

Comprehensive Housing Needs Analysis for Steele County, Minnesota

Prepared for:

Owatonna HRA
Owatonna, MN

December 2016



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February 15, 2017

Ms. Nancy Bokelmann
Housing Coordinator
Owatonna HRA
540 West Hills Circle
Owatonna, MN 55060

Dear Ms. Bokelmann:

Attached is the *Comprehensive Housing Needs Analysis for Steele County, Minnesota* conducted by Maxfield Research and Consulting, LLC. The study projects housing demand from 2016 through 2025, and gives recommendations on the amount and type of housing that could be built in Steele County to satisfy demand from current and future residents over the next decade.

The study identifies a potential demand for about 2,810 new housing units in 2016, through 2025. Demand was divided between general-occupancy housing (63%) and age-restricted senior housing (37%). Our inventory of general-occupancy rental housing found an overall vacancy rate of 2.9% among the inventoried rental housing stock. The low vacancy rate indicates pent-up demand for additional rental units in Steele County. Although new residential lots will be needed over the next ten years to accommodate product type preference, the current lot supply in most Steele County communities is sufficient to meet demand in the short-term. 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

Jessica Van Voorhis
Research Associate

Attachment

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Purpose and Scope of Study

Maxfield Research and Consulting, LLC. was engaged by the Owatonna Housing and Redevelopment Agency to conduct a *Comprehensive Housing Needs Analysis* for Steele County, Minnesota. 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 County.

The scope of this study includes: an analysis of the demographic and economic characteristics of the County; 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 County. Recommendations on the number and types of housing products that should be considered in the County are also supplied.

Demographic Analysis

- The Owatonna submarket is the population center of the county and is forecast to add the greatest number new residents (2,272) and households (970) to Steele County between 2010 and 2025.
- The Medford submarket is experiencing the greatest growth in the county, with population increasing by nearly 9% from 2000 to 2010 and another 8.6% growth in population is projected from 2010 to 2025.
- Household size is declining in all submarkets, resulting in higher growth in households from 2010 to 2025 (8.1%) than population (7.3%) in Steele County.
- The median income for Steele County is projected to rise by 11.6% from \$60,440 to \$67,433 in 2021.
- The Ellendale submarket reported the highest median in 2016, \$64,679, and 2021, \$72,850. While the median income in the Medford submarket is project to experience the greatest increase, 15.1%, between 2016 and 2021.
- Over three-quarters of Steele County households are owner households. Further, there are high rates of ownership among the youngest age cohorts, where there are typically more renters, compared to the State of Minnesota.
- Over half of renter households in Steele County are one-person households, while owner households are most likely to be two-person households (39.2%).

Housing Characteristics

- The number of building permits issued for new residential units in Steele County continues to reflect the impact of the Great Recession. Building permits dropped from 806 new residential construction units permitted from 2004 to 2007 to 225 residential units permitted from 2008 to 2011 and 218 from 2012 to 2015.
- Owner-occupied, single-family detached units account for the largest share of housing in Steele County. Within the county, 76.8% of housing units are owner-occupied and 90.4% of owner-occupied units are single-family detached units.
- Most homes, 65%, in Steele County carry a mortgage and homes with a mortgage reported a higher median value, \$159,700, compared to homes without a mortgage, \$131,500, in Steele County.
- The highest median contract rent was reported in the Owatonna submarket, \$634. In Blooming Prairie, Ellendale and Medford median contract rents ranged between \$528 and \$587.

Employment Trends

- Unemployment has been on a steady decline in Steele County since peaking in 2009. In 2015, the unemployment rate was 3.3% in Steele County.
- Manufacturing is an industry leader in the county. It's the largest employment sector, accounting for 26.4% of employment and it offers some of the highest wages among employment sectors in the county with an average wage of \$926 weekly.
- Steele County attracts workers from outside the area. Just over 11,000 workers also live in the county and another 9,003 workers commute into the county for work, while only 6,055 people who live in Steele County commute outside the county for work.

Rental Housing Market Analysis

- In total, Maxfield Research surveyed 1,033 general occupancy market rate rental units in Steele County spread across 44 multifamily developments (12 units and larger). At the time of the survey, there were 27 vacant units. 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.
- Affordable/subsidized projects make-up 465 units. At the time of the survey, there were four affordable unit vacancies with a vacancy rate of 1.7% and four affordable vacancies with a vacancy rate of 1.8%.

Senior Housing Market Analysis

- There are 21 senior housing facilities located in Steele County with a total of 964 units. Seven facilities offer subsidized senior housing and 14 offer market rate senior housing.
- There are three active-adult few services projects in Steele County for a total of 123 units. Two of these developments are for-sale senior cooperatives.
- There are two congregate senior project in Steele County for a total of 111 units. *Countryside and Ecumen Brooks* are both located in Owatonna.
- There are nine assisted living projects located in Steele County for a total of 341 units. All market areas in Steele County have at least one assisted living development within its area.
- There is seven senior subsidized housing development in Steele County that offer active-adult few services with a total of 243 units.

Housing Affordability

- About 22% of owner households and 53% of renter householders are estimated to be paying more than 30% of their income for housing costs in Steele County. Compared to the Minnesota average, the percentage of cost burdened owner households is lower than the state average, but slightly higher than the state average for renter households.
- The number of cost burdened households in Steele County increases proportionally based on lower incomes. About 75% of renters with incomes below \$35,000 are cost burdened and 47% of owners with incomes below \$50,000 are cost burdened.

For-Sale Housing Market Analysis

- The median sales prices bottomed-out in 2010 and 2012 at \$110,000 in Steele County. However, the highest median sales price for residential sales was recorded as \$151,700 in 2015.
- As of September 2016, there were 109 homes listed for sale in Steele County. Only six of the listings were for townhouse properties.
- The average list price in Steele County for a single-family home is \$186,446. Based on an average list price of \$186,446, the income required to afford a home at this price would be about \$53,270 to \$62,149, based on the standard of 3.0 to 3.5 times the median income. About 62% of Steele County households have annual incomes at or above \$50,000.

EXECUTIVE SUMMARY

- Of 1,248 lots available in subdivisions in Steele County most (1,012 lots) were identified in the Owatonna Submarket. Combined, there are 380 vacant lots identified in these Steele County subdivisions. The average assessed lot value was \$29,345 and the average assessed home value within these subdivisions was \$235,078.
- Many real estate agents expressed that most buyers are seeking single-family homes within Steele County, but that there is a market for all housing product types and price ranges.

Development Pipeline

- There two general occupancy market rate apartment projects under way in Owatonna, which will add 70 market rate apartment units to the city's supply. In addition, there are an additional 33 units planned, but not yet under construction.
- Owatonna also has 24 units of memory care under construction. There are two additional phases planned, with each phase adding 24 additional units.

Housing Needs Analysis

- Based on our calculations, demand exists in Steele County for the following general occupancy product types between 2016 and 2025:
 - Market rate rental 259 units
 - Affordable rental 99 units
 - Subsidized rental 149 units
 - For-sale single-family 704 units
 - For-sale multifamily 216 units
- In addition, we find demand for multiple senior housing product types. By 2025, demand in Steele County for senior housing is forecast for the following:
 - Active adult ownership 102 units
 - Active adult market rate rental 132 units
 - Active adult affordable 371 units
 - Active adult subsidized 3 units
 - Congregate 93 units
 - Assisted Living 1 unit
 - Memory Care 30 units

Introduction

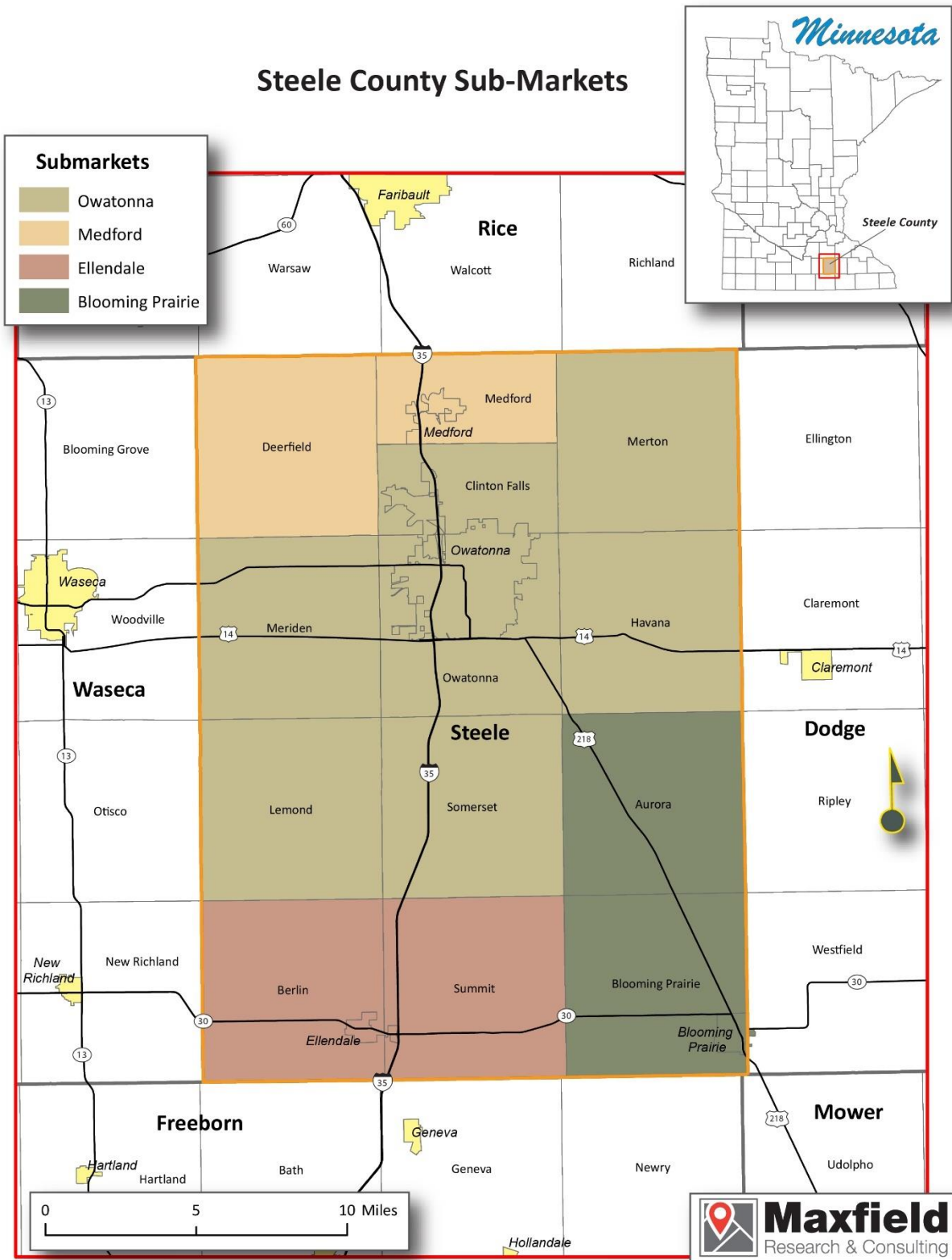
This section of the report examines factors related to the current and future demand for both owner and renter-occupied housing in Steele County, Minnesota. It includes an analysis of population and household growth trends and projections, projected age distribution, household income, household types and household tenure. A review of these characteristics will provide insight into the demand for various types of housing in the County.

Steele County Submarket Definitions

For purposes of the housing analysis, Steele County was divided into four submarkets; Blooming Prairie, Ellendale, Medford and Owatonna. Subsequent data in the housing analysis is illustrated by submarket and county-wide.

In some cases, additional demand for housing will come from individuals moving from just outside the area, those who return from other locations (particularly young households returning after pursuing their degrees or elderly returning from retirement locations), and seniors who move to be near the adult children living in Steele County. Demand generated from within and outside of Steele County is considered in the demand calculations presented later in this analysis.

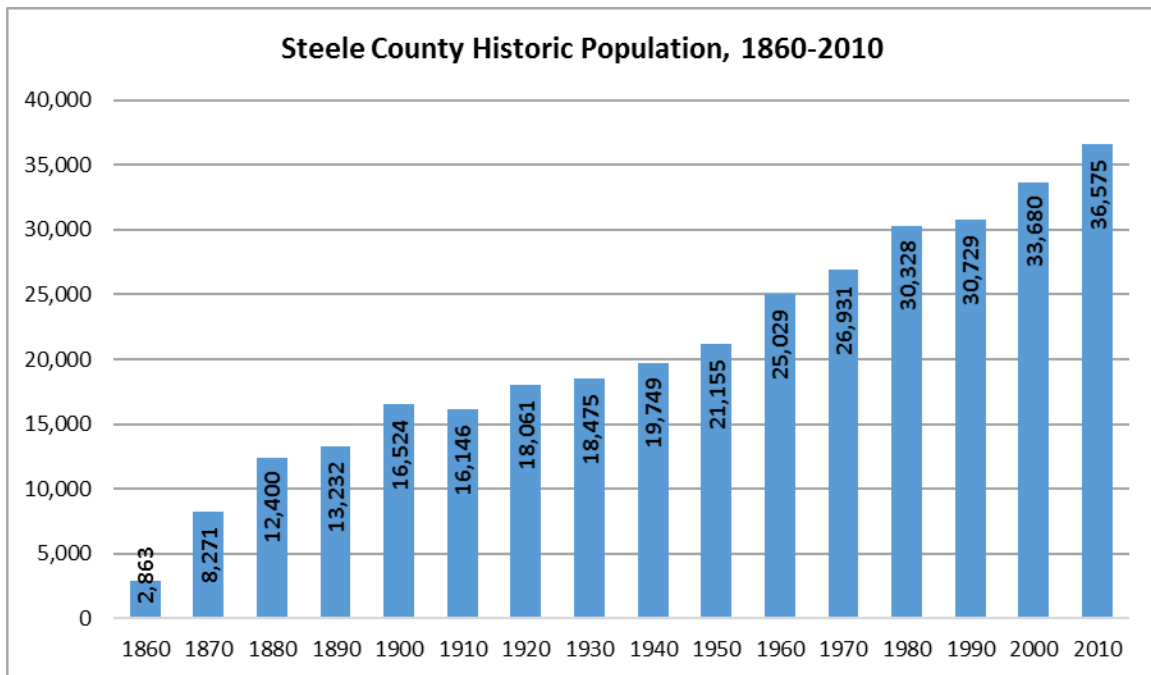
Steel County Market Area Definitions	
Blooming Prairie	
City	Townships
Blooming Prairie	Aurora Blooming Prairie
Ellendale	
City	Townships
Ellendale	Berlin Summit
Medford	
City	Townships
Medford	Deerfield Medford
Owatonna	
City	Townships
Owatonna	Clinton Falls Havana Lemond Meriden Merton Owatonna Somerset
Source: Maxfield Research and Consulting, LLC	



Historic Population

The figure below shows historic Steele County population from the U.S. Census Bureau from 1860 to 2010.

- The population in Steele County has grown each decade, with the exception of 1910 when there was a 2.3% decline in population.
- Two decades reported double digit population growth. Between 1950 and 1960 the population of Steele County grew by 18.3% and from 1970 to 1980 the population increased by 12.6%.



Population and Household Growth from 1990 to 2010

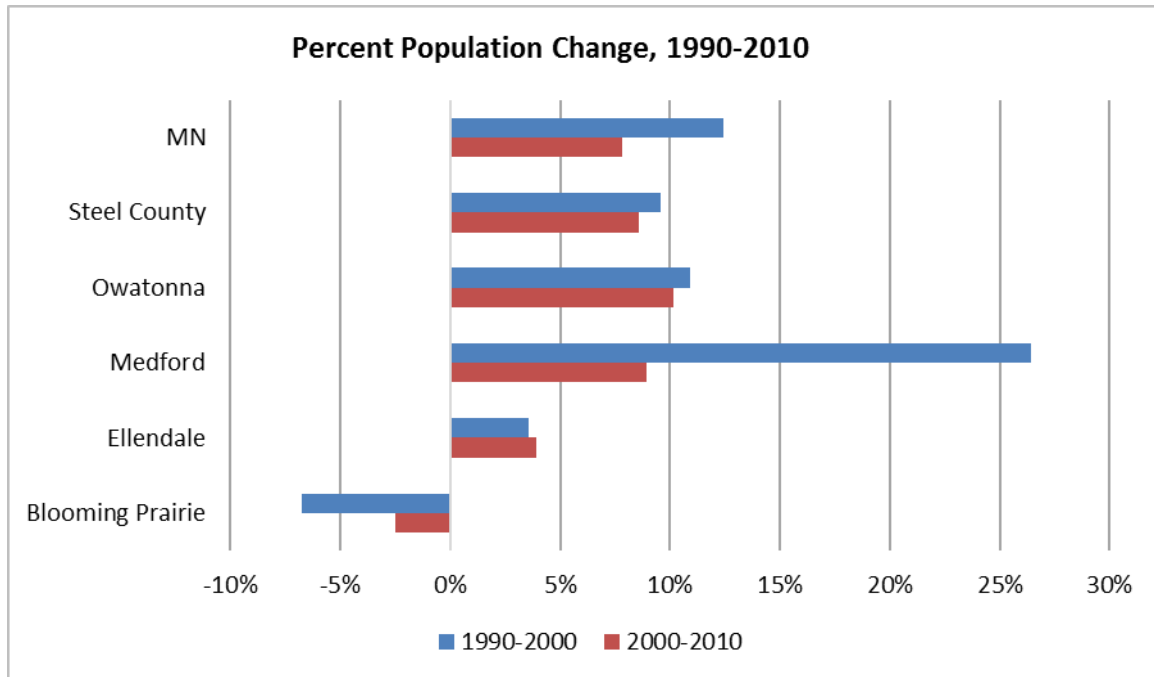
Tables D-1 and D-2 present the population and household growth of each submarket in Steele County in 1990, 2000, and 2010. The data is from the U.S. Census.

Population

- The population of Steele County grew by 9.6% between 1990 and 2000 from 30,729 to 33,680. The growth of Steele County was below the 12.4% growth the State of Minnesota experienced from 1990 to 2000.

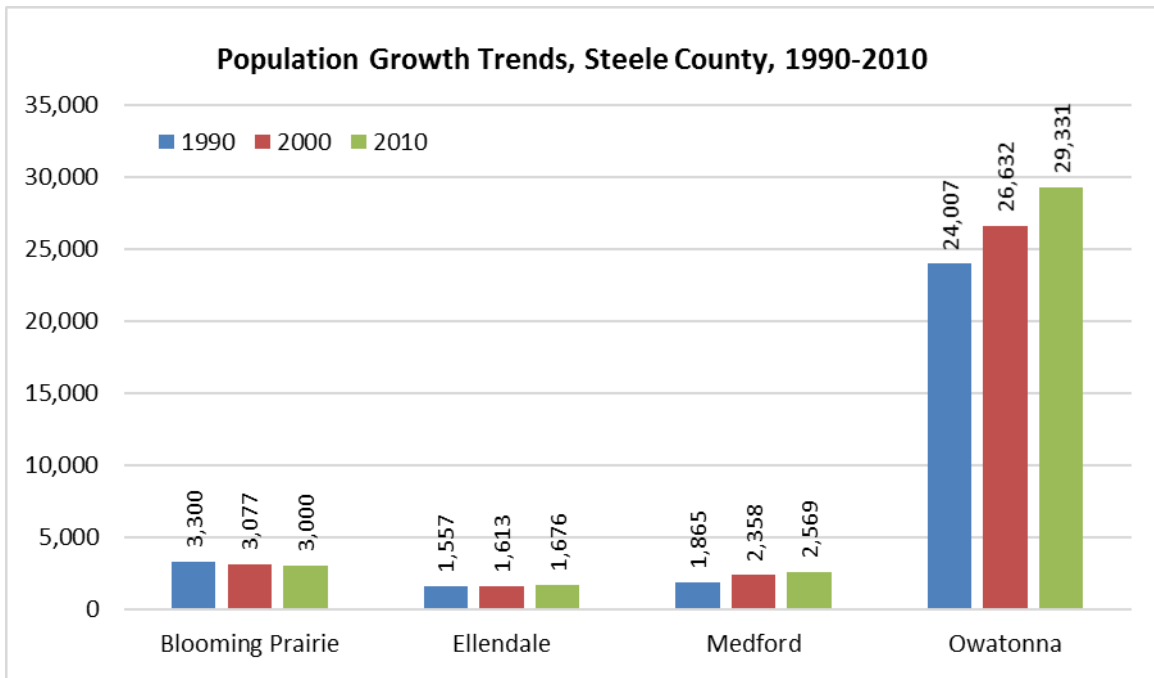
DEMOGRAPHIC ANALYSIS

- From 2000 to 2010, the population of Steele County grew to 36,576, in a slightly lower increase in population of 8.6% than the previous decade. However, Steele's population growth during this time exceeded the State of Minnesota, which grew by only 7.8%.
- From 1990 to 2000, the most significant change in population occurred in the Medford submarket. This submarket grew by 26.4%, adding 493 people.



- The Blooming Prairie submarket experience a population decline between 1990 and 2000 and 2000 and 2010, losing a total of 300 people between 1990 and 2010.
- The Owatonna submarket represents the largest population in Steele County, accounting for 78% of the Steele County population in 1990 and growing 80% of the county population in 2010.
- Population growth in the Owatonna submarket was occurring within the City of Owatonna. Between 1990 and 2000 the city grew by 15.7%, while all the townships experienced declining population. A similar pattern is observed from 2000 to 2010, when the city grew by 14.1% and the township populations continued to experience decline.

DEMOGRAPHIC ANALYSIS



DEMOGRAPHIC ANALYSIS

	Historic Population			Change			
	Census			1990 - 2000		2000 - 2010	
	1990	2000	2010	No.	Pct.	No.	Pct.
Blooming Prairie Submarket							
Cities							
Blooming Prairie	2,043	1,933	1,996	-110	-5.4	63	3.3
Townships (excludes municipalities)							
Aurora Twp.	690	625	574	-65	-9.4	-51	-8.2
Blooming Prairie Twp.	567	519	430	-48	-8.5	-89	-17.1
Blooming Prairie Submarket Subtotal	3,300	3,077	3,000	-223	-6.8	-77	-2.5
Ellendale Submarket							
Cities							
Ellendale	549	590	691	41	7.5	101	17.1
Townships (excludes municipalities)							
Berlin Twp.	502	508	519	6	1.2	11	2.2
Summit Twp.	506	515	466	9	1.8	-49	-9.5
Ellendale Submarket Subtotal	1,557	1,613	1,676	56	3.6	63	3.9
Medford Submarket							
Cities							
Medford	733	984	1,239	251	34.2	255	25.9
Townships (excludes municipalities)							
Deerfield Twp.	560	693	517	133	23.8	-176	-25.4
Medford Twp.	572	681	813	109	19.1	132	19.4
Medford Submarket Subtotal	1,865	2,358	2,569	493	26.4	211	8.9
Owatonna Submarket							
Cities							
Owatonna	19,386	22,434	25,599	3,048	15.7	3,165	14.1
Townships (excludes municipalities)							
Clinton Falls Twp	518	452	351	-66	-12.7	-101	-22.3
Havana Twp	651	607	570	-44	-6.8	-37	-6.1
Lemond Twp	520	510	501	-10	-1.9	-9	-1.8
Meridian Twp	693	631	621	-62	-8.9	-10	-1.6
Merton Twp	395	380	348	-15	-3.8	-32	-8.4
Owatonna Twp	991	771	609	-220	-22.2	-162	-21.0
Somerset Twp	853	847	732	-6	-0.7	-115	-13.6
Owatonna Submarket Subtotal	24,007	26,632	29,331	2,625	10.9	2,699	10.1
Steele County Total	30,729	33,680	36,576	2,951	9.6	2,896	8.6
Minnesota	4,375,099	4,919,479	5,303,925	544,380	12.4	384,446	7.8

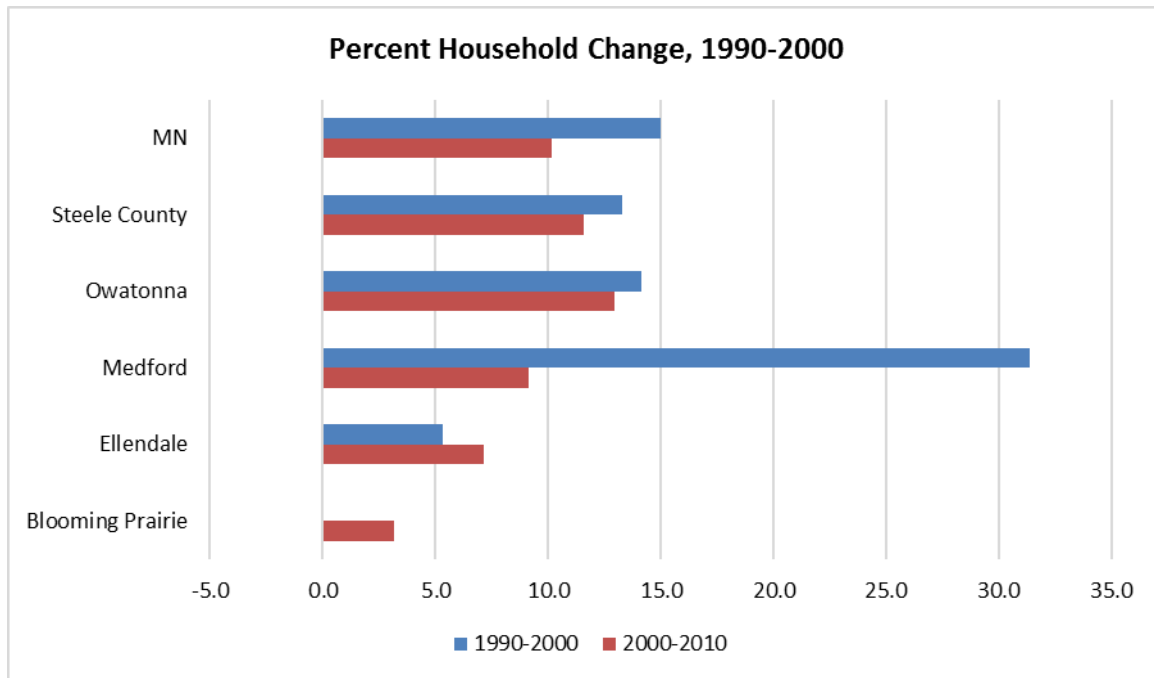
Sources: U.S. Census; Maxfield Research and Consulting, LLC

Households

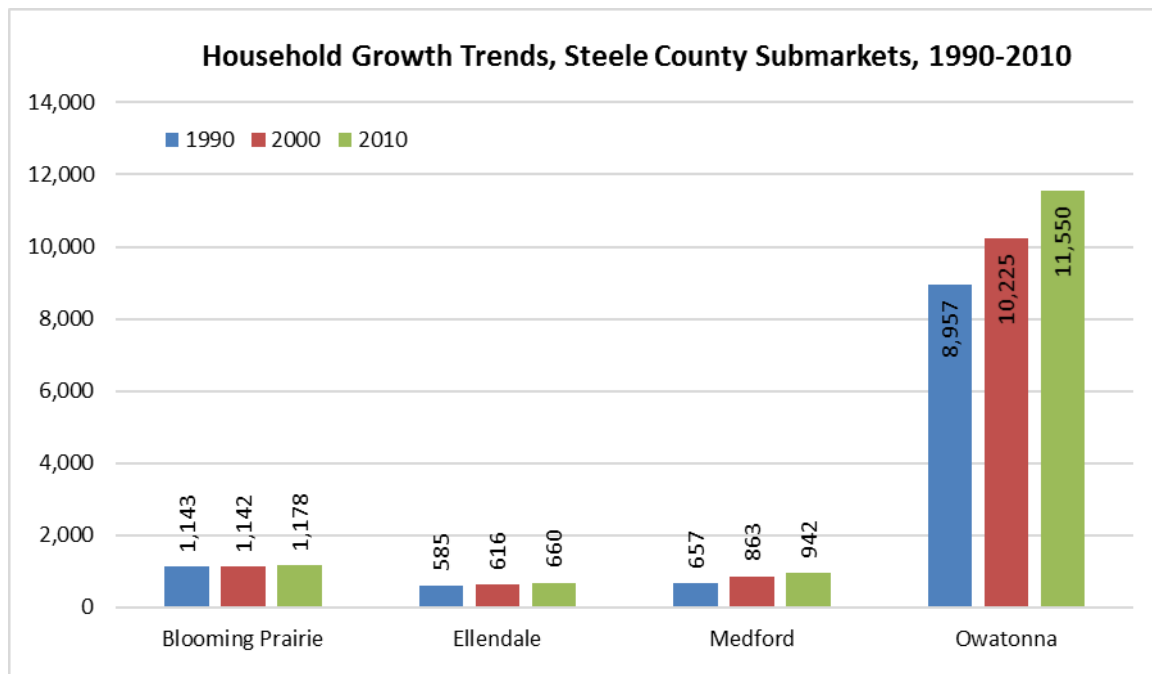
Household growth trends are typically a more accurate indicator of housing needs than population growth since a household is, by definition, an occupied housing unit. However, additional demand can result from changing demographics of the population base, which results in demand for different housing products.

- The Medford submarket reported the largest proportional household growth, 31.4%, between 1990 and 2000.

DEMOGRAPHIC ANALYSIS



- Household growth exceeded population growth in each submarket. The Blooming Prairie submarket reported population decline in the two decades between 1990 and 2000. However, 36 new households were added to the submarket between 2000 and 2010.
- Again, the Owatonna submarket accounts for the largest share of households in the county. Within the Owatonna submarket, the increase households were reported as 14.2% between 1990 and 2000 and 13.0% between 2000 and 2010. During the same time periods, population grew by 10.9% and 10.1% respectively.



DEMOGRAPHIC ANALYSIS

**TABLE D-2
HISTORIC HOUSEHOLDS
STEELE COUNTY
1990 - 2010**

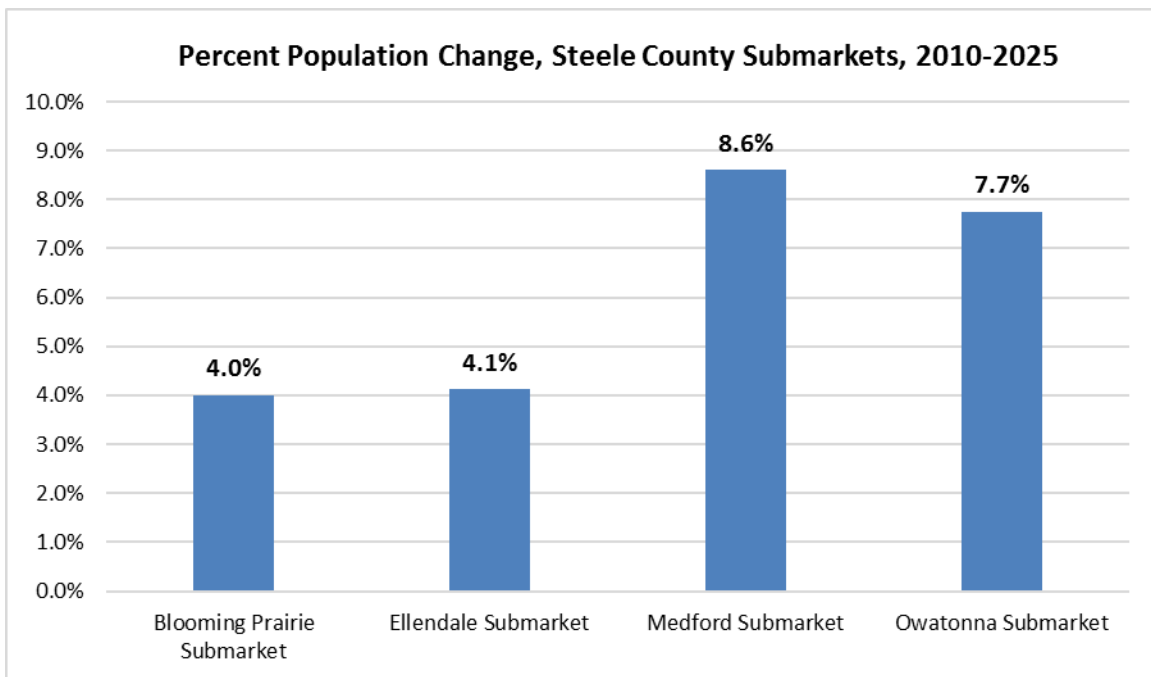
	Historic Households			Change			
	Census			1990 - 2000		2000 - 2010	
	1990	2000	2010	No.	Pct.	No.	Pct.
Blooming Prairie Submarket							
Cities							
Blooming Prairie	745	748	802	3	0.4	54	7.2
Townships (excludes municipalities)							
Aurora Twp	218	217	213	-1	-0.5	-4	-1.8
Blooming Prairie Twp	180	177	163	-3	-1.7	-14	-7.9
Blooming Prairie Submarket Total	1,143	1,142	1,178	-1	-0.1	36	3.2
Ellendale Submarket							
Cities							
Ellendale	235	252	296	17	7.2	44	17.5
Townships (excludes municipalities)							
Berlin Twp	178	189	192	11	6.2	3	1.6
Summit Twp	172	175	172	3	1.7	-3	-1.7
Ellendale Submarket Total	585	616	660	31	5.3	44	7.1
Medford Submarket							
Cities							
Medford	276	377	450	101	36.6	73	19.4
Townships (excludes municipalities)							
Deerfield Twp	181	228	192	47	26.0	-36	-15.8
Medford Twp	200	258	300	58	29.0	42	16.3
Medford Submarket Subtotal	657	863	942	206	31.4	79	9.2
Owatonna Submarket							
Cities							
Owatonna	7,382	8,704	10,068	1,322	17.9	1,364	15.7
Townships (excludes municipalities)							
Clinton Falls Twp	174	158	153	-16	-9.2	-5	-3.2
Havana Twp	213	224	219	11	5.2	-5	-2.2
Lemond Twp	178	185	190	7	3.9	5	2.7
Meridian Twp	235	224	228	-11	-4.7	4	1.8
Merton Twp	137	140	144	3	2.2	4	2.9
Owatonna Twp	349	289	249	-60	-17.2	-40	-13.8
Somerset Twp	289	301	299	12	4.2	-2	-0.7
Owatonna Submarket Subtotal	8,957	10,225	11,550	1,268	14.2	1,325	13.0
Steele County Total	11,342	12,846	14,330	1,504	13.3	1,484	11.6
Minnesota	1,647,853	1,895,127	2,087,227	247,274	15.0	192,100	10.1

Sources: U.S. Census; Maxfield Research and Consulting, LLC

Population and Household Estimates and Projections

Table D-3 presents population and household growth trends and projections for Steele County through 2025. Estimates for 2016 and projections through 2025 are based on information from ESRI (a national demographics service provider), the Minnesota State Demographic Center, and adjusted by Maxfield Research and Consulting, LLC based on local trends.

- Steele County will experience a 7.3% increase in population between 2010 and 2025. The projected population increase will be lower than the population increase experienced in the decade between 2000 and 2010. This reflects the slowing growth seen in many areas following the Great Recession.
- The Blooming Prairie submarket reported population decline between 1990-2000 (-6.8%) and 2000-2010 (-2.5%). However, the submarket is projected to experience population growth between 2010 and 2025, adding 120 people (4.0%).
- The largest population growth is projected in the Medford submarket, where the population is projected to increase by 8.6% (221 people).

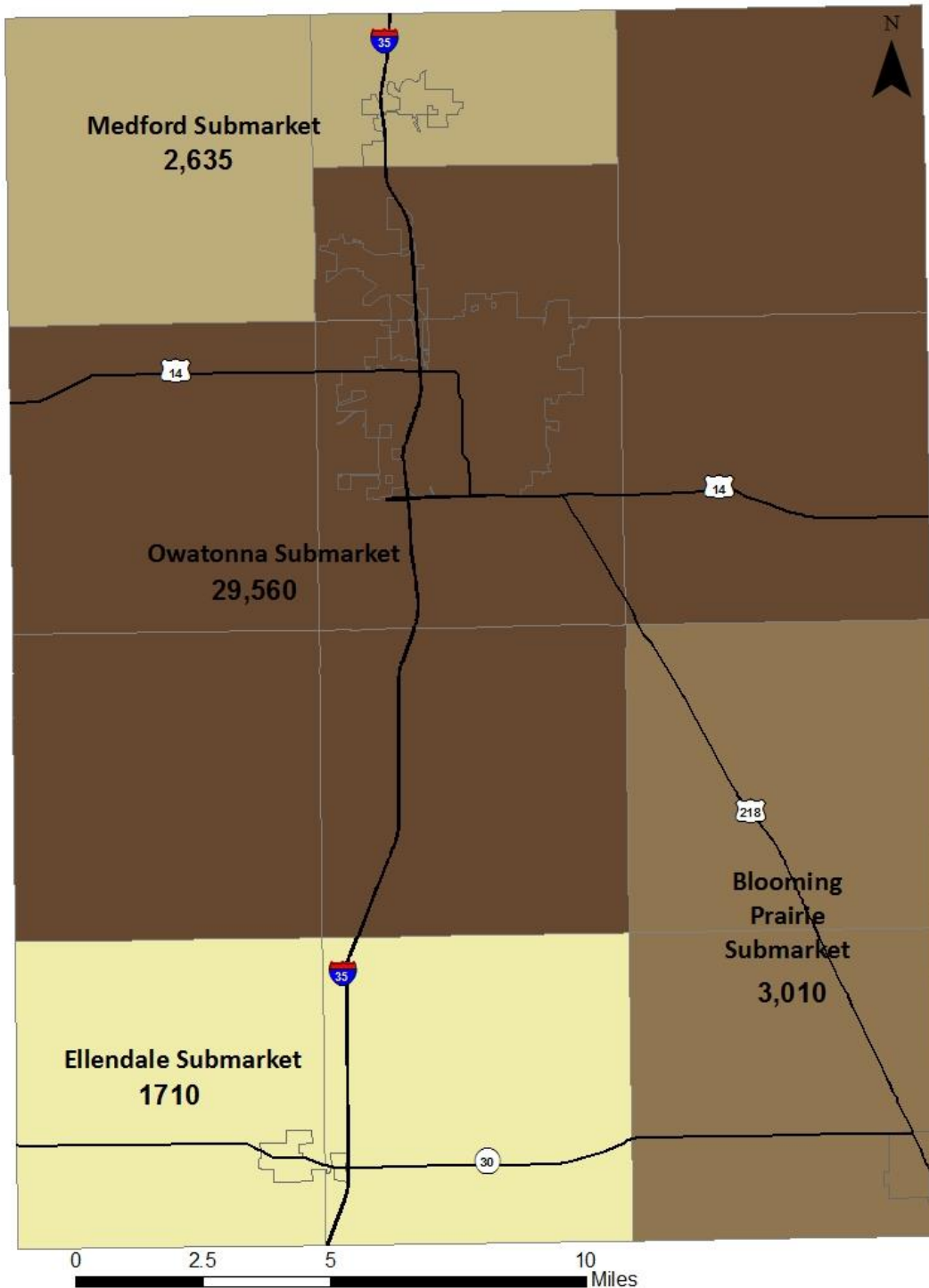


- The Owatonna submarket will add the largest number of people (2,272) between 2010-2025.
- Due to declining household size, household growth is projected to outpace population growth. A 8.1% (1,165) increase in households is forecast for Steele County between 2010 to 2025.

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- The Owatonna submarket will add the greatest number of households, 970, representing an 8.4% growth in households between 2010 and 2025. At the same time, the Medford submarket is forecast to experience the greatest proportional household growth, with households increasing by 9.9%.

