,000 (who could afford monthly rents of \$3,000+ per month) plus 40% of the estimated seniors in homeowner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing). This results in a total potential market of 211 units from the PMA in 2010.

TABLE HD-7 MARKET RATE ASSISTED LIVING DEMAND ELK RIVER 2015 & 2020						
Age group	2015			2020		
	People	Percent Needing Assistance ¹	Number Needing Assistance ¹	People	Percent Needing Assistance ¹	Number Needing Assistance ¹
75 - 79	394	25.5%	100	520	25.5%	133
80 - 84	307	33.6%	103	338	33.6%	114
85+	323	51.6%	167	363	51.6%	187
Total	1,024		370	1,221		433
Percent Income-Qualified²			57%			56%
Total potential market			211			243
(times) Percent living alone			x 51%			51%
(equals) Age/income-qualified singles needing assistance			= 108			124
(plus) Proportion of demand from couples (12%) ³			+ 15			17
(equals) Total age/income-qualified market needing assistance			= 122			141
(times) Potential penetration rate ⁴			x 40%			40%
(equals) Potential demand from PMA residents			= 49			56
(plus) Proportion from outside the PMA (40%)			+ 33			38
(equals) Total potential assisted living demand			= 82			94
(minus) Existing market rate assisted living units ⁵			- 47			47
(equals) Total excess market rate assisted living demand			= 35			47
¹ The percentage of seniors unable to perform or having difficulty with ADLs, based on the 2008 Survey of Income and Program Participation (SIPP) files, conducted by the U.S. Census Bureau.						
² Includes households with incomes of \$40,000 or more (who could afford monthly rents of \$3,000+ per month) plus 40% of the estimated owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing).						
³ The 2009 Overview of Assisted Living (a collaborative project of AAHSA, ASHA, ALFA, NCAL & NIC) found that 12% of assisted living residents are couples.						
⁴ We estimate that 60% of the qualified market needing assistance with ADLs could either remain in their homes or reside at less advanced senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility.						
⁵ Existing and pending units at 93% occupancy. We exclude 15% of units to be Home and Community Based Waiver recipients.						
Source: Maxfield Research & Consulting, LLC						

Because the vast majority of assisted living residents are single (88% according to the 2009 Overview of Assisted Living), our demand methodology multiplies the total potential market by the percentage of seniors age 75+ in the PMA living alone. Based on 2010 Census data, 51% of age 75+ households in the PMA lived alone. Applying this percentage results in a total base of 211 age/income-qualified singles. The 2009 Overview of Assisted Living found that 12% of

residents in assisted living were couples. There are a total of 108 age/income-qualified seniors needing assistance in the PMA including both couples and singles.

We estimate that roughly 60% of the qualified market needing significant assistance with ADLs would either remain in their homes or less service-intensive senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility. The remaining 40% could be served by assisted living housing. Applying this potential market penetration rate of 40% results in demand for 49 assisted living units in 2010.

We estimate that a portion of demand for assisted living units in the PMA (40%) will come from outside the PMA. Applying this figure results in total potential demand for 82 market rate assisted living units in the PMA.

Next, existing assisted living units are subtracted from overall demand. We have adjusted the competitive number of units based on an estimated 15% of units that are occupied by lower-income seniors using the Elderly Waiver program, to pay for their services in an assisted living environment. Overall, we subtract 47 competitive units (after accounting for a 7% vacancy rate) from the demand potential, resulting in 35 units of excess demand for assisted living housing in the PMA.

By 2020, total excess demand for market rate assisted living units in Elk River is projected to increase to 47 units.

Estimated Demand for Memory Care Housing

Table HD-8 presents our demand calculations for market rate memory care senior housing in Elk River in 2015 and 20120.

Demand is calculated by starting with the estimated Elk River senior (age 65+) population in 2015 and multiplying by the incidence rate of Alzheimer's/dementia among this population's age cohorts. According to the Alzheimer's Association (Alzheimer's Disease Facts and Figures, 2007), 2% of seniors ages 65 to 74, 19% of seniors ages 75 to 84, and 42% of seniors ages 85+ are inflicted with Alzheimer's Disease. This yields a potential market of 299 seniors in Elk River.

Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing are at least \$4,000 and range upwards of \$5,000 when including service packages. Based on our review of senior household incomes in Elk River, homeownership rates and home sale data, we estimate that 30% of seniors in Elk River would have incomes and/or assets to sufficiently cover the costs of memory care housing. This figure takes into account married couple households where one spouse may have memory care needs and allows for a sufficient income for the other spouse to live independently. Multiplying the number of seniors with

Alzheimer's/dementia (299 seniors) by the income-qualified percentage results in a total of 111 age/income-qualified seniors in the Elk River in 2015.

TABLE HD-8 MEMORY CARE DEMAND ELK RIVER 2015 & 2020		
	2015	2020
65 to 74 Population	1,500	1,904
(times) Dementia Incidence Rate ¹	x <u>2%</u>	x <u>2%</u>
(equals) Estimated Age 65 to 74 Pop. with Dementia	= 30	= 38
75 to 84 Population	701	858
(times) Dementia Incidence Rate ¹	x <u>19%</u>	x <u>19%</u>
(equals) Estimated Age 75 to 84 Pop. with Dementia	= 133	= 163
85+ Population	323	363
(times) Dementia Incidence Rate ¹	x <u>42%</u>	x <u>42%</u>
(equals) Estimated Age 85+ Pop. with Dementia	= 136	= 152
(equals) Total Senior Population with Dementia	= 299	= 354
(times) Percent Income/Asset-Qualified ²	x <u>37%</u>	x <u>38%</u>
(equals) Total Income-Qualified Market Base	= 111	= 134
(times) Percent Needing Specialized Memory Care Assistance	x <u>25%</u>	x <u>25%</u>
(equals) Total Need for Dementia Care	= 28	= 34
(plus) Demand from Outside Market Area (40%)	+ <u>18</u>	+ <u>22</u>
Total Demand Potential	= 46	= 56
(minus) Existing and Pending Memory Care Units ³	- <u>28</u>	- <u>28</u>
(equals) Excess Demand for Memory Care Units	= 18	= 28
¹ Alzheimer's Association: Alzheimer's Disease Facts & Figures (2009) ² Income-qualified households consider 3/4 of those with incomes greater than \$60,000 plus 15% of homeowners with incomes below this threshold. ³ Existing memory care units less units occupied by public pay residents and a 7% vacancy rate.		
Source: Maxfield Research & Consulting, LLC		

According to data from the National Institute of Aging, about 25% of all individuals with memory care impairments comprise the market for memory care housing units. This figure considers that seniors in the early stages of dementia will be able to live independently with the care of a spouse or other family member, while those in the later stages of dementia will require intensive medical care that would only be available in skilled care facilities. Applying this figure to the estimated population with memory impairments yields a potential market of about 28 seniors in Elk River.

HOUSING DEMAND ANALYSIS

We estimate that 40% of the overall demand for memory care housing in the Elk River would come from outside of Elk River. Demand from both inside and outside of Elk River totals 46 memory care units in 2015.

We reduce the demand potential by the 30 competitive units (less a 93% occupancy rate). Subtracting these competitive units decreases the excess memory care demand to 18 units.

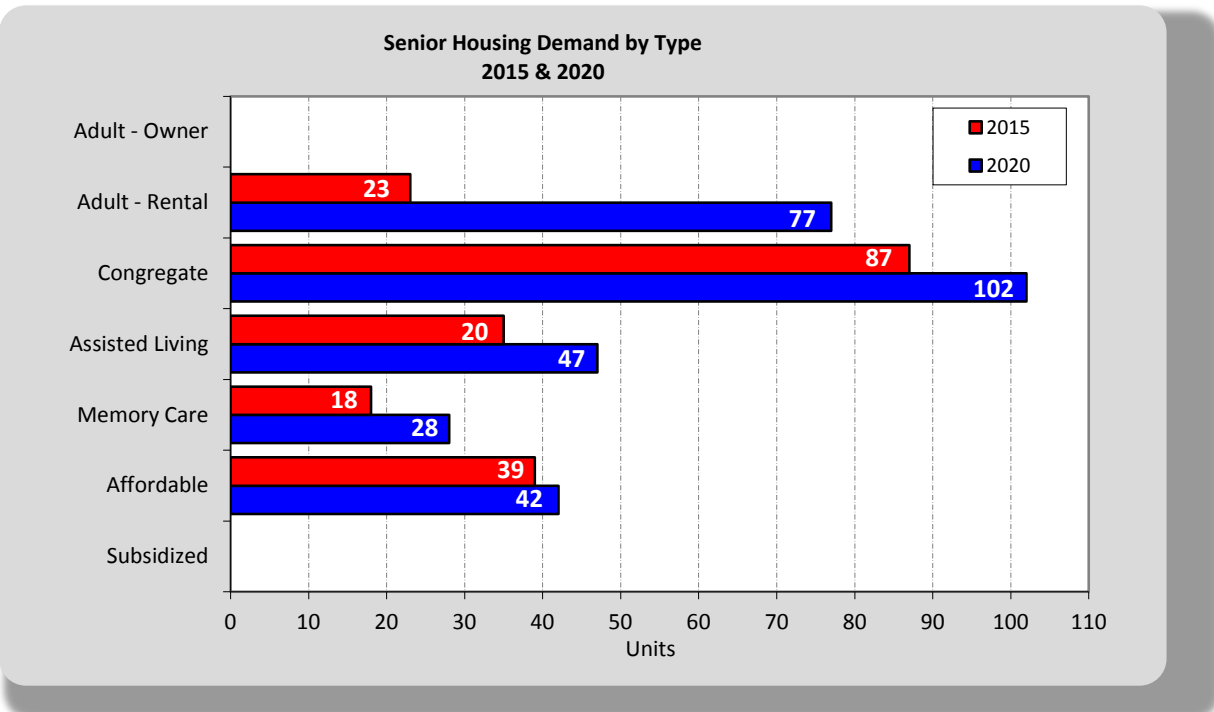
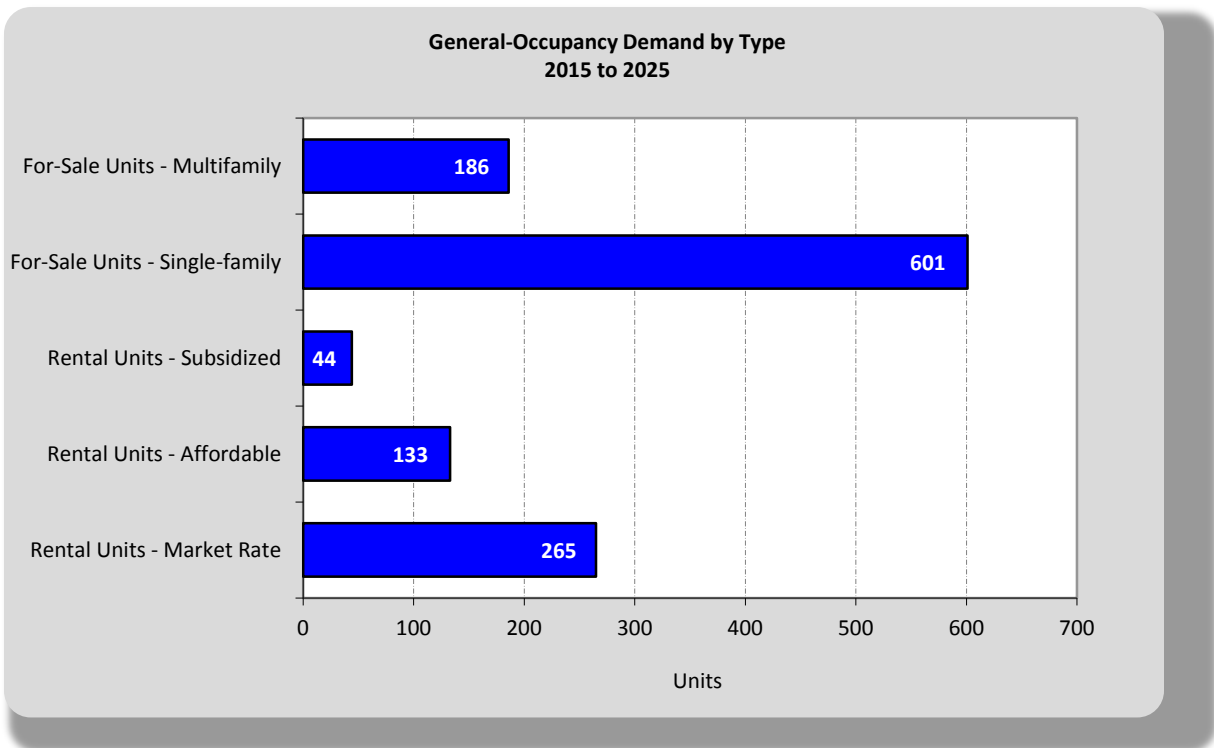
Demand is calculated for 18 memory care units in the City of Elk River in 2015. Following the same methodology, demand is calculated to increase to **28 memory care units through 2020.**

Introduction/Overall Housing Recommendations

This section summarizes demand calculated for specific housing products in Elk River and recommends development concepts to meet the housing needs forecast for the City. All recommendations are based on findings of the *Comprehensive Housing Needs Assessment*. The following table and charts illustrate calculated demand by product type. It is important to recognize that housing demand is highly contingent on projected household growth; household growth could be higher should increased job growth ensue and the overall economy continues to improve.

TABLE CR-1 SUMMARY OF HOUSING DEMAND CITY OF ELK RIVER Novemeber 2015		
Type of Use	2015-2025	
General-Occupancy		
Rental Units - Market Rate	265	
Rental Units - Affordable	133	
Rental Units - Subsidized	44	
For-Sale Units - Single-family	601	
For-Sale Units - Multifamily	186	
Total General Occupancy Supportable	1,229	
	2015	2020
Age-Restricted (Senior)		
Market Rate		
Adult Few Services (Active Adult)	23	77
Ownership	0	0
Rental	23	77
Congregate	87	102
Assisted Living	35	47
Memory Care	18	28
Total Market Rate Senior Supportable	163	254
Affordable/Subsidized		
Active Adult - Subsidized	0	0
Active Adult - Affordable	39	42
Total Affordable Senior Supportable	39	42
Source: Maxfield Research & Consulting, LLC		

RECOMMENDATIONS AND CONCLUSIONS



RECOMMENDATIONS AND CONCLUSIONS

Based on the finding of our analysis and demand calculations, Table CR-2 provides a summary of the recommended development concepts by product type for the City of Elk River. It is important to note that these proposed concepts are intended to act as a development guide to most effectively meet the housing needs of existing and future households in Elk River. The recommended development types do not directly coincide with total demand as illustrated in Table CR-1.