2016 Population, Steele County Market Areas



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TABLE D-3
POPULATION GROWTH TRENDS AND PROJECTIONS
STEELE COUNTY
1990 - 2025

	Historic			Projected			Change					
	Census			Projections			1990 - 2000		2000 - 2010		2010 - 2025	
	1990	2000	2010	2016	2021	2025	No.	Pct.	No.	Pct.	No.	Pct.
Population												
Blooming Prairie Submarket	3,300	3,077	3,000	3,010	3,070	3,120	-223	-6.8%	-77	-2.5%	120	4.0%
Ellendale Submarket	1,557	1,613	1,676	1,710	1,725	1,745	56	3.6%	63	3.9%	69	4.1%
Medford Submarket	1,865	2,358	2,569	2,635	2,710	2,790	493	26.4%	211	8.9%	221	8.6%
Owatonna Submarket	24,007	26,632	29,331	29,560	30,897	31,603	2,625	10.9%	2,699	10.1%	2,272	7.7%
Steele County Total Population	30,729	33,680	36,576	36,915	38,402	39,258	2,951	9.6%	2,896	8.6%	2,682	7.3%
State of Minnesota	4,375,099	4,919,479	5,303,925	5,541,669	5,720,674	5,844,466	544,380	12.4%	384,446	7.8%	540,541	10.2%
Households												
Blooming Prairie Submarket	1,143	1,142	1,178	1,190	1,220	1,245	-1	-0.1%	36	3.2%	67	5.7%
Ellendale Submarket	585	616	660	675	685	695	31	5.3%	44	7.1%	35	5.3%
Medford Submarket	657	863	942	970	1,000	1,035	206	31.4%	79	9.2%	93	9.9%
Owatonna Submarket	8,957	10,225	11,550	11,700	12,235	12,520	1,268	14.2%	1,325	13.0%	970	8.4%
Steele County Total Households	11,342	12,846	14,330	14,535	15,140	15,495	1,504	13.3%	1,484	11.6%	1,165	8.1%
State of Minnesota	1,647,853	1,895,127	2,087,227	2,176,475	2,258,733	2,342,306	247,274	15%	192,100	10%	255,079	12%
Persons Per Household												
<i>Blooming Prairie Submarket</i>	2.89	2.69	2.55	2.53	2.52	2.51						
<i>Ellendale Submarket</i>	2.66	2.62	2.54	2.53	2.52	2.51						
<i>Medford Submarket</i>	2.84	2.73	2.73	2.72	2.71	2.70						
<i>Owatonna Submarket</i>	2.68	2.60	2.54	2.53	2.53	2.52						
Steele County Total Households	2.71	2.62	2.55	2.54	2.54	2.53						
State of Minnesota	2.66	2.60	2.54	2.55	2.53	2.50						

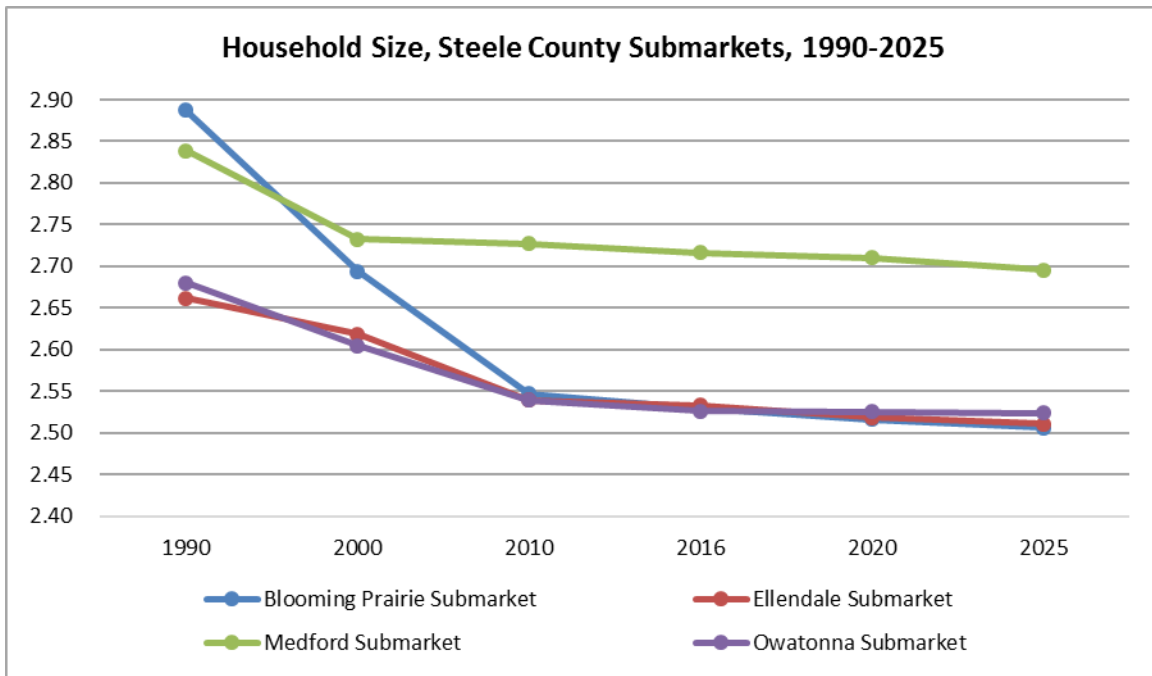
Sources: U.S. Census; State of Minnesota Demographer; ESRI; Maxfield Research and Consulting, LLC

Household Size

Household size is calculated by dividing the number of persons in households by the number of households (or householders). Nationally, the average number of people per household has been declining for over a century; however, there have been sharp declines starting in the 1960s and 1970s. Persons per household in the U.S. were about 4.5 in 1916 and declined to 3.2 in the 1960s. Over the past 50 years, it dropped to 2.57 as of the 2000 Census. However, due to the economic recession this trend has been temporarily halted as renters and laid-off employees “doubled-up,” which increased the average U.S. household size to 2.59 as of the 2010 Census.

The declining household size has been caused by many factors, including: aging, higher divorce rates, cohabitation, smaller family sizes, demographic trends in marriage, etc. Most of these changes have resulted from shifts in societal values, the economy, and improvements in health care that have influenced how people organize their lives. Table D-3 highlights the declining household size in Steele County and its submarkets.

- In 1990 household size in Steele County ranged from 2.66 in the Ellendale submarket to 2.89 in the Blooming Prairie submarket. By the 2010 Census, household size had fallen to 2.54 in the Ellendale submarket and 2.55 in the Blooming Prairie submarket.
- The Medford submarket reported the largest household size in 2010, at 2.73 persons per household.
- The trend toward smaller household size is expected to continue through 2025, although the decline will be a slower pace than recorded between 1990 and 2010. Household sizes are forecast to be just over 2.5 person per households in all submarkets except Medford where the household size is projected to be 2.70 in 2025.
- The overall Steele County household size is projected to be 2.53 by 2025. Steele County’s projected household size will closely resemble the state’s, which is projected to be 2.5 in 2025.



Age Distribution Trends

Table D-4 shows the distribution of persons within nine age cohorts for the four submarkets in Steele County in 2000 and 2010 with estimates for 2016 and projections through 2025. The 2000 and 2010 age distribution is from the U.S. Census Bureau. Maxfield Research and Consulting, LLC derived the 2016 estimates, as well as, the 2021 and 2025 projections from ESRI with adjustments made to reflect local trends.

The key points from the table are found below.

- In 2010, the largest adult age cohort in the Blooming Prairie, Ellendale and Owatonna submarkets were those age 45 to 54. In the Medford submarket, the largest adult age cohort was those age 35 to 44.
- In 2025, the largest adult age cohort will be those age 55 to 64 in all Steele County submarkets, except the Medford submarket where the largest cohort will be those age 45 to 54.
- The largest proportional growth is expected to occur among the 65 to 74 age cohort in the Blooming Prairie submarket (52.1% increase), Ellendale submarket (56.3% increase) and Owatonna submarket (53.5% increase) between 2010 and 2025. In the Medford submarket the largest increase will occur in the 75 to 84 age cohort, which is forecast to grow by 69.1%.

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**TABLE D-4
POPULATION AGE DISTRIBUTION
STEELE COUNTY
2000 to 2025**

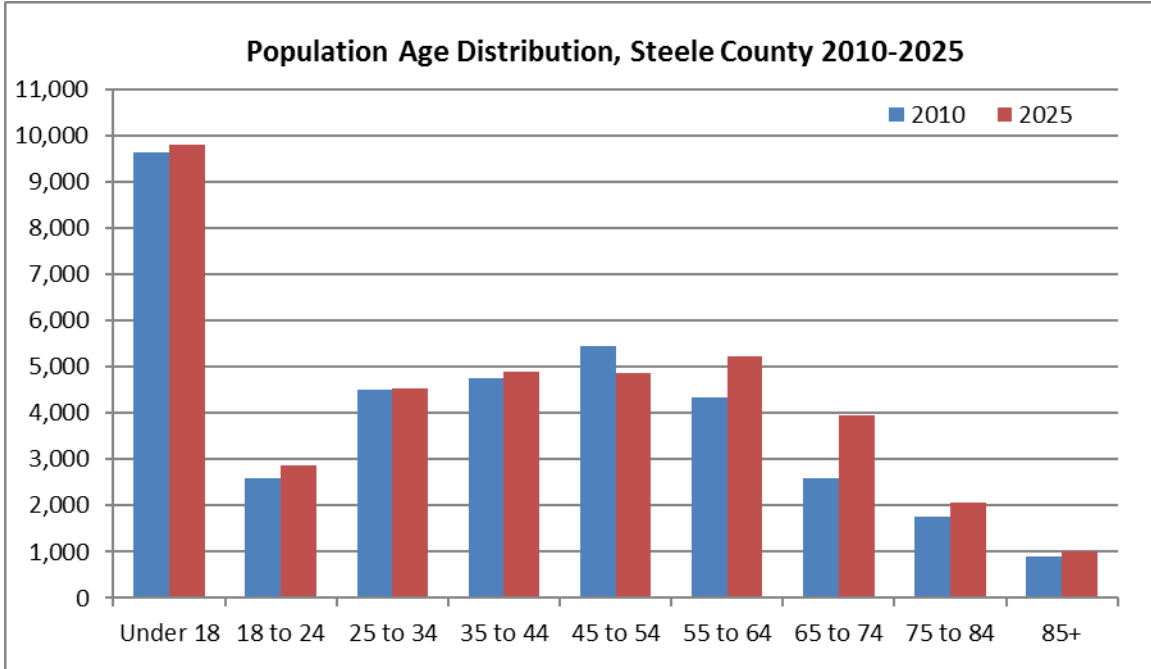
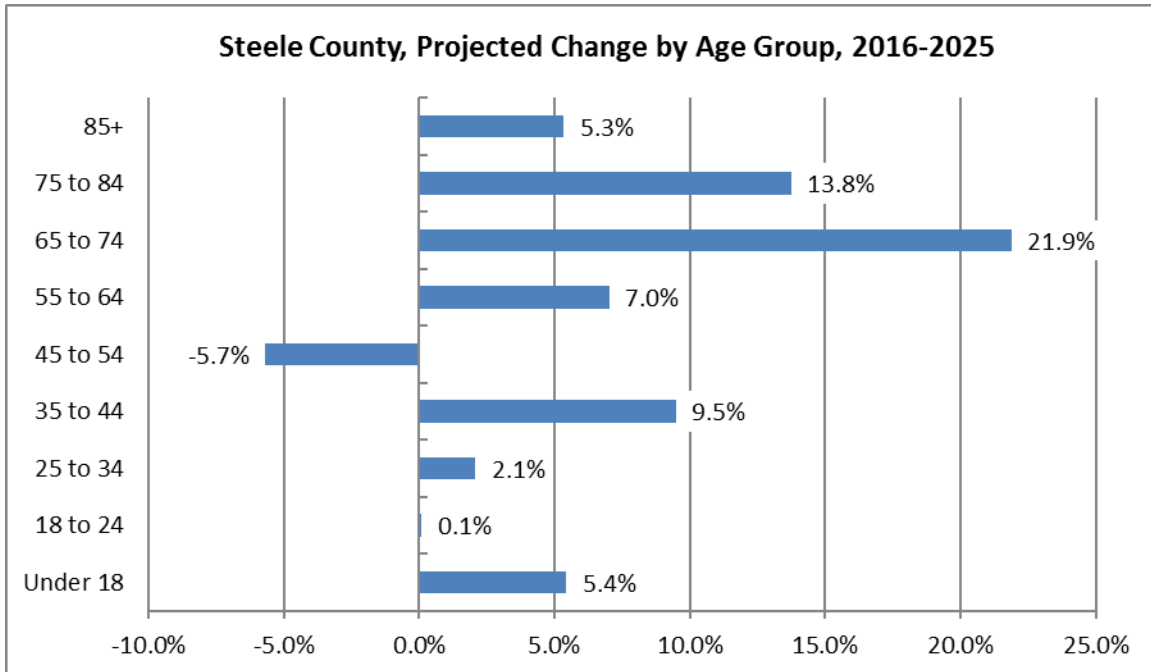
	Number of People					Change			
	U.S. Census		ESRI			U.S. Census		ESRI	
	2000	2010	2016	2021	2025	2000-2010		2010-2025	
Blooming Prairie Submarket	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Under 18	850	751	687	682	693	-99	-11.6%	-58	-7.8%
18 to 24	230	184	223	203	206	-46	-20.0%	22	12.0%
25 to 34	323	340	336	333	338	17	5.3%	-2	-0.6%
35 to 44	456	342	320	340	345	-114	-25.0%	3	1.0%
45 to 54	377	447	404	361	367	70	18.6%	-80	-17.9%
55 to 64	260	356	416	417	424	96	36.9%	68	19.0%
65 to 74	245	250	292	374	380	5	2.0%	130	52.1%
75 to 84	227	203	198	227	231	-24	-10.6%	28	13.7%
85+	109	127	133	134	136	18	16.5%	9	7.1%
Total	3,077	3,000	3,010	3,070	3,120	-77	-2.5%	120	4.0%
Ellendale Submarket	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Under 18	436	416	396	383	421	-20	-4.6%	5	1.3%
18 to 24	101	123	125	114	106	22	21.8%	-17	-13.9%
25 to 34	170	188	197	187	188	18	10.6%	0	0.3%
35 to 44	273	206	189	191	201	-67	-24.5%	-5	-2.3%
45 to 54	230	269	258	203	222	39	17.0%	-47	-17.3%
55 to 64	153	226	263	234	272	73	47.7%	46	20.4%
65 to 74	98	126	146	210	197	28	28.6%	71	56.3%
75 to 84	113	80	86	128	93	-33	-29.2%	13	16.5%
85+	39	42	50	75	43	3	7.7%	1	3.4%
Total	1,613	1,676	1,710	1,725	1,745	63	3.9%	69	4.1%
Medford Submarket	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Under 18	679	777	725	724	746	98	14.4%	-31	-4.0%
18 to 24	224	154	227	222	228	-70	-31.3%	74	48.2%
25 to 34	350	303	278	339	349	-47	-13.4%	46	15.3%
35 to 44	386	392	354	334	344	6	1.6%	-48	-12.2%
45 to 54	293	364	372	357	367	71	24.2%	3	0.9%
55 to 64	215	298	328	326	335	83	38.6%	37	12.5%
65 to 74	116	183	222	254	261	67	57.8%	78	42.8%
75 to 84	77	74	98	122	125	-3	-3.9%	51	69.1%
85+	18	24	30	32	33	6	33.3%	9	37.6%
Total	2,358	2,569	2,635	2,710	2,790	211	8.9%	221	8.6%
Owatonna Submarket	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Under 18	7,439	7,706	7,476	7,766	7,944	267	3.6%	238	3.1%
18 to 24	2,193	2,135	2,295	2,281	2,333	-58	-2.6%	198	9.3%
25 to 34	3,470	3,675	3,633	3,579	3,661	205	5.9%	-14	-0.4%
35 to 44	4,347	3,819	3,590	3,927	4,016	-528	-12.1%	197	5.2%
45 to 54	3,567	4,369	4,098	3,818	3,905	802	22.5%	-464	-10.6%
55 to 64	2,170	3,466	3,875	4,114	4,208	1,296	59.7%	742	21.4%
65 to 74	1,723	2,030	2,444	3,046	3,116	307	17.8%	1,086	53.5%
75 to 84	1,242	1,416	1,397	1,575	1,611	174	14.0%	195	13.8%
85+	481	715	753	790	808	234	48.6%	93	13.1%
Total	26,632	29,331	29,560	30,897	31,603	2,699	10.1%	2,272	7.7%
Steele County Total	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Under 18	9,404	9,650	9,285	9,555	9,804	246	2.6%	154	1.6%
18 to 24	2,748	2,596	2,871	2,819	2,873	-152	-5.5%	277	10.7%
25 to 34	4,313	4,506	4,445	4,438	4,537	193	4.5%	31	0.7%
35 to 44	5,462	4,759	4,453	4,792	4,907	-703	-12.9%	148	3.1%
45 to 54	4,467	5,449	5,132	4,739	4,862	982	22.0%	-587	-10.8%
55 to 64	2,798	4,346	4,883	5,091	5,240	1,548	55.3%	894	20.6%
65 to 74	2,182	2,589	3,103	3,884	3,954	407	18.7%	1,365	52.7%
75 to 84	1,659	1,773	1,778	2,052	2,061	114	6.9%	288	16.2%
85+	647	908	966	1,031	1,021	261	40.3%	113	12.4%
Total	33,680	36,576	36,915	38,402	39,258	2,896	8.6%	2,682	7.3%

Source: U.S. Census Bureau; ESRI; Maxfield Research and Consulting, LLC

- In Steele County, the largest adult age cohort in 2025 is projected to be those age 55 to 64. The age cohort that is projected to experience the greatest growth between 2010 and 2025 are those age 65 to 74, which is forecast to increase by 52.7%.

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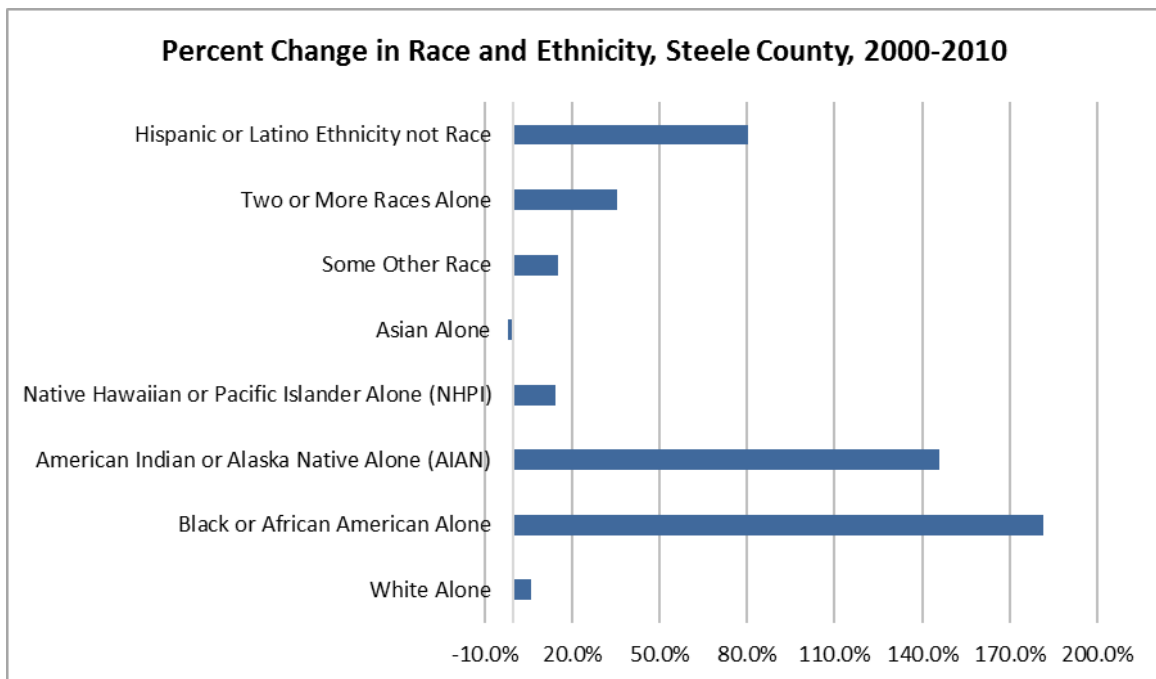
- The population over 55 is expected to grow in each age cohort from 2016 to 2025. The increasing older adult population reflects larger state and national trends of an aging population, largely due to aging of the sizable baby boom generation.



Race of Population

The race of the population illustrates the diversity for each submarket in Steele County. Data for 2000 and 2010 was obtained from the U.S. Census and is presented in Table D-5.

- The majority of Steele County residents reported their race as “White Alone” in 2000 (95.2%) and 2010 (93.1%).
- From 2000 to 2010, population growth in Steele County increased the population in the majority of racial groups, however, several racial groups experienced more significant growth than others. Residents reporting their race as Black or African American increased by 181.4%, with the majority of this growth occurring in the Owatonna submarket. Similarly, residents identifying as American Indian or Alaska Native Alone increased by 145.7%. The growth in the American Indian or Alaska Native Alone population was again largely concentrated in Owatonna.



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**TABLE D-5
POPULATION DISTRIBUTION BY RACE
STEELE COUNTY
2000 & 2010**

	White Alone		Black or African American Alone		American Indian or Alaska Native Alone (AIAN)		Native Hawaiian or Pacific Islander Alone (NHPi)		Asian Alone		Some Other Race		Two or More Races Alone		Hispanic or Latino <i>Ethnicity not Race</i>	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
Number																
Blooming Prairie	2,992	2,925	6	8	4	5	0	5	18	8	50	22	7	27	104	140
Ellendale	1,602	1,646	0	2	0	2	0	0	4	3	2	15	5	8	15	29
Medford	2,269	2,469	2	14	2	5	0	0	9	16	53	21	23	44	90	166
Owatonna	25,198	26,998	352	989	29	74	7	3	255	254	450	582	341	431	1,057	1,947
Steele County Total	32,061	34,038	360	1,013	35	86	7	8	286	281	555	640	376	510	1,266	2,282
Percentage																
Blooming Prairie	97.2%	97.5%	0.2%	0.3%	0.1%	0.2%	0.0%	0.2%	0.6%	0.3%	1.6%	0.7%	0.2%	0.9%	3.4%	4.7%
Ellendale	99.3%	98.2%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	0.2%	0.2%	0.1%	0.9%	0.3%	0.5%	0.9%	1.7%
Medford	96.2%	96.1%	0.1%	0.5%	0.1%	0.2%	0.0%	0.0%	0.4%	0.6%	2.2%	0.8%	1.0%	1.7%	3.8%	6.5%
Owatonna	94.6%	92.0%	1.3%	3.4%	0.1%	0.3%	0.0%	0.0%	1.0%	0.9%	1.7%	2.0%	1.3%	1.5%	4.0%	6.6%
Steele County Total	95.2%	93.1%	1.1%	2.8%	0.1%	0.2%	0.0%	0.0%	0.8%	0.8%	1.6%	1.7%	1.1%	1.4%	3.8%	6.2%

Sources: U.S. Census Bureau; Maxfield Research and Consulting, LLC

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- Although residents identifying as Black or African American Alone and American Indian or Alaska Native alone experienced the largest proportional increase in population, these groups still make up a small proportion of the total population. The Black or African American Alone population represented 2.8% of the Steele County population in 2010 and American Indian or Alaska Native Alone population represented 0.2% of the county population in 2010.
- Between 2000 and 2010 the Hispanic or Latino population increased in all submarkets. In 2000, 3.8% of the county population reported their ethnicity as Hispanic or Latino. In 2010, the proportion of the population reporting their ethnicity as Hispanic or Latino increased to 6.8% of the county population.

Household Income by Age of Householder

The estimated distribution of household incomes in Steel County and each submarket for 2016 and 2021 are shown in Tables D-6 through D-10. The data was estimated by Maxfield Research and Consulting, LLC based on income trends provided by ESRI. The data helps ascertain 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 as 30% of a household's adjusted gross income. For example, a household with an income of \$50,000 per year would be able to afford a monthly housing cost of about \$1,250. Maxfield Research and Consulting, LLC utilizes 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 also does not include savings or equity in an existing home.

Table D-6 presents household income by the age of the householder in Steele County for 2016 and 2021.

- In 2016, the median income for Steele County was \$60,440 across all ages. The median income is forecast to rise by 11.6% to \$67,433 in 2021.
- The median income for Steele County was comparable to the median income for Minnesota in 2016 where it was \$61,657. The trend will continue into 2021 where the median income for Minnesota will be slightly higher than Steele County at \$69,976.

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- The highest median income was recorded among those ages 45 to 54 at \$77,596 in 2016. In 2021, those age 45 to 54 are expected to remain the highest earners with a median income of \$81,988, a 5.7% increase.
- Between 2016 and 2021 the median income of householders age 65 to 74 is forecast to experience the greatest growth, increasing 13.1% from \$52,050 in 2016 to \$58,887 in 2021. The increase in income among this age group reflects the population growth of the older age cohort and the tendency for people to work until an older age.

	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
2016								
Less than \$15,000	3,069	191	357	332	297	530	427	935
\$15,000 to \$24,999	2,737	118	297	261	271	359	417	1,013
\$25,000 to \$34,999	3,275	189	445	450	405	412	576	799
\$35,000 to \$49,999	4,874	261	784	711	621	807	834	855
\$50,000 to \$74,999	8,563	344	1,599	1,443	1,780	1,744	1,118	535
\$75,000 to \$99,999	6,349	103	930	1,146	1,860	1,418	606	287
\$100,000-\$149,999	5,429	73	757	1,222	1,450	1,126	550	251
\$150,000-\$199,999	1,455	13	178	369	357	387	126	25
\$200,000+	1,164	5	70	239	279	410	138	23
Total	36,915	1,297	5,416	6,173	7,319	7,193	4,793	4,723
Median Income	\$60,440	\$42,252	\$59,813	\$72,245	\$77,596	\$69,834	\$52,050	\$29,332
MN Median Income	\$61,657	\$33,656	\$58,555	\$76,545	\$82,961	\$72,730	\$52,505	\$31,662
2021								
Less than \$15,000	3,046	195	337	314	242	434	527	997
\$15,000 to \$24,999	2,614	118	254	216	180	303	455	1,087
\$25,000 to \$34,999	3,239	183	401	427	306	383	663	877
\$35,000 to \$49,999	3,103	188	470	434	332	478	612	589
\$50,000 to \$74,999	9,254	401	1,648	1,596	1,619	1,828	1,478	684
\$75,000 to \$99,999	7,167	116	1,051	1,332	1,797	1,591	884	396
\$100,000-\$149,999	6,755	87	907	1,499	1,537	1,440	882	404
\$150,000-\$199,999	1,966	15	229	496	434	540	206	46
\$200,000+	1,257	5	77	244	257	450	188	36
Total	38,402	1,308	5,375	6,557	6,704	7,447	5,894	5,115
Median Income	\$67,433	\$46,957	\$66,058	\$79,046	\$81,988	\$78,359	\$58,887	\$29,551
MN Median Income	\$69,976	\$33,615	\$64,999	\$85,319	\$92,438	\$82,389	\$56,928	\$32,531
Change 2016- 2021								
Less than \$15,000	-23	4	-20	-18	-55	-96	100	62
\$15,000 to \$24,999	-123	0	-42	-45	-92	-56	38	74
\$25,000 to \$34,999	-36	-6	-44	-23	-99	-29	88	77
\$35,000 to \$49,999	-1,771	-74	-314	-277	-289	-329	-223	-266
\$50,000 to \$74,999	691	57	49	154	-160	83	360	148
\$75,000 to \$99,999	818	13	121	185	-63	174	279	109
\$100,000-\$149,999	1,326	15	151	277	87	313	331	152
\$150,000-\$199,999	511	3	50	127	78	153	80	21
\$200,000+	93	0	7	5	-22	40	49	13
Total	1,487	11	-41	384	-615	253	1,101	393
Median Income	\$6,993	\$4,705	\$6,245	\$6,801	\$4,392	\$8,525	\$6,837	\$219
MN Median Income	\$8,319	-\$41	\$6,444	\$8,774	\$9,477	\$9,659	\$4,423	\$869

Sources: ESRI; US Census Bureau; Maxfield Research and Consulting LLC

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Table D-7 shows the median income for the Blooming Prairie submarket for 2016 and 2021.

- The 2016 median income for the Blooming Prairie submarket was \$56,409 for all age cohorts. The median income is expected to rise to \$61,824 in 2021, a 9.6% increase in median income.

	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65-74	75+
2016								
Less than \$15,000	135	4	12	12	13	21	21	52
\$15,000 to \$24,999	100	3	7	9	7	13	18	44
\$25,000 to \$34,999	123	3	15	14	15	15	24	38
\$35,000 to \$49,999	146	6	24	17	17	21	33	27
\$50,000 to \$74,999	271	8	45	49	53	62	37	18
\$75,000 to \$99,999	243	3	33	38	64	64	25	15
\$100,000-\$149,999	124	2	15	20	34	29	15	10
\$150,000-\$199,999	33	1	2	8	6	10	5	2
\$200,000+	16	0	1	4	5	4	2	0
Total	1,190	29	153	169	213	239	181	205
Median Income	\$56,409	\$46,667	\$57,626	\$64,541	\$75,661	\$68,109	\$46,248	\$26,301
2021								
Less than \$15,000	138	4	12	12	12	17	27	55
\$15,000 to \$24,999	93	3	7	8	3	10	19	43
\$25,000 to \$34,999	139	3	16	14	13	15	34	45
\$35,000 to \$49,999	87	3	14	9	8	12	25	17
\$50,000 to \$74,999	272	7	45	48	44	57	48	22
\$75,000 to \$99,999	272	3	38	42	62	68	38	20
\$100,000-\$149,999	158	2	16	28	34	38	24	16
\$150,000-\$199,999	45	1	3	9	8	13	9	3
\$200,000+	17	0	1	4	4	6	2	0
Total	1,220	26	152	173	188	236	225	221
Median Income	\$61,824	\$50,000	\$62,190	\$71,984	\$78,674	\$76,695	\$53,126	\$26,917
Change 2016- 2021								
Less than \$15,000	3	0	0	0	-1	-5	5	3
\$15,000 to \$24,999	-7	0	0	-1	-4	-3	1	-1
\$25,000 to \$34,999	16	0	1	0	-2	0	9	7
\$35,000 to \$49,999	-59	-3	-11	-8	-9	-10	-9	-11
\$50,000 to \$74,999	1	-1	0	-1	-8	-4	11	4
\$75,000 to \$99,999	29	0	5	4	-2	4	13	5
\$100,000-\$149,999	34	0	1	8	0	9	9	6
\$150,000-\$199,999	12	0	1	1	2	3	4	1
\$200,000+	1	0	0	0	-1	2	0	0
Total	30	-4	-2	4	-25	-4	44	16
Median Income	\$5,415	\$3,333	\$4,564	\$7,443	\$3,013	\$8,586	\$6,878	\$616

Sources: ESRI; US Census Bureau; Maxfield Research and Consulting LLC

- The highest income earners were those age 45 to 54 in 2016 (\$75,661) and 2021 (\$78,674). However, this age cohort is project to experience the least amount of income growth between 2016 and 2021, increasing by 4.0%

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- At the same time, the 65 to 74 age cohort is forecast to experience the greatest income growth, increasing 14.9% between 2016 to 2021.

Table D-8 displays the median income among age cohorts for the Ellendale submarket.

	Total	Age of Householder						
		<25	25-34	35-44	45-54	55-64	65-74	75+
2016								
Less than \$15,000	32	2	2	3	3	5	3	13
\$15,000 to \$24,999	56	2	6	4	4	8	5	26
\$25,000 to \$34,999	46	2	5	5	6	6	6	15
\$35,000 to \$49,999	75	4	11	9	9	13	12	15
\$50,000 to \$74,999	180	8	33	24	39	40	26	10
\$75,000 to \$99,999	171	2	21	27	52	43	15	11
\$100,000-\$149,999	82	0	11	15	22	20	9	5
\$150,000-\$199,999	16	0	2	3	4	3	3	1
\$200,000+	15	0	0	3	5	5	2	0
Total	675	21	92	94	144	144	82	98
Median Income	\$64,679	\$50,000	\$62,718	\$75,874	\$77,996	\$74,030	\$60,810	\$30,562
2021								
Less than \$15,000	31	2	2	3	3	3	5	12
\$15,000 to \$24,999	54	2	5	3	2	7	7	27
\$25,000 to \$34,999	49	2	5	6	4	5	9	17
\$35,000 to \$49,999	39	2	4	4	3	7	9	9
\$50,000 to \$74,999	177	8	29	25	31	40	32	11
\$75,000 to \$99,999	193	2	24	30	48	51	25	14
\$100,000-\$149,999	103	0	13	20	22	27	15	6
\$150,000-\$199,999	22	0	2	4	4	6	4	1
\$200,000+	18	0	0	4	4	6	3	0
Total	685	19	85	99	121	153	111	98
Median Income	\$72,850	\$51,345	\$70,929	\$79,701	\$80,859	\$79,336	\$66,594	\$30,116
Change 2016- 2021								
Less than \$15,000	-1	0	0	0	0	-2	2	-1
\$15,000 to \$24,999	-2	0	-1	-1	-2	-1	2	1
\$25,000 to \$34,999	2	0	0	1	-2	-1	3	1
\$35,000 to \$49,999	-36	-2	-7	-5	-6	-6	-3	-6
\$50,000 to \$74,999	-4	0	-4	1	-8	0	6	1
\$75,000 to \$99,999	22	0	3	3	-4	7	9	3
\$100,000-\$149,999	21	0	2	4	0	7	6	1
\$150,000-\$199,999	5	0	0	1	0	3	1	0
\$200,000+	2	0	0	1	-1	1	1	0
Total	10	-2	-7	5	-23	9	28	0
Median Income	\$8,171	\$1,345	\$8,211	\$3,827	\$2,863	\$5,306	\$5,784	-\$446

Sources: ESRI; US Census Bureau; Maxfield Research and Consulting LLC

- In 2016, the median income of the Ellendale submarket was \$64,679, rising to \$72,850 in 2021. The Ellendale submarket reported the highest median income among all submarkets in 2016 and 2021.

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- The highest earners in the Ellendale submarket were those age 45 to 54 in 2016 (\$77,996) and 2021 (\$80,859).
- The largest gain in median income was reported among those age 25 to 34. This age cohort is projected to experience an 13.1% increase in median incomes, from \$62,718 in 2016 to \$70,929 in 2021.
- The oldest age cohort in the Ellendale submarket, those age 75 and over, is forecast to experience a small (-1.5%) decrease in median incomes from 2016 to 2021.

Table D-9 shows the median incomes for the Medford submarket for 2016 and 2021.

	Total	Age of Householder						
		<25	25-34	35-44	45-54	55-64	65-74	
2016								
Less than \$15,000	72	4	9	10	9	12	13	17
\$15,000 to \$24,999	63	0	7	7	9	10	9	22
\$25,000 to \$34,999	77	4	9	12	12	9	16	17
\$35,000 to \$49,999	164	6	24	28	22	27	33	22
\$50,000 to \$74,999	215	6	36	42	47	47	29	8
\$75,000 to \$99,999	152	2	19	30	47	33	19	3
\$100,000-\$149,999	159	1	21	41	43	31	17	6
\$150,000-\$199,999	32	0	6	9	8	8	2	0
\$200,000+	34	0	2	9	9	10	5	0
Total	970	22	132	188	205	187	142	95
Median Income	\$59,914	\$42,135	\$58,885	\$70,912	\$76,403	\$66,846	\$50,264	\$29,145
2021								
Less than \$15,000	73	4	11	9	7	9	14	21
\$15,000 to \$24,999	57	0	7	5	6	7	9	24
\$25,000 to \$34,999	78	4	10	10	9	9	17	20
\$35,000 to \$49,999	103	4	16	14	12	16	22	18
\$50,000 to \$74,999	226	7	44	40	43	47	35	11
\$75,000 to \$99,999	172	2	27	32	47	35	25	4
\$100,000-\$149,999	207	1	33	47	49	42	25	10
\$150,000-\$199,999	45	0	9	12	11	11	4	0
\$200,000+	38	0	2	9	9	12	7	0
Total	1,000	21	158	177	191	186	157	108
Median Income	\$68,952	\$45,195	\$68,103	\$81,914	\$83,341	\$77,798	\$59,532	\$28,428
Change 2016- 2021								
Less than \$15,000	1	-0	2	-1	-2	-3	1	5
\$15,000 to \$24,999	-6	0	-0	-2	-3	-3	-0	2
\$25,000 to \$34,999	1	-0	1	-2	-3	-0	2	4
\$35,000 to \$49,999	-61	-2	-8	-14	-11	-11	-11	-4
\$50,000 to \$74,999	11	1	8	-2	-4	0	5	3
\$75,000 to \$99,999	20	-0	8	2	0	2	7	1
\$100,000-\$149,999	48	-0	12	6	6	10	9	4
\$150,000-\$199,999	13	0	3	3	3	3	2	0
\$200,000+	3	0	-0	-0	-0	2	2	0
Total	30	-1	27	-11	-14	-0	16	13
Median Income	\$9,038	\$3,060	\$9,218	\$11,002	\$6,938	\$10,952	\$9,268	-\$717

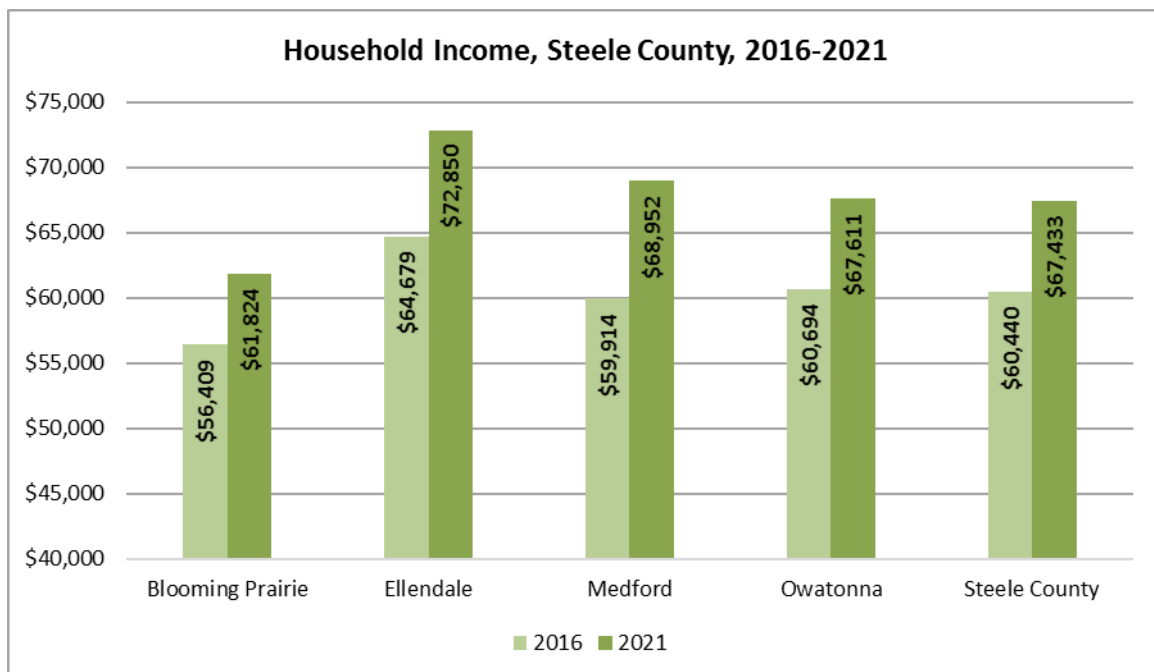
Sources: ESRI; US Census Bureau; Maxfield Research and Consulting LLC

DEMOGRAPHIC ANALYSIS

- The median income in the Medford submarket was \$59,914 in 2016, increasing to \$68,952 in 2021.
- The growth in median incomes between 2016 and 2021 reflects a 15.1% increase in incomes. This is the largest increase in median income among all submarkets.
- The highest earners in the Medford submarket (those ages 45 to 54) have a median income of \$76,403 in 2016 and \$83,341 in 2021.
- Four age cohorts are forecast to experience a 15% or larger increase in median incomes from 2016 to 2021. The 2021 projections forecast an increase in incomes of 15.7% among 25 to 34 year olds, 15.5% among the 35 to 44 age cohort, 16.4% for those 55 to 64 and 18.4% among 65 to 74 year olds.
- Those age 75 and over are projected to experience a 2.5% decline in median incomes, from \$29,145 to \$28,428.