TABLE CR-2 RECOMMENDED HOUSING DEVELOPMENT CITY OF ELK RIVER 2015 to 2025					
	Purchase Price/ Monthly Rent Range¹	No. of Units	Pct. of Total	Development Timing	
Owner-Occupied Homes					
Single Family²					
Entry-level	>\$225,000	175 - 200	31%	2016+	
Move-up	\$250,000 - \$350,000	320 - 350	56%	2016+	
Executive	\$350,000+	75 - 80	13%	2017+	
Total		570 - 630	100%		
Townhomes/Detached Townhomes/Twinhomes²					
Entry-level	>\$200,000	50 - 60	31%	2018+	
Move-up	\$200,000+	110 - 130	69%	2016+	
Total		160 - 190	100%		
Total Owner-Occupied		730 - 820			
General Occupancy Rental Housing					
Market Rate Rental Housing					
Apartment-style	\$950/1BR - \$1,450/3BR	180 - 200	78%	2017+	
Townhomes	\$1,200/2BR - \$1,500/3BR	50 - 60	22%	2016+	
Total		230 - 260	100%		
Affordable Rental Housing					
Apartment-style	Moderate Income ³	90 - 100	73%	2017+	
Townhomes	Moderate Income ³	30 - 40	27%	2016+	
Total		120 - 140	100%		
Total Renter-Occupied		350 - 400			
Senior Housing (i.e. Age Restricted)					
Active Adult Affordable Rental	Moderate Income ³	40 - 42	27%	2016+	
Active Adult Market Rate Rental ⁴	\$900/1BR - \$1,200/2BR+	50 - 60	36%	2019+	
Independent Living (Congregate)	\$1,750/1BR - \$1,950/2BR	60 - 80	45%	2018+	
Assisted Living	\$2,750/EFF - \$4,000/2BR	40 - 50	29%	2017+	
Memory Care	\$4,000/EFF - \$5,000/2BR	26 - 28	18%	2017+	
Total		144 - 164	100%		
Total - All Units		1,224 - 1,384			
¹ Pricing in 2015 dollars. Pricing can be adjusted to account for inflation. ² Recommendations include the absorption of some existing previously platted lots. ³ Affordability subject to income guidelines per MHFA. See Table HA-1 for Sherburne County Income limits. ⁴ Alternative development concept is to combine active adult affordable and market rate active adult into mixed-income senior community Note - Recommended development does not coincide with total demand. Elk River may not be able to accommodate all recommended housing types based on a variety of factors (i.e. development constraints, land availability, etc.)					
Source: Maxfield Research & Consulting, LLC					

Recommended Housing Product Types

For-Sale Housing

Single-Family Housing

Table HD-1 identified demand for about 790 single-family housing units in Elk River through 2025. However, after accounting for the existing 188 vacant single-family newer lots in Elk River (see Table FS-9); demand is reduced to about 600 new lots in Elk River through 2025. Based on historic construction activity over the past three years, there has been an average of about 70 new single-family units per year in Elk River; down substantially from the early part of last decade when about 220 units on average were added between 2000 and 2005.

The lot supply benchmark for growing communities is a three- to five-year lot supply, which ensures adequate consumer choice without excessively prolonging developer-carrying costs. Given the number of existing platted lots in Elk River and the number of homes constructed annually, the current lot supply is able to meet demand only for about two to three years. Although Table FS-9 identified 369 future lots; many of these subdivisions may still be speculative based on preliminary plat information prior to the housing bust of last decade. Therefore, new lots will need to be platted or moved from future lots to vacant developed lots to meet future demand.

Due to the age and price of the existing housing stock in Elk River, most of the existing older housing stock appeals to entry-level buyers. Entry-level existing homes, which we generally classify as homes priced under \$150,000 will be mainly satisfied by existing single-family homes as residents of existing homes move into newer housing products built in the Elk River Area, such as move-up single-family homes, twinhomes, rental housing and senior housing. A move-up buyer or step-up buyer is typically one who is selling one house and purchasing another one, usually a larger and more expensive home. Usually the move is desired because of a lifestyle change, such as a new job or a growing family. Based on our interviews with Elk River Realtors, move-up homes are generally priced from \$250,000 to \$350,000. Executive-level homes are loosely defined as those homes priced above \$350,000. Most of these homes would be build-to-suit new construction in one of the city's newer subdivisions or are on larger acreages located on the fringe of Elk River.

The average base price of all new construction actively marketing in Elk River is approximately \$250,000, or about \$135 to \$140 PSF for single-family housing stock. Although there would be substantial demand for a new single-family housing product priced under \$200,000, financially it will be extremely difficult to develop even with public assistance due to infrastructure costs and rising labor and material costs. Based on land and building costs, it is very difficult to build new single-family homes for less than \$225,000.

Because there only 188 vacant lots, new lots will be needed in the next few years to meet buyer demand. Many of the existing lots in Elk River are flat and target the first-time and move-up

RECOMMENDATIONS AND CONCLUSIONS

buyers; we also recommend additional “choice lots” that cater to executive buyers and have the topography for walk-out lots and more vegetation on the property. We also recommend considering smaller lots that will increase density while bringing down new subdivision infrastructure costs.

For-Sale Multifamily Housing

A growing number of households desire alternative housing types such as townhouses, detached townhomes, and twinhomes. Typically, the target market for for-sale multifamily housing is empty-nesters and retirees seeking to downsize from their single-family homes. In addition, professionals, particularly singles and couples without children, also will seek townhomes if they prefer not to have the maintenance responsibilities of a single-family home. In some housing markets, younger households also find purchasing multifamily units to be generally more affordable than purchasing new single-family homes.

Over the past fifteen years, multifamily resales have averaged about 20% of all resales in Elk River; however the median sales price has been about 33% lower than single-family housing. Currently, the *West Oaks* subdivision is marketing a variety of twinhomes and detached townhomes in Elk River.

Based on the changing demographics and the need for alternative housing types, demand was calculated for 186 new multifamily for-sale units in Elk River through 2025. Since 2007, there have been only three new townhome/twinhome units constructed in Elk River as this sector experienced severe downturn during the recession. However, given the aging of the population and the high growth rate in the 55+ population (especially 65-74 age cohorts), Elk River would benefit from a more diversified housing stock.

These attached units could be developed as twin homes, detached townhomes or villas, townhomes/row homes, or any combination. Because the main target market is empty-nesters and young seniors, the majority of townhomes should be one-level, or at least have a master suite on the main level if a unit is two-stories.

The following provides greater detail into townhome and twinhome style housing.

- *Twinhomes*– By definition, a twin home is basically two units with a shared wall with each owner owning half of the lot the home is on. Some one-level living units are designed in three-, four-, or even six-unit buildings in a variety of configurations. The swell of support for twinhome and one-level living units is generated by the aging baby boomer generation, which is increasing the numbers of older adults and seniors who desire low-maintenance housing alternatives to their single-family homes but are not ready to move to service-enhanced rental housing (i.e. downsizing or right sizing).

Traditionally most twin home developments have been designed with the garage being the prominent feature of the home; however, today’s newer twin homes have much more

RECOMMENDATIONS AND CONCLUSIONS

architectural detail. Many higher-end twin home developments feature designs where one garage faces the street and the other to the side yard. This design helps reduce the prominence of the garage domination with two separate entrances. Housing products designed to meet the needs of these aging Elk River residents, many of whom desire to stay in their current community if housing is available to meet their needs, will be needed into the foreseeable future.

Twinhomes are also a preferred for-sale product by builders in today's market as units can be developed as demand warrants. Because twinhomes bring higher density and economies of scale to the construction process, the price point can be lower than stand-alone single-family housing. As previously mentioned, there are a number of new twin homes under construction in the West Oaks subdivision; however twin homes will continue to be in demand as many older adults and seniors will move to this housing product with substantial equity in their existing single-family home and will be willing to purchase a maintenance-free home that is priced similar to their existing single-family home. Move-up twin homes has especially been popular in the Twin Cities Metro Area over the past few years.

Twinhome Examples



Standard Twinhome – garage on end



Standard Twinhome – garage in middle



Executive Twinhome with alternate garages



Executive-style Twinhome – front facing garage

RECOMMENDATIONS AND CONCLUSIONS

- *Detached Townhomes/Villas* – An alternative to the twinhome is the one-level villa product and/or rambler. This product also appeals mainly to baby boomers and empty nesters seeking a product similar to a single-family living on a smaller scale while receiving the benefits of maintenance-free living. Many of these units are designed with a walk-out or lookout lower level if the topography warrants. We recommend lot widths ranging from 45 to 55 feet with main-level living areas between 1,600 and 1,800 square feet. The main level living area usually features a master bedroom, great room, dining room, kitchen, and laundry room while offering a “flex room” that could be another bedroom, office, media room, or exercise room. However, owners should also be able to purchase the home with the option to finish the lower level (i.e. additional bedrooms, game room, storage, den/study, etc.) and some owners may want a slab-on-grade product for affordability reasons. Finally, builders could also provide the option to build a two-story detached product that could be mixed with the villa product.

Pricing for a detached townhome/villa will vary based on a slab-on-grade home versus a home with a basement. Base pricing should start at \$250,000 and will fluctuate based on custom finishes, upgrades, etc.

Detached Townhome/Villa Examples



Cottage-style (alley-loaded garage)



Executive-style – side garage entrance



Villa – Garage in front



2-story tuck-under

RECOMMENDATIONS AND CONCLUSIONS

- *Side-by-Side and Back-to-Back Townhomes* – This housing product is designed with three or four or more separate living units in one building and can be built in a variety of configurations. With the relative affordability of these units and multi-level living, side-by-side and back-to-back townhomes have the greatest appeal among entry-level households without children, young families and singles and/or roommates across the age span. However, two-story townhomes would also be attractive to middle-market, move-up, and empty-nester buyers. Many of these buyers want to downsize from a single-family home into maintenance-free housing, many of which will have equity from the sale of their single-family home.

Side-by-side townhomes have been slow to recover from the recession. Many of the townhome developments completed last decade in Elk River had many lender-mediated sales and were attractive for real estate investors. Recently there have been a few new townhome developments move forward in the Twin Cities; however they have been located in high demand communities where the single-family market has priced many buyers out of the market. New construction townhomes in Elk River are still premature; but this sector should begin to turn should land costs escalate and buyers are priced out of many new single-family subdivisions.

Townhome Examples



3-Plex (one-level living w/basement)



Tuck-under garage



Row-house style



Back-to-back style (6-Plex)

General Occupancy Rental Housing

Our competitive inventory identified that the vacancy rates for all types of general occupancy rental product is below market equilibrium indicating pent-up demand for rental housing. The few newer products that have entered the market in the past few years have all performed well. Coachman Apartments which began marketing in 2015 has absorbed all units before occupancy date. Due to the age and positioning of the remaining existing rental supply (pre-1990 construction), a significant portion of units are priced at or below guidelines for affordable housing, which indirectly satisfies demand from households that income-qualify for financially assisted housing. However, the growing renter base is seeking newer rental properties with additional and updated amenities that are not offered in older developments. Although ownership housing in older homes in Elk River is generally affordable for first-time home buyers, some are choosing to rent due to fears of past housing market performance.

Maxfield Research and Consulting LLC calculated demand for 265 market rate and 133 affordable rental housing units in Elk River through 2025. New general-occupancy rental housing can be developed immediately and will continue to be in demand throughout this decade.

- *Market Rate Rental* – The existing market rate rental supply in Elk River has a mix of ages and household types represented. A new rental project will also have a diverse resident profile, including young to mid-age professionals as well as singles and couples across the age span.

Because there is demand for 265 units; new market rate product will likely be developed across multiple buildings and developments. We recommend new middle-market to upper-middle market rental project(s) with roughly that will continue to attract a diverse resident profile; including young to mid-age professionals as well as singles and couples across all ages. To appeal to wide target market, we suggest a market rate apartment project with a unit mix consisting of one-bedroom units, one-bedroom plus den units, two-bedroom units, and a few two-bedroom plus den or three-bedroom units.

Monthly rents (in 2015 dollars) should range from \$950 for a one-bedroom unit to \$1,450 for a three-bedroom unit. Average rents in Elk River are roughly \$1.04 per square foot, thus we recommend that monthly rents at a new development should charge on average \$1.15 per square foot to be financially feasible. Monthly rents can be trended up by 2.0% annually prior to occupancy to account for inflation depending on overall market conditions.

New market rate rental units should be designed with contemporary amenities that include open floor plans, higher ceilings, in-unit washer and dryer, full appliance package, central air-conditioning, and garage parking.

RECOMMENDATIONS AND CONCLUSIONS

- Market Rate General Occupancy Rental Townhomes– In addition to the recommended traditional multi-story apartment projects, we find demand exists for larger townhome units for families - including those who are new to the community and want to rent until they find a home for purchase. An additional 50 to 60 rental townhome units could be supported in Elk River over this decade. We recommend a project with rents starting at approximately \$1,200 for two-bedroom units to \$1,500 for three-bedroom units. Units should feature contemporary amenities (i.e. in-unit washer/dryer, high ceilings, etc.) and an attached two car garage.
- Affordable General Occupancy Multifamily Housing– There have been three affordable developments built since 2007 in Elk River. These developments have been extremely successful and have maintained nearly 100% occupancy since opening. Unlike the market rate supply, existing affordable properties are typically dominated by families with children who find it more difficult to afford ownership property and market rate rents.

The success of the moderate income affordable Coachman Ridge (53 units) rental project by Duffy Development near the transit station continues to support the excess demand shown for affordable housing. These projects would have income-restrictions established by HUD and would likely target households with incomes between 50% to 80% of area median income; however some could be workforce units with affordability up to 120% AMI.

We find that demand exists for about 100 affordable units through 2025. Affordable housing attracts households that cannot afford market rate housing units but do not income-qualify for deep subsidy housing. Affordable projects attract a broad group of people based of tenants based on the unit type. One-bedroom units target singles and couples, whereas two and three-bedroom units target families. Some retired seniors would also be attracted to an affordable concept. We recommend an affordable concept that would target residents at 50% to 60% AMI. A workforce housing project targeting households from 80% to 120% AMI could also be pursued in Elk River.

- Affordable General Occupancy Rental Townhomes– Rental townhomes affordable to moderate-income households would also be in high demand throughout Elk River. There is currently only one income based townhome development in the City (Lanesboro Heights – Section 8) that is full with a long waiting list. Affordable rental townhomes have been found to very popular throughout many communities. These projects would have income-restrictions established by HUD and would likely target households with incomes between 50% to 80% of area median income; however some could be workforce units with affordability up to 120% AMI. We recommend a project with two- and three-bedroom units and a project of 30 to 40 units. Units should feature central air conditioning, full appliance package, in-unit washer/dryer, an attached one/two car garage. Such developments are popular with families that cannot afford housing options in the for-sale market or market rate rentals.