Table D-10 shows the median income for the Owatonna submarket for 2016 and 2021.

- The 2016 median income for the Owatonna submarket was \$60,694 in 2016, rising to \$67,611 in 2021 an 11.4% increase in median income.
- The highest median income was reported among the 45 to 54 age cohort for 2016 (\$77,931) and 2021 (\$82,249).
- The greatest increase in median incomes is projected to occur among those 65 to 74, rising by 13.2%.



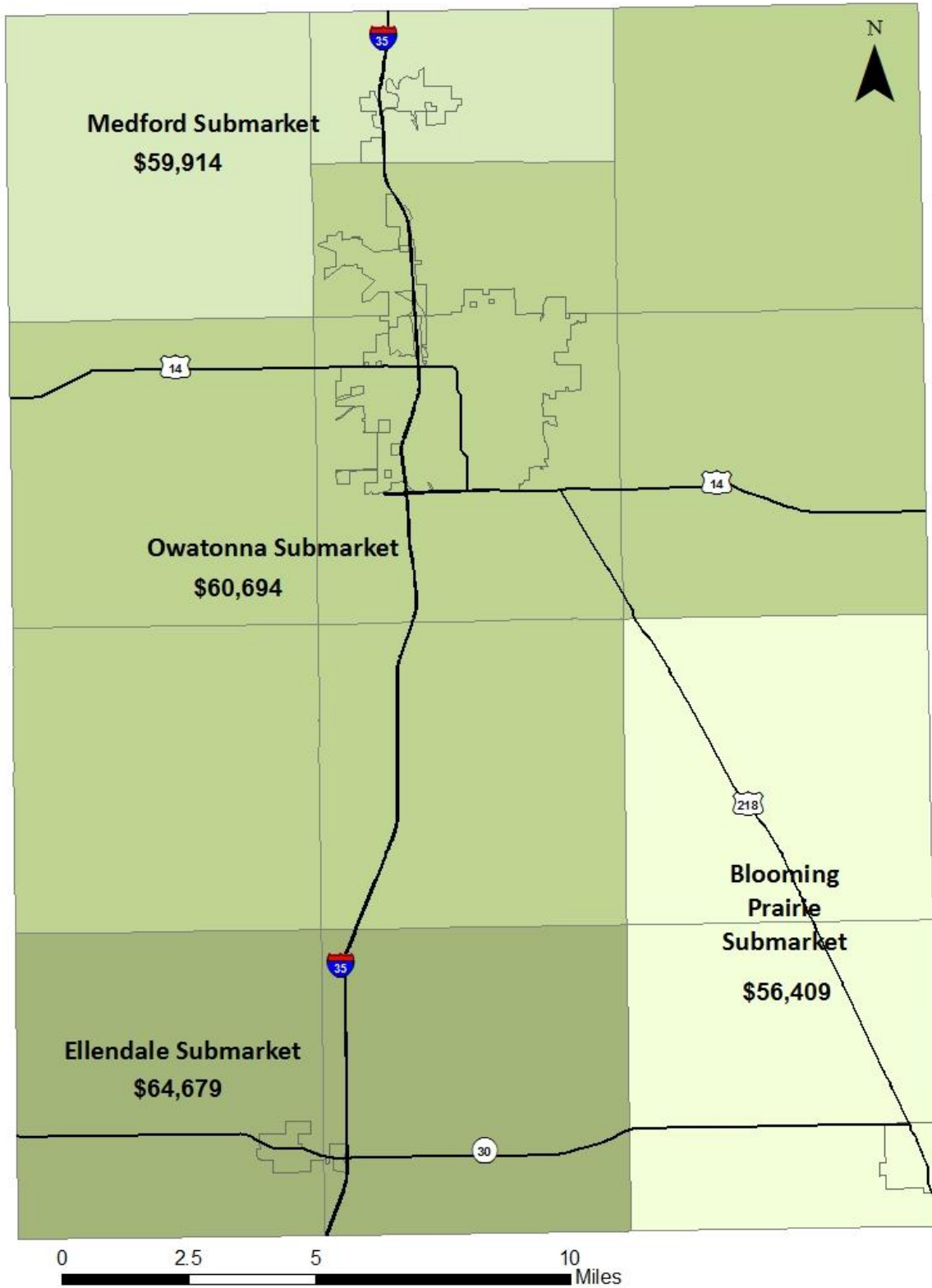
DEMOGRAPHIC ANALYSIS

**TABLE D-10
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
OWATONNA SUBMARKET
2016 & 2021**

	Total	Age of Householder						
		<25	25-34	35-44	45-54	55-64	65 -74	75+
2016								
Less than \$15,000	971	65	119	108	94	169	130	286
\$15,000 to \$24,999	862	42	98	83	86	110	135	309
\$25,000 to \$34,999	1,043	65	145	146	127	134	181	244
\$35,000 to \$49,999	1,531	86	248	224	196	254	251	271
\$50,000 to \$74,999	2,703	114	515	452	561	537	349	174
\$75,000 to \$99,999	1,930	34	292	355	569	418	177	85
\$100,000-\$149,999	1,769	25	249	404	472	361	178	79
\$150,000-\$199,999	494	4	61	127	125	131	40	7
\$200,000+	397	2	25	79	92	144	48	8
Total	11,700	436	1,753	1,979	2,322	2,258	1,489	1,464
Median Income	\$60,694	\$41,614	\$59,818	\$73,062	\$77,931	\$70,050	\$52,202	\$29,777
2021								
Less than \$15,000	965	67	111	101	76	144	162	304
\$15,000 to \$24,999	830	42	82	72	61	94	146	333
\$25,000 to \$34,999	1,007	63	125	137	95	122	202	263
\$35,000 to \$49,999	988	64	149	143	108	154	184	187
\$50,000 to \$74,999	2,977	135	531	517	521	579	466	227
\$75,000 to \$99,999	2,185	39	325	420	550	473	260	119
\$100,000-\$149,999	2,192	31	294	496	500	461	282	128
\$150,000-\$199,999	667	5	76	173	149	184	66	13
\$200,000+	424	2	26	80	84	156	63	12
Total	12,235	448	1,720	2,140	2,144	2,367	1,830	1,587
Median Income	\$67,611	\$46,359	\$65,926	\$79,445	\$82,249	\$78,527	\$59,078	\$30,136
Change 2016- 2021								
Less than \$15,000	-6	2	-8	-7	-18	-26	32	18
\$15,000 to \$24,999	-33	0	-16	-11	-25	-16	11	24
\$25,000 to \$34,999	-37	-2	-20	-9	-32	-11	20	18
\$35,000 to \$49,999	-543	-22	-100	-81	-88	-101	-67	-84
\$50,000 to \$74,999	274	22	17	65	-40	42	117	53
\$75,000 to \$99,999	255	5	33	65	-19	56	82	34
\$100,000-\$149,999	423	6	45	92	28	100	104	49
\$150,000-\$199,999	173	1	15	46	24	54	27	6
\$200,000+	28	0	2	1	-8	12	16	4
Total	535	11	-33	161	-178	109	342	123
Median Income	\$6,917	\$4,745	\$6,108	\$6,383	\$4,318	\$8,477	\$6,876	\$359

Sources: ESRI; US Census Bureau; Maxfield Research and Consulting LLC

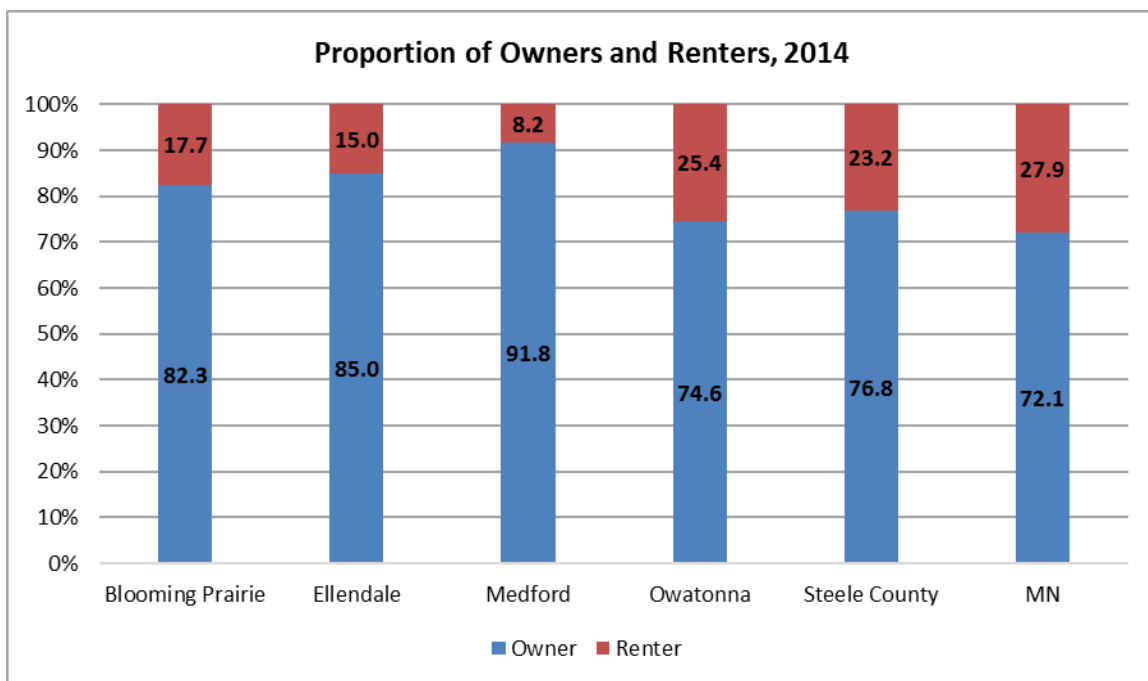
2016 Median Income, Steele County Market Areas



Tenure by Age of Householder

Table D-11 shows 2010 and 2014 tenure data for each of the submarkets in Steele County by age cohort from the U.S. Census Bureau. This data is useful in determining demand for certain types of housing since housing preferences change throughout an individual’s life cycle.

- In 2010, 77.7% of Steele Count households were owner households. This number declined slightly in 2014 to 76.8%. The proportion of owner households in Steele County exceed the state proportion, which was 72.1% in 2014.
- The proportion of owner households in Steele County largely reflects the trends in the Owatonna submarket. In this submarket, 74.6% of households were owner occupied in 2010, a slight decreased from 75.8% in 2000.
- In the remaining submarkets of Blooming Prairie, Ellendale and Medford, owner occupied units accounted for over 80% of household units. Additionally, these submarkets either maintained their owner occupied proportions from 2010 to 2014 or witnessed an increase in the proportion of owner occupied units.
- In Steele County, and in the Owatonna submarket, the proportion of owner households peaks at age 65-74. In Ellendale and Medford, the proportion of owner households doesn’t begin to decline until over age 85. In Blooming Prairie, owner households begin to decline at age 65-74, but stay a nearly 80% for those over 85 years old.



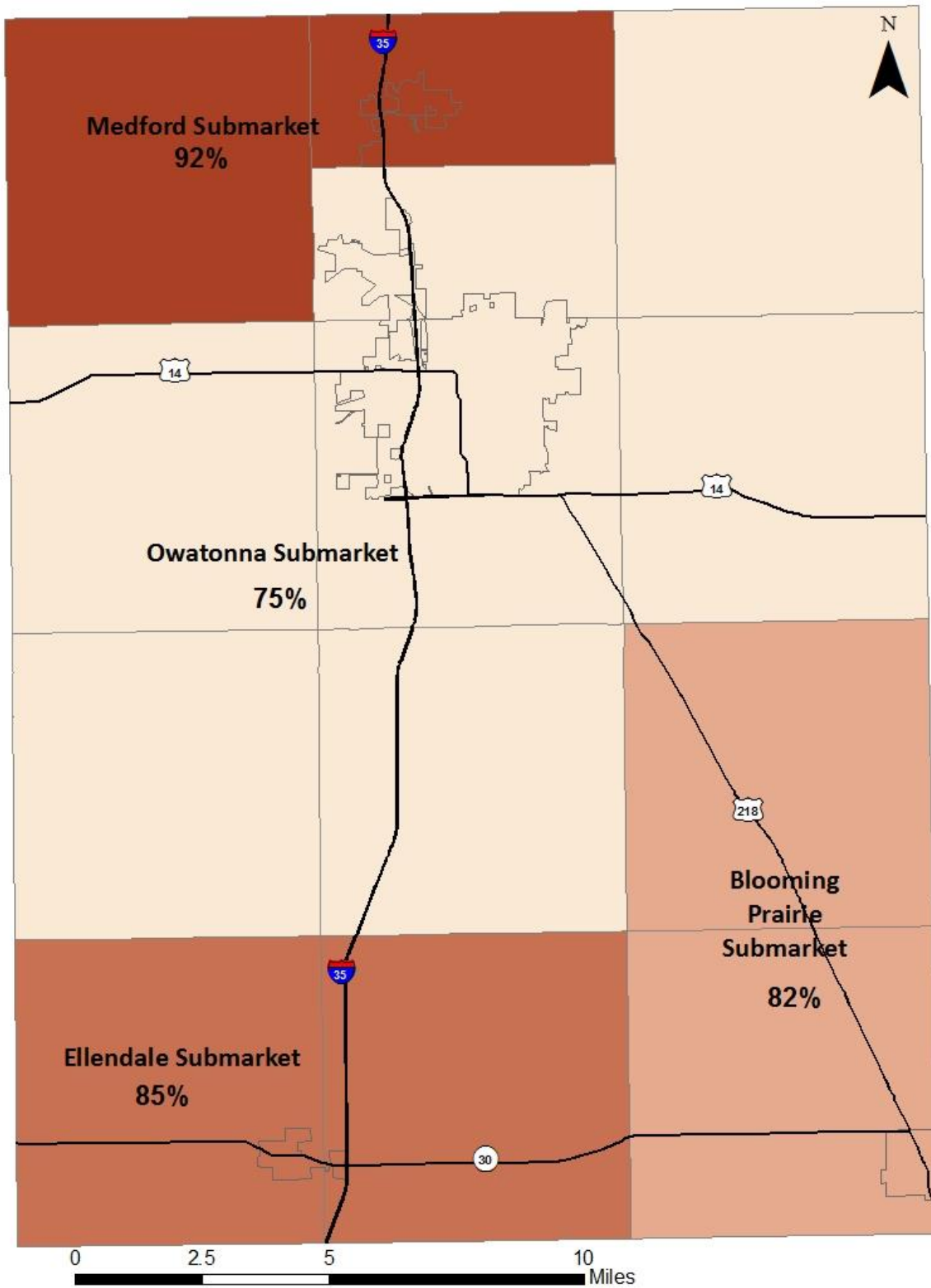
DEMOGRAPHIC ANALYSIS

**TABLE D-11
TENURE BY AGE OF HOUSEHOLDER
STEELE COUNTY
2010 AND 2014**

Age		Blooming Prairie				Ellendale				Medford				Owatonna				Steele County				MN	
		2010		2014		2010		2014		2010		2014		2010		2014		2010		2014			
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	Pct.	Pct.		
15-24	Own	9	39.1	20	47.6	10	38.5	4	40.0	10	50.0	13	81.3	150	32.4	289	53.3	179	33.6	326	53.4	19.8	16.8
	Rent	14	60.9	22	52.4	16	61.5	6	60.0	10	50.0	3	18.8	313	67.6	253	46.7	353	66.4	284	46.6	80.2	83.2
	Total	23	100.0	42	100.0	26	100.0	10	100.0	20	100.0	16	100.0	463	100.0	542	100.0	532	100.0	610	100.0	100.0	100.0
25-34	Own	120	75.5	103	75.7	64	73.6	78	72.9	128	90.8	131	81.9	1,124	63.1	953	59.7	1,436	66.3	1,265	63.3	56.1	53.6
	Rent	39	24.5	33	24.3	23	26.4	29	27.1	13	9.2	29	18.1	656	36.9	644	40.3	731	33.7	735	36.8	43.9	46.4
	Total	159	100.0	136	100.0	87	100.0	107	100.0	141	100.0	160	100.0	1,780	100.0	1,597	100.0	2,167	100.0	2,000	100.0	100.0	100.0
35-44	Own	155	83.8	119	72.1	88	84.6	51	82.3	190	88.0	171	94.5	1,597	75.7	1,729	78.5	2,030	77.6	2,070	79.3	75.0	72.8
	Rent	30	16.2	46	27.9	16	15.4	11	17.7	26	12.0	10	5.5	514	24.3	473	21.5	586	22.4	540	20.7	25.0	27.2
	Total	185	100.0	165	100.0	104	100.0	62	100.0	216	100.0	181	100.0	2,111	100.0	2,202	100.0	2,616	100.0	2,610	100.0	100.0	100.0
45-54	Own	201	84.5	151	87.8	139	92.7	116	95.1	188	93.5	194	97.0	2,063	83.1	1,817	79.6	2,591	84.3	2,278	82.0	81.7	81.0
	Rent	37	15.5	21	12.2	11	7.3	6	4.9	13	6.5	6	3.0	420	16.9	466	20.4	481	15.7	499	18.0	18.3	19.0
	Total	238	100.0	172	100.0	150	100.0	122	100.0	201	100.0	200	100.0	2,483	100.0	2,283	100.0	3,072	100.0	2,777	100.0	100.0	100.0
55-64	Own	193	89.4	225	84.6	118	93.7	122	89.7	164	94.3	191	98.5	1,711	84.7	1,640	80.6	2,186	86.2	2,178	82.8	84.7	84.0
	Rent	23	10.6	41	15.4	8	6.3	14	10.3	10	5.7	3	1.5	310	15.3	396	19.4	351	13.8	454	17.2	15.3	16.0
	Total	216	100.0	266	100.0	126	100.0	136	100.0	174	100.0	194	100.0	2,021	100.0	2,036	100.0	2,537	100.0	2,632	100.0	100.0	100.0
65-74	Own	136	87.7	149	94.9	70	94.6	59	96.7	107	90.7	97	90.7	1,068	86.1	1,220	84.1	1,381	87.0	1,525	85.9	84.9	85.2
	Rent	19	12.3	8	5.1	4	5.4	2	3.3	11	9.3	10	9.3	173	13.9	230	15.9	207	13.0	250	14.1	15.1	14.8
	Total	155	100.0	157	100.0	74	100.0	61	100.0	118	100.0	107	100.0	1,241	100.0	1,450	100.0	1,588	100.0	1,775	100.0	100.0	100.0
75-84	Own	106	81.5	117	88.0	48	81.4	50	100.0	50	92.6	65	95.6	774	79.2	781	77.2	978	80.2	1,013	80.2	77.0	77.5
	Rent	24	18.5	16	12.0	11	18.6	0	0.0	4	7.4	3	4.4	203	20.8	231	22.8	242	19.8	250	19.8	23.0	22.5
	Total	130	100.0	133	100.0	59	100.0	50	100.0	54	100.0	68	100.0	977	100.0	1,012	100.0	1,220	100.0	1,263	100.0	100.0	100.0
85+	Own	52	72.2	53	79.1	19	55.9	23	52.3	15	83.3	20	57.1	268	56.5	260	49.4	354	59.2	356	53.0	55.3	57.0
	Rent	20	27.8	14	20.9	15	44.1	21	47.7	3	16.7	15	42.9	206	43.5	266	50.6	244	40.8	316	47.0	44.7	43.0
	Total	72	100.0	67	100.0	34	100.0	44	100.0	18	100.0	35	100.0	474	100.0	526	100.0	598	100.0	672	100.0	100.0	100.0
TOTAL	Own	972	82.5	937	82.3	556	84.2	503	85.0	852	90.4	882	91.8	8,755	75.8	8,689	74.6	11,135	77.7	11,011	76.8	73.0	72.1
	Rent	206	17.5	201	17.7	104	15.8	89	15.0	90	9.6	79	8.2	2,795	24.2	2,959	25.4	3,195	22.3	3,328	23.2	27.0	27.9
	Total	1,178	100.0	1,138	100.0	660	100.0	592	100.0	942	100.0	961	100.0	11,550	100.0	11,648	100.0	14,330	100.0	14,339	100.0	100.0	100.0

Sources: U.S. Census Bureau; Maxfield Research and Consulting, LLC

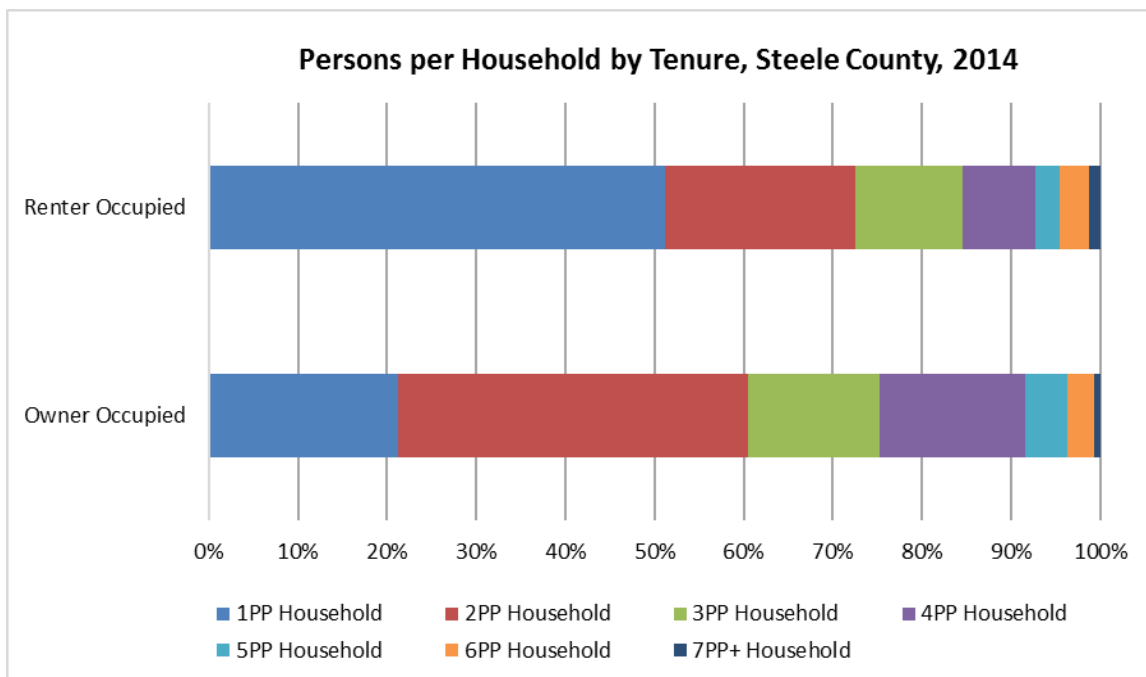
Homeownership Rate, Steele County Market Areas, 2014



Tenure by Household Size

Table D-12 shows the distribution of households by size and tenure in Steele County in 2010. This data is useful in that it sheds insight into unit type that may be most needed Steele County.

- Household size for renters tends to be smaller than for owners. This trend is a result of the typical market segments for rental housing, including households that are younger and are less likely to be married with children, as well as, older adults and seniors who choose to downsize from their single-family homes. In 2010, 51.2% of renter households Steele County were one-person households.
- This trend is reflected three of the submarkets, where 44% to 52% of renter households were one-person households. However, in Ellendale only 29.2% of renter households consisted of one-person households. Renters in Ellendale were most likely to be in two person households (36% of renter households).
- Owner households were most likely to contain two people in Steele County, representing 39.2% of households.



DEMOGRAPHIC ANALYSIS

**TABLE D-12
HOUSEHOLDS BY SIZE
STEELE COUNTY
2014**

Size	Blooming Prairie				Ellendale				Medford				Owatonna				Steele County			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
1PP Household	189	20.2%	101	50.2%	104	20.7%	26	29.2%	158	17.9%	35	44.3%	1,889	21.7%	1,543	52.1%	2,340	21.3%	1,705	51.2%
2PP Household	438	46.7%	41	20.4%	223	44.3%	32	36.0%	316	35.8%	20	25.3%	3,339	38.4%	614	20.8%	4,316	39.2%	707	21.2%
3PP Household	97	10.4%	24	11.9%	73	14.5%	6	6.7%	109	12.4%	2	2.5%	1,357	15.6%	372	12.6%	1,636	14.9%	404	12.1%
4PP Household	158	16.9%	25	12.4%	49	9.7%	12	13.5%	194	22.0%	8	10.1%	1,394	16.0%	226	7.6%	1,795	16.3%	271	8.1%
5PP Household	24	2.6%	1	0.5%	30	6.0%	13	14.6%	62	7.0%	14	17.7%	400	4.6%	60	2.0%	516	4.7%	88	2.6%
6PP Household	24	2.6%	0	0.0%	23	4.6%	0	0.0%	29	3.3%	0	0.0%	259	3.0%	109	3.7%	335	3.0%	109	3.3%
7PP+ Household	7	0.7%	9	4.5%	1	0.2%	0	0.0%	14	1.6%	0	0.0%	51	0.6%	35	1.2%	73	0.7%	44	1.3%
Total	937	100%	201	100%	503	100%	89	100%	882	100%	79	100%	8,689	100%	2,959	100%	11,011	100%	3,328	100%

Sources: U.S. Census Bureau; Maxfield Research and Consulting, LLC

Household Type

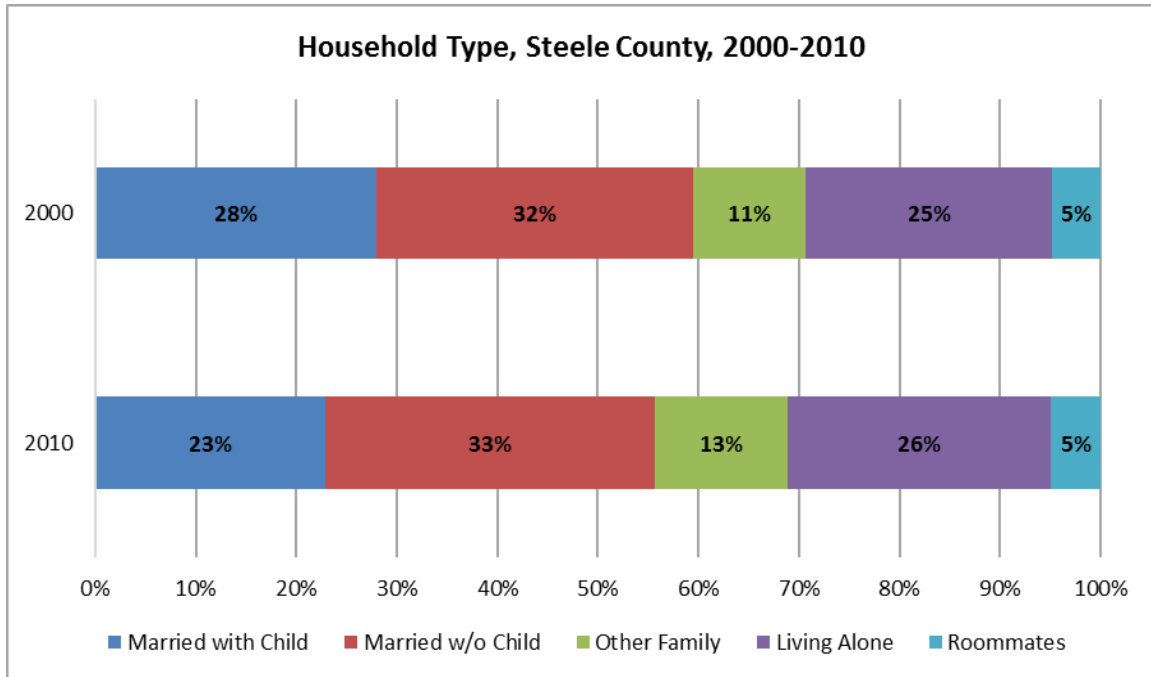
Table D-13 shows a breakdown of the type of households present in Steele County in 2000 and 2010. The data is useful in assessing housing demand since the household composition often dictates the type of housing needed and preferred. The following key points are summarized from Table D-13.

- Across all submarkets in the county, married couples without children represented the largest household type. These households accounted for 32.7% of all households in the county in 2010, an increase from 31.6% in 2000. Ellendale reported the highest concentration of married couples without children. This household type comprised 38.2% of Ellendale's households. In Medford and Owatonna, just over 32% of households were married without children, the lowest among all submarkets.
- The increase in households without children reflects the changing demographics of the county, and the country, as baby boomers age and more households become empty nest households. Additional factors contributing to this trend include couples delaying, or forgoing, having children.
- In 2000, the next largest household type in the county was married couples with children (27.9% of households). However, by 2010, the second largest proportion of households were people living alone (26.1%). The growing proportion of single person households reflects several demographic and cultural shifts. The biggest contributing factor is the aging of the population. Additionally, younger generations are delaying marriage and having children. The Owatonna submarket had the highest share of single person households, 26.9%.
- The Medford submarket is the only submarket that retained married couples with children as the second largest household type between 2000 and 2010. These households accounted for 26.8% of all households in Medford in 2010.

DEMOGRAPHIC ANALYSIS

TABLE D-13
HOUSEHOLD TYPE
STEELE COUNTY
2000 & 2010

Households	Total HH's		Family Households						Non-Family Households			
			Married w/ Child		Married w/o Child		Other *		Living Alone		Roommates **	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
Steele County Total	12,846	14,330	3,586	3,288	4,054	4,688	1,437	1,895	3,154	3,747	615	712
Blooming Prairie	1,142	1,178	330	258	382	425	108	146	277	295	45	54
Ellendale	616	660	168	152	231	252	63	70	135	152	19	34
Medford	863	942	268	252	287	306	99	149	168	197	41	38
Owtonna	10,225	11,550	2,820	2,626	3,154	3,705	1,167	1,530	2,574	3,103	510	586
State of Minnesota	1,895,127	2,087,227	477,615	443,212	540,630	617,297	236,896	288,506	509,468	584,008	130,518	154,204
<i>Percent</i>												
Steele County Total	100.0	100.0	27.9	22.9	31.6	32.7	11.2	13.2	24.6	26.1	4.8	5.0
Blooming Prairie	100.0	100.0	28.9	21.9	33.5	36.1	9.5	12.4	24.3	25.0	3.9	4.6
Ellendale	100.0	100.0	27.3	23.0	37.5	38.2	10.2	10.6	21.9	23.0	3.1	5.2
Medford	100.0	100.0	31.1	26.8	33.3	32.5	11.5	15.8	19.5	20.9	4.8	4.0
Owtonna	100.0	100.0	27.6	22.7	30.8	32.1	11.4	13.2	25.2	26.9	5.0	5.1
State of Minnesota	100.0	100.0	25.2	21.2	28.5	29.6	12.5	13.8	26.9	28.0	6.9	7.4
	Change 2000-2010											
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Steele County Total	1,484	11.6%	-298	-8.3%	634	15.6%	458	31.9%	593	18.8%	97	15.8%
Blooming Prairie	36	3.2%	-72	-21.8%	43	11.3%	38	35.2%	18	6.5%	9	20.0%
Ellendale	44	7.1%	-16	-9.5%	21	9.1%	7	11.1%	17	12.6%	15	78.9%
Medford	79	9.2%	-16	-6.0%	19	6.6%	50	50.5%	29	17.3%	-3	-7.3%
Owtonna	1,325	13.0%	-194	-6.9%	551	17.5%	363	31.1%	529	20.6%	76	14.9%
State of Minnesota	192,100	10.1%	-34,403	-7.2%	76,667	14.2%	51,610	21.8%	74,540	14.6%	23,686	18.1%
* Single-parents with children												
** Includes unmarried couples without children and group quarters												
Sources: U. S. Census; ESRI, Inc.; Maxfield Research and Consulting, LLC												

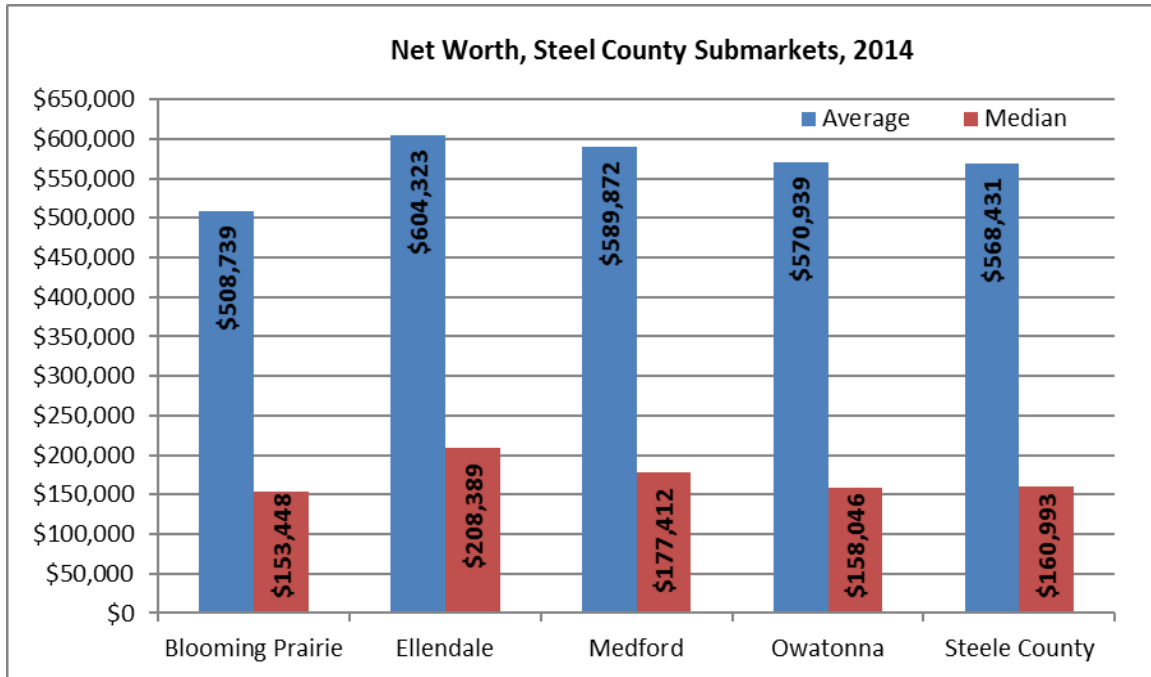


Net Worth

Table D-14 shows household net worth in Steele County in 2016. Simply stated, net worth is the difference between assets and liabilities, or the total value of assets after the debt is subtracted. The data was compiled and estimated by ESRI based on the Survey of Consumer Finances and Federal Reserve Board data. According to the Urban Institute Housing Finance Center, the average homeowner’s net housing worth is \$150,506 compared to an average net worth of just over \$5,000 for renters reported by the 2013 Federal Reserve Survey of Consumer Finances.

- Steele County reported an average net worth of \$568,431 and a median net worth of \$160,993. Median net worth is generally a more accurate depiction of wealth than the average figure. A few households with very large net worth can significantly skew the average. Communities with high levels of farming equipment and land assets tend to also increase the average and median net worth in those areas.
- The highest median net worth was reported in the Ellendale submarket, \$208,389, while Blooming Prairie reported the lowest median income, \$153,448.
- Median net worth rises with age, peaking between 55 and 74 when adults are in peak earning years. After age 75, median net worth begins to decline as more people leave the workforce and live on fixed incomes.

DEMOGRAPHIC ANALYSIS



- Among younger age cohorts, those age 15 to 34, and the oldest cohort, 75 and older, the highest median net worth was reported in the Medford submarket. In the middle age years, 35 to 54, the highest median net worth was reported in Ellendale.

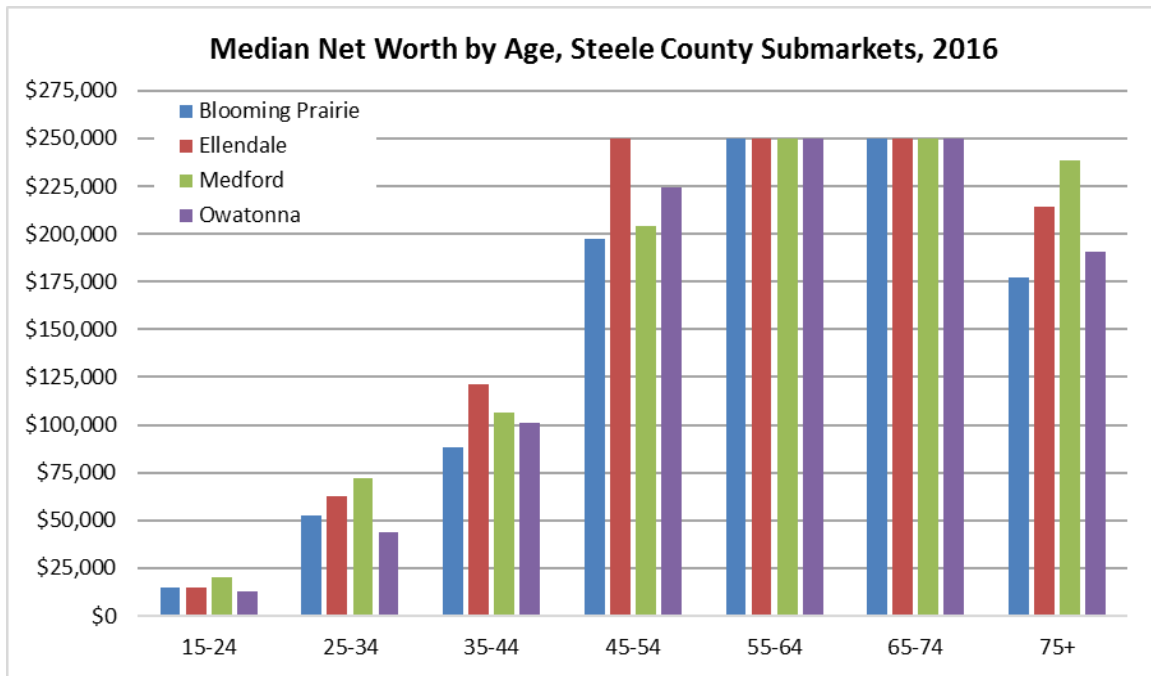


TABLE D-14
ESTIMATED NET WORTH BY AGE OF HOUSEHOLDER
STEELE COUNTY
2014

	Age of Householder							
	Total		15-24		25-34		35-44	
	Average	Median	Average	Median	Average	Median	Average	Median
Blooming Prairie	\$508,739	\$153,448	\$37,151	\$15,000	\$98,789	\$52,462	\$238,751	\$88,306
Ellendale	\$604,323	\$208,389	\$27,764	\$15,000	\$115,510	\$62,545	\$299,027	\$121,251
Medford	\$589,872	\$177,412	\$34,860	\$20,392	\$140,373	\$71,918	\$345,332	\$106,233
Owatonna	\$570,939	\$158,046	\$39,986	\$12,849	\$111,739	\$44,137	\$397,440	\$100,818
Steele County Total	\$568,431	\$160,993	\$39,418	\$13,253	\$112,535	\$50,360	\$378,606	\$101,256
	45-54		55-64		65-74		75+	
	Average	Median	Average	Median	Average	Median	Average	Median
	Blooming Prairie	\$446,012	\$197,273	\$792,185	\$250,001	\$918,246	\$250,001	\$452,426
Ellendale	\$552,880	\$250,001	\$917,461	\$250,001	\$1,249,536	\$250,001	\$548,620	\$214,096
Medford	\$564,328	\$204,213	\$564,328	\$250,001	\$250,001	\$250,001	\$477,511	\$238,458
Owatonna	\$568,130	\$224,433	\$914,292	\$250,001	\$1,064,764	\$250,001	\$486,421	\$190,961
Steele County Total	\$558,608	\$225,868	\$907,637	\$250,001	\$1,059,321	\$250,001	\$485,041	\$193,027

Sources: ESRI; Maxfield Research and Consulting, LLC

Summary of Demographic Trends

The following points summarize key demographic trends that will impact demand for housing throughout the Primary Market Area.