Senior Housing

As illustrated in Table CR-1, demand exists for almost all types of senior housing product types in Elk River. Over the course of five years, there is demand for about 300 new senior units through 2020. The unmet of additional senior housing is recommended in order to provide housing opportunity to these aging residents in their stages of later life. The development of additional senior housing serves a two-fold purpose in meeting the housing needs in Elk River: older adult and senior residents are able to relocate to new age-restricted housing in Elk River, and existing homes and rental units that were occupied by seniors become available to other new households. Hence, development of additional senior housing does not mean the housing needs of younger households are neglected; it simply means that a greater percentage of housing need is satisfied by housing unit turnover. The types of housing products needed to accommodate the aging population base are discussed individually in the following section.

- Active Adult Rental – Demand was projected for about 75 market rate active adult rental units in Elk River through 2020. However, most of this demand will be closer to 2020. Currently, there are three market rate active adult rental projects in the City. The newest was built in 1992, while the other two are over 30 years old. There may be seniors who currently residing in general-occupancy housing that would consider a newer active adult product.

Development of this product could be in separate stand-alone facilities or in a mixed-income project. We believe a mixed-income building would be an ideal development concept to create the most dynamic, inclusive community for active seniors and to temper stigmas and potential neighborhood opposition of affordable housing development.

We recommend a new project of about 50 to 60 units later this decade. The project modest rents with base monthly rents starting at \$900 per month for one-bedroom units and from \$1,200 or more for two-bedroom units. The project should offer transportation, activities, and optional services for housekeeping, etc.

- Affordable and Subsidized Senior Few Services Rental – Elk River demand for affordable/subsidized senior housing is approximately 40 units in 2020. All of the demand was for affordable senior housing as the existing subsidized housing units is meeting the current demand. Although this product would be well received by seniors in and near the Elk River area; it will be difficult to develop given the economies of scale needed and financing challenges. Affordable senior housing will likely be a low-income tax credit project through the Minnesota Housing Finance Agency (MHFA). MHFA recently started to consider affordable senior housing projects under the tax credit program and is slowly starting to expand financing for this product type.
- Independent Living/Congregate – There are no designated congregate units (meals and limited support service) in Elk River, however, Guardian Angels provides meals and services at Evans Park at an extra charge. Demand was calculated for just over 100 congregate units

RECOMMENDATIONS AND CONCLUSIONS

over the next five years. Based on this demand, we recommend 60 to 80 congregate units with a mix of one-bedroom, one-bedroom plus den, and two-bedroom units. Monthly rents should range from \$1,750 for one-bedroom units to \$1,950 for two-bedroom units. The monthly fees should include all utilities (except telephone and basic cable/satellite television) and the following services:

- I'm OK program;
- Daily noon meal;
- Regularly scheduled van transportation;
- Social, health, wellness and educational programs;
- 24-hour emergency call system; and
- Complimentary use of laundry facilities.

In addition, meals and other support and personal care services will be available to congregate residents on a fee-for-service basis, such as laundry, housekeeping, etc. When their care needs increase, residents also have the option of receiving assisted living packages in their existing units.

New independent housing could be developed adjacent to an existing senior campus or in a stand-alone development.

- *Assisted Living and Memory Care Senior Housing* – Based on our analysis, we project demand to support an additional 47 assisted living units and 28 memory care units in Elk River through 2020. Although we find demand, we recommend new units later this decade. Guardian Angels is the primary senior housing provider and they could add new product to one of their existing facilities.

We recommend assisted living units include a mix of studio, and one-bedroom, and a few two-bedroom units with base monthly rents ranging from \$2,750 to \$4,000. Memory care unit mix should be mostly studios and one-bedroom units with a few two-bedroom units for couples with base monthly rents ranging from \$3,800 to \$5,500. Memory care units should be located in a secured, self-contained wing located on the first floor of a building and should feature its own dining and common area amenities including a secured outdoor patio and wandering area.

The base monthly fees should include all utilities (except telephone and basic cable/satellite television) and the following services:

- Three meals per day;
- Weekly housekeeping and linen service;
- Two loads of laundry per week;
- Weekly health and wellness clinics;
- Meal assistance;
- Regularly scheduled transportation;

RECOMMENDATIONS AND CONCLUSIONS

- Professional activity programs and scheduled outings;
- Nursing care management;
- I'm OK program;
- 24-hour on site staffing;
- Personal alert pendant with emergency response; and
- Nurse visit every other month.

Additional personal care packages should also be available for an extra monthly charge above the required base care package. A care needs assessment is recommended to be conducted to determine the appropriate level of services for prospective residents.

Challenges and Opportunities

Table CR-2 identified and recommended housing types that would satisfy the housing needs in Elk River over the next ten years. The following were identified as the greatest challenges and opportunities for developing the recommended housing types (in no particular order - alphabetically).

- Affordability.** Based on current home prices, about 75% of Elk River householders could afford to purchase an entry-level home given today's pricing (see table on the following page). Likewise, most householders (85%) can also afford the average market rate rent at a one-bedroom rental project in Elk River. Because of this condition, some householders who would not consider purchasing may do so earlier since the cost to own an entry-level home is on-par with rental housing costs. The following chart compares the costs of homeownership to rentals given today's housing costs based on a 30% allocation of income to housing. We do note, however, that not all householders will have the credit scores and down payment that would qualify them to purchase for-sale housing.

TABLE HA-4 ELK RIVER MARKET AREA HOUSING AFFORDABILITY - BASED ON HOUSEHOLD INCOME						
For-Sale (Assumes 10% down payment and good credit)						
	Single-Family			Townhome/Twinhome		
	Entry-Level	Move-Up	Executive	Entry-Level	Move-Up	Executive
Price of House	\$175,000	\$250,000	\$300,000	\$150,000	\$225,000	\$300,000
Pct. Down Payment	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total Down Payment Amt.	\$17,500	\$25,000	\$30,000	\$15,000	\$22,500	\$30,000
Estimated Closing Costs (rolled into mortgage)	\$5,250	\$7,500	\$9,000	\$4,500	\$6,750	\$9,000
Cost of Loan	\$162,750	\$232,500	\$279,000	\$139,500	\$209,250	\$279,000
Interest Rate	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%
Number of Pmts.	360	360	360	360	360	360
Monthly Payment (P & I)	-\$777	-\$1,110	-\$1,332	-\$666	-\$999	-\$1,332
(plus) Prop. Tax	-\$219	-\$313	-\$375	-\$188	-\$281	-\$375
(plus) HO Insurance/Assoc. Fee for TH	-\$58	-\$83	-\$100	-\$100	-\$100	-\$100
(plus) PMI/MIP (less than 20%)	-\$71	-\$101	-\$121	-\$60	-\$91	-\$121
Subtotal monthly costs	-\$1,125	-\$1,607	-\$1,928	-\$1,014	-\$1,471	-\$1,928
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$44,984	\$64,263	\$77,116	\$40,558	\$58,837	\$77,116
Pct. of ALL Elk River HHDS who can afford ¹	75.9%	60.8%	52.0%	79.8%	65.9%	52.0%
No. of Elk River HHDS who can afford ¹	6,092	4,886	4,176	6,413	5,295	4,176
Pct. of Elk River owner HHDS who can afford ²	81.4%	65.9%	55.8%	84.0%	71.9%	55.8%
No. of Elk River owner HHDS who can afford ²	5,076	4,111	3,478	5,240	4,483	3,478
No. of Elk River owner HHDS who cannot afford ²	1,160	2,125	2,758	996	1,753	2,758
Rental (Market Rate)						
	Existing Rental			New Rental		
	1BR	2BR	3BR	1BR	2BR	3BR
Monthly Rent	\$850	\$950	\$1,300	\$950	\$1,200	\$1,350
Annual Rent	\$10,200	\$11,400	\$15,600	\$11,400	\$14,400	\$16,200
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$34,000	\$38,000	\$52,000	\$38,000	\$48,000	\$54,000
Pct. of ALL Elk River HHDS who can afford ¹	84.8%	80.5%	70.3%	80.5%	73.4%	68.8%
No. of Elk River HHDS who can afford ¹	6,812	6,464	5,645	6,464	5,892	5,528
Pct. of Elk River renter HHDS who can afford ²	59.3%	50.9%	74.4%	50.9%	38.3%	32.1%
No. of Elk River renter HHDS who can afford ²	1,066	914	1,336	914	688	576
No. of Elk River renter HHDS who cannot afford ²	730	882	460	882	1,108	1,220

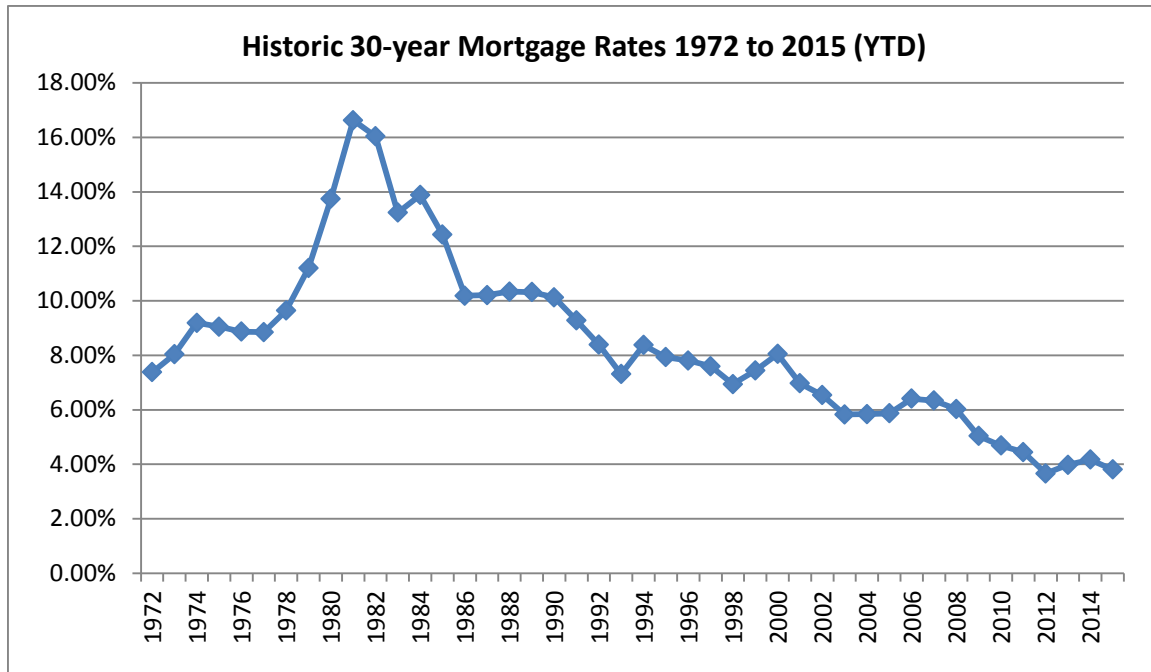
¹ Based on 2015 household income for ALL households

² Based on 2013 ACS household income by tenure (i.e. owner and renter incomes. Owner incomes = \$85,739 vs. renter incomes = \$41,109)

Source: Maxfield Research & Consulting, LLC

- **Lender-mediated Properties.** As illustrated in Table FS-1, lender-mediated properties have declined substantially since the housing downturn and Great Recession of last decade. Lender mediated properties (i.e. foreclosures and short sales) accounted for over 70% of transactions between 2009 and 2011 before declining annually since and comprising about 12% of transactions thus far in 2015. The continued decline in lender-mediated properties will enhance the overall real estate market and pricing will continue to gain from all the losses of last decade. The median sales price is still down about 10% from the height of the real estate market; hence some homeowners are still upside down on their mortgage. As more and more homeowners regain lost equity, the real estate market will experience strong velocity as many owners desire trade-up housing.
- **Lot Supply.** Tables FS-9 and FS-10 inventoried active subdivisions with available lots. Based on our research there are under than 200 finished vacant single-family lots, not included scattered lots throughout the city. Based on this lot supply and the recent construction activity over the past few years, the current finished lot inventory is very low and is less than three years. Therefore, future lots will be needed to be converted to finished lots to meet this demand. Because of the time frame to deliver lots (i.e. permitting process, infrastructure, etc.) new platted lots should begin in 2016 to ensure the lot supply will be ample to support new construction throughout this decade.
- **Mortgage Rates.** Mortgage rates play a crucial part in housing affordability. Lower mortgage rates result in a lower monthly mortgage payment and buyers receiving more home for their dollar. Rising interest rates often require homebuyers to raise their down payment in order to maintain the same housing costs. Mortgage rates have remained at historic lows over the past several years coming out of the Great Recession. However, the Federal Reserve has indicated they may begin raising the Federal Funds Rate this December 2015 and into 2016 that would result in an increase in interest rates. The anticipation of the rate hike has increased buyer activity in 2015 as buyers are locking today's interest rates hoping to avoid rate increases. The anticipated increases are projected to be small; although affordability will be affected most economists do not anticipate a major change in the short-term. Low mortgage rates have been critical for the housing recovery; especially in a market like Elk River that was affected by significant lender-mediated properties. A significant increase in rates (+1% or more; over 5% in the short term) would greatly affect the housing market and would slow projected housing demand.

The following chart illustrates historical mortgage rate averages as compiled by Freddie Mac. The Freddie Mac Market Survey (PMMS) has been tracking mortgage rates since 1971 and is the most relied upon benchmark for evaluating mortgage interest market conditions. The Freddie Mac survey is based on 30-year mortgages with a loan-to-value of 80%.



Definitions

Absorption Period – The period of time necessary for newly constructed or renovated properties to achieve the stabilized level of occupancy. The absorption period begins when the first certificate of occupancy is issued and ends when the last unit to reach the stabilized level of occupancy has signed a lease.

Absorption Rate – The average number of units rented each month during the absorption period.

Active adult (or independent living without services available) – Active Adult properties are similar to a general-occupancy apartment building, in that they offer virtually no services but have age-restrictions (typically 55 or 62 or older). Organized activities and occasionally a transportation program are usually all that are available at these properties. Because of the lack of services, active adult properties typically do not command the rent premiums of more service-enriched senior housing.

Adjusted Gross Income “AGI” – Income from taxable sources (including wages, interest, capital gains, income from retirement accounts, etc.) adjusted to account for specific deductions (i.e. contributions to retirement accounts, unreimbursed business and medical expenses, alimony, etc.).

Affordable housing – Housing that is income-restricted to households earning at or below 80% AMI, though individual properties can have income-restrictions set at 40%, 50%, 60% or 80% AMI. Rent is not based on income but instead is a contract amount that is affordable to households within the specific income restriction segment. It is essentially housing affordable to low or very low-income tenants.