- The Owatonna submarket is the population center of the county and is forecast to add the greatest number new residents (1,069) and households (650) to Steele County between 2010 and 2025.
- The Medford submarket is experiencing the greatest growth in the county, with population increasing by nearly 9% from 2000 to 2010 and another 8.6% growth in population is projected from 2010 to 2025.
- Household size is declining in all submarkets, resulting in higher growth in households from 2010 to 2025 (5.9%) than population (4.0%) in Steele County.
- The population of the Medford submarket is slightly younger than the population of the remaining three submarkets.
- Steele County will experience an increase in its older adult and senior population as 2025 approaches and the large baby boom generation ages.
- The median income for Steele County is projected to rise by 11.6% from \$60,440 to \$67,433 in 2021.
- Incomes among those age 65 to 74 are projected to experience the greatest increase, 13.1%, in Steele County from 2016 to 2021.
- The Ellendale submarket reported the highest median in 2016, \$64,679, and 2021, \$72,850.
- Median income in the Medford submarket is project to experience the greatest increase, 15.1%, between 2016 and 2021.
- Over three-quarters of Steele County households are owner households. Further, there are high rates of ownership among the youngest age cohorts, where there are typically more renters, compared to the State of Minnesota.
- Over half of renter households in Steele County are one-person households, while owner households are most likely to be two-person households (39.2%).

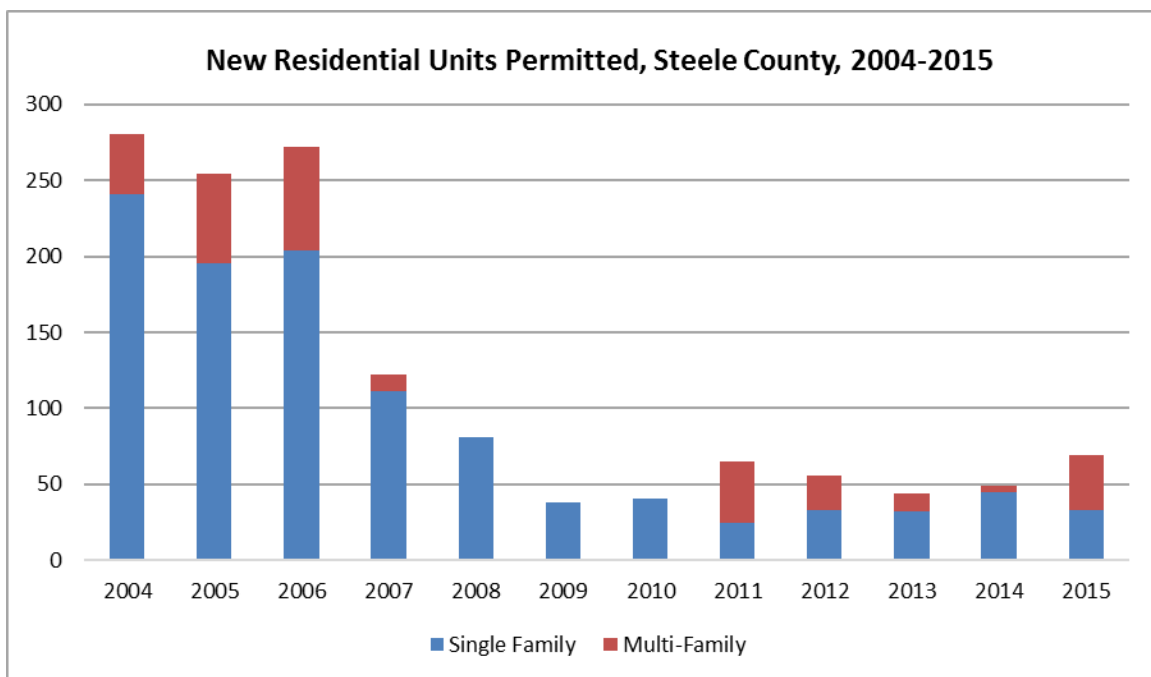
Introduction

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 each Steele County submarket by reviewing data on the age of the existing housing supply; examining residential building trends since 2004; and reviewing housing data from the American Community Survey.

Residential Construction Trends

Maxfield Research obtained data on the number of new construction housing units from 2004 through 2015 from the U.S. Census Bureau. Table HC-1 displays the number of building permits issued for new construction of residential units by city in Steele County.

- Between 2004 and 2015 there were 1,091 new residential units permitted in Steele County, 77% of those permits were issued for single-family units.
- The effects of the Great Recession are illustrated in the decline in units permitted after 2007. From 2004 to 2007, 806 new residential units were permitted in Steele County. Then the years from 2008 to 2011 recorded only 225 permits for new residential units. Permits held steady at 218 new residential units from 2012 to 2015.
- The number of multifamily permits experienced an uptick from 2012 to 2015 when 75 were permitted, compared to only 40 in the preceding four years.



HOUSING CHARACTERISTICS

- Of the residential units permitted in the four cities within Steele County, Owatonna accounted for 88% of the permitted units from 2004 to 2015. The City of Owatonna permitted 92% of the multi-family units in Steele County from 2004 to 2015.
- Reflecting the larger county trend, all four cities experienced a significantly decline in the number of residential units permitted from 2004 through 2007 to 2008 to 2011.
- All four cities record multi-family permits between 2004 and 2007. However, Blooming Prairie, Ellendale and Medford have not permitted any multifamily units in 2008 or later.
- In Owatonna, multi-family permits (75) exceeded single-family permits (69) between 2012 and 2015.
- Blooming Prairie was the only city in the county where the number of single family units permitted between 2012 and 2015 exceeded the number of single family units permitted from 2008 to 2011.

HC-1 RESIDENTIAL CONSTRUCTION BUILDING PERMITS STEELE COUNTY 2004-2015															
Year	City of Blooming Prairie			City of Ellendale			City of Medford			City of Owatonna			Steele County Total ¹		
	SF	MF	Total	SF	MF	Total	SF	MF	Total	SF	MF	Total	SF	MF	Total
2004	4	2	6	4	22	26	22	0	22	170	15	185	241	39	280
2005	3	4	7	9	0	9	6	0	6	153	55	208	195	59	254
2006	4	6	10	6	0	6	7	2	9	159	60	219	204	68	272
2007	3	6	9	2	0	2	6	2	8	79	3	82	111	11	122
2008	4	0	4	1	0	1	5	0	5	41	0	41	81	0	81
2009	1	0	1	1	0	1	3	0	3	19	0	19	38	0	38
2010	0	0	0	1	0	1	1	0	1	18	0	18	41	0	41
2011	0	0	0	1	0	1	2	0	2	14	40	54	25	40	65
2012	0	0	0	1	0	1	1	0	1	17	23	40	33	23	56
2013	3	0	3	1	0	1	1	0	1	21	12	33	32	12	44
2014	6	0	6	1	0	1	4	0	4	17	4	21	45	4	49
2015	0	0	0	1	0	1	4	0	4	14	36	50	33	36	69
Total	24	16	40	25	0	25	40	4	44	552	233	785	838	253	1,091
Summary	SF	MF	Total	SF	MF	Total	SF	MF	Total	SF	MF	Total	SF	MF	Total
2004-2007	11	12	23	19	22	41	35	2	37	482	130	612	640	166	806
2008-2011	5	0	5	4	0	4	11	0	11	92	40	132	185	40	225
2012-2015	9	0	9	4	0	4	10	0	10	69	75	144	143	75	218

¹Submarket totals do not sum to county total. County data includes data for Owatonna Township and Unincorporated Areas.
Sources: U.S. Census; Maxfield Research and Consulting LLC

Maxfield Research obtained data on the number of new construction housing units from 2000 through September 2016 from the Steele County Assessor. Table HC-2 displays the number of building permits issued for new construction of residential units by submarket in Steele County.

- The largest number of permits posted in each submarket occurred between 2000 and 2003. During this time period, Steele County recorded 1,087 permits, 49% of all permits for new construction of residential units issued between 2000 and September 2016.

HOUSING CHARACTERISTICS

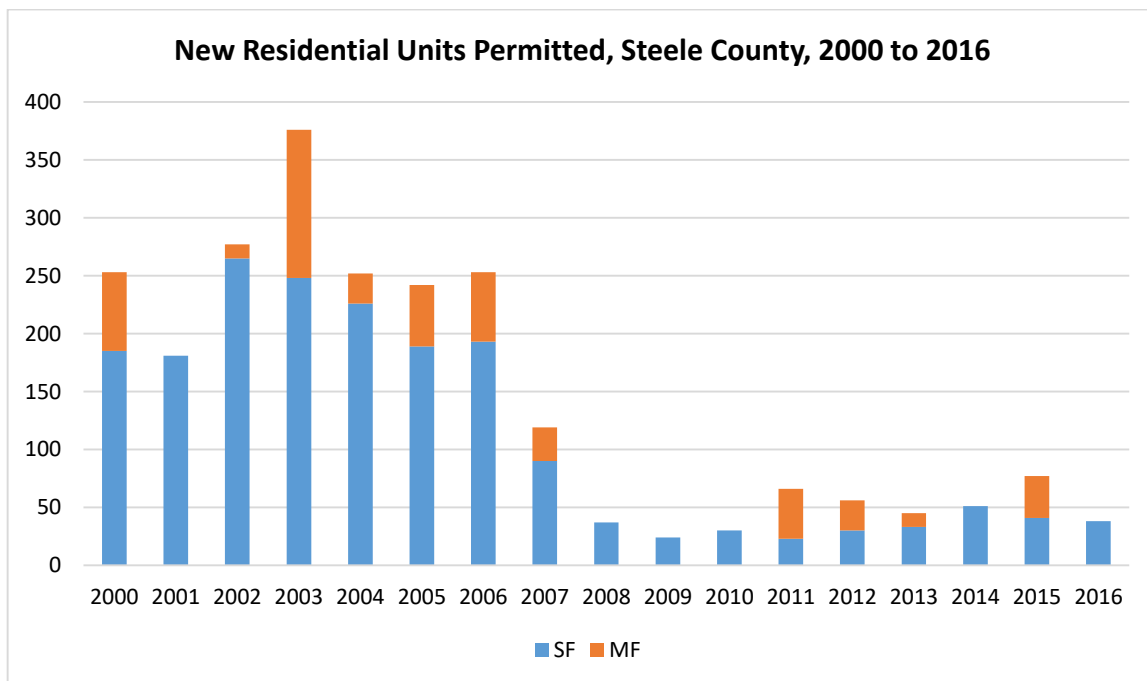
**HC-2
RESIDENTIAL CONSTRUCTION BUILDING PERMITS
STEELE COUNTY
2000-2015**

Year	Blooming Prairie Submarket			Ellendale Submarket			Medford Submarket			Owatonna Submarket			Steele County Total		
	SF	MF	Total	SF	MF	Total	SF	MF	Total	SF	MF	Total	SF	MF	Total
2000	1	0	1	1	0	1	3	0	3	180	68	248	185	68	253
2001	4	0	4	2	0	2	3	0	3	172	0	172	181	0	181
2002	10	0	10	5	0	5	11	0	11	239	12	251	265	12	277
2003	11	0	11	1	0	1	19	0	19	217	128	345	248	128	376
2004	20	0	20	1	0	1	0	0	0	205	26	231	226	26	252
2005	0	0	0	1	0	1	0	0	0	188	53	241	189	53	242
2006	0	0	0	0	0	0	0	0	0	193	60	253	193	60	253
2007	0	0	0	0	0	0	0	0	0	90	29	119	90	29	119
2008	0	0	0	0	0	0	0	0	0	37	0	37	37	0	37
2009	1	0	1	0	0	0	0	0	0	23	0	23	24	0	24
2010	4	0	4	3	0	3	1	0	1	22	0	22	30	0	30
2011	0	0	0	5	0	5	3	0	3	15	43	58	23	43	66
2012	3	0	3	2	0	2	3	0	3	22	26	48	30	26	56
2013	3	0	3	0	0	0	3	0	3	27	12	39	33	12	45
2014	12	0	12	4	0	4	7	0	7	28	0	28	51	0	51
2015	0	0	0	5	0	5	4	0	4	32	36	68	41	36	77
2016 ¹	3	0	3	2	0	2	3	0	3	30	0	30	38	0	38
Total	69	0	69	30	0	30	57	0	57	1,690	493	2,183	1,846	493	2,339

Summary	SF	MF	Total	SF	MF	Total	SF	MF	Total	SF	MF	Total	SF	MF	Total
2000-2003	26	0	26	9	0	9	36	0	36	808	208	1,016	879	208	1,087
2004-2007	20	0	20	2	0	2	0	0	0	586	139	725	608	139	747
2008-2011	5	0	5	8	0	8	4	0	4	97	43	140	114	43	157
2012-2015	18	0	18	11	0	11	17	0	17	109	74	183	155	74	229

¹ Through September 2016.
Sources: Steele County Assessor; Maxfield Research and Consulting LLC

- The number of permits dropped in all submarket from the number recorded in 2000 to 2003 to the number recorded in 2004 to 2007.



HOUSING CHARACTERISTICS

- In the three years following 2007, the Blooming Prairie and Owatonna submarkets experienced their lowest number of permits with five issued in Blooming Prairie and 140 issued in Owatonna. However, the Ellendale and Medford submarkets experienced a slight increase in single family permits during the same time period.
- All submarkets saw an increase in the number of permits issues from 2012 to 2015 over the number of permits issued from 2008 to 2011.

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 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 2010 and 2014. It should be noted that all ACS surveys are subject to sampling error and uncertainty. The ACS reports margins of errors (MOEs) with estimates for most standard census geographies. The MOE is shown by reliability from low, medium to high. Due to the MOE, 2014 ACS data may have inconsistencies with previous 2010 Census data.

Tables HC-3 through HC-11 show key data from the American Community Survey for Steele County. For a comparison, information for Steele County is broken down by submarket.

Occupied Housing Units by Tenure

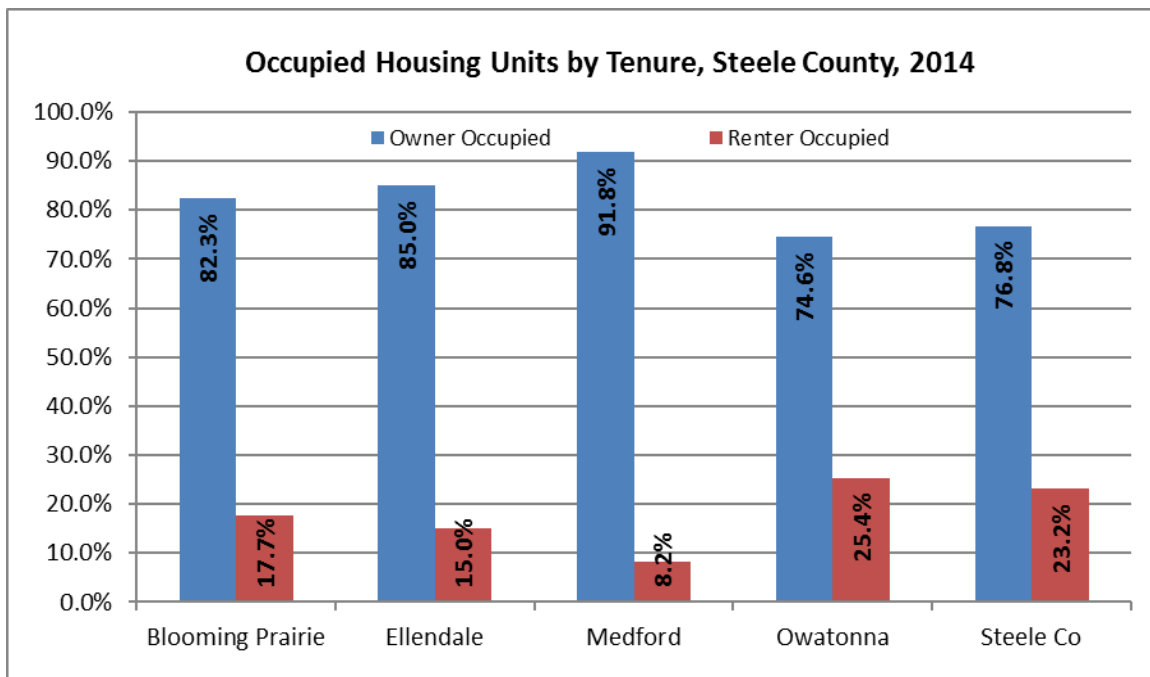
Tenure is a key variable that analyzes the propensity for householders to rent or own their housing unit. Tenure is an integral statistic used by numerous governmental agencies and private sector industries to assess neighborhood stability. Table HC-2 shows the tenure by occupied housing units in 2014.

- In the Medford submarket, nearly 92% of the occupied housing units are owner-occupied, the highest among all submarkets.
- The Owatonna submarket reported nearly 75% of occupied housing units as owner-occupied. This was the lowest proportion of owner-occupied units across all submarkets as larger communities tend to have higher renter populations than smaller and more rural areas.
- The proportion of owner and renter occupied units in the county closely reflects the trend in the Owatonna submarket, with almost 77% of Steele County housing units being owner-occupied.

HOUSING CHARACTERISTICS

Year/Occupancy	Blooming Prairie		Ellendale		Medford		Owatonna		Total Steele	
	No.	Pct.	No.	Pct.	Pct.	Pct.	Pct.	Pct.	No.	Pct.
Owner Occupied	937	82.3%	503	85.0%	882	91.8%	8,689	74.6%	11,011	76.8%
Renter Occupied	201	17.7%	89	15.0%	79	8.2%	2,959	25.4%	3,328	23.2%
Total	1,138	100.0%	592	100.0%	961	100.0%	11,648	100.0%	14,339	100.0%

Sources: U.S. Census Bureau-American Community Survey; Maxfield Research and Consulting, LLC



Age of Housing Stock

The following graph shows the age distribution of the housing stock based on data from the U.S. Census Bureau and the American Community Survey (5-Year estimates). Table HC-3 includes the number of housing units built in Steele County by decade.

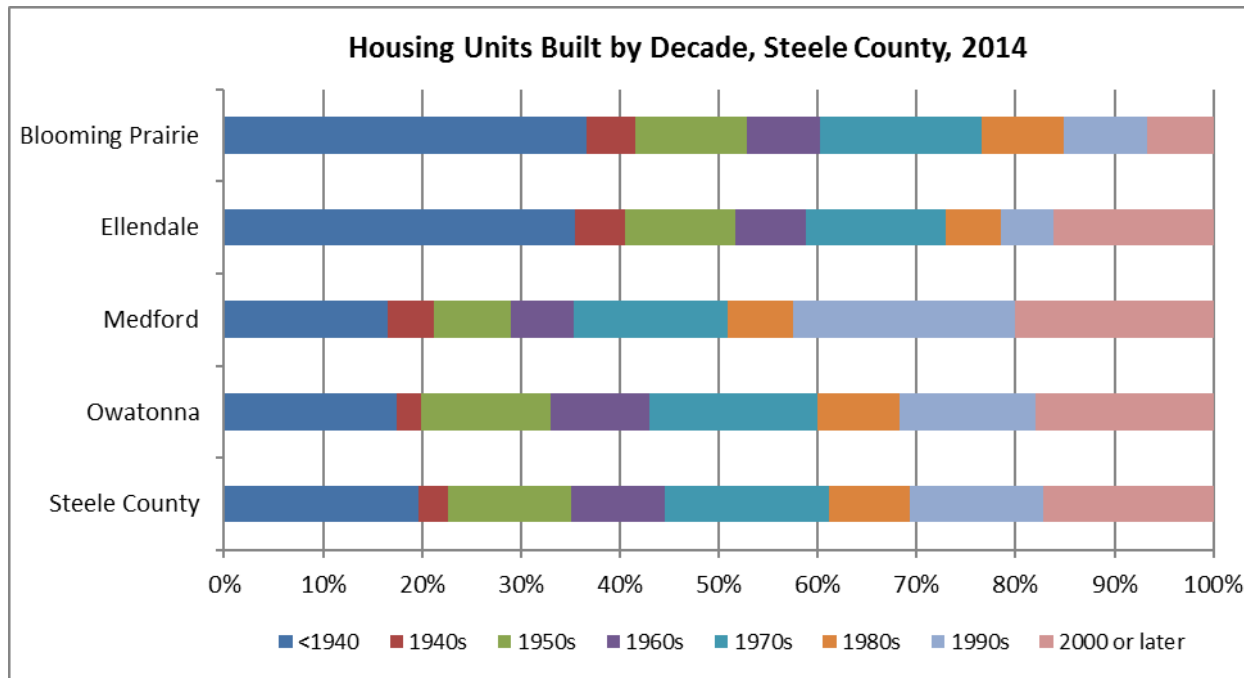
- In Steele County, no decade posted for more than 20% of the housing stock. The largest proportion of the housing stock was built before 1940 (19.6%), followed by the year 2000 or later (17.2%) and the 1970s (16.7%).
- Blooming Prairie and Ellendale reported older housing stock than the county as a whole. In both these submarkets over 35% of the housing stock was constructed before 1940.
- The Medford submarket has some of the newest housing stock with 42% being built since 1990, compared to 31% in Steele County.

HOUSING CHARACTERISTICS

**TABLE HC-4
AGE OF HOUSING STOCK (OCCUPIED HOUSING UNITS)
STEELE COUNTY
2014**

	Total Units	Med. Yr. Built	Year Structure Built																	
			<1940		1940s		1950s		1960s		1970s		1980s		1990s		2000 to 2009		2010 or later	
			No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Blooming Prairie	1,138	1956	417	36.6%	56	4.9%	129	11.3%	83	7.3%	186	16.3%	95	8.3%	95	8.3%	70	6.2%	7	0.6%
Ellendale	592	1959	210	35.5%	30	5.1%	66	11.1%	42	7.1%	84	14.2%	33	5.6%	31	5.2%	85	14.4%	11	1.9%
Medford	961	1978	159	16.5%	45	4.7%	74	7.7%	61	6.3%	150	15.6%	64	6.7%	215	22.4%	190	19.8%	3	0.3%
Owatonna	11,648	1972	2,029	17.4%	295	2.5%	1,516	13.0%	1,169	10.0%	1,970	16.9%	975	8.4%	1,598	13.7%	2,059	17.7%	37	0.3%
Steele County Total	14,339	1973	2,815	19.6%	426	3.0%	1,785	12.4%	1,355	9.4%	2,390	16.7%	1,167	8.1%	1,939	13.5%	2,404	16.8%	58	0.4%

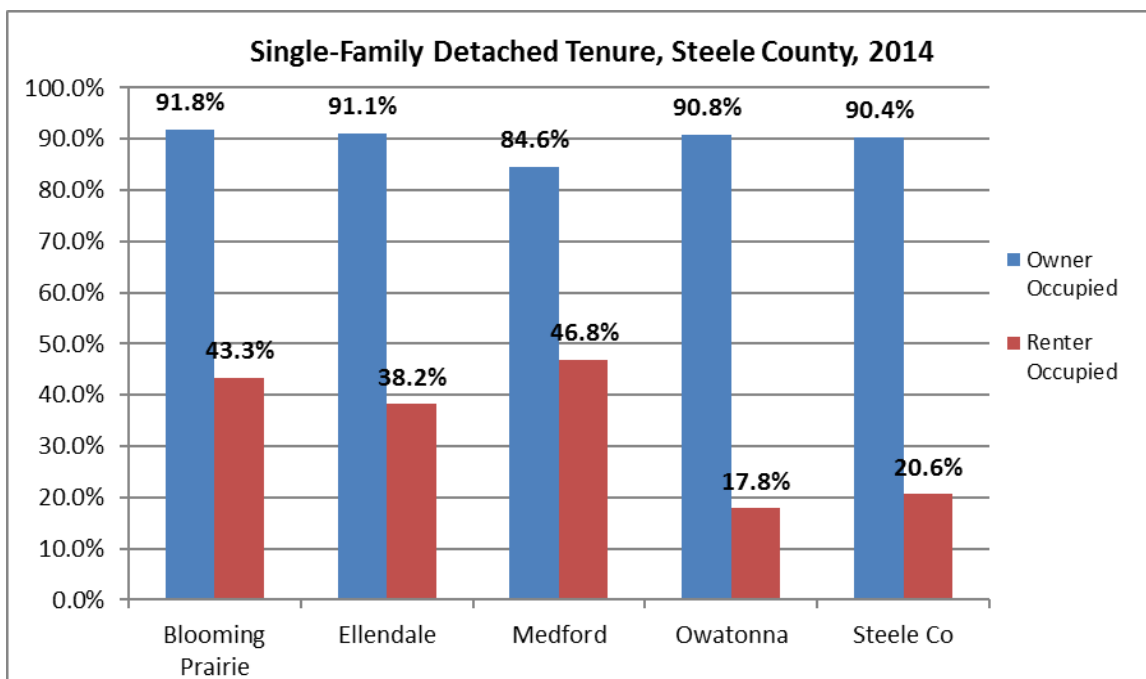
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC



Housing Units by Structure and Tenure

Table HC-4 shows the housing stock in Steele County by type of structure and tenure based on the 2010 to 2014 ACS estimates.

- Single-family detached units are the dominate housing type for owner-occupied units in Steel County, representing 90.4% of all owner-occupied units.
- Single-family detached units also make up a large share of the renter-occupied units across the county, particularly in submarkets outside Owatonna. Excluding the Owatonna submarket, single-family detached homes accounted for between 38% and 47% of rental housing units.
- Within the Owatonna submarket, rental units are more diverse compared to the three other submarkets. Single-family detached units represent the third largest rental category (17.8%). Structures with 10 to 19 units and 20 to 49 units represent the largest and second largest rental categories at 21.2% and 21.4%, respectively, of renter occupied units.



HOUSING CHARACTERISTICS

TABLE HC-5
HOUSING UNITS BY STRUCTURE & TENURE
STEELE COUNTY
2014

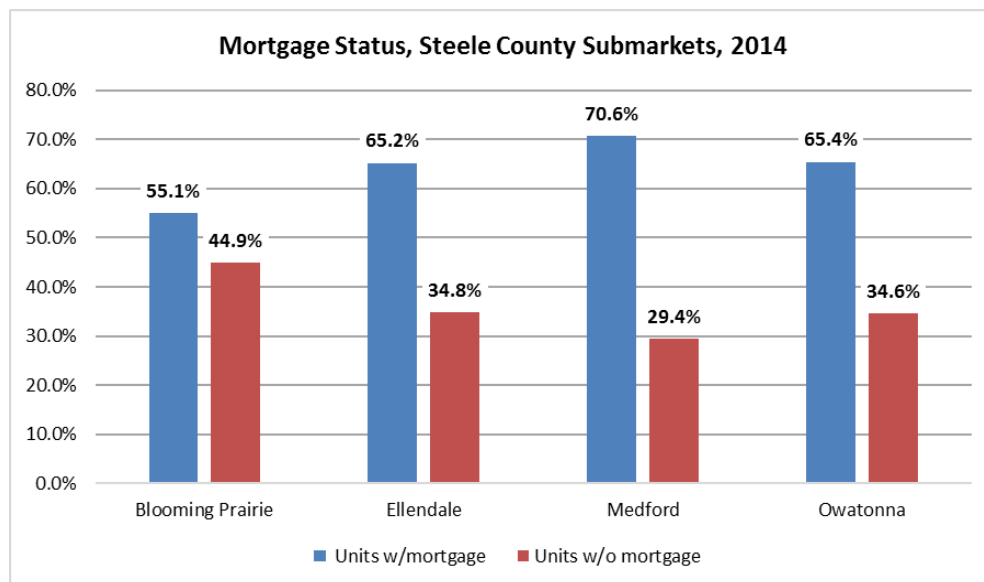
Units in Structure	Blooming Prairie				Ellendale				Medford				Owatonna				Steele County Total				State of MN	
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied %	Renter-Occupied %
1, detached	860	91.8%	87	43.3%	458	91.1%	34	38.2%	746	84.6%	37	46.8%	7,887	90.8%	527	17.8%	9,951	90.4%	685	20.6%	85.1%	20.7%
1, attached	49	5.2%	0	0.0%	14	2.8%	5	5.6%	2	0.2%	0	0.0%	326	3.8%	324	10.9%	391	3.6%	329	9.9%	7.7%	8.3%
2	11	1.2%	19	9.5%	8	1.6%	11	12.4%	4	0.5%	0	0.0%	70	0.8%	289	9.8%	93	0.8%	319	9.6%	0.7%	6.5%
3 to 4	0	0.0%	34	16.9%	0	0.0%	13	14.6%	0	0.0%	4	5.1%	4	0.0%	141	4.8%	4	0.0%	192	5.8%	0.5%	6.1%
5 to 9	0	0.0%	21	10.4%	0	0.0%	2	2.2%	0	0.0%	0	0.0%	0	0.0%	141	4.8%	0	0.0%	164	4.9%	0.4%	6.9%
10 to 19	0	0.0%	34	16.9%	0	0.0%	12	13.5%	0	0.0%	8	10.1%	12	0.1%	626	21.2%	12	0.1%	680	20.4%	0.3%	11.8%
20 to 49	0	0.0%	0	0.0%	0	0.0%	12	13.5%	0	0.0%	9	11.4%	26	0.3%	632	21.4%	26	0.2%	653	19.6%	0.6%	16.8%
50 or more	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	272	9.2%	0	0.0%	272	8.2%	1.3%	21.2%
Mobile home	17	1.8%	6	3.0%	23	4.6%	0	0.0%	130	14.7%	21	26.6%	364	4.2%	7	0.2%	534	4.8%	34	1.0%	3.4%	1.6%
Boat, RV, van, etc.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%	0.1%
Total	937	100%	201	100%	503	100%	89	100%	882	100%	79	100%	8,689	100%	2,959	100%	11,011	100%	3,328	100%	100%	100%

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC

Owner-Occupied Housing Units by Mortgage Status

Table HC-5 shows mortgage status from the American Community Survey for 2014 (5-Year estimates). 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 is 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.

- Within Steele County, 65% of homes have a mortgage. This is comparable to the state proportion of 68.8% of homes with a mortgage.
- Blooming Prairie had the highest proportion of homes without a mortgage at 44.9%.
- Most homes did not carry a second mortgage or home equity loan. Of the 65% of homes in Steele County with a mortgage, 51.3% did not have a second mortgage or home equity loan.
- Where debt other than a mortgage was reported, it was most likely to be a home equity loan only, with 10% of homes with a mortgage in Steele County carrying a home equity loan.
- Housing units with a mortgage reported a higher median value than those without a mortgage in each submarket. However, the difference was minimal in the Blooming Prairie and Medford submarkets. In the Owatonna submarket the median value was nearly \$30,000 more for housing units with mortgage and in the Medford submarket, housing units with a mortgage had a median value over \$55,000 greater than those without a mortgage.



HOUSING CHARACTERISTICS

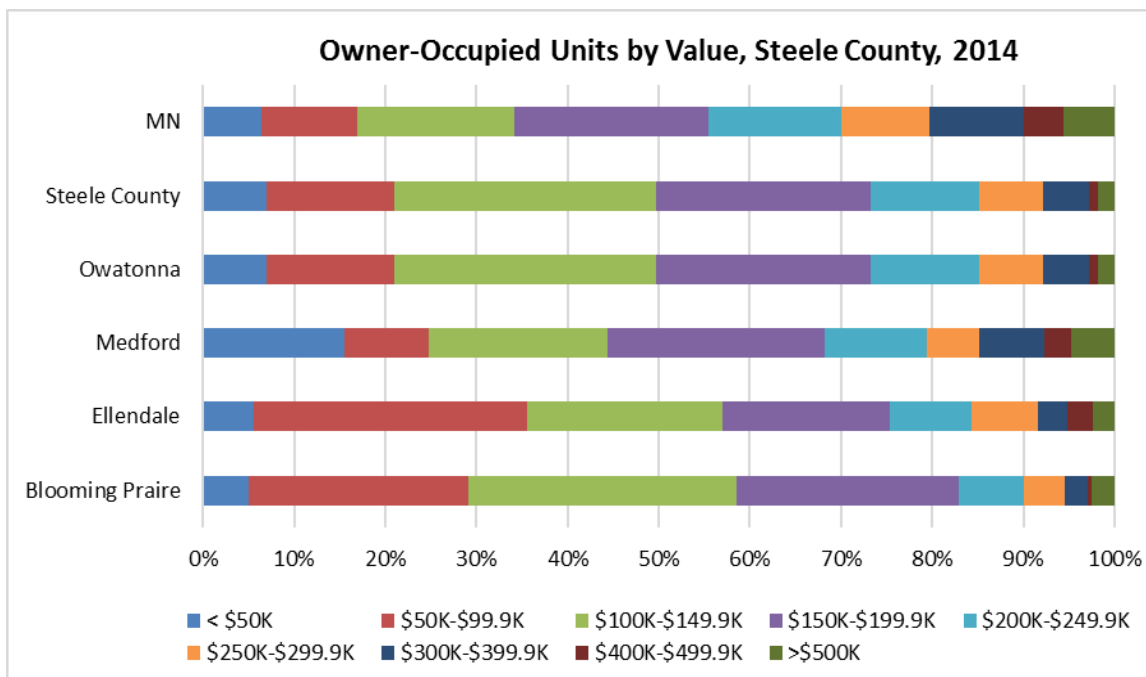
**TABLE HC-6
OWNER-OCCUPIED HOUSING UNITS BY MORTGAGE STATUS
STEELE COUNTY
2014**

Mortgage Status	Blooming Prairie		Ellendale		Medford		Owatonna		Total Steele		MN
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Housing units without a mortgage	421	44.9	175	34.8	259	29.4	3,003	34.6	3,858	35.0	31.2
Housing units with a mortgage/debt	516	55.1	328	65.2	623	70.6	5,686	65.4	7,153	65.0	68.8
<i>Second mortgage only</i>	5	0.5	29	5.8	28	3.2	290	3.3	352	3.2	4.3
<i>Home equity loan only</i>	79	8.4	24	4.8	99	11.2	903	10.4	1,105	10.0	11.4
<i>Both second mortgage and equity loan</i>	1	0.1	0	0.0	8	0.9	39	0.4	48	0.4	0.6
<i>No second mortgage or equity loan</i>	431	46.0	275	54.7	488	55.3	4454	51.3	5,648	51.3	52.5
Total	937	100.0	503	100.0	882	100.0	8,689	100.0	11,011	100.0	100.0
Average Value by Mortgage Status											
Housing units with a mortgage	\$138,297		\$136,448		\$167,963		\$163,865		\$159,700		\$193,400
Housing units without a mortgage	\$136,409		\$136,621		\$111,323		\$135,393		\$131,500		\$166,600
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and 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. Values include homes and mobile homes outside city limits, where values are likely lower compared to homes within city limits.

- The highest median home value was reported in Owatonna, \$154,020, while the lowest was reported in Blooming Prairie at \$133,831 in 2014.
- Within Steele County, over half of homes (52%) were valued between \$100,000 and \$199,999. Similar proportions were reported in the Owatonna submarket (52%) and the Blooming Prairie submarket (54%). Ellendale and Medford reported 40% and 43% of homes, respectively, falling in this price range.
- Ellendale reported 30% of homes valued between \$50,000 and \$99,999, the highest proportion in this bracket among all submarkets and significantly higher than the Steele County proportion of 14%.
- The Medford reported 16% of the homes were valued below \$50,000. This was the highest proportion in all submarkets, and higher than the Steele County proportion of 7%.
- At the same time, 32% of Medford’s homes were valued over \$200,000, the highest proportion among all submarkets. Throughout Steele County, 27% of homes were valued over \$200,000.



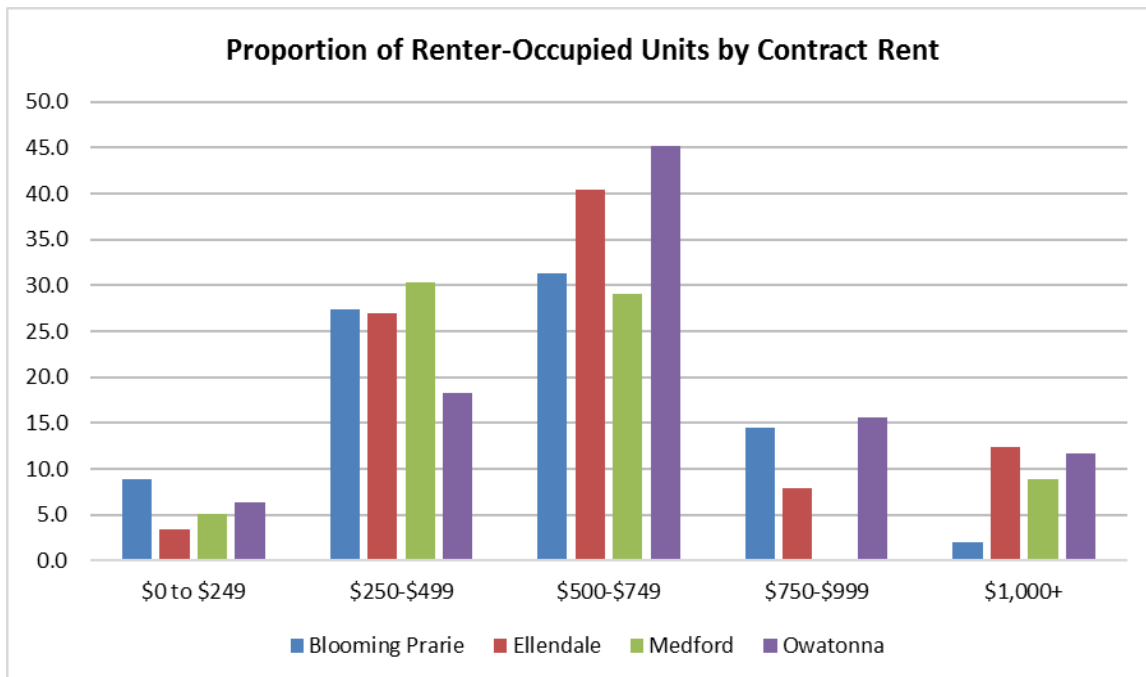
HOUSING CHARACTERISTICS

TABLE HC-7 OWNER-OCCUPIED UNITS BY VALUE STEELE COUNTY 2014											
Home Value	Blooming Praire		Ellendale		Medford		Owatonna		Total Steele		MN
	No.	Pct.	No.	Pct.	Pct.	Pct.	Pct.	Pct.	No.	Pct.	Pct.
Less than \$50,000	47	5.0	28	5.6	137	15.5	562	6.5	774	7.0	6.4
\$50,000-\$99,999	226	24.1	151	30.0	82	9.3	1,074	12.4	1,533	13.9	10.6
\$100,000-\$149,999	275	29.3	108	21.5	172	19.5	2,604	30.0	3,159	28.7	17.2
\$150,000-\$199,999	229	24.4	92	18.3	210	23.8	2,070	23.8	2,601	23.6	21.2
\$200,000-\$249,999	67	7.2	45	8.9	99	11.2	1,100	12.7	1,311	11.9	14.6
\$250,000-\$299,999	42	4.5	37	7.4	51	5.8	647	7.4	777	7.1	9.7
\$300,000-\$399,999	24	2.6	16	3.2	63	7.1	448	5.2	551	5.0	10.3
\$400,000-\$499,999	4	0.4	14	2.8	26	2.9	65	0.7	109	1.0	4.4
Greater than \$500,000	23	2.5	12	2.4	42	4.8	119	1.4	196	1.8	5.6
Total	937	100.0	503	100.0	882	100.0	8,689	100.0	11,011	100.0	100.0
Median Home Value	\$133,831		\$138,021		\$142,583		\$154,020		\$150,600		\$185,200
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC											

Renter-Occupied Units by Contract Rent

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

- Steele County residents were most likely to pay between \$500 and \$749 in monthly rent, with 43.8% of renter occupied units reporting rents in this range.
- Only 2.0% of renter occupied units in Blooming Prairie charged over \$1,000 in rent. However, 12.4% of rentals in Ellendale were offered with rents over \$1000.



- Blooming Prairie, Ellendale and Medford reported between 27% and 30% of renter occupied units with a contract rent of \$250 to \$499, compared to only 18.2% in Owatonna.
- Housing units without payment of rent (“no cash rent”) make up 4.5% of Steele County renters. The proportion was significantly higher in Blooming Prairie (15.9%) and Medford (26.66%). 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.

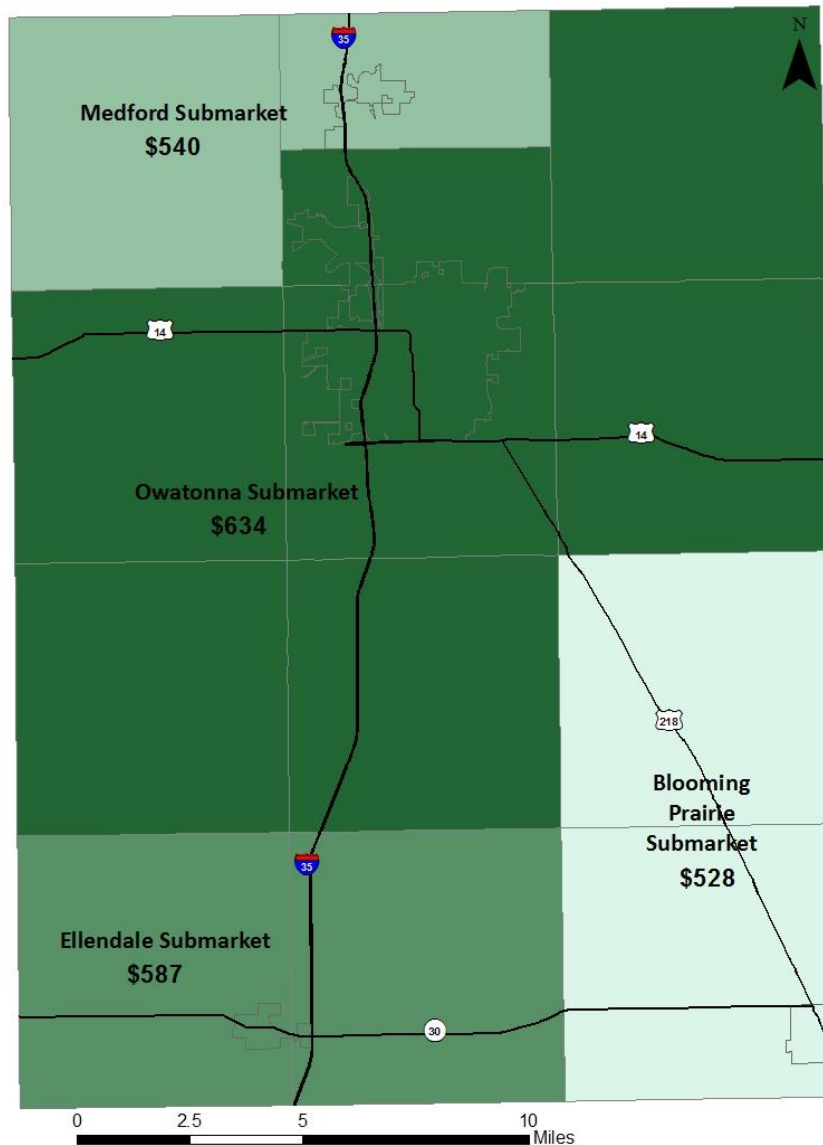
HOUSING CHARACTERISTICS

**TABLE HC-8
RENTER-OCCUPIED UNITS BY CONTRACT RENT
STEELE COUNTY
2014**

Contract Rent	Blooming Prairie		Ellendale		Medford		Owatonna		Total Steele		MN
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	Pct.	Pct.	Pct.
No Cash Rent	32	15.9	8	9.0	21	26.6	88	3.0	149	4.5	4.7
Cash Rent	169	84.1	81	91.0	58	73.4	2871	97.0	3,179	95.5	95.3
\$0 to \$249	18	9.0	3	3.4	4	5.1	190	6.4	215	6.5	7.7
\$250-\$499	55	27.4	24	27.0	24	30.4	540	18.2	643	19.3	14.5
\$500-\$749	63	31.3	36	40.4	23	29.1	1336	45.2	1,458	43.8	28.2
\$750-\$999	29	14.4	7	7.9	0	0.0	461	15.6	497	14.9	24.8
\$1,000+	4	2.0	11	12.4	7	8.9	344	11.6	366	11.0	24.8
Total	201	100.0	89	100.0	79	100.0	2959	100.0	3,328	100.0	100.0
Median Contract Rent	\$528		\$587		\$540		\$634		\$627		\$747

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC

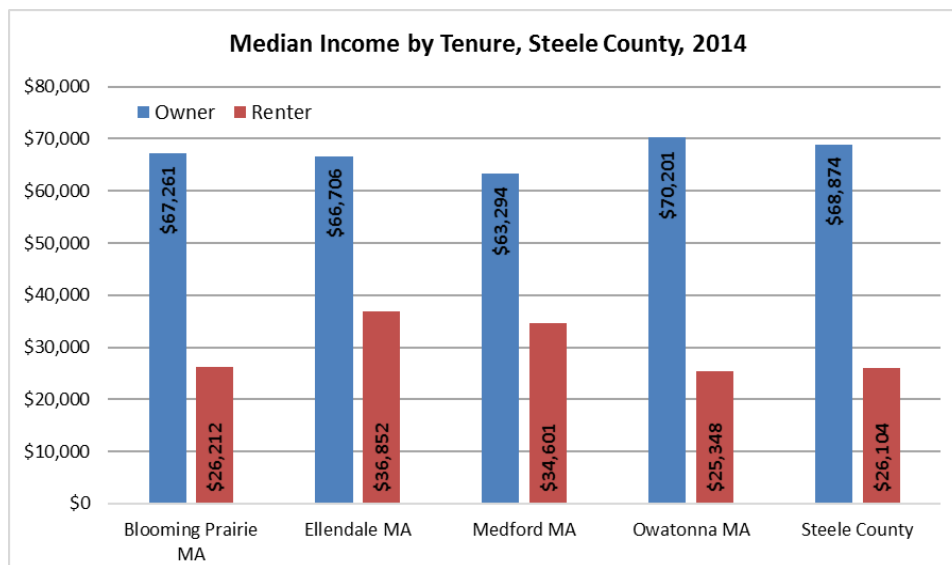
Median Contract Rent, Steele County Market Areas, 2014



Tenure by Household Income

Table HC-8 presents information on tenure by household incomes in Steele County. Data was obtained through the American Community Survey for years 2010-2014.

- Households in Steele County earning less than \$15,000 annually are likely to be renters, with 61.8% of Steele County households with incomes below \$15,000 are renter-occupied.
- As incomes rise, the proportion of owner-occupied units increases as well. In the Owatonna submarket the proportion of owner and renter occupied is nearly 50% for households earning between \$15,000 and \$24,999. When incomes reached \$25,000 to \$34,999, more owner households are reported than renter households in the Owatonna submarket, with 57.8% of households in this income bracket being owner occupied.
- However, in the remaining submarkets households are likely to be owner-occupied at lower household incomes compared to the Owatonna submarket. In the Medford and Ellendale submarkets, over 60% of households were owner-occupied at all income levels.
- A portion of renter households are referred to as lifestyle renters, those who are financially able to own a home but choose to rent. Lifestyle renters typically have household incomes above \$50,000. Within Steele County nearly 20% of renters have incomes of \$50,000 or greater.
- Median incomes for renter-occupied households were nearly half of the median incomes of owner-occupied households in all submarkets. The highest median income reported was among owner-occupied households of the Owatonna submarket (\$70,201), while the lowest median income was reported for renter-occupied households also in the Owatonna submarket (\$25,348).



HOUSING CHARACTERISTICS

TABLE HC-9
TENURE BY HOUSEHOLD INCOME
STEELE COUNTY
2014

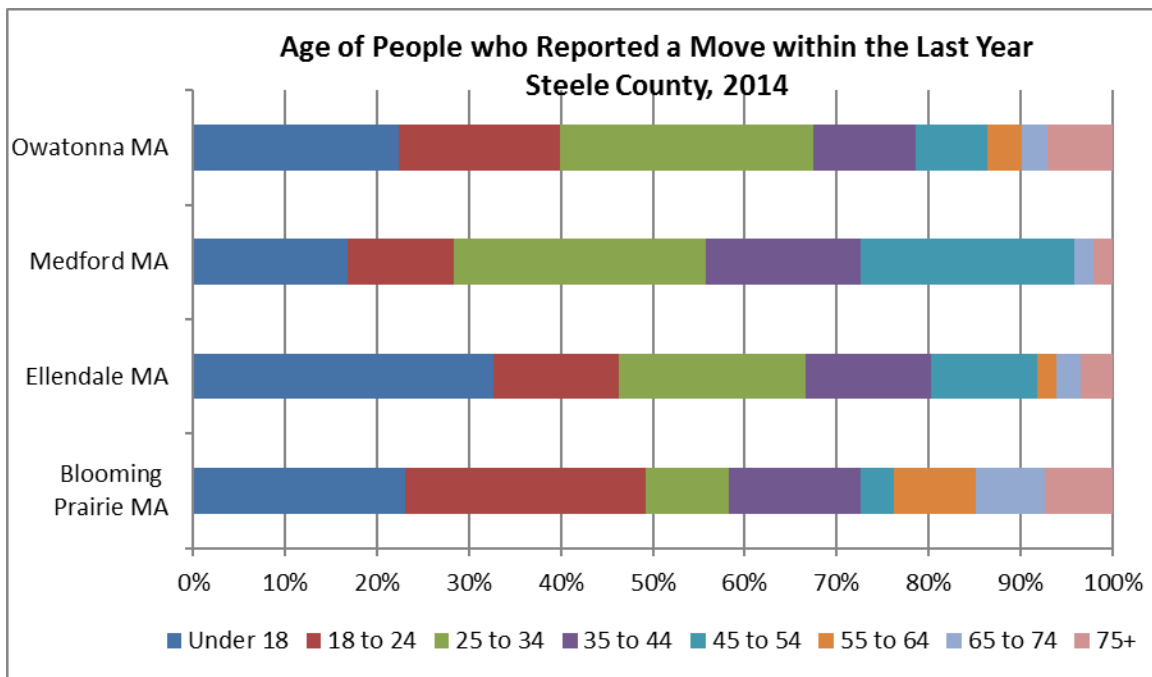
Income	Blooming Prairie MA				Ellendale MA				Medford MA				Owatonna MA				Steele County				State of MN	
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Renter-Occupied
Less than \$15,000	56	45.5%	67	54.5%	21	61.8%	13	38.2%	59	84.3%	11	15.7%	467	34.6%	884	65.4%	603	38.2%	975	61.8%	34.4%	66%
\$15,000 to \$24,999	67	65.7%	35	34.3%	42	72.4%	16	27.6%	53	65.4%	28	34.6%	578	50.1%	576	49.9%	740	53.0%	655	47.0%	48.2%	52%
\$25,000 to \$34,999	81	82.7%	17	17.3%	40	60.6%	26	39.4%	92	94.8%	5	5.2%	657	57.8%	480	42.2%	870	62.2%	528	37.8%	57.9%	42%
\$35,000 to \$49,999	89	68.5%	41	31.5%	57	82.6%	12	17.4%	134	93.1%	10	6.9%	1,201	73.1%	443	26.9%	1,481	74.5%	506	25.5%	66.3%	34%
\$50,000 to \$74,999	262	86.8%	40	13.2%	130	90.9%	13	9.1%	199	94.8%	11	5.2%	1,885	84.3%	351	15.7%	2,476	85.6%	415	14.4%	76.6%	23%
\$75,000 to \$99,999	210	99.5%	1	0.5%	111	94.1%	7	5.9%	142	94.0%	9	6.0%	1,581	91.4%	148	8.6%	2,044	92.5%	165	7.5%	85.5%	14%
\$100,000 to \$149,999	118	100%	0	0.0%	68	97.1%	2	2.9%	150	97.4%	4	2.6%	1,494	97.8%	34	2.2%	1,830	97.9%	40	2.1%	90.9%	9%
\$150,000+	54	100%	0	0.0%	34	#####	0	0.0%	53	98.1%	1	1.9%	826	95.1%	43	4.9%	967	95.6%	44	4.4%	94.9%	5%
Total	937	82.3%	201	17.7%	503	85.0%	89	15.0%	882	91.8%	79	8.2%	8,689	74.6%	2,959	25.4%	11,011	76.8%	3,328	23.2%	72.1%	28%
Median Income	\$67,261		\$26,212		\$66,706		\$36,852		\$63,294		\$34,601		\$70,201		\$25,348		\$68,874		\$26,104		\$74,687	\$31,748

Source: American Community Survey; Maxfield Research and Consulting, LLC

Mobility in the Past Year

Table HC-9 shows the mobility patterns of Steele County residents. The information reflects the proportion of residents that reported a move within the last year at the time the ACS survey was conducted. The table presents the estimates of mobility within the last year based on five years of data collection, 2010-2014.

- The majority of Steele County residents (88%) did not move during the last year. The Owatonna submarket reported the highest mobility, with 13.2% of residents in this submarket reporting a move.
- Among Steele County residents that moved, they were most likely to move within the county (7.1%).
- Of those who reported a move, 28.6% were between the ages of 18 and 24 and 25.9% were age 25 to 34.
- Mobility experiences a slight uptick in each submarket among those over age 75. This likely reflects a need, or desire to, downsize homes among retirees. This cohort may move to smaller homes, a senior living facility or to another area to be closer to family.



HOUSING CHARACTERISTICS

**TABLE HC-10
MOBILITY IN THE PAST YEAR BY AGE FOR CURRENT RESIDENCE
STEELE COUNTY
2014**

Age	Not Moved		Moved							
	Same House		Within Same County		Different County		Different State		Abroad	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Bloomington MA										
Under 18	604	91.1%	36	5.4%	23	3.5%	0	0.0%	0	0.0%
18 to 24	126	65.3%	51	26.4%	16	8.3%	0	0.0%	0	0.0%
25 to 34	244	91.4%	8	3.0%	15	5.6%	0	0.0%	0	0.0%
35 to 44	244	86.8%	14	5.0%	23	8.2%	0	0.0%	0	0.0%
45 to 54	345	97.5%	5	1.4%	4	1.1%	0	0.0%	0	0.0%
55 to 64	434	95.0%	23	5.0%	0	0.0%	0	0.0%	0	0.0%
65 to 74	253	93.0%	15	5.5%	4	1.5%	0	0.0%	0	0.0%
75+	309	94.2%	11	3.4%	8	2.4%	0	0.0%	0	0.0%
Total	2,559	91%	163	5.8%	93	3.3%	0	0.0%	0	0.0%
Ellendale MA										
Under 18	340	87.6%	30	7.7%	18	4.6%	0	0.0%	0	0.0%
18 to 24	73	78.5%	17	18.3%	2	2.2%	0	0.0%	1	1.1%
25 to 34	171	85.1%	20	10.0%	8	4.0%	2	1.0%	0	0.0%
35 to 44	131	86.8%	10	6.6%	10	6.6%	0	0.0%	0	0.0%
45 to 54	217	92.7%	17	7.3%	0	0.0%	0	0.0%	0	0.0%
55 to 64	235	98.7%	1	0.4%	0	0.0%	0	0.0%	2	0.8%
65 to 74	98	96.1%	2	2.0%	0	0.0%	2	2.0%	0	0.0%
75+	120	96.0%	3	2.4%	2	1.6%	0	0.0%	0	0.0%
Total	1,385	90.4%	100	6.5%	40	2.6%	4	0.3%	3	0.2%
Medford MA										
Under 18	778	98.0%	16	2.0%	0	0.0%	0	0.0%	0	0.0%
18 to 24	193	94.6%	6	2.9%	4	2.0%	1	0.5%	0	0.0%
25 to 34	309	92.2%	14	4.2%	12	3.6%	0	0.0%	0	0.0%
35 to 44	359	95.7%	9	2.4%	7	1.9%	0	0.0%	0	0.0%
45 to 54	363	94.3%	12	3.1%	4	1.0%	6	1.6%	0	0.0%
55 to 64	302	100.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
65 to 74	179	98.9%	0	0.0%	0	0.0%	2	1.1%	0	0.0%
75+	135	98.5%	0	0.0%	0	0.0%	2	1.5%	0	0.0%
Total	2,618	96.5%	57	2.1%	27	1.0%	11	0.4%	0	0.0%
Owatonna MA										
Under 18	6,257	87.9%	425	6.0%	273	3.8%	113	1.6%	47	0.7%
18 to 24	1,538	69.5%	457	20.7%	192	8.7%	7	0.3%	19	0.9%
25 to 34	2,523	70.5%	621	17.4%	295	8.2%	139	3.9%	0	0.0%
35 to 44	3,300	88.6%	210	5.6%	119	3.2%	60	1.6%	36	1.0%
45 to 54	4,020	93.0%	154	3.6%	22	0.5%	127	2.9%	0	0.0%
55 to 64	3,427	96.0%	59	1.7%	56	1.6%	23	0.6%	5	0.1%
65 to 74	2,137	95.3%	59	2.6%	2	0.1%	45	2.0%	0	0.0%
75+	1,914	87.6%	238	10.9%	26	1.2%	7	0.3%	0	0.0%
Total	25,116	86.8%	2,223	7.7%	985	3.4%	521	1.8%	107	0.4%
Total Steele County										
Under 18	7,979	89.1%	507	5.7%	314	3.5%	113	1.3%	47	0.5%
18 to 24	1,930	71.4%	531	19.6%	214	7.9%	8	0.3%	20	0.7%
25 to 34	3,247	74.1%	663	15.1%	330	7.5%	141	3.2%	0	0.0%
35 to 44	4,034	89.0%	243	5.4%	159	3.5%	60	1.3%	36	0.8%
45 to 54	4,945	93.4%	188	3.5%	30	0.6%	133	2.5%	0	0.0%
55 to 64	4,398	96.3%	83	1.8%	56	1.2%	23	0.5%	7	0.2%
65 to 74	2,667	95.3%	76	2.7%	6	0.2%	49	1.8%	0	0.0%
75+	2,478	89.3%	252	9.1%	36	1.3%	9	0.3%	0	0.0%
Total	31,678	88.0%	2,543	7.1%	1,145	3.2%	536	1.5%	110	0.3%

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC

Summary of Housing Characteristics

- The number of building permits issued for new residential units in Steele County continues to reflect the impact of the Great Recession. Building permits dropped from 806 new residential construction units permitted from 2004 to 2007 to 225 residential units permitted from 2008 to 2011 and 218 from 2012 to 2015.
- Owner-occupied, single-family detached units account for the largest share of housing in Steele County. Within the county, 76.8% of housing units are owner-occupied and 90.4% of owner-occupied units are single-family detached units.
- The age of the housing stock varies by submarket in Steele County. The median year built was 1956 in the Blooming Prairie submarket, but was as late as 1978 in the Medford submarket.
- Most homes, 65%, in Steele County carry a mortgage and homes with a mortgage reported a higher median value, \$159,700, compared to homes without a mortgage, \$131,500, in Steele County.
- Median contract rents ranged between \$528 and \$587 in Blooming Prairie, Ellendale and Medford, however, the median contract rent in Owatonna was higher at \$634.

Employment Trends

Employment characteristics are an important component in assessing housing needs in any given market area. These trends are important to consider since job growth can generally fuel household and population growth as people generally desire to live near where they work. Long commute times have encouraged households to move closer to major employment centers.

Employment Growth and Projections

Table E-1 shows projected employment growth in Southeast Minnesota from 2012 to 2025 based on the most recent Minnesota Department of Employment and Economic Development (DEED) Employment Outlook projections. The 2025 forecast is based on 2012-2022 industry projections for the Southeast Minnesota Planning area. The Southeast Minnesota Planning area consists of the following 11 Minnesota Counties, Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, Winona.

- Through 2025 Southeast Minnesota is projected to experience an 8.4% increase in employment.
- The anticipated growth in the region likely reflects the development of the Destination Medical Center in Rochester.

TABLE E-1 EMPLOYMENT PROJECTIONS SOUTHEAST MINNESOTA 2012-2025					
				Change	
	2012	Forecast 2022	Forecast 2025	2012-2025	
	No.	No.	No.	No.	Pct.
Southeast Minnesota	262,725	279,634	284,707	21,982	8.4%

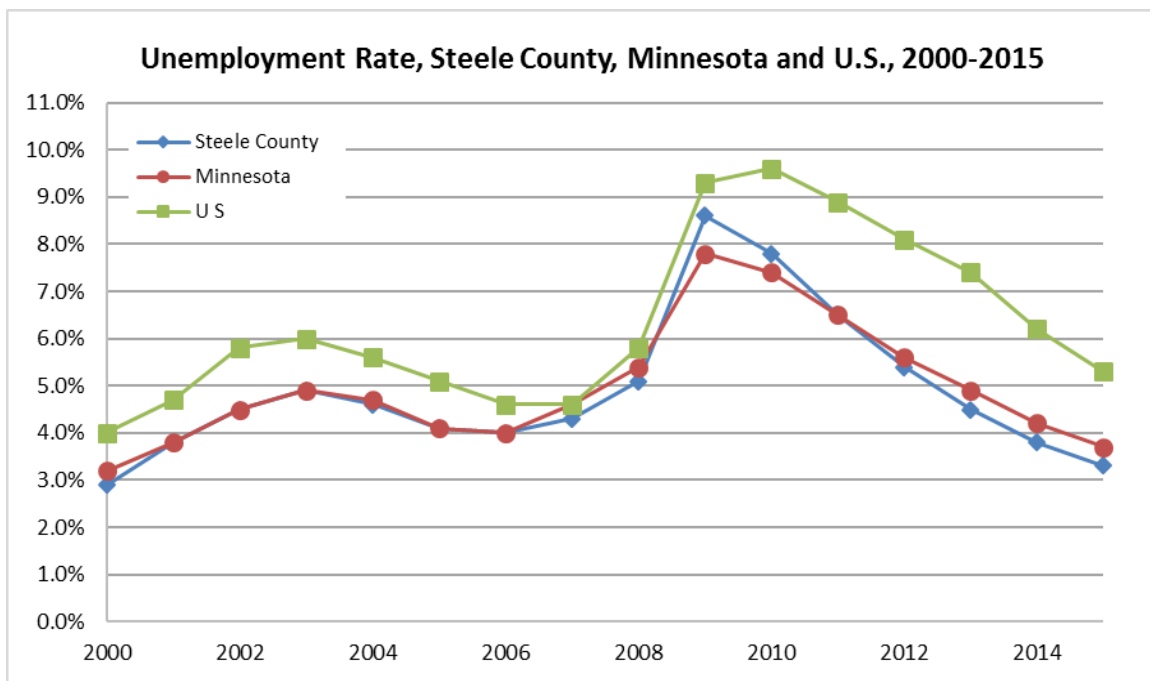
Sources: MN Dept of Employment and Economic Development; Maxfield Research and Consulting LLC

Resident Labor Force

Table E-2 presents resident employment data for Steele County from 2000 through 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 Steele County. The data is obtained from the Minnesota Department of Economic Development (MN DEED).

EMPLOYMENT TRENDS

- Between 2004 and 2013 the labor force in Steele County experienced an annually increase, averaging 1.2% a year in this time period, with annual changes ranging from 0.1% (2009) to 2.6% (2012). Since 2012, the labor force has shown a slight decline annually.
- The number of employed persons in Steele County has also grown, from just under 19,000 in 2000 to 20,545 in 2015. Annual growth in the number of employed persons has occurred each year since 2004, with the exception of 2009. Between 2008 and 2009 employment declined by 3.6%, likely caused by the economic recession effecting the country.
- The effects of the national economic recession are also reflected in the unemployment rate for Steele County. The unemployment rate climbs from 5.1% in 2008 to 8.6% in 2009.
- After peaking in 2009, a steady decline in unemployment is observed in Steele County. The unemployment rates dropped below 5% in 2013 for the first time since 2007.
- Since 2013 the unemployment rate has continued to fall and was reported at 3.3% for Steele County in 2015. An unemployment rate of 5% is considered full employment. Unemployment rates that fall below the full employment rate can create pressure to increase wages, which can be followed by rising inflation.



EMPLOYMENT TRENDS

TABLE E-2 ANNUAL AVERAGE RESIDENT EMPLOYMENT STEELE COUNTY 2000 to 2015				
Year	Labor Force	Employed	Unemployed	Rate
STEELE COUNTY				
2000	19,513	18,943	570	2.9%
2001	19,658	18,910	748	3.8%
2002	19,534	18,659	875	4.5%
2003	19,429	18,469	960	4.9%
2004	19,612	18,705	907	4.6%
2005	19,668	18,858	810	4.1%
2006	20,014	19,222	792	4.0%
2007	20,401	19,523	878	4.3%
2008	20,797	19,742	1,055	5.1%
2009	20,813	19,025	1,788	8.6%
2010	21,063	19,426	1,637	7.8%
2011	21,118	19,753	1,365	6.5%
2012	21,657	20,488	1,169	5.4%
2013	21,488	20,515	973	4.5%
2014	21,373	20,567	806	3.8%
2015	21,255	20,545	710	3.3%
Change 2000-2015				
Number	1,742	1,602	140	--
Percent	9.2%	8.5%	24.6%	--
MINNESOTA				
2010	2,938,795	2,721,194	88,829	4.1%
2014	2,982,750	2,858,592	124,157	3.8%
2015	3,010,366	2,898,863	111,502	3.2%
U.S.				
2010	153,888,583	139,063,916	14,824,750	9.6%
2014	155,921,833	146,305,333	9,616,416	6.2%
2015	157,129,916	148,833,416	8,296,333	5.3%
Not seasonally adjusted				
Sources: MN DEED, Maxfield Research and Consulting LLC				

Covered Employment by Industry

Table E-3 presents covered employment workforce numbers for Steele County from 2000 through 2015. *Covered employment* data is calculated as an annual average and *reveals the number of jobs in the designated area*, which are covered by unemployment insurance. Many temporary workforce positions, agricultural, 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 sourced from the Minnesota Department of Employment and Economic Development. The following are key trends derived from the employment data:

- The Manufacturing industry accounted for the largest share of employment in Steele County, with 5,646 employees accounting for 26.4% of employment. Although Manufacturing is still the largest employment industry, its share of employment has declined since 2000 when Manufacturing accounted for 34.5% of total employment.
- Between 2005 and 2015, the Professional and Business Services industry experienced the largest growth in the county, adding 2,195 employees, a 255.5% increase. In 2005, the Professional and Business Services industry accounted for only 4.3% of employees in the county. As a result of the growth in the industry, by 2015 it accounted for 15.4% of county employment and was the third largest employment industry in the county.
- The Education and Health Services industry and the Public Administration industry were the only other industries to report a growth in employees from 2005 to 2015, with each of these sectors growing over 11%.

Industry	Steele County Average Number of Employees				Change 2005 - 2015		% of Total			
	2000	2005	2010	2015	No.	Pct.	2000	2005	2010	2015
Natural Resources & Mining	137	141	165	88	-53	-37.6	0.7%	0.7%	0.8%	0.4%
Construction	871	779	543	575	-204	-26.2	4.4%	3.9%	2.7%	2.7%
Manufacturing	6,886	5,862	5,125	5,646	-216	-3.7	34.5%	29.5%	25.3%	26.4%
Trade, Transportation, and Utilities	3,928	4,387	4,169	4,038	-349	-8.0	19.7%	22.1%	20.6%	18.9%
Information	269	N/A	132	170	N/A	N/A	1.3%	N/A	0.7%	0.8%
Financial Services	1,961	1,982	2,051	1,855	-127	-6.4	9.8%	10.0%	10.1%	8.7%
Professional and Business Services	1,100	859	2,247	3,054	2,195	255.5	5.5%	4.3%	11.1%	14.3%
Education and Health Services	2,395	2,954	3,230	3,292	338	11.4	12.0%	14.9%	15.9%	15.4%
Leisure and Hospitality	1,424	1,765	1,525	1,547	-218	-12.4	7.1%	8.9%	7.5%	7.2%
Other Services	469	533	452	470	-63	-11.8	2.3%	2.7%	2.2%	2.2%
Public Administration	545	598	632	669	71	11.9	2.7%	3.0%	3.1%	3.1%
Totals	19,985	19,860	20,271	21,404	1,544	7.8				

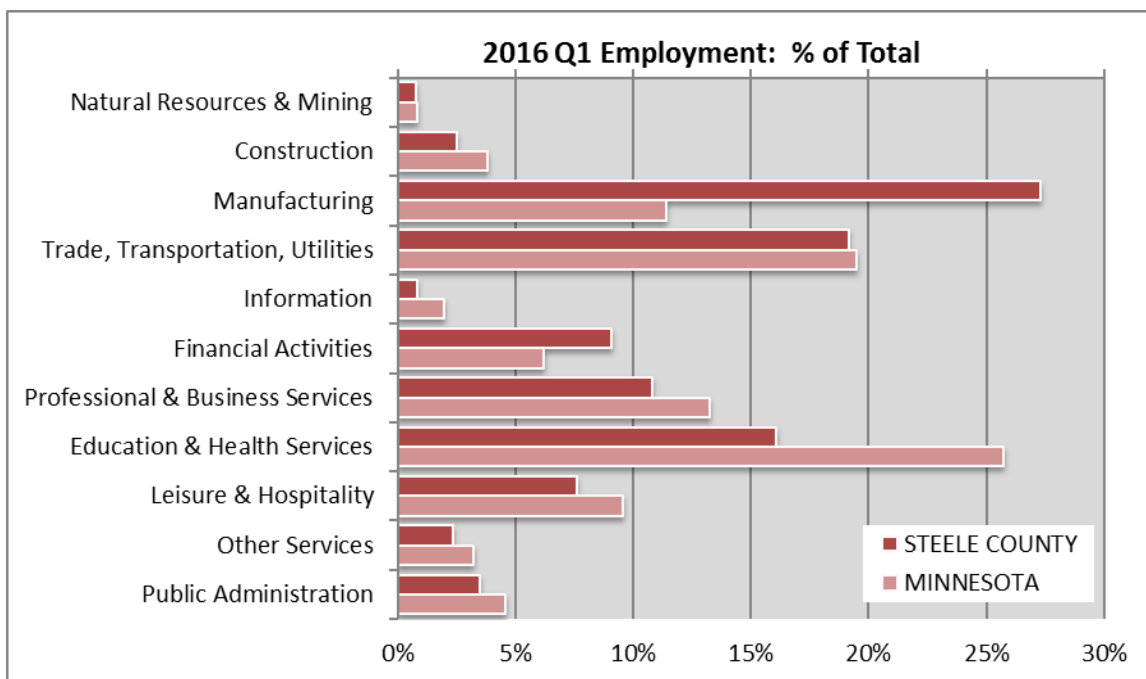
Source: MN DEED, Maxfield Research and Consulting LLC

Employment and Wages

Table E-4 displays information on employment and wages in the Steele County and Minnesota. The Quarterly Census of Employment and Wages (QCEW) data is sourced from Minnesota DEED for the first quarter of 2015 and 2016, the most recent annual data available. All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics quarterly to DEED. Federal government establishments are also covered by the QCEW program.

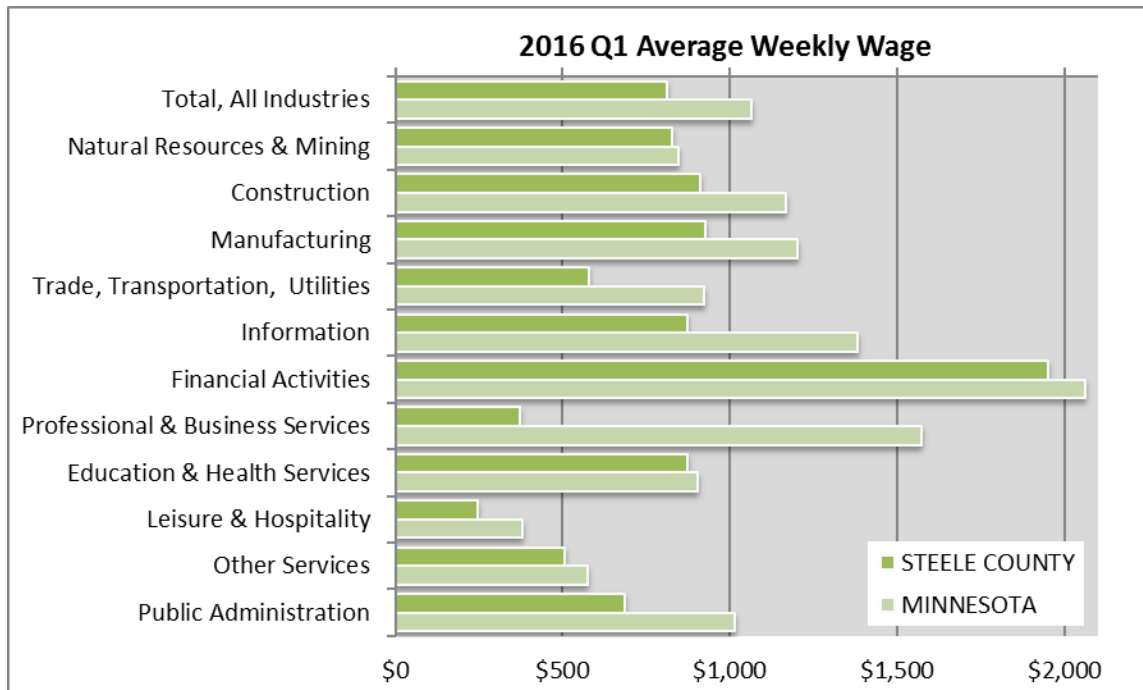
It should be noted that certain industries in the table may not display any information which means that there is either no reported economic activity for that industry or the data has been suppressed to protect the confidentiality of cooperating employers. This generally occurs when there are too few employers or one employer comprises too much of the employment in that geography.

- Within Steele County, the Financial Activities industry reported the highest weekly wage, \$1,950, or approximately \$101,400 annually.
- The Financial Activities industry accounts for 9% of the employment in the county. A large portion of the employment in the Financial Activities industry is due to the presence of Federated Insurance’s corporate office in Owatonna.
- Manufacturing is the largest employment sector in the county, accounting for 27% of employment. The Manufacturing industry offered the second highest weekly wage behind the Financial Activities sector at \$926, or approximately \$48,152 annually.



EMPLOYMENT TRENDS

- The Natural Resources and Mining industry experienced the largest proportional increase in employment and wages between the first quarters of 2015 and 2016. Employment in the Natural Resources industry increased by 132.4%, adding 90 jobs, while wages increased by 49.7% to \$825 in the first quarter of 2016. However, the Natural Resources and Mining industry accounted for less than 1% of employment in Steele County during the first quarter of 2016.
- Wages in the Steele County were lower in each industry category compared to the State of Minnesota.



EMPLOYMENT TRENDS

Industry	2015 Q1			2016 Q1			Change 2015 - 2016			
	Establish- ments	Employ- ment	Weekly Wage	Establish- ments	Employ- ment	Weekly Wage	Employment #	%	Wage #	%
STEELE COUNTY										
Total, All Industries	911	20,678	\$781	933	20,921	\$812	243	1.2%	\$31	4.0%
Natural Resources & Mining	18	68	\$551	20	158	\$825	90	132.4%	\$274	49.7%
Construction	101	491	\$913	98	524	\$912	33	6.7%	(\$1)	-0.1%
Manufacturing	67	5,536	\$974	71	5,716	\$926	180	3.3%	(\$48)	-4.9%
Trade, Transportation, Utilities	251	3,989	\$594	255	4,014	\$580	25	0.6%	(\$14)	-2.4%
Information	15	167	\$928	14	170	\$874	3	1.8%	(\$54)	-5.8%
Financial Activities	87	1,825	\$1,584	86	1,900	\$1,950	75	4.1%	\$366	23.1%
Professional & Business Services	80	2,662	\$361	82	2,259	\$371	-403	-15.1%	\$10	2.8%
Education & Health Services	106	3,404	\$828	103	3,362	\$871	-42	-1.2%	\$43	5.2%
Leisure & Hospitality	89	1,427	\$249	93	1,587	\$245	160	11.2%	(\$4)	-1.6%
Other Services	83	464	\$517	92	495	\$506	31	6.7%	(\$11)	-2.1%
Public Administration	14	643	\$752	19	730	\$685	87	13.5%	(\$67)	-8.9%
MINNESOTA										
Total, All Industries	162,321	2,699,405	\$1,078	159,739	2,743,641	\$1,065	44,236	1.6%	(\$13)	-1.2%
Natural Resources & Mining	2,847	24,545	\$931	2,834	23,211	\$845	-1,334	-5.4%	(\$86)	-9.2%
Construction	15,840	101,055	\$1,126	15,370	104,065	\$1,168	3,010	3.0%	\$42	3.7%
Manufacturing	7,953	313,068	\$1,240	8,118	313,298	\$1,201	230	0.1%	(\$39)	-3.1%
Trade, Transportation, Utilities	37,619	526,125	\$929	36,585	534,710	\$922	8,585	1.6%	(\$7)	-0.8%
Information	3,448	54,997	\$1,488	3,392	53,892	\$1,380	-1,105	-2.0%	(\$108)	-7.3%
Financial Activities	15,006	175,835	\$2,257	14,805	170,365	\$2,060	-5,470	-3.1%	(\$197)	-8.7%
Professional & Business Services	28,876	349,688	\$1,530	28,313	362,914	\$1,573	13,226	3.8%	\$43	2.8%
Education & Health Services	17,932	689,883	\$888	17,824	706,477	\$904	16,594	2.4%	\$16	1.8%
Leisure & Hospitality	14,041	254,912	\$372	14,056	262,349	\$381	7,437	2.9%	\$9	2.4%
Other Services	15,461	86,152	\$574	15,150	87,524	\$574	1,372	1.6%	\$0	0.0%
Public Administration	3,298	123,142	\$1,021	3,292	124,833	\$1,013	1,691	1.4%	(\$8)	-0.8%

Sources: Minnesota Department of Employment and Economic Development; Maxfield Research and Consulting LLC

Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live, since transportation costs often account for a considerable proportion of households' budgets. Tables E-5 highlights the commuting patterns of workers in Steele County in 2014 (the most recent data available), based on Employer-Household Dynamics data from the U.S. Census Bureau. Home destination is defined as where workers live who are employed in the selection area. Work destination is defined as where workers are employed who live in the selection area.