Amenity – Tangible or intangible benefits offered to a tenant in the form of common area amenities or in-unit amenities. Typical in-unit amenities include dishwashers, washer/dryers, walk-in showers and closets and upgraded kitchen finishes. Typical common area amenities include detached or attached garage parking, community room, fitness center and an outdoor patio or grill/picnic area.

Area Median Income “AMI” – AMI is the midpoint in the income distribution within a specific geographic area. By definition, 50% of households earn less than the median income and 50% earn more. The U.S. Department of Housing and Urban Development (HUD) calculates AMI annually and adjustments are made for family size.

Assisted Living – Assisted Living properties come in a variety of forms, but the target market for most is generally the same: very frail seniors, typically age 80 or older (but can be much younger, depending on their particular health situation), who are in need of extensive support services and personal care assistance. Absent an assisted living option, these seniors would otherwise need to move to a nursing facility. At a minimum, assisted living properties include

two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or for an additional cost). Assisted living properties also have either staff on duty 24 hours per day or at least 24-hour emergency response.

Building Permit – Building permits track housing starts and the number of housing units authorized to be built by the local governing authority. Most jurisdictions require building permits for new construction, major renovations, as well as other building improvements. Building permits ensure that all the work meets applicable building and safety rules and is typically required to be completed by a licensed professional. Once the building is complete and meets the inspector's satisfaction, the jurisdiction will issue a "CO" or "Certificate of Occupancy." Building permits are a key barometer for the health of the housing market and are often a leading indicator in the rest of the economy as it has a major impact on consumer spending.

Capture Rate – The percentage of age, size, and income-qualified renter households in a given area or "Market Area" that the property must capture to fill the units. The capture rate is calculated by dividing the total number of units at the property by the total number of age, size and income-qualified renter households in the designated area.

Comparable Property – A property that is representative of the rental housing choices of the designated area or "Market Area" that is similar in construction, size, amenities, location and/or age.

Concession – Discount or incentives given to a prospective tenant to induce signature of a lease. Concessions typically are in the form of reduced rent or free rent for a specific lease term, or free amenities, which are normally charged separately, such as parking.

Congregate (or independent living with services available) – Congregate properties offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties typically dedicate a larger share of the overall building area to common areas, in part, because the units are smaller than in adult housing and in part to encourage socialization among residents. Congregate properties attract a slightly older target market than adult housing, typically seniors age 75 or older. Rents are also above those of the active adult buildings, even excluding the services.

Contract Rent – The actual monthly rent payable by the tenant, including any rent subsidy paid on behalf of the tenant, to the owner, inclusive of all terms of the lease.

Demand – The total number of households that would potentially move into a proposed new or renovated housing project. These households must be of appropriate age, income, tenure and size for a specific proposed development. Components vary and can include, but are not limited to: turnover, people living in substandard conditions, rent over-burdened households, income-qualified households and age of householder. Demand is project specific.

APPENDIX - DEFINITIONS

Density – Number of units in a given area. Density is typically measured in dwelling units (DU) per acre – the larger the number of units permitted per acre the higher the density; the fewer units permitted results in lower density. Density is often presented in a gross and net format:

- **Gross Density** – The number of dwelling units per acre based on the gross site acreage.
Gross Density = Total residential units/total development area
- **Net Density** - The number of dwelling units per acre located on the site, but excludes public right-of-ways (ROW) such as streets, alleys, easements, open spaces, etc.
Net Density = Total residential units/total residential land area (excluding ROWs)

Detached housing – a freestanding dwelling unit, most often single-family homes, situated on its own lot.

Effective Rents – Contract rent less applicable concessions.

Elderly or Senior Housing – Housing where all the units in the property are restricted for occupancy by persons age 62 years or better, or at least 80% of the units in each building are restricted for occupancy by households where at least one household member is 55 years of age or better and the housing is designed with amenities, facilities and services to meet the needs of senior citizens.

Extremely low-income – person or household with incomes below 30% of Area Median Income, adjusted for respective household size.

Fair Market Rent – Estimates established by HUD of the Gross Rents needed to obtain modest rental units in acceptable conditions in a specific geographic area. The amount of rental income a given property would command if it were open for leasing at any given moment and/or the amount derived based on market conditions that is needed to pay gross monthly rent at modest rental housing in a given area. This figure is used as a basis for determining the payment standard amount used to calculate the maximum monthly subsidy for families on at financially assisted housing.

Fair Market Rent – Sherburne County 2015

	Fair Market Rent				
	EFF	1BR	2BR	3BR	4BR
Fair Market Rent	\$641	\$796	\$996	\$1,403	\$1,656

Floor Area Ratio (FAR) Ratio of the floor area of a building to area of the lot on which the building is located.

APPENDIX - DEFINITIONS

Foreclosure – A legal process in which a lender or financial institute attempts to recover the balance of a loan from a borrower who has stopped making payments to the lender by using the sale of the house as collateral for the loan.

Gross Rent – The monthly housing cost to a tenant which equals the Contract Rent provided for in the lease, plus the estimated cost of all utilities paid by tenants. Maximum Gross Rents for Sherburne County in 2015 are as follows:

**Gross Rent
Sherburne County – 2015**

	Maximum Gross Rent				
	EFF	1BR	2BR	3BR	4BR
30% of Median	\$455	\$519	\$585	\$649	\$702
50% of Median	\$758	\$866	\$975	\$1,082	\$1,170
60% of Median	\$910	\$1,039	\$1,170	\$1,299	\$1,404
80% of Median	\$1,214	\$1,386	\$1,560	\$1,732	\$1,827
100% of Median	\$1,517	\$1,732	\$1,950	\$2,165	\$2,340
120% of Median	\$1,821	\$2,079	\$2,340	\$2,598	\$2,808

Household – All persons who occupy a housing unit, including occupants of a single-family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Household Trends – Changes in the number of households for any particular areas over a measurable period of time, which is a function of new households formations, changes in average household size, and net migration.

Housing Choice Voucher Program – The federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. Housing choice vouchers are administered locally by public housing agencies. They receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program. A housing subsidy is paid to the landlord directly by the public housing agency on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Housing unit – House, apartment, mobile home, or group of rooms used as a separate living quarters by a single household.

APPENDIX - DEFINITIONS

HUD Project-Based Section 8 – A federal government program that provides rental housing for very low-income families, the elderly, and the disabled in privately owned and managed rental units. The owner reserves some or all of the units in a building in return for a Federal government guarantee to make up the difference between the tenant's contribution and the rent. A tenant who leaves a subsidized project will lose access to the project-based subsidy.

HUD Section 202 Program – Federal program that provides direct capital assistance and operating or rental assistance to finance housing designed for occupancy by elder household who have incomes not exceeding 50% of Area Median Income.

HUD Section 811 Program – Federal program that provides direct capital assistance and operating or rental assistance to finance housing designed for occupancy of persons with disabilities who have incomes not exceeding 50% Area Median Income.

HUD Section 236 Program – Federal program that provides interest reduction payments for loans which finance housing targeted to households with income not exceeding 80% Area Median Income who pay rent equal to the greater or market rate or 30% of their adjusted income.

Income limits – Maximum households income by a designed geographic area, adjusted for household size and expressed as a percentage of the Area Median Income, for the purpose of establishing an upper limit for eligibility for a specific housing program.