- As Table E-5 illustrates, 40.6% of workers who are employed in Steele County live in the City of Owatonna.
- Other cities within Steele County accounted for a small proportion of the home destination of workers in Steele County, Blooming Prairie was the home for 2.5% of Steele County workers, Medford was home to 1.6% of workers and Ellendale was home to 0.8%.

EMPLOYMENT TRENDS

- Further, 57.6% of workers who live in Steele County are employed in Owatonna. Faribault was the next largest work destination for Steele County residents, with 5.1% of workers living in Steele County commuting to Faribault.

**TABLE E-5
COMMUTING PATTERNS
Steele County
2014**

Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Owatonna city, MN	8,203	40.6%	Owatonna city, MN	9,946	57.6%
Faribault city, MN	748	3.7%	Faribault city, MN	885	5.1%
Waseca city, MN	553	2.7%	Rochester city, MN	548	3.2%
Blooming Prairie city, MN	511	2.5%	Blooming Prairie city, MN	414	2.4%
Austin city, MN	374	1.8%	Waseca city, MN	391	2.3%
Medford city, MN	315	1.6%	Austin city, MN	270	1.6%
Albert Lea city, MN	287	1.4%	Medford city, MN	256	1.5%
Minneapolis city, MN	204	1.0%	Northfield city, MN	229	1.3%
Ellendale city, MN	157	0.8%	Albert Lea city, MN	213	1.2%
Rochester city, MN	148	0.7%	Minneapolis city, MN	192	1.1%
All Other Locations	8,725	43.1%	All Other Locations	3,933	22.8%
Total All Jobs	20,225		Total All Jobs	17,277	

Home Destination = Where workers live who are employed in Steele County

Work Destination = Where workers are employed who live in Steele County

Sources: US Census Bureau On the Map; Maxfield Research and Consulting LLC

Inflow/Outflow

Table E-6 provides a summary of the inflow and outflow of workers of Steele County. Outflow reflects the number of workers living in the County but employed outside of the County while inflow measures the number of workers that are employed in the County but live outside.

- Steele County is a net importer of workers, with 9,003 commuting into the county compared to 6,055 workers leaving the county. In addition, 11,222 workers live and work in the county.
- Among outflow workers, 46.5% earned over \$3,333 per month, compared to 33.3% of inflow workers who earned over \$3,333.
- Inflow workers are more likely to be age 29 or younger (27.5%) compared to the outflow workers (24.6%) and interior flow workers (22.5%).

EMPLOYMENT TRENDS

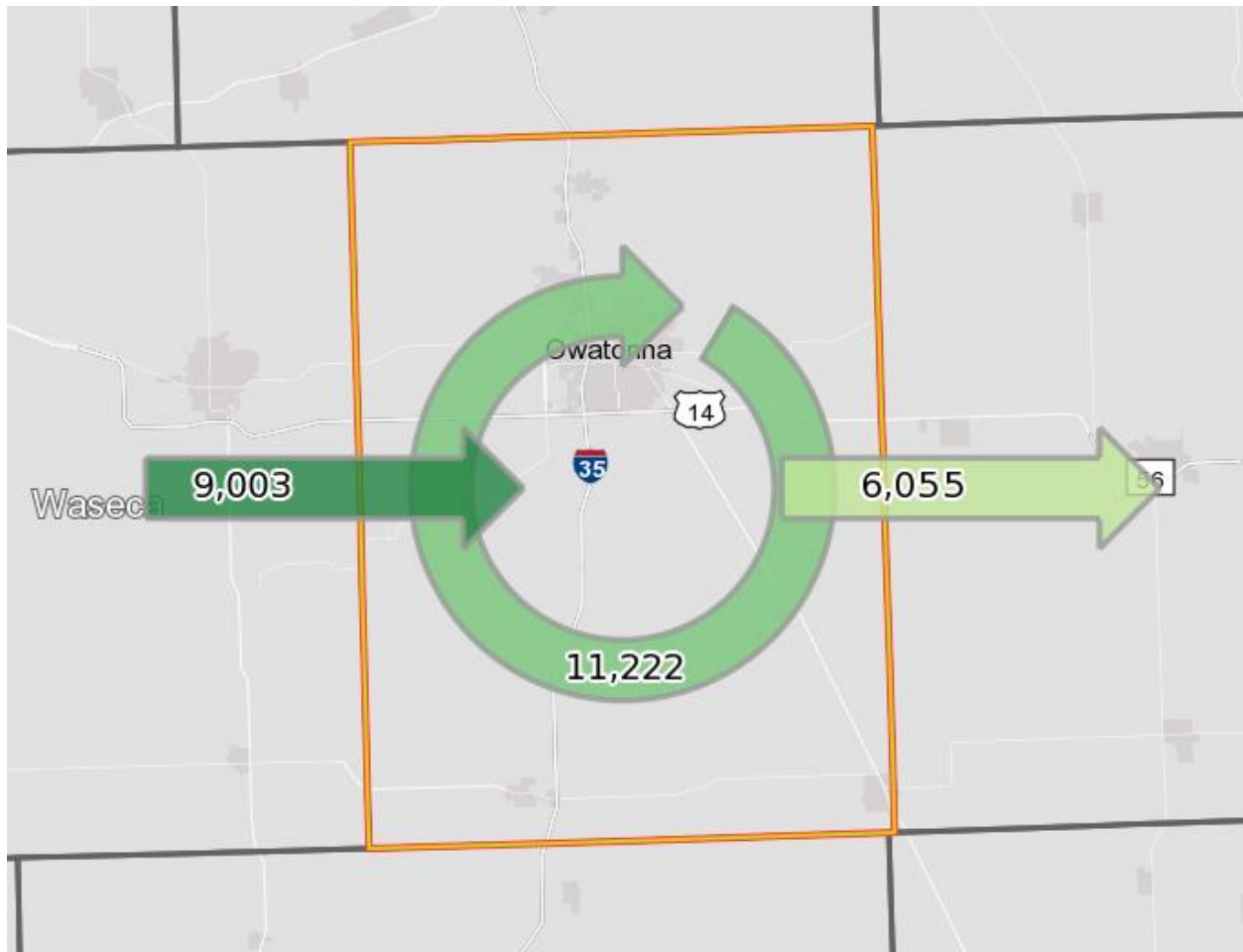


TABLE E-6
COMMUTING INFLOW/OUTFLOW CHARACTERISTICS
STEELE COUNTY
2014

	Outflow		Inflow		Interior Flow	
City Total	6,055	100.0%	9,003	100.0%	11,222	100.0%
By Age						
Workers Aged 29 or younger	1,487	24.6%	2,479	27.5%	2,521	22.5%
Workers Aged 30 to 54	3,385	55.9%	4,639	51.5%	6,080	54.2%
Workers Aged 55 or older	1,183	19.5%	1,885	20.9%	2,621	23.4%
By Monthly Wage						
Workers Earning \$1,250 per month or less	1,230	20.3%	2,652	29.5%	2,511	22.4%
Workers Earning \$1,251 to \$3,333 per month	2,012	33.2%	3,354	37.3%	3,884	34.6%
Workers Earning More than \$3,333 per month	2,813	46.5%	2,997	33.3%	4,827	43.0%
By Industry						
"Goods Producing"	1,477	24.4%	2,344	26.0%	3,691	32.9%
"Trade, Transportation, and Utilities"	1,172	19.4%	2,028	22.5%	1,930	17.2%
"All Other Services"	3,406	56.3%	4,631	51.4%	5,601	49.9%

Sources: US Census Bureau Local Employment Dynamics; Maxfield Research and Consulting, LLC

Worker Profile

Table E-7 compares characteristics of employed residents living in Steele County in 2014 with the State of Minnesota. Information on monthly earnings, age, race and ethnicity, educational attainment and job classification is provided.

TABLE E-7 RESIDENT PROFILE STEELE COUNTY 2014			
	Steele County		MN
	No.	Pct.	Pct.
Total Jobs			
Total All Jobs	17,277	100.0%	
Monthly Earnings			
\$1,250 per month or less	3,741	21.7%	20.1%
\$1,251 to \$3,333 per month	5,896	34.1%	31.4%
More than \$3,333 per month	7,640	44.2%	48.5%
Worker Ages			
Age 29 or younger	4,008	23.2%	23.4%
Age 30 to 54	9,465	54.8%	54.6%
Age 55 or older	3,804	22.0%	22.0%
Worker Race and Ethnicity			
White Alone	16,719	96.8%	89.6%
Black or African American Alone	294	1.7%	4.6%
American Indian or Alaska Native Alone	41	0.2%	0.9%
Asian Alone	112	0.6%	3.7%
Native Hawaiian or Other Pacific Islander Alone	8	0.0%	0.1%
Two or More Race Groups	103	0.6%	1.2%
Ethnicity			
Not Hispanic or Latino	16,494	95.5%	96.7%
Hispanic or Latino	783	4.5%	3.3%
Worker Educational Attainment			
Less than high school	995	5.8%	5.8%
High school or equivalent, no college	4,047	23.4%	20.7%
Some college or Associate degree	4,712	27.3%	26.2%
Bachelor's degree or advanced degree	3,515	20.3%	24.0%
Educational attainment not available (workers aged 29 or younger)	4,008	23.2%	23.4%
Sources: U.S. Census Bureau, Maxfield Research and Consulting, LLC			

- Steele County residents earning more than \$3,333 per month account for 44.2% of workers. This is slightly below the proportion in Minnesota of 48.5%.
- Workers age 30 to 54 account for 54.8% of workers, nearly identical to the proportion in the State of Minnesota (54.6%).

EMPLOYMENT TRENDS

- The proportion of workers who live in Steele County with a high school diploma (23.4%) was slightly higher than the State of Minnesota (20.7%). However, the proportion of Steele County workers with a Bachelor's degree was 20.3% compared to 24% in the State of Minnesota.

Major Employers

A portion of the employment growth in Steele County will be generated by the largest employers in the County. Table E-8 below lists some of the top employers in Steele County along with a description of their primary industry and number of employees based on data provided by the individual cities in Steele County.

The following are key points from the major employers table.

- The largest employer in the county was Viracon, Inc. with 1,420 employees, operating in the glass manufacturing industry. Federated Mutual Insurance Company was the second largest employer with 1,375 employees.
- Nine of the ten largest employers in Steele County were located in Owatonna. The Medford Outlet Center was the only employer in the top ten from outside Owatonna. The Outlet Center employs 300 to 325 people, approximately half of these employees are part time employees.
- Of the 22 largest employers in the County, over one-third (36%) are in the manufacturing industry. The eight manufacturing companies counted among the County's largest employers have 3,901 workers.
- After the manufacturing industry, the Insurance industry is the largest employment sector due to the size of Federated Mutual Insurance Company's workforce. Public education is the third largest industry in the county, with 971 employees working for ISD No. 761, Medford Public Schools, I.S.D 756 and the NRHEG Elementary School in Ellendale.

EMPLOYMENT TRENDS

**TABLE E-8
MAJOR EMPLOYERS
STEELE COUNTY
2016**

Name	City	Industry/Product/Service	Approximate Employee Size
Viracon, Inc	Owatonna	Glass Manufacturing	1,420
Federated Mutual Insurance Company	Owatonna	Insurance	1,375
Amesbury Truth Hardware	Owatonna	Hardware design and manufacturing	735
I.S.D No. 761	Owatonna	Public education	688
Bosch Automotive	Owatonna	Manufacturing	540
Jostens	Owatonna	School Memorabilia	464
Wenger Corp	Owatonna	Musical equipment manufacturing	370
Daikin	Owatonna	HVAC manufacturing	341
Medford Outlet Center	Medford	Retail - Clothing and apparel	300-325
Steele County	Owatonna	Municipal Government	335
Owatonna Hospital - Allina	Owatonna	Hospital and medical services	323
Cybox	Owatonna	Exercise equipment manufacturing	295
Mayo Clinic Health System -	Owatonna	Hospital and medical services	250
Cabela's	Owatonna	Outdoor sports retail	219
City of Owatonna	Owatonna	Municipal Government	159
Prairie Manor*	Blooming Prairie	Nursing Care Facilities	105
Medford Public Schools	Medford	Public education	104
Tandem Products	Blooming Prairie	Manufacturing	100
Minimizer (Spray Control Systems)	Blooming Prairie	Manufacturing	100
Blooming Prairie Schools (I.S.D. 756)	Blooming Prairie	Public education	80
Woodstream Corp*	Ellendale	Pest Control and Supplies	76
NRHEG Elementary School*	Ellendale	Public education	70

*Reference USA employee estimates
Source: City of Owatonna; City of Blooming Prairie, City of Medford; Reference USA, Maxfield Research and Consulting LLC

Employer Survey

Maxfield Research surveyed representatives of the largest employers in Steele County during September 2016. Employers were asked their opinion about issues related to housing in the area. Specifically, they were asked whether the current supply of housing in the area matches the needs of their workforce. The following points summarize the findings of this survey process.

Blooming Prairie

- Employers did not feel that the availability of housing impacted their existing employees or their ability to hire new employees.
- Employers reported being fully staffed, with low turnover in their workforce.
- Many employees were commuting to Blooming Prairie for work, with commuters coming from areas outside Blooming Prairie such as Owatonna, Austin and Rochester. The location of a spouse's job, the desire to live in a larger city and preference to be near friends and family were cited as reasons employees chose not to live in Blooming Prairie.

EMPLOYMENT TRENDS

- One employer did note that rentals are hard to find in Blooming Prairie for new employees that are younger and not yet homeowners or during the employee's relocation transition.
- Employers did feel there was a lack of housing in an affordable range, approximately \$130,000 to \$180,000.

Ellendale

- Employers reported a lack of available rental and affordable housing.
- Rental housing is often desired among newer and younger employees.
- Employees commute from towns and rural area in and around Ellendale. Some employees also commute from Albert Lea, Owatonna, Waseca and Bloomington.
- Employers reported minimal turnover. However, some noted that turnover is higher among newer employees.

Medford

- In Medford, employers reported that a lack of available housing is contributing to turnover. New employees are unable to find housing in Medford, so they locate in another city or town. When positions open closer to home, they leave their jobs in Medford for the shorter commute.
- Employees who cannot find housing in Medford are generally locating in Owatonna and Faribault.
- The price of housing in Medford is generally affordable, but there is lack of supply.

Owatonna

- New employees, particularly recent graduates or younger employees, seek rental housing when first relocating.
- Employers reported that a lack of quality rental housing is impacting their recruitment and retention efforts. New employees cannot find quality rental housing, or housing with desired amenities, in Owatonna.
- Employers also noted that housing was not affordable to a significant proportion of their employees (up to 30%).
- Rental housing is a need for new employees and for employees in Owatonna for short-term (nine months to a year) trainings.
- New staff often comment on the lack housing, or investigate the market prior to accepting a position, and this hinders recruitment and retention.
- Employees commute to Owatonna from Faribault, Northfield, Rochester and Waseca, and more generally within 45 miles.
- An uptick in hiring is anticipated as companies pursue growth and experience an increase in retirements.
- Some employers found that employee turnover was more likely to be caused by employees relocating to be near family than due to housing in the community. Further, there were few reports of workers leaving due to housing availability.

EMPLOYMENT TRENDS

- A need for additional housing, particularly housing affordable to lower income workers, in the northeastern areas of the city was cited by employers.
- Workers on the lower end of the pay scale who decided to move from renter to buyers often purchased in areas such as Waseca and Claremont because the for sale housing in Owatonna was not affordable.

Summary of Employment Trends

- Unemployment has been on a steady decline in Steele County since peaking in 2009. In 2015, the unemployment rate was 3.3% in Steele County.
- Manufacturing is an industry leader in the county. It's the largest employment sector and it offers some of the highest wages among employment sectors in the county.
- Steele County attracts workers. Just over 11,000 workers also live in the county and another 9,003 workers commute into the county for work, while only 6,055 people who live in Steele County commute outside the county for work.

Introduction

The following section of the report analyzes current market conditions for general occupancy rental housing in Steele County. Topics covered include rental housing data from the American Community Survey, detailed information on individual rental developments in the Market Area. Maxfield Research and Consulting identified and surveyed larger rental properties of 12 or more units in Steele County.

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).

Overview of Rental Market Conditions

Maxfield Research utilized data from the American Community Survey (ACS) to summarize rental market conditions in Steele County. The ACS is an ongoing survey conducted by the United States Census Bureau that provides data every year rather than every ten years as presented by the decennial census. We use this data because these figures are not available from the decennial census.

Table R-1 on the following page presents a breakdown of median gross rent and monthly gross rent ranges by number of bedrooms in renter-occupied housing units from the 2010-2014 ACS in Steele County broken down into four submarkets, in comparison to Minnesota. Gross rent is defined as the amount of the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, wood, etc.) if these are paid by the renter.

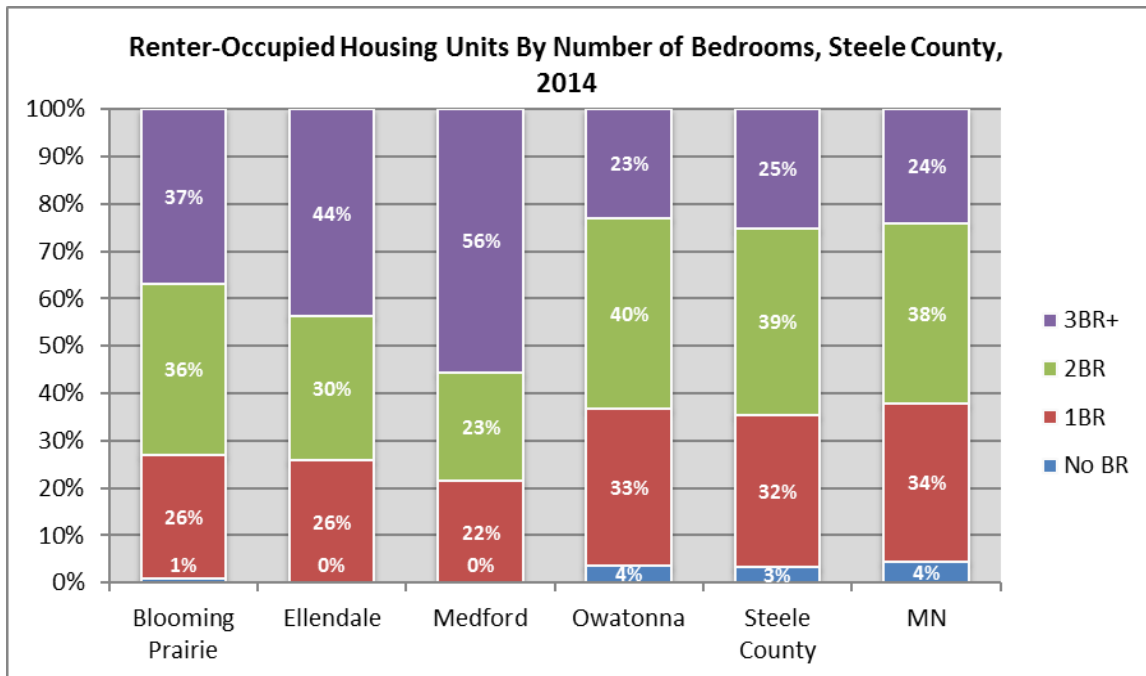
- A median gross rent of \$727 was reported in Owatonna, the highest in Steele County. Although Owatonna reported the highest median rent in Steele County, it was well below the median gross reported in the State of Minnesota (\$835).
- Two-bedroom units were the most common unit type in Owatonna (40%), which closely mimics the State proportion (38%).

RENTAL MARKET ANALYSIS

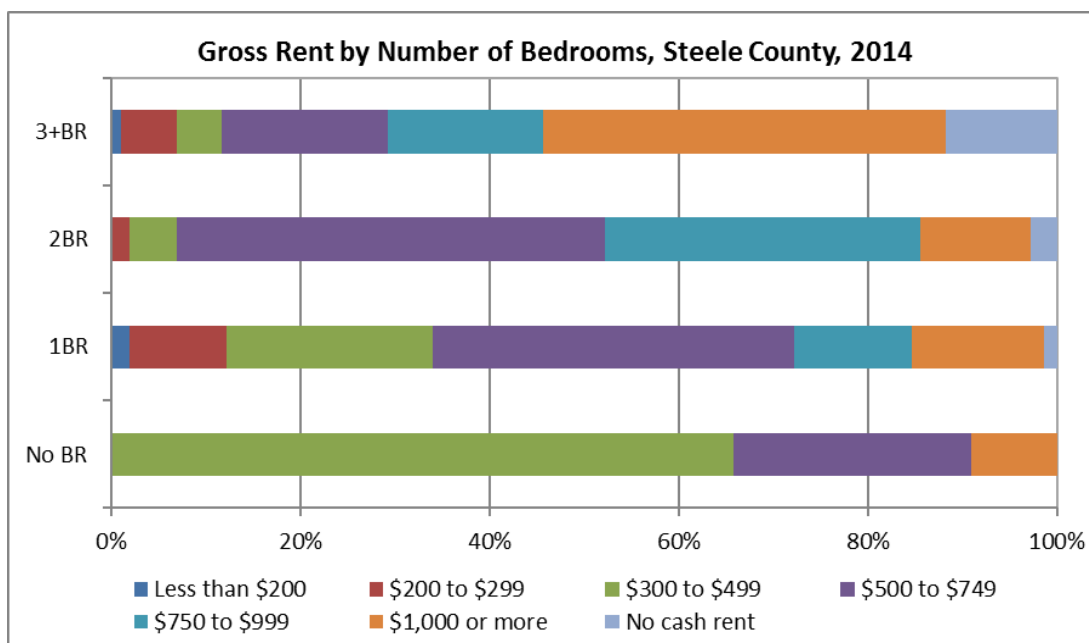
**TABLE R-1
BEDROOMS BY GROSS RENT, RENTER-OCCUPIED HOUSING UNITS
STEELE COUNTY
2014**

	Blooming Prairie		Ellendale		Medford		Owatonna		Steele County		MN
	#	% of Total	#	% of Total	#	% of Total	#	% of Total	#	% of Total	% of Total
Total:	201	100%	89	100%	79	100%	2,959	100%	3,328	100%	100%
Median Gross Rent	\$592		\$682		\$566		\$727		\$713		\$835
No Bedroom	2	1%	0	0%	0	0%	109	4%	111	3%	4%
Less than \$200	0	0%	0	0%	0	0%	0	0%	0	0%	0%
\$200 to \$299	0	0%	0	0%	0	0%	0	0%	0	0%	0%
\$300 to \$499	0	0%	0	0%	0	0%	73	2%	73	2%	1%
\$500 to \$749	2	1%	0	0%	0	0%	26	1%	28	1%	2%
\$750 to \$999	0	0%	0	0%	0	0%	0	0%	0	0%	1%
\$1,000 or more	0	0%	0	0%	0	0%	10	0%	10	0%	1%
No cash rent	0	0%	0	0%	0	0%	0	0%	0	0%	0%
1 Bedroom	52	26%	23	26%	17	22%	979	33%	1,071	32%	34%
Less than \$200	16	8%	0	0%	4	5%	0	0%	20	1%	1%
\$200 to \$299	0	0%	0	0%	4	5%	106	4%	110	3%	3%
\$300 to \$499	32	16%	9	10%	5	6%	188	6%	234	7%	4%
\$500 to \$749	0	0%	6	7%	4	5%	399	13%	409	12%	10%
\$750 to \$999	0	0%	0	0%	0	0%	133	4%	133	4%	9%
\$1,000 or more	4	2%	8	9%	0	0%	139	5%	151	5%	5%
No cash rent	0	0%	0	0%	0	0%	14	0%	14	0%	0%
2 Bedrooms	73	36%	27	30%	18	23%	1,192	40%	1,310	39%	38%
Less than \$200	0	0%	0	0%	0	0%	0	0%	0	0%	1%
\$200 to \$299	0	0%	0	0%	0	0%	25	1%	25	1%	1%
\$300 to \$499	11	5%	8	9%	0	0%	47	2%	66	2%	2%
\$500 to \$749	29	14%	13	15%	4	5%	547	18%	593	18%	7%
\$750 to \$999	11	5%	0	0%	10	13%	416	14%	437	13%	12%
\$1,000 or more	6	3%	3	3%	0	0%	143	5%	152	5%	13%
No cash rent	16	8%	3	3%	4	5%	14	0%	37	1%	1%
3 or More Bedrooms	74	37%	39	44%	44	56%	679	23%	836	25%	24%
Less than \$200	0	0%	0	0%	0	0%	9	0%	9	0%	0%
\$200 to \$299	0	0%	1	1%	0	0%	48	2%	49	1%	0%
\$300 to \$499	3	1%	2	2%	11	14%	23	1%	39	1%	1%
\$500 to \$749	21	10%	18	20%	5	6%	103	3%	147	4%	3%
\$750 to \$999	10	5%	6	7%	4	5%	118	4%	138	4%	4%
\$1,000 or more	24	12%	7	8%	7	9%	318	11%	356	11%	13%
No cash rent	16	8%	5	6%	17	22%	60	2%	98	3%	3%

Sources: American Community Survey; Maxfield Research and Consulting, LLC



- In the remaining submarkets, Blooming Prairie, Ellendale and Medford, three bedroom units were the most common rental type. In each of these submarkets, three-bedroom units represent a much larger proportion of rental units compared to the State of Minnesota, which recorded only 24% of rental units with three bedrooms.
- Three bedroom units in Steele County were most likely (42.6%) to rent for \$1,000 or more.
- The majority of units in Steele County reported a gross rent of over \$500, 65% of one-bedrooms, 90% of two-bedrooms, 77% of three-bedrooms reported rents over \$500.



General-Occupancy Rental Projects

Our research of Steele County's general occupancy rental market included a survey of 28 market rate apartment properties (12 units and larger), seven affordable communities and nine subsidized units during September 2016. These projects represent a combined total of 1,033 units, including 568 market rate units, 237 affordable units and 228 subsidized units.

At the time of our survey, 19 market rate units, four affordable units and four subsidized units were vacant. As a result, market rate general occupancy units had a vacancy rate of 4.2%, affordable units had a vacancy rate of 1.7% and subsidized units had a vacancy rate of 1.8%. The overall vacancy rate in Steele County for all property types was 2.9%. Vacancy rates were based only on properties where unit mix and vacancies were obtained during the survey. This is much 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.

Table R-2 summarizes information on market rate projects, Table R-3 summarizes the amenities and features offered at market rate projects and Table R-4 provides a summary of unit type, vacancies and rent pricing for market rate projects.

Market Rate

- Two-bedroom units accounted for the majority of market rate units in Steele County. The unit breakout by unit type is summarized below.
 - Efficiency units: 29 | 5%
 - One-bedroom units: 184 | 32%
 - Two-bedroom units: 317 | 56%
 - Three-bedroom units: 38 | 7%
- The following is the monthly rent ranges and average rent for each unit type:
 - Efficiency units: \$300 to \$495 | Avg. \$447
 - One-bedroom units: \$440 to \$925 | Avg. \$616
 - Two-bedroom units: \$490 to \$1,090 | Avg. \$751
 - Three-bedroom units: \$650 to \$1,290 | Avg. \$1,058
- The higher end of the rent ranges for one, two and three-bedrooms are attributed to the two newest properties in Steele County. Eden Valley Place in Owatonna is a townhome development built in 2012. It offers residents attached garages, private entrances, in-unit laundry and playground. Gateway Apartments in Owatonna was built in 2004 and offers a car wash bay, bicycle storage, basic cable, in-unit laundry, a community room and a fitness room. Although four vacancies at the Gateway Apartments were reported at the time of the survey, they are filled very quickly, particularly one-bedroom units.
- One and three-bedroom units are the least common in Steele County. These units received the highest average rent per square foot.

RENTAL MARKET ANALYSIS

TABLE R-2 MARKET RATE RENTAL PROJECTS STEELE COUNTY Septemeber 2016										
Project Name/Location	Year Built	Units/ Vacancy	Unit Mix	Vacant	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.	Amenities/Comments	
Market Rate										
Ellendale										
Ellendale Square	1983	8	7 - 1BR	0	625	\$460 - \$481	\$471	\$0.74 - \$0.77	Professionally managed, oak cabinets, cable hook ups, walking distances to grocery store, fitness center, banking. Ruural development. 8 units are subsidized at 30% of income, 8 are market rate	
208 Seventh Ave W <i>Ellendale</i>		0 0%	1 - 2BR	0	829	\$490 - \$511	\$501	\$0.59 - \$0.62		
Owatonna										
Eden Valley Place	2012	36	14 - 2BR	0	950 - 1200	\$995 - \$1,050	\$1,023	\$0.88 - \$1.05	Single attached garage, ample closet space, pets allowed, open floor places, private entrances, smoke-free	
700 El Dorado Ln SE <i>Owatonna</i>		0 0%	22 - 3BR	0	1200	\$1,050	\$1,050	\$0.88 - \$0.88		
Gateway Apartments										
325 Hoffman Dr <i>Owatonna</i>	2004	60 4 7%	23 - 1BR 28 - 2BR 9 - 3BR	1 1 2	721 - 768 884 - 1098 1,105 - 1,325	\$925 \$1,090 \$1,290	\$925 \$1,090 \$1,290	\$1.20 - \$1.28 \$0.99 - \$1.23 \$0.97 - \$1.17	Large windows, high efficiency heating and cooling, car wash bay, bicycle storage. Furnished two-bedrooms avialable for \$1,740. Controlled access, cats allowed. Basic cable with 30+ channels included in rent. Any one-bedroom openings fill very quickly.	
Park Village I & II	2001/ 2002	36 0 0%	4 - 1BR 32 - 2BR	0 0	700 928 - 1028	\$555 \$675 - \$820	\$555 \$748	\$0.79 - \$0.79 \$0.73 - \$0.80		
Westwood Apartments										
135 22nd St NW <i>Owatonna</i>	2001	12 2 17%	3 - 1BR 9 - 2BR	0 2	648 957 - 1048	\$600 \$785	\$600 \$785	\$0.93 - \$0.93 \$0.00 - \$0.82	Open layout, large kitchen, garage stall	
Subland Apartments										
140 W Pearl <i>Owatonna</i>	1999	15 0 0%	14 - 1BR 1 - 2BR	0 0	650 - 750 850	\$440 - \$520 \$615	\$480 \$615	\$0.68 - \$0.69 \$0.72 - \$0.72		
Cedar Ridge										
107 NW 22nd St <i>Owatonna</i>	1987	18 0 0%	3 - 1BR 15 - 2BR	0 0	700 850	\$550 \$615	\$550 \$615	\$0.79 - \$0.79 \$0.72 - \$0.72	On-site management and mainteance, bike baths, tennis courts, basketball courts, on bus route	
North View Apartments										
250 21st St NW <i>Owatonna</i>	1986	18	3 - 1BR 15 - 2BR	N/A N/A	N/A 600 - 620	N/A \$650 - \$675	N/A \$663	N/A \$1.08 - \$1.09		
Crestwood Apartments										
216 12th St NE <i>Owatonna</i>	1979	11 1 9%	2 - 1BR 7 - 2BR 2 - 3BR	1 0 0	740 836 932	\$650 \$800 \$975	\$650 \$800 \$975	\$0.88 - \$0.88 \$0.96 - \$0.96 \$1.05 - \$1.05	Recently updated, all utilities included, community room.	
Summit Manor										
166 22nd St NW <i>Owatonna</i>	1978	18	1 - 1BR 17 - 2BR	N/A N/A	650 775 - 800	N/A \$650 - \$775	N/A \$713	N/A \$0.84 - \$1.00		
Hilltop Manor										
1208 NE 3rd Ave <i>Owatonna</i>	1978	12 0 0%	1 - 1BR 11 - 2BR	0 0	700 1000	\$625 \$750	\$625 \$750	\$0.89 - \$0.89 \$0.75 - \$0.75	On-site maintenance and management, on-site, on bus route	
Westgate Apartments										
585 Adams Ave <i>Owatonna</i>	1978	23 3 13%	11 - 1BR 9 - 2BR 3 - 3BR	2 0 1	500 600 650	\$560 \$600 \$650	\$560 \$600 \$650	\$1.12 - \$1.12 \$1.00 - \$1.00 \$1.00 - \$1.00		
219 Chambers/227 Chambers										
219 Chambers Ave <i>Owatonna</i>	1977	12 0 0%	12 - 2BR	0	725	\$700	\$700	\$0.97 - \$0.97	Remodeled in 2014, off street parking, rent includes lawn care and snow removal	

RENTAL MARKET ANALYSIS

TABLE R-2 CONTINUED										
MARKET RATE RENTAL PROJECTS										
STEELE COUNTY										
Septemeber 2016										
Apache Apartments	1976	11	2 - 1BR	0	740	\$590	\$590	\$0.80 - \$0.80	Controlled entrances, indoor mailboxes	
236 12 St NE		0	7 - 2BR	0	836	\$690	\$690	\$0.83 - \$0.83		
<i>Owatonna</i>		0%	2 - 3BR	0	932	\$790	\$790	\$0.85 - \$0.85		
Cedar Hills	1976	42	6 - EFF/Studio	2	N/A	\$300 - \$475	\$388	N/A	All studio/efficiency are one room, some have full kitchen and other have only a refrigerator.	
215 22nd St NW			12 - 1BR	1	N/A	\$500 - \$600	\$550	N/A		
<i>Owatonna</i>			24 - 2BR	2	N/A	\$675	\$675	N/A		
Courtyard Apartments	1976	23	7 - EFF	0	N/A	\$495	\$495	N/A	In downtown area, pet-friendly, controlled access, courtyard	
422 Cedar Ave N		1	16 - 1BR	1	N/A	\$595	\$595	N/A		
<i>Owatonna</i>		4%								
520 Adams	1975	24	1BR	0	605	\$600	\$600	\$0.99 - \$0.99	Newer windows, lawn care and snow removal paid, close to bus stop and parks. Unit mix unavailable.	
520 Adams Ave		2	2BR	2	650	\$700	\$700	\$1.08 - \$1.08		
<i>Owatonna</i>		8%								
Northwest Manor	1975	24	9 - 1BR	N/A	650	\$575	\$575	\$0.88 - \$0.88		
218 21st NW			15 - 2BR	N/A	750 - 800	\$675	\$675	\$0.84 - \$0.90		
<i>Owatonna</i>										
Topaz Apartments	1975	18	3 - 1BR	0	N/A	\$550	\$550	N/A		
112 NW 21st St		0	15 - 2BR	0	N/A	\$650 - \$700	\$675	N/A		
<i>Owatonna</i>		0%								
Clifton Apartments	1974	48	12 - 1BR	0	700	\$635	\$635	\$0.91 - \$0.91	On-site management and maintenance	
1927-2019 Hartle Ave		0	36 - 2BR	0	900	\$735	\$735	\$0.82 - \$0.82		
<i>Owatonna</i>		0%								
Eastgate Apartments	1974	12	1 - 1BR	0	600	\$650	\$650	\$1.08 - \$1.08	Stainless steel appliances, new flooring and cabinets in renovated units.	
909 Vine St E		0	2 - 2BR (NR)	0	780	\$650	\$650	\$0.83 - \$0.83	Rent based on wheter unit is renovated (Ren), partially renovated (PR) or not renovated (NR). Will be renovating common areaa and updating windows in next 18 months, with plan to renovate all units in 3 years.	
<i>Owatonna</i>		0%	5 - 2BR (PR)	0	780	\$750	\$750	\$0.96 - \$0.96		
			4 - 2BR (Ren)	0	780	\$850	\$850	\$1.09 - \$1.09		
Parkview Apartments	1973	15	2 - 1BR	0	650	\$505 - \$600	\$553	\$0.78 - \$0.92	Assigned parking, indoor mailboxes, controlled entry	
633 Agnes St		0	13 - 2BR	0	750	\$545 - \$645	\$595	\$0.73 - \$0.86		
<i>Owatonna</i>		0%								
Shady Rose	1969	12	1 - 1BR	0	N/A	\$730	\$730	N/A	Bathroom remodeled, quiet, interior halls cleaned weekly	
352 E Rose St		0	11 - 2BR	0	N/A	\$730	\$730	N/A		
<i>Owatonna</i>		0%								
Academy Apartments	1968	22	12 - 1BR	1	605	\$645 - \$745	\$695	\$1.07 - \$1.23	Across from Jaycee Park, 24-hr emergency maintenance, pet-friendly	
706/714 Academy St		1	10 - 2BR	0	750	\$735 - \$875	\$805	\$0.98 - \$1.17		
<i>Owatonna</i>		5%								
Schuh Apartments	1965	14	2 - EFF	N/A	600 - 700	N/A	N/A	N/A		
445 State Ave			4 - 1BR	N/A	700 - 800	N/A	N/A	N/A		
<i>Owatonna</i>			8 - 2BR	N/A	1,000	N/A	N/A	N/A		
MontClair Apartments	1963	21	21 - 1BR	N/A	400	\$550	\$550	\$1.38 - \$1.38	Assigned parking, patio and fenced backyard.	
205-213 13th St SW										
<i>Owatonna</i>										
Modern Air Apartments	1950	16	6 EFF	0	192 - 320	N/A	N/A	N/A	Ample parking, pet friendly with \$35 monthly fee.	
811 E School St NW		0	7 - 1BR	0	640	\$565	\$565	\$0.88 - \$0.88		
<i>Owatonna</i>		0%	3 - 2BR	0	750 - 900	\$650	\$650	\$0.72 - \$0.87		
West Hills Estates	1932	22	8 - EFF	N/A	312 - 319	\$450	\$450	\$1.41 - \$1.44		
421-431 State Ave			10 - 1BR	N/A	436 - 637	\$535	\$535	\$0.84 - \$1.23		
<i>Owatonna</i>			4 - 2BR	N/A	572 - 671	\$635	\$635	\$0.95 - \$1.11		

Sources: Maxfield Research and Consulting LLC

RENTAL MARKET ANALYSIS

TABLE R-3 FEATURES/AMENITIES/UTILITIES MARKET RATE APARTMENT DEVELOPMENTS STEELE COUNTY September 2016																										
Projects	In-Unit							Common Area							Parking and Utilities											
	Air Conditioning	Refrigerator	Microwave	Dishwasher	Washer/Dryer	Walk-In Closet	Patio/Balcony	Community Room	Laundry Facility	Elevator	Fitness Center	Storage	Indoor Pool	Outdoor Pool	BBQ	Play Area	Walking Trail	Heat/Gas	Electricity	Water/Sewer	Trash	Cable	High Speed Internet	Parking	Parking Fee per month	
Market Rate																										
Ellendale Square		X						X	X									X		X	X					
Eden Valley Place	X	X	X	X	X		X										X			X	X			AG	Included	
Gateway Apartments	X			X	X		X	X		X										X	X	X		UG	Included	
Park Village I & II	X	X		X	HU		S													X	X			DG	Included	
Westwood Apartments	X	X	X	X					X											X	X			DG		
Subland Apartments	X	X					S		X											X	X					
Cedar Ridge							X	X									X			X	X			G		
North View	X						S	X										X		X				DG		
Crestwood Apartments		X						X	X									X	X	X	X			OS		
Summit Manor	X	X		X			X	X																G	Included	
Hilltop Manor	X						S	X										X	X	X	X			OS		
Westgate Apartments	X	X						X												X	X	X		DG	\$40/month	
219/227 Chambers	X	X	X				X	X	X											X				OS		
Apache Apartments	X							X										X	X	X	X			OS		
Cedar Hills	X	X	X	X				X										X		X	X			OS		
Courtyard Apartments		X					X	X										X		X	X					
520 Adams	X	X						X												X	X					
Northwest Manor	X	X					S	X										X						DG		
Topaz Apartments																										
Clifton Apartments	X	X	X				X	X										X		X	X			DG	\$50/month	
Eastgate Apartmenets	X	X	X																	X	X			DG	\$50/month	
Parkview Apartments	X	X					X	X										X		X	X					
Shady Rose	X	X						X										X		X	X			DG	Included	
Academy Apartments		X						X																		
Schuh Apartments								X																		
Montclair Apartments	X						X	X			X							X		X	X			OS		
Modern Aire Apartments		X	X				X	X								X		X	X	X	X			OS		
West Hills Estates								X																	\$50/month	

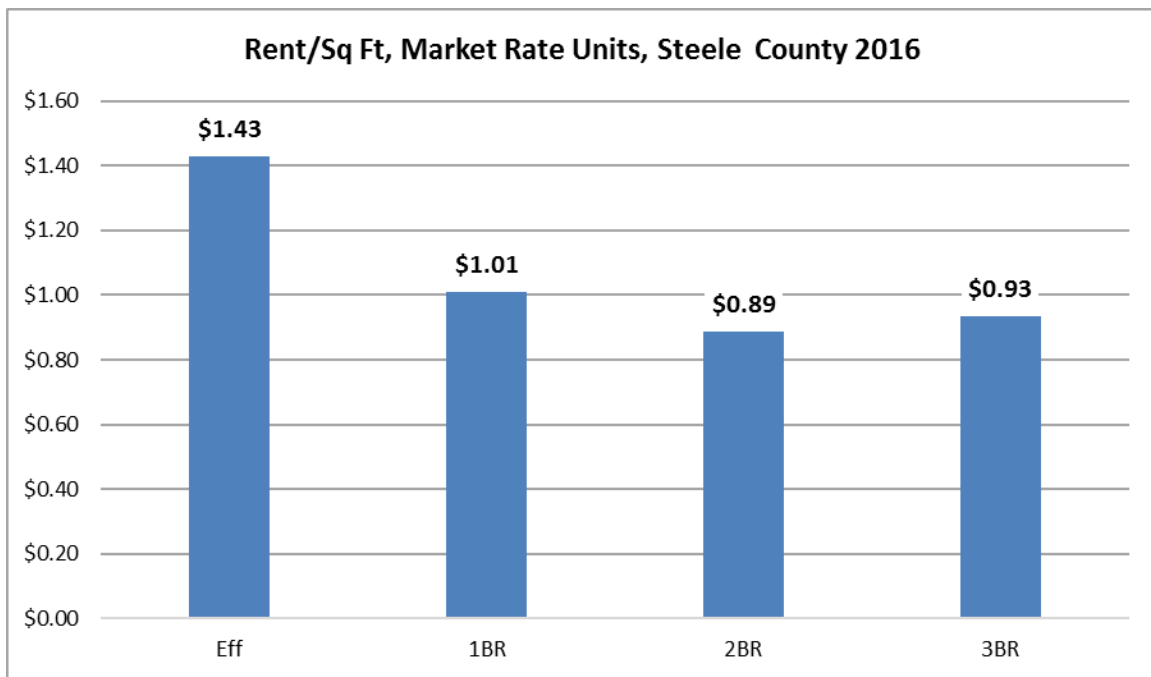
X = Available/Included; S = Some; UG = Heated Underground; AG = Attached Garage; DG = Detached Garage

Sources: Maxfield Research and Consulting, LLC

- The majority of the properties surveyed offered laundry on-site or in-unit. It was also common for properties to include water, sewer and trash in the monthly rent.

RENTAL MARKET ANALYSIS

TABLE R-4 MARKET RATE RENT SUMMARY STEELE COUNTY September 2016									
Monthly Rents									
Unit Type	Unit Mix		Vacancies*		Rent Range		Rent	Avg.	Avg.
	No.	Pct.	No.	Pct.	Low	High	Avg.	Size	Rent/Sq. Ft.
Market Rate									
Eff	29	5%	2	10.5%	\$300 - \$495		\$447	335	\$1.43
1BR	184	32%	7	5.1%	\$440 - \$925		\$616	622	\$1.01
2BR	317	56%	7	1.9%	\$490 - \$1,090		\$751	866	\$0.89
3BR	38	7%	3	7.9%	\$650 - \$1,290		\$1,058	1,132	\$0.93
Total	568		19	4.2%	\$300 - \$1,290		\$717	792	\$0.93
* Vacancy rates based participating properties where unit mix and vacancies were provided									
Source: Maxfield Research and Consulting, LLC									



Market Rate General Occupancy Projects in Steele County

The following are photographs of select market rate general occupancy rental projects in Steele County:



Market-Rate GO Rental in Ellendale



Market-Rate GO Rental in Owatonna



Market-Rate GO Rental in Owatonna



Market-Rate GO Rental in Owatonna



Market-Rate GO Rental in Owatonna



Market-Rate GO Rental in Owatonna

Affordable

- There are six affordable projects in Owatonna and one in Blooming Prairie. These projects provide 237 units of affordable rental product.
- The affordable projects offered a high proportion of two-bedroom (46%) and three-bedroom (49%) units. Only 5% of the affordable units were one-bedroom units.
- Among affordable projects there was a vacancy rate of 1.7%, with four units available at the time of the survey. However, the majority of affordable projects kept waiting lists for apartment openings. Therefore, vacancies reported during the survey were likely to be filled quickly through existing waiting lists.
- All the affordable apartment developments offered laundry either on-site or in-unit. They were also likely to offer a community play area.
- Trash, sewer and water were included in the rent a most of the projects and a few also include heat/gas in rent payments.

RENTAL MARKET ANALYSIS

TABLE R-5 GENERAL OCCUPANCY AFFORDABLE RENTAL PROJECTS STEELE COUNTY SEPTEMBER 2016									
Project Name/Location	Year Built	Units/ Vacancy	Unit Mix	Vacant	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.	Amenities/Comments
Affordable									
Blooming Prairie									
Prairie Village Townhomes	2000	12	6 - 2BR	0	1,070	\$565	\$565	\$0.53 - \$0.53	Attached garage included in rent, pet friendly, smoke-free, two-story townhome with private entrance,
320-342 Fourth St SE		0	6 - 3BR	0	1,260	\$680	\$680	\$0.54 - \$0.54	
<i>Blooming Prairie</i>		0%							
Owatonna									
Northgate	2015	36	9 - 1BR	0	705	\$680	\$680	\$0.96 - \$0.96	Near public transportation, wheelchair accessible, controlled access.
131 Rose St			27 - 2BR	0	955	\$730 - \$795	\$763	\$0.76 - \$0.76	
<i>Owatonna</i>									
Willow Run Townhomes - Phase 2	2004	32	32 - 3BR	0	1,300	\$950	\$950	\$0.73 - \$0.73	Front and back patio, large bedrooms, private entrances, near hopping, 24-hour maintenance, basketball court
2760 Third Ave NE									
<i>Owatonna</i>									
Willow Run Townhomes - Phase 1	1999	24	24 - 3BR	0	1,300	\$950	\$950	\$0.73 - \$0.73	Front and back patio, large bedrooms, private entrances, near hopping, 24-hour maintenance, basketball court
2630 Third Ave NE									
<i>Owatonna</i>									
Cedar Run Townhomes	1997	24	24 - 3BR	0	1,250	\$950	\$950	\$0.76 - \$0.76	24-hour maintenance, near shopping, private entrance, on site management
2300 N Cedar Ave									
<i>Owatonna</i>									
Woodbridge Apartments	1993	72	3 - 1BR	0	623	\$590 - \$640	\$615	\$0.95 - \$1.03	Walking distance to schools, shopping, cat friendly
614 W Bridge St			51 - 2BR	1	702 - 870	\$710 - \$735	\$723	\$1.01 - \$1.05	
<i>Owatonna</i>			18 - 3BR	1	1,175	\$895	\$895	\$0.76 - \$0.76	
Heather Court Apartments	1989	36	24 - 2BR	2	748	\$575 - \$745	\$660	\$0.77 - \$1.00	Large playground with basketball court, on-site maintenance, laundry facility in each building. Maintains a waiting list.
635-639 Hilltop Ave		2	13 - 3BR	0	902	\$605 - \$787	\$696	\$0.67 - \$0.87	
<i>Owatonna</i>		6%							

Sources: Maxfield Research and Consulting LLC

RENTAL MARKET ANALYSIS

**R-6
FEATURES/AMENITIES/UTILITIES
AFFORDABLE APARTMENT PROJECTS
STEELE COUNTY
September 2016**

Projects	In-Unit						Common Area										Parking and Utilities									
	Air Conditioning	Refrigerator	Microwave	Dishwasher	Washer/Dryer	Walk-In Closet	Patio/Balcony	Community Room	Laundry Facility	Elevator	Fitness Center	Storage	Indoor Pool	Outdoor Pool	BBQ	Play Area	Walking Trail	Heat/Gas	Electricity	Water/Sewer	Trash	Cable	High Speed Internet	Parking	Parking Fee per month	
Affordable																										
Prairie Village	X	X		X	X		X									X				X	X			AG	Included	
Northgate	X	X	X	X	IU		S	X			X									X				UG	Included	
Willow Run I	X	X		X	X		X													X	X			AG		
Willow Run II	X	X		X	X		X													X	X			AG		
Cedar Run Townhomes	X	X		X	X		X													X				AG		
Woodbridge Apartments	X	X		X		X	X		X			X							X	X				DG		
Heather Court		X						X												X	X					

X = Available/Included; S = Some; UG = Heated Underground; AG = Attached Garage; DG = Detached Garage

Sources: Maxfield Research and Consulting, LLC

RENTAL MARKET ANALYSIS

TABLE R-7 AFFORDABLE RENTAL PROJECTS SUMMARY STEELE COUNTY September 2016									
Unit Type	Unit Mix		Vacancies		Rent Range		Monthly Rents	Avg. Size	Avg. Rent/Sq. Ft.
	No.	Pct.	No.	Pct.	Low	High	Rent Avg.		
1BR	12	5%	0	0.0%	\$590 - \$680		\$664	685	\$0.97
2BR	108	46%	3	2.8%	\$565 - \$795		\$710	836	\$0.85
3BR	117	49%	1	0.9%	\$680 - \$950		\$899	1,224	\$0.73
Total	237		4	1.7%	\$565 - \$950		\$801	1,020	\$0.79

Source: Maxfield Research and Consulting, LLC

Subsidized

- There is one subsidized product in Ellendale and eight subsidized products in Owatonna. Combined these nine projects provide 228 general occupancy subsidized units.
- There were 90 two-bedroom units, accounting for 39% of the supply of subsidized units. Two-bedroom units account for the largest share of subsidized units. One and three-bedroom units each accounted for approximately one-third of the units.
- There were four vacancies reported during the survey of properties, resulting in a 1.8% vacancy rate for among subsidized units.

RENTAL MARKET ANALYSIS

**TABLE R-8
SUBSIDIZED GENERAL OCCUPANCY RENTAL PROJECTS
STEELE COUNTY
September 2016**

Project Name/Location	Year Built	Units/ Vacancy	Unit Mix	Vacant	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.	Amenities/Comments
Ellendale									
Ellendale Square	1983	8	7 - 1BR	0	625	30% Income	N/A	N/A N/A	Professionally managed, oak cabinets, cable hook ups, walking distance to grocery store, fitness center, banking. Rural development. 8 units subsidized at 30% of income, 8 market rate
208 Seventh Ave W		0	1 - 2BR	0	829	30% Income	N/A	N/A N/A	
<i>Ellendale</i>		0%							
Owatonna									
Kay Knuston Apartments	2010	14	12 - 1BR	1	540	30% Income	N/A	N/A N/A	One household member must have qualifying disability, wheelchair accessible, controlled access, outdoor patio with gas grill
905 E El Dorado St SE		1	2 - 2BR	0	800	30% Income	N/A	N/A N/A	
<i>Owatonna</i>		7%							
North Court Townhomes	1989	29	2 - 1BR	0	624	\$530 - \$723	\$627	\$0.85 - \$1.16	Off-street assigned parkings, on-site laundry, playground, patios. Rent is based on 30% income or base rates provided, whichever is greater.
1512 St. Paul Road		0	18 - 2BR	0	864	\$560 - \$753	\$657	\$0.65 - \$0.87	
<i>Owatonna</i>		0%	7 - 3BR	0	1,008	\$585 - \$798	\$692	\$0.58 - \$0.79	
			2 - 4BR	0	1,168	\$610 - \$823	\$717	\$0.52 - \$0.70	
Cedardale North	1988	16	10 - 1BR	0	624	\$450 - \$616	\$533	\$0.72 - \$0.99	Assigned off street parking, on-site laundry, controlled entrances, playground, indoor mailboxes. Rent is based on 30% income or base rents provided, whichever is greater.
324 Cedardale Dr		0	6 - 2BR	0	768	\$485 - \$651	\$568	\$0.63 - \$0.85	
<i>Owatonna</i>		0%							
Cedardale West	1988	16	14 - 1BR	0	624	\$460 - \$620	\$540	\$0.74 - \$0.99	Off street assigned parking, controlled entrances, indoor mailboxes. Rent is based on 30% income or base rents provided, whichever is greater.
324 Cedardale Dr		0	2 - 2BR	0	768	\$495 - \$645	\$570	\$0.64 - \$0.84	
<i>Owatonna</i>		0%							
Cedardale Place Apts - Townhomes	1980	30	20 - 2BR	0	869	30% Income	N/A	N/A - N/A	Section 8. Accepting applications for waiting list.
315 22nd St SE			10 - 3BR	0	954	30% Income	N/A	N/A - N/A	
<i>Owatonna</i>									
Park View Heights	1979	48	8 - 2BR	0	911	30% Income	N/A	N/A - N/A	Front and back patio, large bedrooms, private entrances, near hopping, 24-hour maintenance, basketball court. Carries a year long waiting list.
429 St. Paul Place			36 - 3BR	0	1,035	30% Income	N/A	N/A - N/A	
<i>Owatonna</i>			4 - 4BR	0	1,283	30% Income	N/A	N/A - N/A	
Lincoln Square Apartments	1975	55	26 - 1BR	2	625	\$589	\$589	\$0.94 - \$0.94	Central picnic area, pet-friendly, controlled access, bike racks, Section 236. Rent is 30% income or base rents provided, whichever is greater. 8 2BR and 3 1BR project based subsidy
433 16th St NE		3	25 - 2BR	1	825	\$734	\$734	\$0.89 - \$0.89	
<i>Owatonna</i>		5%	4 - 3BR		1,125	\$886	\$886	\$0.79 - \$0.79	
Ivanhoe Townhomes	1973	12	8 - 2BR	0	782	30% of income	N/A	N/A - N/A	Section 8, off-street assigned parking, indoor mailboxes
1615/1625 Linn Ave		0	4 - 3BR	0	905	30% of income	N/A	N/A - N/A	
<i>Owatonna</i>		0%							
			Unit Mix	Vacancy	Vacancy Rate by Bedroom				
			1BR	71 - 31%	3	4.2%			
			2BR	90 - 39%	1	1.1%			
			3BR	61 - 27%	0	0.0%			
			4BR	6 - 3%	0	0.0%			
			Total	228 100%	4	1.8%			

Sources: Maxfield Research and Consulting LLC

RENTAL MARKET ANALYSIS

**TABLE R-9
FEATURES/AMENITIES/UTILITIES
SUBSIDIZED GENERAL OCCUPANCY RENTAL PROJECTS
STEELE COUNTY
Septemeber 2016**

Projects	In-Unit						Common Area										Parking and Utilities									
	Air Conditioning	Refrigerator	Microwave	Dishwasher	Washer/Dryer	Walk-In Closet	Patio/Balcony	Community Room	Laundry Facility	Elevator	Fitness Center	Storage	Indoor Pool	Outdoor Pool	BBQ	Play Area	Walking Trail	Heat/Gas	Electricity	Water/Sewer	Trash	Cable	High Speed Internet	Parking	Parking Fee per month	
Subsidized																										
Ellendale Square Apartments	X	X					X	X										X		X	X			OS		
Kay Knutson Apartments	X	X					X	X								X		X		X				OS		
North Court	X	X				X		X								X			X	X				OS		
Cedardale North	X	X						X								X			X	X				OS		
Cedardale West	X	X						X										X		X				OS		
Cedardale Place	X	X			HU	X						X				X		X	X					DG		
Parkview Heights	X	X			HU	X												X	X							
Lincoln Square	X	X	X	X												X		X	X							
Ivanhoe Townhomes		X		X	HU		X									X								OS		

X = Available/Included; S = Some; UG = Heated Underground; AG = Attached Garage; DG = Detached Garage

Sources: Maxfield Research and Consulting, LLC

RENTAL MARKET ANALYSIS

Table R-10 provides a summary on the number of units and vacancy rates for general occupancy rental projects by type and submarket.

Submarket	Market Rate		Affordable		Subsidized		Total	
	Units	Vacancy Rate*	Units	Vacancy Rate*	Units	Vacancy Rate*	Units	Vacancy Rate*
Blooming Prairie	-	-	12	0.0%	-	-	12	0.0%
Ellendale	8	0.0%	-	-	8	0.0%	16	0.0%
Medford	-	-	-	-	-	-	-	-
Owatonna	560	4.3%	225	1.8%	220	1.8%	1,005	2.7%
Total	568	4.2%	237	1.7%	228	1.8%	1,033	2.9%

* Vacancy rates based participating properties where unit mix and vacancies were provided

Source: Maxfield Research and Consulting, LLC

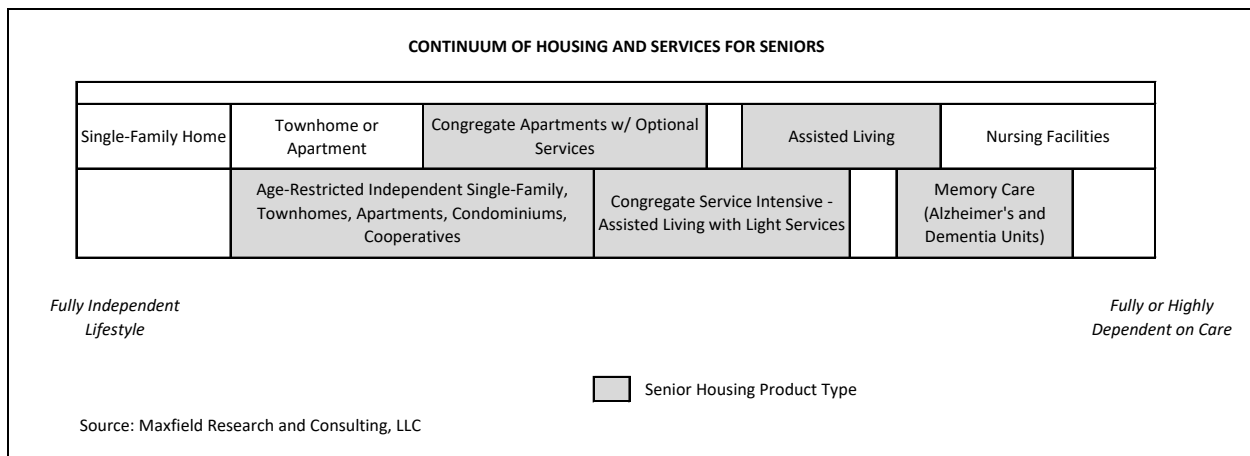
- The majority of rental units, 97%, are located in the Owatonna submarket, while the Medford submarket had no general occupancy rental projects 12 units or larger.
- All of the vacant units were reported in Owatonna, neither Blooming Prairie nor Ellendale had available rental units.
- The majority of units in Steele County, 55%, are market rate general occupancy projects. While the remainder of units are split as 23% affordable units and 22% subsidized units.

Introduction

This section provides an assessment of the market support for senior housing (active adult, congregate, assisted living, and memory care) in Steele County. An overview of the demographic and economic characteristics of the senior population in Steele County is presented along with an inventory of existing and pending senior housing developments in the County. Demand for senior housing is calculated based on demographic, economic and competitive factors that would impact demand for additional senior housing units in the County. Our assessment concludes with an estimation of the proportion of County demand that could be captured by senior housing communities located in the Steele County.

Senior Housing Defined

Senior housing is a concept that generally refers to the integrated delivery of housing and services to seniors. However, as Figure 1 illustrates, senior housing embodies a wide variety of product types across the service-delivery spectrum. Products range from independent apartments and/or townhomes with virtually no services on one end, to highly specialized, service-intensive assisted living units or housing geared for people with dementia-related illnesses (termed "memory care") on the other end of the spectrum. In general, independent senior housing attracts people age 65 and over while assisted living typically attracts people age 80 and older who need assistance with activities of daily living (ADLs). For analytical purposes, Maxfield Research Inc. classifies market rate senior housing into five categories based on the level and type of services offered:



- Active Adult properties (or independent living without services available) are similar to a general-occupancy building, in that they offer virtually no services but have age-restrictions (typically 55 or 62 or older). Residents are generally age 70 or older if in an apartment-style building. Organized entertainment, activities and occasionally a transportation program represent the extent of services typically available at these properties. Because of the lack of services, active adult properties generally do not command the rent premiums of more

service-enriched senior housing. Active adult properties can have a rental or owner-occupied (condominium or cooperative) format.

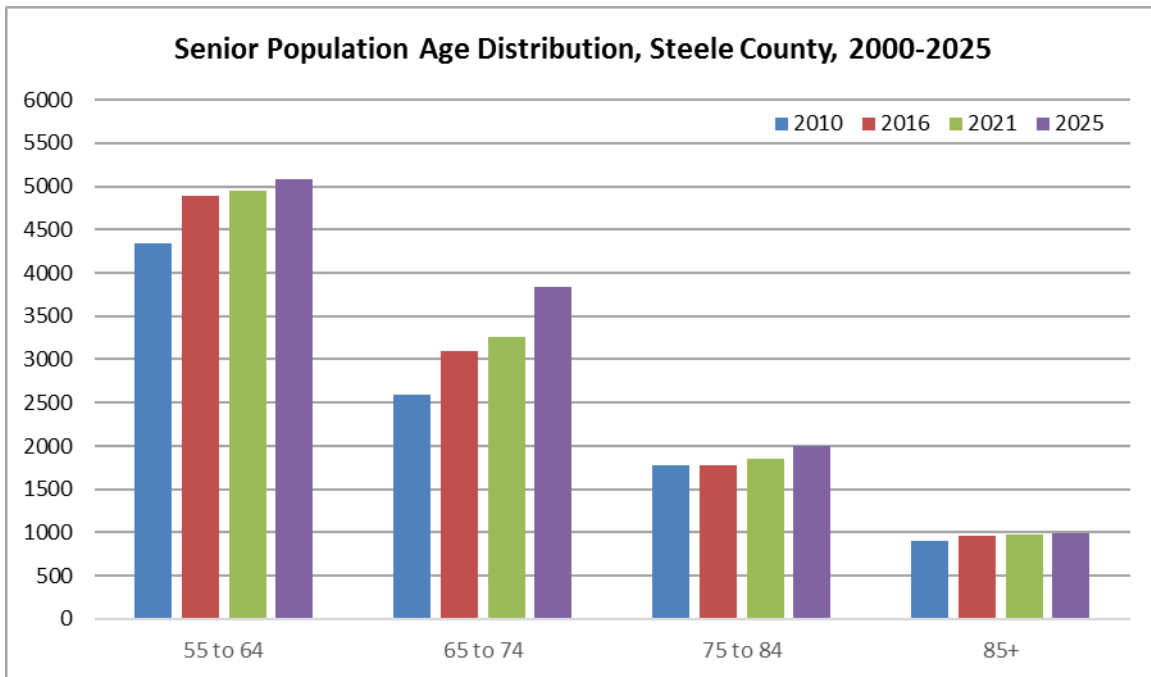
- Congregate properties (or independent living with services available) offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties often dedicate a larger share of the overall building area to common areas, in part, 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. Sponsorship by a nursing home, hospital or other health care organization is common.
- 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.
- 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 addresses housing needs almost exclusively for 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.

Older Adult (Age 55+) Population and Household Trends

The Demographic Analysis section of this study presented general demographic characteristics of Steele County's population. The following points summarize key findings from that section as they pertain to the older adult population in Steele County.

SENIOR HOUSING ANALYSIS

- Between 2010 and 2025, the fastest growing proportion of the population were those age 65 to 74, which experienced a 48.2% increase in population, an addition of 1,247 people.



- The primary market for service-enhanced housing is senior households age 75 and older. While individuals in their 50s and 60s typically do not comprise the market base for service-enhanced senior housing, they often have elderly parents to whom they provide support when they decide to relocate to senior housing. Since elderly parents typically prefer to be near their adult caregivers, growth in the older adult age cohort (age 55 to 64) generally results in additional demand for senior housing products.
- Homeownership information lends insight into the number of households that may still have homes to sell and could potentially supplement their incomes from the sales of their homes to support monthly fees for alternative housing.
- Steele County maintains relatively high rates of homeownership in the older adult age cohorts. The homeownership rate in 2010 was 82.8% for age 55 to 64 households. Seniors typically begin to consider moving into senior housing alternatives or more convenient housing such as apartment buildings or twin homes in their early to mid-70s. This movement pattern is demonstrated by the drop in homeownership between the 65 to 74 age cohort (85.9%) and the 75+ age cohort (68.8%).
- With a homeownership rate of 76.4% for all households over the age of 65, a large number of residents would be able to use proceeds from the sales of their homes toward senior housing alternatives. The resale of single-family homes would allow additional senior households to qualify for market rate housing products, since equity from the home sale

could be used as supplemental income for alternative housing. These considerations are factored into our demand calculations.

- Based on the 2016 median sale price for single-family homes in Steele County (\$155,500), a senior household could generate around \$3,654 of additional income annually (about \$305 per month), if they invested in an income-producing account (2.5% interest rate) after accounting for marketing costs and/or real estate commissions (6.0% of home sale price).

Supply of Senior Housing in Steele County

As of September 2016, Maxfield Research identified seven senior housing developments that offer subsidized senior housing and 14 market rate senior housing developments in Steele County. Combined, these projects contain a total of 964 units. Table S-1 summarizes information for the subsidized product in Steele County and Table S-2 shows features and amenities for subsidized senior projects in Steele County. Table S-3 provides information on the market-rate senior housing product type by service-level. Information in the table includes year built, number of units, unit mix, and general comments about each project. Table S-4 shows a checklist for unit features, building amenities, and services for market-rate senior projects in Steele County. Table S-1 summarizes information for the subsidized product in Steele County and Table S-2 shows features and amenities for subsidized senior projects in Steele County.

The following are key points from our survey of the senior housing supply.

Affordable/Subsidized Senior Housing Projects

- 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% 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.
- There are a total of 243 units in seven subsidized senior projects in Steele County. These units are almost exclusively one-bedroom units, with only two two-bedroom units available.
- As of September 2016, one unit was vacant, resulting in a vacancy rate of 0.4%.
- Most projects included heat, water, sewer and trash in the monthly rent. In addition, most projects had a community room and laundry facility available to residents.

SENIOR HOUSING ANALYSIS

TABLE S-1 SUBSIDIZED SENIOR HOUSING STEELE COUNTY Septemeber 2016						
Project Name/Location	Year Built	Units	Unit Mix	Unit Size	Monthly Rent	Amenities/Comments
Adult/Few Services						
Blooming Prairie						
Prairie Villa II 440 Third St SE <i>Blooming Prairie</i>	1982	15	15 - 1BR	800	30% of Income	Seniors or individuals with disabilities
Prairie Villa 455 2nd St SE <i>Blooming Prairie</i>	1980	15	15 - 1BR	594	30% of Income	Off-street assigned parking, on-site laundry, 62 and older or disabled persons.
Medford						
Medford Manor 261 SE First St <i>Medford</i>	1982	20	20 - 1BR	550	\$629 30% of Income	Off street parking, on-site laundry, community room, indoor mailboxes.
Owatonna						
Maple Trail Apartmnets 165 24th Place NW <i>Owatonna</i>	2005	25	25 - 1BR	540	30% of Income	Age 62 or older, five wheelchair accessible units, spacious kitchen, large bathrooms, controlled access, outdoor patio with gas grills and paved walking trail, community room with kitchen. Maintains waiting list, expects to fill quickly.
Cedardale South 345 Cedardale Dr <i>Owatonna</i>	1984	36	33 - 1BR 1 - 2BR	634 832	\$445 - \$634 \$485 - \$664	Off street parking, on-site laundry, controlled access, elevator, community room, indoor mailboxes. Rent is based on 30% income or base rents provided, whichever is greater.
Cedardale Place 2211 Hartle Ave <i>Owatonna</i>	1980	68	67 - 1BR 1 - 2BR	449 554	30% of Income 30% of Income	Accepting applications for waiting list.
Ivanhoe Apartments 220/230 18th St SW <i>Owatonna</i>	1973	64	64 - 1BR	416	30% of Income	
Sources: Maxfield Research and Consulting LLC						

SENIOR HOUSING ANALYSIS

TABLE S-2
 FEATURES/AMENITIES/UTILITIES
 SUBSIDIZED SENIOR HOUSING
 STEELE COUNTY
 Septemeber 2016

Projects	In-Unit						Common Area										Parking and Utilities									
	Air Conditioning	Refrigerator	Microwave	Dishwasher	Washer/Dryer	Walk-In Closet	Patio/Balcony	Community Room	Laundry Facility	Elevator	Fitness Center	Storage	Indoor Pool	Outdoor Pool	BBQ	Play Area	Walking Trail	Heat/Gas	Electricity	Water/Sewer	Trash	Cable	High Speed Internet	Parking	Parking Fee per month	
Adult/Few Services																										
Prairie Villa II							X																			
Prairie Villa I	X							X										X	X	X	X			OS		
Medford Manor	X							X	X											X	X					
Maple Trail Apartments	X	X						X	X						X		X			X	X					
Cedardale South	X	X						X	X	X	X									X	X			OS		
Cedardale Place	X							X	X											X	X					

X = Available/Included; S = Some; UG = Heated Underground; AG = Attached Garage; DG = Detached Garage

Sources: Maxfield Research and Consulting, LLC

SENIOR HOUSING ANALYSIS

TABLE S-3 MARKET RATE SENIOR HOUSING PRIMARY MARKET AREA September 2016					
Project Name/Location	Year Built	Units	Unit Mix	Unit Size	Amenities/Comments
Adult/Few Services					
Owatonna					
Morehouse Place 353 Lemond Rd <i>Owatonna</i>	1998	46	14 - 1BR 32 - 2BR	828 - 856 935 - 1,624	Cooperative. Underground heated garage, waiting list, secure storage, controlled access, professional management, elevator, fireside room, library, workshop, guest room
Southway Manor 2260 Hartle Ave <i>Owatonna</i>	1997	45	12 - 1BR 33 - 2BR	733 - 791 937 - 993	Handicap units available on ground floor, convenient location, alarm monitoring, sprinkler system, clubhouse
Realife Cooperative 235 22ns St SW <i>Owatonna</i>	1988	32	14 - 1BR 18 - 2BR	614 - 659 817 - 914	Cooperative, gardening, climate controlled indoor walking area, social activities, healthy fitness classes, guest rooms
Congregate					
Owatonna					
Countryside 650 Elderado <i>Owatonna</i>	2006	61	30 - 1BR 11 - 1BR+D 20 - 2BR	505 - 615 605 - 751 716 - 886	24-hr response system, includes cable tv, one meal per day, all utilities, hair salon. Optional services include 3 daily meals, medication management, laundry and bathing assistance. Additional ala carte services.
Ecumen Brooks 2480 St Paul Rd <i>Owatonna</i>	2000	50	46 - 1BR 4 - 2BR	528 - 825 1,000 - 1,000	Full Kitchen, living room, private bath, 24-hr response. Cable TV, Utilities, and three meals per day are included in monthly fee. Activities available, walking trail, on-site hair salon.
<i>Continued</i>					

SENIOR HOUSING ANALYSIS

TABLE S-3 continued MARKET RATE SENIOR HOUSING PRIMARY MARKET AREA September 2016					
Project Name/Location	Year Built	Units	Unit Mix	Unit Size	Amenities/Comments
Assisted Living					
Blooming Prairie					
Heather Haus 223 4th St NW Blooming Prairie	1995	20	16 - 1BR 4 - 2BR	537 - 607 713 - 713	Personal keyed access, outdoor patio/courtyard, Chapel, beauty shop, community living room and dining room, private dining room, wifi, free self service laundry, garage rental available, 24 hour staff, RN services, pendant call system, recreation and activities, maintenance, weekly housekeeping and laundry, three meals per day, basic cable, telephone services.
Ellendale					
Whispering Oaks 903 Calvary Ct Ellendale	2006	29	5 - Studio 14 - 1BR 10 - 2BR	400 805 1,035	Scheduled activities, personal care and health services optional, smoke free, centrally located elevator, beauty salon, pool table, game room, coffee/juice bar, secured facility, emergency response, 24-hour staffing, resident garden
Medford					
Medford Senior Care 108 3rd St NE Medford	2013	24	24 - 1BR	330 - 500	Backyard patio, beauty shop, coffee shop, home theater. Resident rooms have in-floor heat, intercom system
Owatonna					
Valley View 1212 Frontage Rd W Owatonna	2008	60	38 - Studio 20 - 1BR 2 2BR	305 514 635	Secured units and courtyards, companion/spouse \$400/mo includes rent and 3 meals/day, beauty/barber shop, 24-hr staff, indoor pool. Rents represent base price
Traditions of Owatonna 195 24th Place Owatonna	2006	42	38 - 1BR 4 - 2BR	550 - 625 820	24-hr staff, personalized care assistance, activities.
<i>Continued</i>					

SENIOR HOUSING ANALYSIS

TABLE S-3 continued MARKET RATE SENIOR HOUSING PRIMARY MARKET AREA September 2016					
Project Name/Location	Year	Units	Unit Mix	Unit Size	Amenities/Comments
Assisted Living continued					
Countryside 650 Elderado <i>Owatonna</i>	2006	61	30 - 1BR 11 - 1BR+D 20 - 2BR	505 - 615 605 - 751 716 - 886	24-hr response system, includes cable tv, one meal per day, all utilities, hair salon. Optional services include 3 daily meals, medication management, laundry and bathing assistance. Additional ala carte services.
Park Place 125 Park St <i>Owatonna</i>	2001	15	7 - Studio 8 - 1 BR	452 - 452 540 - 540	Full bath, kitchenette or kitchen, common dining room, activity rooms, activities, laundry, housekeeping and meals, personal assistance.
Ecumen Brooks 2480 St Paul Rd <i>Owatonna</i>	2000	50	40 - 1BR (A) 4 - 2BR (B) 2 - 1BR (C) 4 - 2BR (D)	528 644 825 1,000	Full Kitchen, living room, private bath, 24-hr response. Cable TV, Utilities, and three meals per day are included in monthly fee. Activities available, walking trail, on-site hair salon.
Brookdale Owatonna 334 Cedardale Dr SE <i>Owatonna</i>	1996	20	19 - Private 1 - Private D	165 220	All one level, beauty/barber shop, WI-FI access, surface parking
<i>Continued</i>					

SENIOR HOUSING ANALYSIS

TABLE S-3 continued MARKET RATE SENIOR HOUSING PRIMARY MARKET AREA September 2016					
Project Name/Location	Year Built	Units	Unit Mix	Unit Size	Amenities/Comments
Memory Care					
Owatonna					
Birchwood Cottages 1905 Austin Rd <i>Owatonna</i>	2015	24	24 - Studio		Residents encourage to participate in daily living activities, vegetable garden,
Traditions of Owatonna II 150 24th Place <i>Owatonna</i>	2009	46	46 - 1BR	550 - 625	24-hr staff, personalized care assistance, activities. New building being built with 24 additional memory care units being added in May of 2017.
Valley View 1212 Frontage Rd W <i>Owatonna</i>	2008	30	30 - Studio 1BR 2BR	305 514 635	Secured units and courtyards, companion/spouse \$400/mo includes rent and 3 meals/day, beauty/barber shop, 24-hr staff, WanderGaurd wristband system, indoor pool, rents represent base price
Traditions of Owatonna 195 24th Place <i>Owatonna</i>	2006	42	38 - 1BR 4 - 2BR	550 - 625 820	24-hr staff, personalized care assistance, activities.
Brookdale Owatonna 364 Cedardale Dr SE <i>Owatonna</i>	1999	24	22 - Private 2 - Semi-P	315 625	24 hour security system, beauty/barber shop, courtyard/garden, surface parking, WI-FI access, whirlpool, keypad entry
Sources: Maxfield Research and Consulting LLC					

Select Senior Housing Photos



Heather Haus



Prairie Villa



Prairie Villa II



Whispering Oaks



Medford Manor



Medford Senior Care

Select Senior Housing Photos



Valley View



Traditions of Owatonna



The Brooks



Maple Trail Apartments



Morehouse Place



Ivanhoe Apartments

SENIOR HOUSING ANALYSIS

Select Senior Housing Photos



Realife Cooperative



Cedardale Place



Brookdale Owatonna



Cedardale South



Southway Manor



Birchwood Cottages

Active-Adult Few Services

- There are three active-adult few services rental developments in Steele County for a total of 123 units. Two of these developments are for-sale senior cooperatives.
- The majority of the unit types are two-bedrooms, which make up 67.5% of the active-adult few services units.
- Typical unit features include air conditioning, dishwasher, microwave oven, and patio. Common building amenities include community room, dining room, social activities, guest rooms and craft/hobby room.