MAXIMUM RENT BASED ON HOUSEHOLD SIZE AND AREA MEDIAN INCOME HENDRICKS COUNTY - 2015														
Unit Type ¹	HHD Size		Maximum Rent Based on Household Size (@30% of Income)											
	Min	Max	30%		50%		60%		80%		100%		120%	
			Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Studio	1	1	\$366	- \$366	\$610	- \$610	\$732	- \$732	\$976	- \$976	\$1,220	- \$1,220	\$1,464	- \$1,464
1BR	1	2	\$366	- \$419	\$610	- \$698	\$732	- \$837	\$976	- \$1,116	\$1,220	- \$1,395	\$1,464	- \$1,674
2BR	2	4	\$419	- \$523	\$698	- \$871	\$837	- \$1,046	\$1,116	- \$1,394	\$1,395	- \$1,743	\$1,674	- \$2,091
3BR	3	6	\$470	- \$607	\$784	- \$1,011	\$941	- \$1,214	\$1,254	- \$1,618	\$1,568	- \$2,023	\$1,881	- \$2,427
4BR	4	8	\$523	- \$690	\$871	- \$1,150	\$1,046	- \$1,380	\$1,394	- \$1,840	\$1,743	- \$2,300	\$2,091	- \$2,760
¹ One-bedroom plus den and two-bedroom plus den units are classified as 1BR and 2BR units, respectively. To be classified as a bedroom, a den must have a window and closet.														
Note: 4-person Hendricks County AMI is \$69,700 (2015)														
Sources: HUD, Novogradac, Maxfield Research Inc.														

Inflow/Outflow – The Inflow/Outflow Analysis generates results showing the count and characteristics of worker flows in to, out of, and within the defined geographic area.

Low-Income – Person or household with gross household incomes below 80% of Area Median Income, adjusted for household size.

Low-Income Housing Tax Credit – A program aimed to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code. The program requires that a certain percentage of units built be restricted for occupancy to

households earning 60% or less of Area Median Income, and rents on these units be restricted accordingly.

Market analysis – The study of real estate market conditions for a specific type of property, geographic area or proposed (re)development.

Market rent – The rent that an apartment, without rent or income restrictions or rent subsidies, would command in a given area or “Market Area” considering its location, features and amenities.

Market study – A comprehensive study of a specific proposal including a review of the housing market in a defined market or geography. Project specific market studies are often used by developers, property managers or government entities to determine the appropriateness of a proposed development, whereas market specific market studies are used to determine what house needs, if any, existing within a specific geography.

Market rate rental housing – Housing that does not have any income-restrictions. Some properties will have income guidelines, which are minimum annual incomes required in order to reside at the property.

Memory Care – Memory Care properties, designed specifically for persons suffering from Alzheimer’s disease or other dementias, is one of the newest trends in senior housing. Properties consist mostly of suite-style or studio units or occasionally one-bedroom apartment-style units, and large amounts of communal areas for activities and programming. In addition, staff typically undergoes specialized training in the care of this population. Because of the greater amount of individualized personal care required by residents, staffing ratios are much higher than traditional assisted living and thus, the costs of care are also higher. Unlike conventional assisted living, however, which deals almost exclusively with widows or widowers, a higher proportion of persons afflicted with Alzheimer’s disease are in two-person households. That means the decision to move a spouse into a memory care facility involves the caregiver’s concern of incurring the costs of health care at a special facility while continuing to maintain their home.

Migration – The movement of households and/or people into or out of an area.

Mixed-income property – An apartment property contained either both income-restricted and unrestricted units or units restricted at two or more income limits.

Mobility – The ease at which people move from one location to another.

Moderate Income – Person or household with gross household income between 80% and 120% of the Area Median Income, adjusted for household size.

Multifamily – Properties and structures that contain more than two housing units.

Naturally Occurring Affordable Housing – Although affordable housing is typically associated with an income-restricted property, there are other housing units in communities that indirectly provide affordable housing. Housing units that were not developed or designated with income guidelines (i.e. assisted) yet are more affordable than other units in a community are considered “naturally-occurring” or “unsubsidized affordable” units. This rental supply is available through the private market, versus assisted housing programs through various governmental agencies. Property values on these units are lower based on a combination of factors, such as: age of structure/housing stock, location, condition, size, functionally obsolete, school district, etc.

Net Income – Income earned after payroll withholdings such as state and federal income taxes, social security, as well as retirement savings and health insurance.

Net Worth – The difference between assets and liabilities, or the total value of assets after the debt is subtracted.

Pent-up demand – A market in which there is a scarcity of supply and as such, vacancy rates are very low or non-existent.

Population – All people living in a geographic area.

Population Density – The population of an area divided by the number of square miles of land area.

Population Trends – Changes in population levels for a particular geographic area over a specific period of time – a function of the level of births, deaths, and in/out migration.

Project-Based rent assistance – Rental assistance from any source that is allocated to the property or a specific number of units in the property and is available to each income eligible tenant of the property or an assisted unit.

Redevelopment – The redesign, rehabilitation or expansion of existing properties.

Rent burden – gross rent divided by adjusted monthly household income.

Restricted rent – The rent charged under the restriction of a specific housing program or subsidy.

Saturation – The point at which there is no longer demand to support additional market rate, affordable/subsidized, rental, for-sale, or senior housing units. Saturation usually refers to a particular segment of a specific market.

Senior Housing – The term “senior housing” refers to any housing development that is restricted to people age 55 or older. Today, senior housing includes an entire spectrum of

housing alternatives. Maxfield Research Inc. classifies senior housing into four categories based on the level of support services. The four categories are: Active Adult, Congregate, Assisted Living and Memory Care.

Short Sale – A sale of real estate in which the net proceeds from selling the property do not cover the sellers' mortgage obligations. The difference is forgiven by the lender, or other arrangements are made with the lender to settle the remainder of the debt.

Single-family home – A dwelling unit, either attached or detached, designed for use by one household and with direct street access. It does not share heating facilities or other essential electrical, mechanical or building facilities with another dwelling.

Stabilized level of occupancy – The underwritten or actual number of occupied units that a property is expected to maintain after the initial lease-up period.

Subsidized housing – Housing that is income-restricted to households earning at or below 30% AMI. Rent is generally based on income, with the household contributing 30% of their adjusted gross income toward rent. Also referred to as extremely low income housing.

Subsidy – Monthly income received by a tenant or by an owner on behalf of a tenant to pay the difference between the apartment's contract/market rate rent and the amount paid by the tenant toward rent.

Substandard conditions – Housing conditions that are conventionally considered unacceptable and can be defined in terms of lacking plumbing facilities, one or more major mechanical or electrical system malfunctions, or overcrowded conditions.

Target population – The market segment or segments of the given population a development would appeal or cater to.

Tenant – One who rents real property from another individual or rental company.

Tenant-paid utilities – The cost of utilities, excluding cable, telephone, or internet necessary for the habitation of a dwelling unit, which are paid by said tenant.

Tenure – The distinction between owner-occupied and renter-occupied housing units.

Turnover – A measure of movement of residents into and out of a geographic location.

Turnover period – An estimate of the number of housing units in a geographic location as a percentage of the total house units that will likely change occupants in any one year.

Unrestricted units – Units that are not subject to any income or rent restrictions.

APPENDIX - DEFINITIONS

Vacancy period – The amount of time an apartment remains vacant and is available on the market for rent.

Workforce housing – Housing that is income-restricted to households earning between 80% and 120% AMI. Also referred to as moderate-income housing.

Zoning – Classification and regulation of land use by local governments according to use categories (zones); often also includes density designations and limitations