TABLE S-4 SENIOR HOUSING SUMMARY BY STEELE COUNTY SUBMARKET September 2016					
Product Type	Steele County Submarket				Total
	Blooming Prairie	Ellendale	Medford	Owatonna	
Affordable/Subsidized Units	30	-	20	193	243
Adult/Few Services Units	-	-	-	123	123
Congregate Units	-	-	-	111	111
Assisted Living Units	20	29	24	248	321
Memory Care Units	-	-	-	166	166
Total Units	50	29	44	841	964

Source: Maxfield Research and Consulting, LLC

Congregate Senior Projects

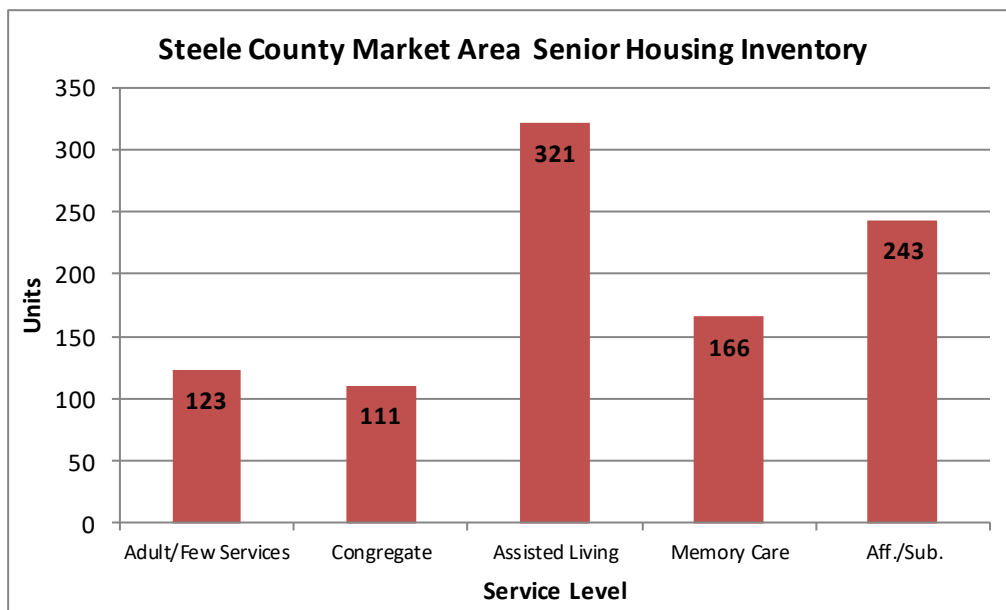
- There are two congregate senior rental developments located in Steele County for a total of 111 units. Both of these developments are located in Owatonna.
- Common unit features include air conditioning, dishwasher, microwave oven, washer/dryer, and 24-hour emergency call. Common building amenities include community room, dining room, craft/hobby room, exercise room, and garage parking. Local area transportation, activities, housekeeping, and daily meals are provided.

Assisted Living

- There are nine developments that offer assisted living services located in Steele County. There are a total of 341 units among all of these facilities. *Countryside*, is the largest assisted living facility in Steele County followed by *Valley View* both located in Owatonna.
- Common unit features include air conditioning, patio, walk-in closet, and emergency call. Common building amenities include community room, dining room, craft/hobby room, and garage parking. Local area transportation, activities, housekeeping, and three meals daily.

Memory Care

- There are five developments that offer memory care services located in Steele County. There are a total of 170 units among all of these facilities.
- Common unit features include personalized care assistance, air conditioning, 24-hour staff, secured units. Common building amenities include community room, dining room, craft/hobby room, and garage parking. Local area transportation, activities, housekeeping, and three meals daily.



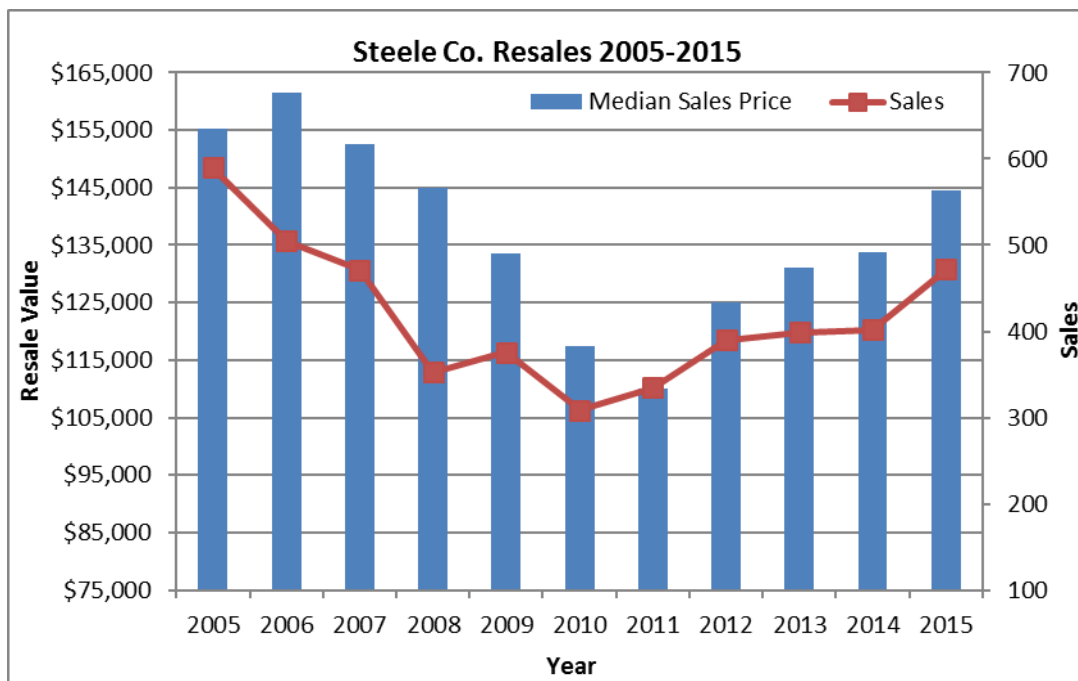
Introduction

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

Home Resales in Steele County

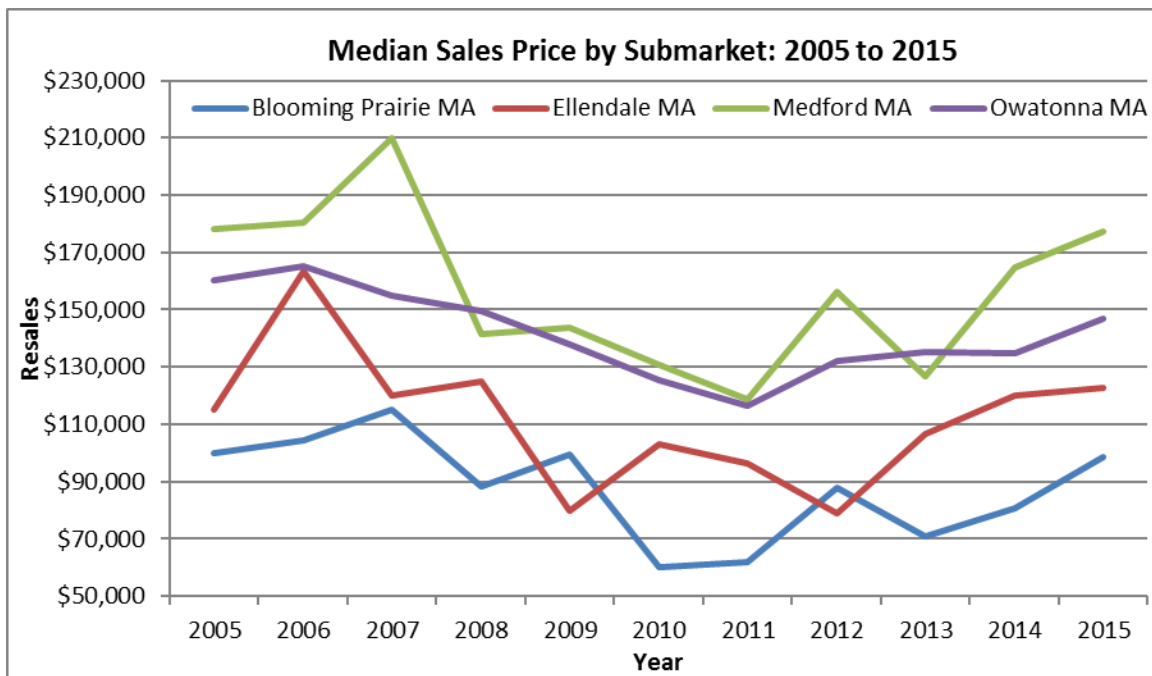
Table FS-1 presents home resale data on single-family and multifamily housing in Steele County from 2005 through 2015. The data was obtained from the Southeast Minnesota Association of Realtors and shows the annual number of sales and median sales price by Steele County submarket. The table includes only residential transactions and excludes agricultural dwellings. The following are key points observed from our analysis of this data.

- Since 2005, there have been an average of 329 residential sales per year in Steele County, with the majority of these sales (85%) taking place in the Owatonna submarket.
- Transaction volume in Steele County was over 500 for 2005 and 2006. Sales then began to decrease reflecting the national economic recession, to an annual low of 309 in 2010. In 2010, sales began to climb and by 2015 annual sales reached 472, the highest since 2007.



FOR-SALE HOUSING ANALYSIS

- The highest median sales price in each Steele County submarket was reported between 2006 and 2007 (\$161,500), with the lowest median prices reported between 2010 and 2012 (\$110,000).
- Since 2012, median sales price has risen in each submarket, but has not reached pre-recession prices.
- Medford reported the highest median sales price in all years from 2005 to 2015, with the exception of 2008 and 2013 when the Owatonna submarket recorded slightly higher sales prices.
- Blooming Prairie reported the lowest median sales price each year from 2005 to 2015, with the exception of 2009 and 2012, when Ellendale reported the lowest median sales price.



- Five percent of sales, 233 transactions, in Steele County between 2005 and 2015 were recorded as Townhouse sales. The remainder were single family residence sales.

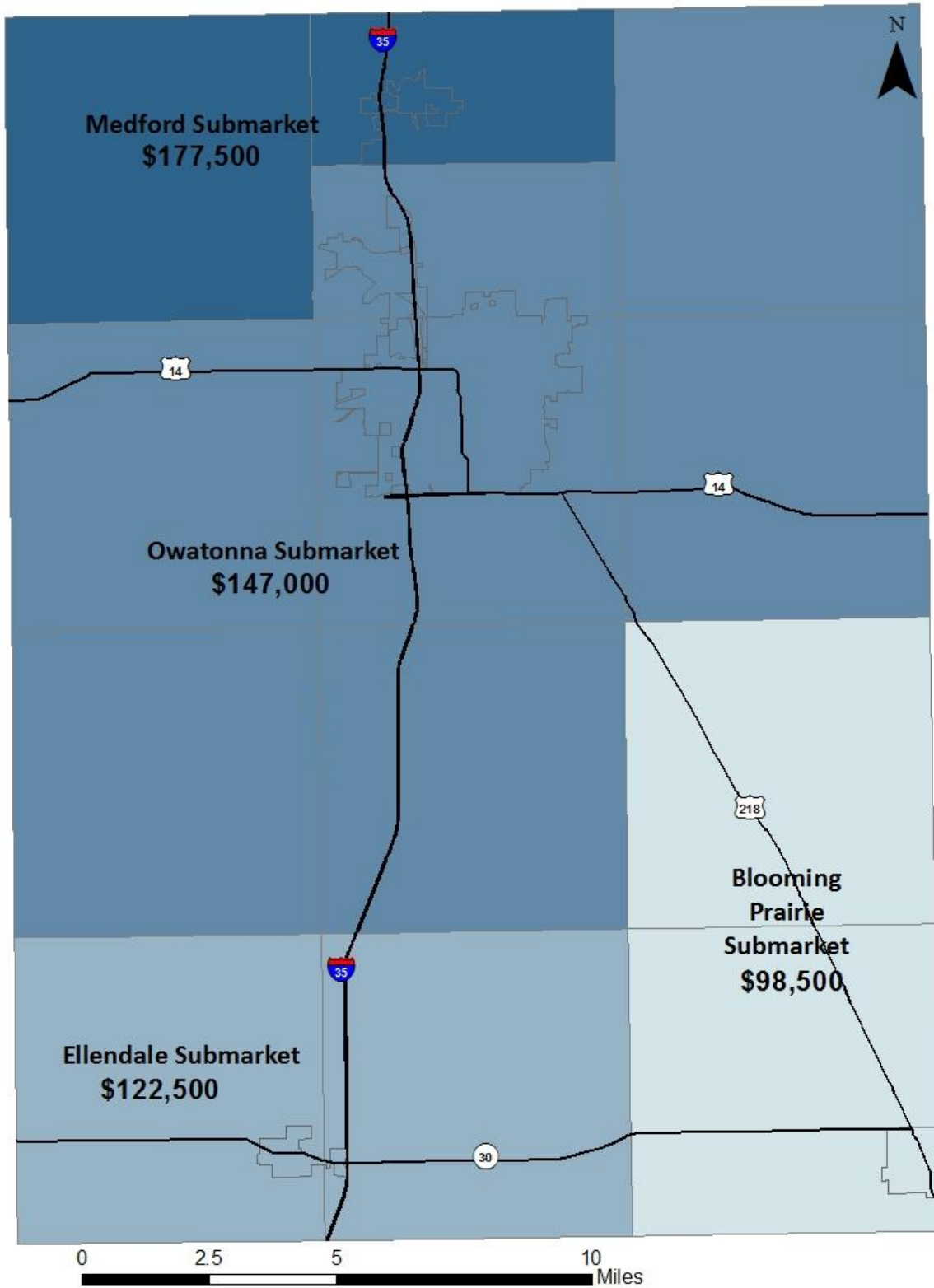
**TABLE FS-1
STEELE COUNTY RESALE VALUES BY SUBMARKET
2005 TO 2015**

Year	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele Co.
Sales					
2005	40	22	22	506	590
2006	31	20	16	438	505
2007	38	15	13	405	471
2008	26	14	14	299	353
2009	32	11	12	321	376
2010	19	10	10	270	309
2011	29	16	10	280	335
2012	35	19	16	320	390
2013	26	20	18	335	399
2014	29	9	5	359	402
2015	36	15	17	404	472
Total	341	171	153	3,937	4,602
Ann. Avg.	24	12	11	281	329

Year	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele Co.
Median Sales Price					
2005	\$99,950	\$115,150	\$178,089	\$160,088	\$155,250
2006	\$104,500	\$163,250	\$180,475	\$165,000	\$161,500
2007	\$115,180	\$120,000	\$210,000	\$155,000	\$152,500
2008	\$88,500	\$124,950	\$141,544	\$149,381	\$145,000
2009	\$99,248	\$80,000	\$143,750	\$137,900	\$133,600
2010	\$60,000	\$103,250	\$130,900	\$125,500	\$117,500
2011	\$62,000	\$96,500	\$118,527	\$116,590	\$110,000
2012	\$88,000	\$79,000	\$156,250	\$131,950	\$125,000
2013	\$71,000	\$106,700	\$126,950	\$135,200	\$131,000
2014	\$80,500	\$120,000	\$164,900	\$135,000	\$133,750
2015	\$98,500	\$122,500	\$177,500	\$147,000	\$144,500

Sources: SE MN Association of Realtors, Maxfield Research and Consulting, LLC

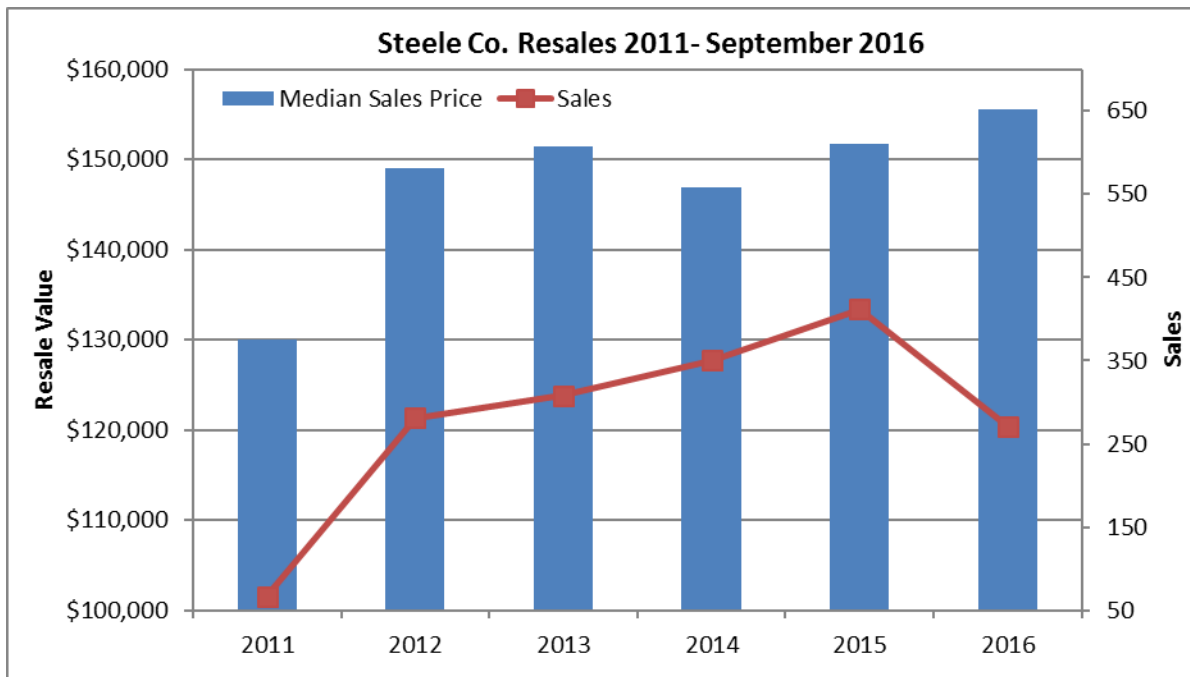
2015 Median Resale Value, Steele County Market Areas



FOR-SALE HOUSING ANALYSIS

In addition to data from the Southeast Minnesota Associating of Realtors, Maxfield Research and Consulting analyzed residential resale data provided by the Steele County Assessor. The data is presented in Table FS-2 for residential resales from 2011 to September of 2016. In 2012, a new system was implemented and data prior to 2012 may have inaccuracies. In addition, data provided by the County Assessor accounts for all property sales, including sales such as low cost sales transferring properties from one family member to another, that would not be included in the MLS listings obtained through the Southeast Minnesota Association of Realtors. The following are key points observed from our analysis of this data.

- Since 2011, the number of residential sales recorded climbed each year through 2015. Sales in 2012 numbered 281 and by 2015 sales reached 412.
- The highest median sales price for residential sales in Steele County was also recorded in 2015, at \$151,700.



- Among the four submarkets, Medford had the highest median sales prices from 2012 to 2015. The highest median sales price recorded since 2011 was \$204,500 in 2014 in the Medford submarket.

**TABLE FS-2
STEELE COUNTY RESALE VALUES BY SUBMARKET
2011 to September 2016**

Year	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele Co.
Sales					
2011	4	2	4	57	67
2012	31	8	13	229	281
2013	18	15	13	262	308
2014	21	11	11	307	350
2015	28	15	16	353	412
2016	24	6	14	227	271
Total	126	57	71	1,435	1,689
Ann. Avg.	9	4	5	103	121

Year	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele Co.
Median Sales Price					
2011	\$96,000	\$99,500	\$120,000	\$139,750	\$130,000
2012	\$112,000	\$84,947	\$182,500	\$149,000	\$149,000
2013	\$116,000	\$118,900	\$150,000	\$156,250	\$151,450
2014	\$105,000	\$84,250	\$204,500	\$148,500	\$146,950
2015	\$127,450	\$122,500	\$179,500	\$156,500	\$151,700
2016	\$112,500	\$183,450	\$156,375	\$159,950	\$155,500

Sources: Steele County Assessor, Maxfield Research and Consulting, LLC

Current Supply of Homes on the Market

To more closely examine the current market for available owner-occupied housing in Steele County, we reviewed the current supply of homes on the market (listed for sale). Table FS-3 shows homes currently listed for sale in Steele County by Market Area distributed into eight price ranges. The listings were obtained in September 2016 from the Southeast Minnesota Associate of Realtors.

- As of September 2016, there were 109 homes listed for sale in Steele County. The Owatonna submarket accounted for 91 of the 109 active listings.
- The median list price in Steele County for a single-family home is \$154,900. 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.

FOR-SALE MARKET ANALYSIS

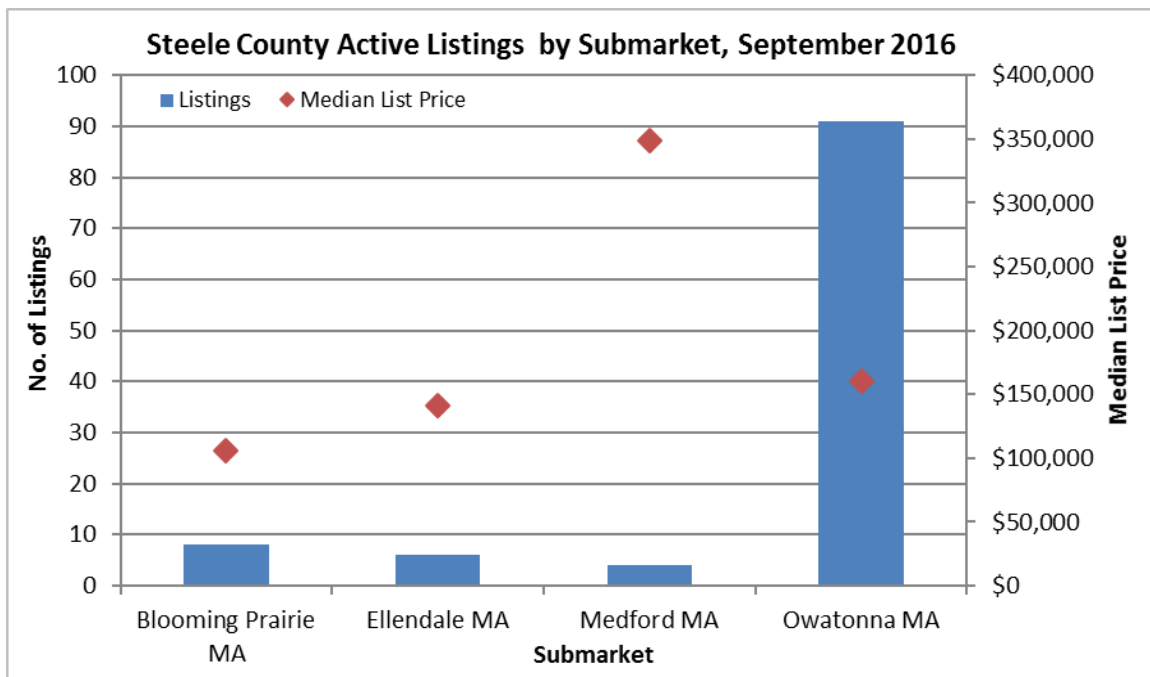
**TABLE FS-3
HOMES CURRENTLY LISTED FOR-SALE
STEELE COUNTY
September 2016**

Price Range	Blooming Prairie MA		Ellendale MA		Medford MA		Owatonna MA		Steele County	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$25,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$25,000 to \$49,999	1	12.5%	1	16.7%	0	0.0%	2	2.2%	4	3.7%
\$50,000 to \$74,999	1	12.5%	0	0.0%	1	25.0%	1	1.1%	3	2.8%
\$75,000 to \$99,999	2	25.0%	1	16.7%	1	25.0%	4	4.4%	8	7.3%
\$100,000 to \$149,999	4	50.0%	1	16.7%	0	0.0%	33	36.3%	38	34.9%
\$150,000 to \$199,999	0	0.0%	2	33.3%	0	0.0%	23	25.3%	25	22.9%
\$200,000 to \$249,999	0	0.0%	1	16.7%	0	0.0%	16	17.6%	17	15.6%
\$250,000 and Over	0	0.0%	0	0.0%	2	50.0%	12	13.2%	14	12.8%
	8	100%	6	100%	4	100%	91	100%	109	100%
Minimum	\$31,000		\$49,900		\$67,900		\$48,000		\$31,000	
Maximum	\$141,900		\$233,500		\$749,900		\$998,500		\$998,500	
Median	\$105,400		\$140,950		\$349,250		\$159,900		\$154,900	
Average	\$94,988		\$138,350		\$379,075		\$189,190		\$186,446	

Sources: Southeast Minnesota Associate of Realtors, Maxfield Research and Consulting, LLC

FOR-SALE MARKET ANALYSIS

- The Medford submarket had only four properties listed, but two of the properties were listed above \$500,000, creating a significantly higher median value compared to the remaining submarkets.
- Based on a median list price of \$154,900 for Steele County, the income required to afford a home at this price would be between \$44,250 and \$51,650, 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). A household with significantly more equity (in an existing home and/or savings) could afford a higher priced home. About 70% of Steele County households have annual incomes at or above \$45,000.



- About 35% of the homes for sale in Steel County are priced between \$100,000 and \$149,999 and 22.9% of the homes are listed between \$150,000 and \$199,999.
- The Blooming Prairie market area reported no listings above \$150,000, compared to the remaining three submarkets which reported 50% or more of the listings above the \$150,000 listing price.

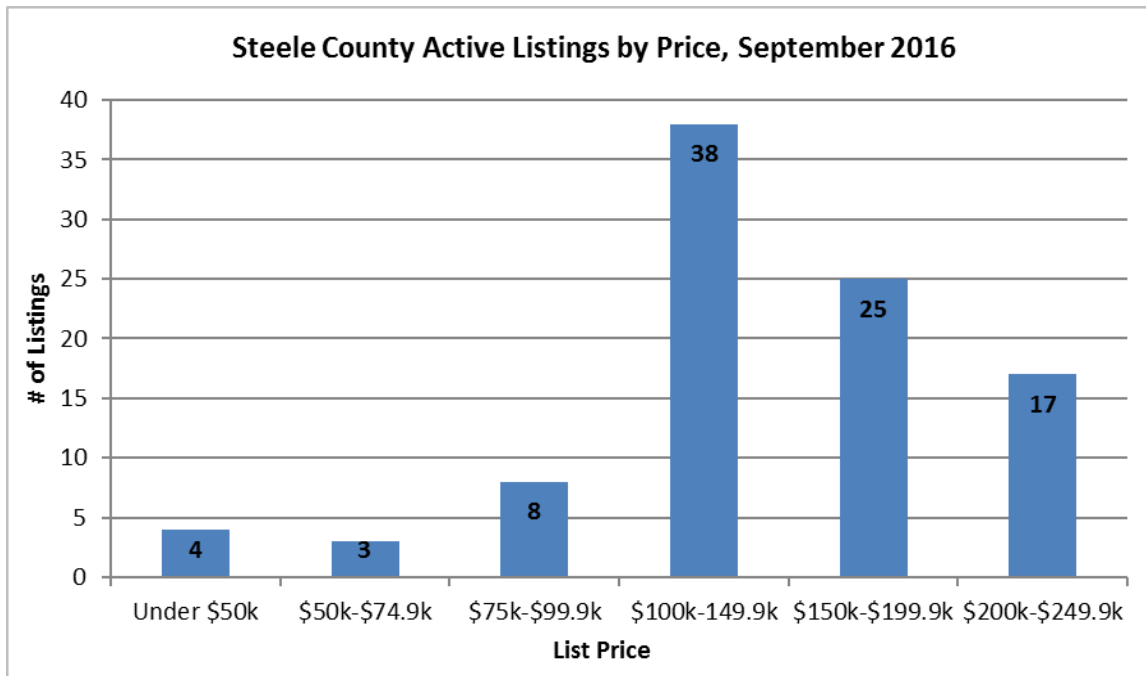
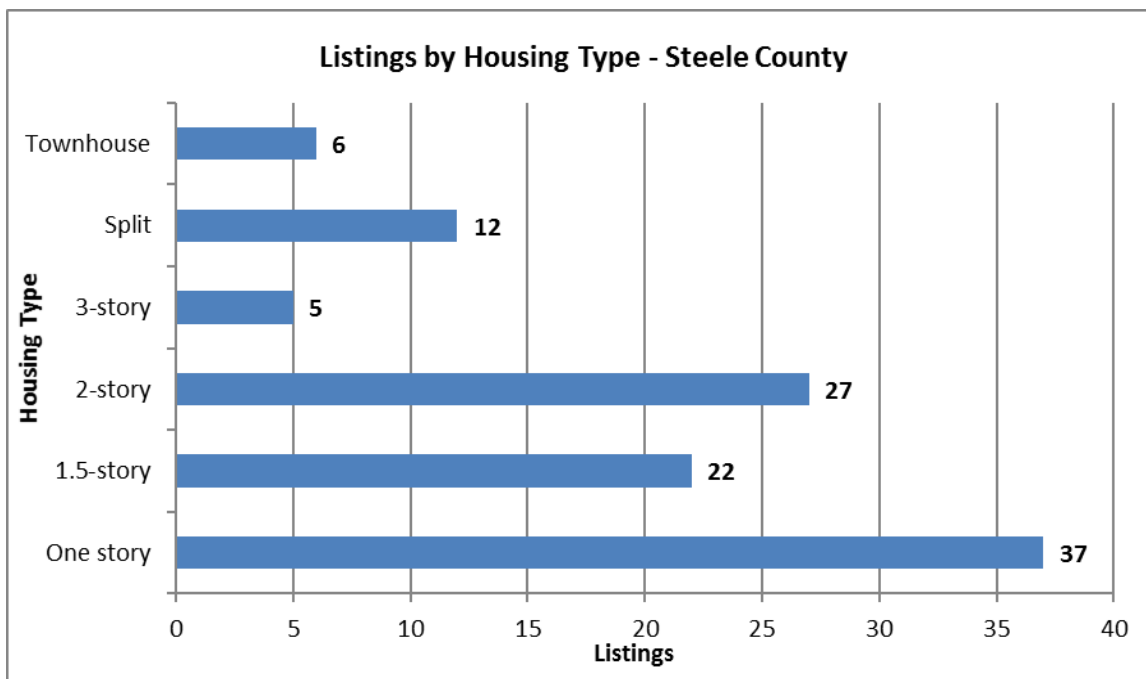


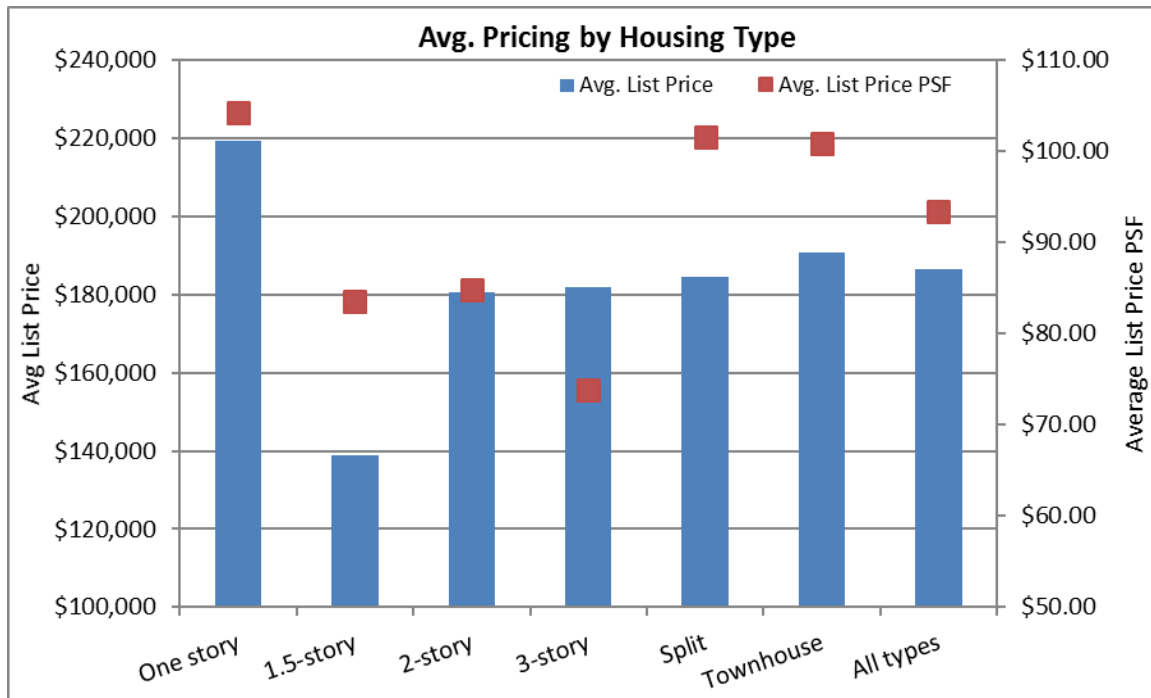
Table FS-4 shows homes currently listed for sale in Steele County by Market Area by property type. The listings were obtained in September 2016 from the Southeast Minnesota Association of Realtors.

- Of the 109 listings in Steele County, 103 (94.5%) were for single family homes, the remaining six listings were for townhomes.



FOR-SALE MARKET ANALYSIS

- One-story listings were the most common type of properties, accounting for 33.9% of listings. One-story listings also reported the highest average list price at \$219,476.



- Listings for 1.5 story homes reported the lowest average list price at \$138,732. Homes with 1.5 stories also reported the lowest average square feet, 1,660, and were the oldest homes with an average year built of 1926.
- After one-story homes, townhouses reported the highest average list price, \$190,767. Townhomes were also the newest listings, with an average year built of 2004.

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	37	33.9%	\$219,476	2,106	\$104.23	1974
1.5-story	22	20.2%	\$138,732	1,660	\$83.55	1926
2-story	27	24.8%	\$180,704	2,132	\$84.75	1934
3-story	5	4.6%	\$182,040	2,465	\$73.86	1933
Split	12	11.0%	\$184,675	1,817	\$101.62	1989
Total	103	94.5%	\$186,194	2001	\$93.04	1953
Multi-Family						
Townhouse	6	5.5%	\$190,767	1,891	\$100.89	2004
Steele County	109	100.0%	\$186,446	1,995	\$93.45	1956

Sources: Southeast Minnesota Association of Realtors, Maxfield Research and Consulting, LLC

Owner-occupied Turnover

Table FS-5 illustrates existing home turnover as a percentage of owner occupied units in Steele County. Resales are based on historic transaction volume between 2005 and 2015 as obtained from the Southeast Minnesota Association of Realtors. Owner-occupied housing units are sourced to the U.S. Census as of 2014.

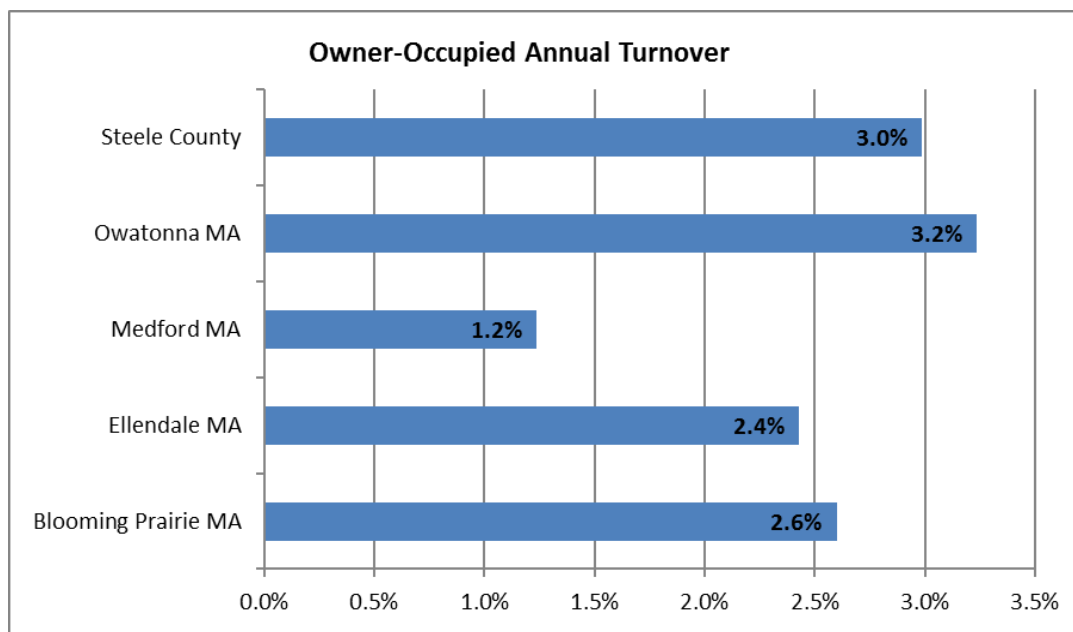
As displayed in the table, approximately 3.0% of Steele County’s owner-occupied housing stock is sold annually. Turnover rates range from 1.2% in the Medford submarket to 3.2% in the Owatonna submarket. Typically, we find owner-occupied turnover ranges from 3% at the low-end to 8% at the high-end in many non-metro communities throughout the Midwest.

**TABLE FS-5
OWNER-OCCUPIED TURNOVER
STEELE COUNTY**

Submarket	Owner-occupied Housing Units¹	Resales Annual Avg.²	Turnover Pct.
Blooming Prairie MA	937	24	2.6%
Ellendale MA	503	12	2.4%
Medford MA	882	11	1.2%
Owatonna MA	8,689	281	3.2%
Steele County	11,011	329	3.0%

¹ Owner-occupied housing units in 2010
² Annual average of resales between 2005 and 2015

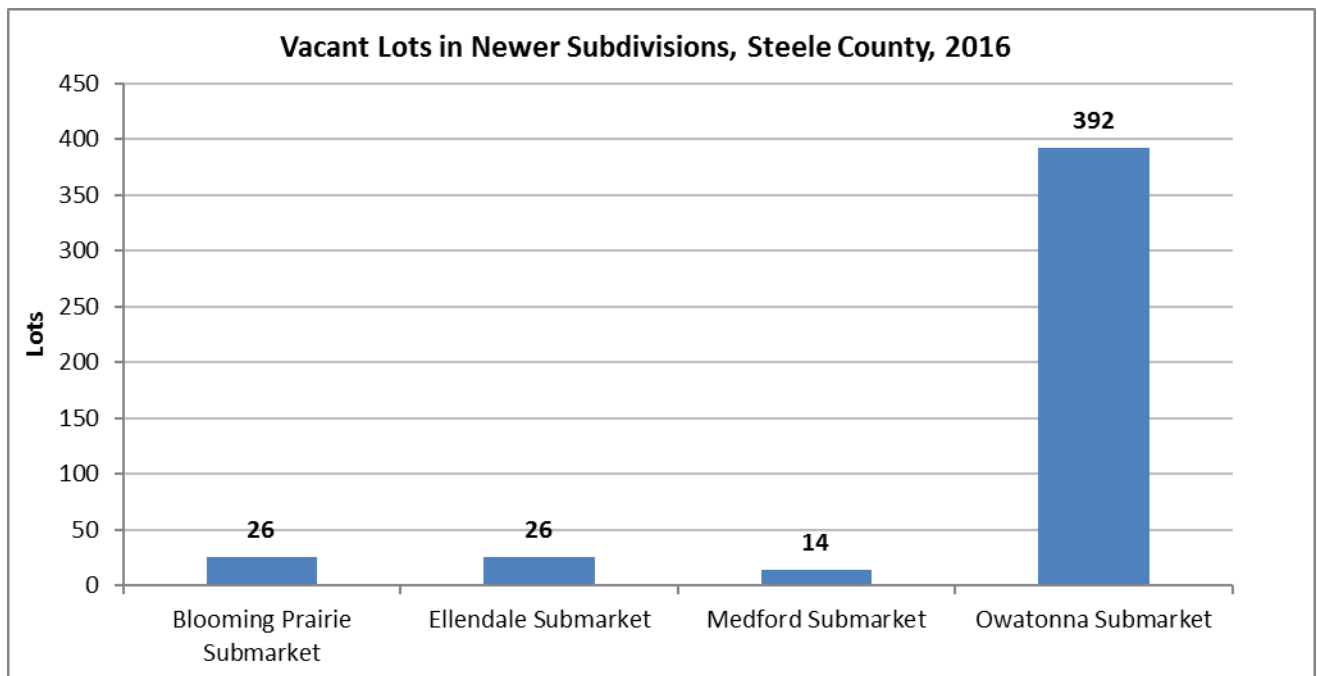
Source: U.S. Census Bureau, SEMAR, Maxfield Research and Consulting, LLC



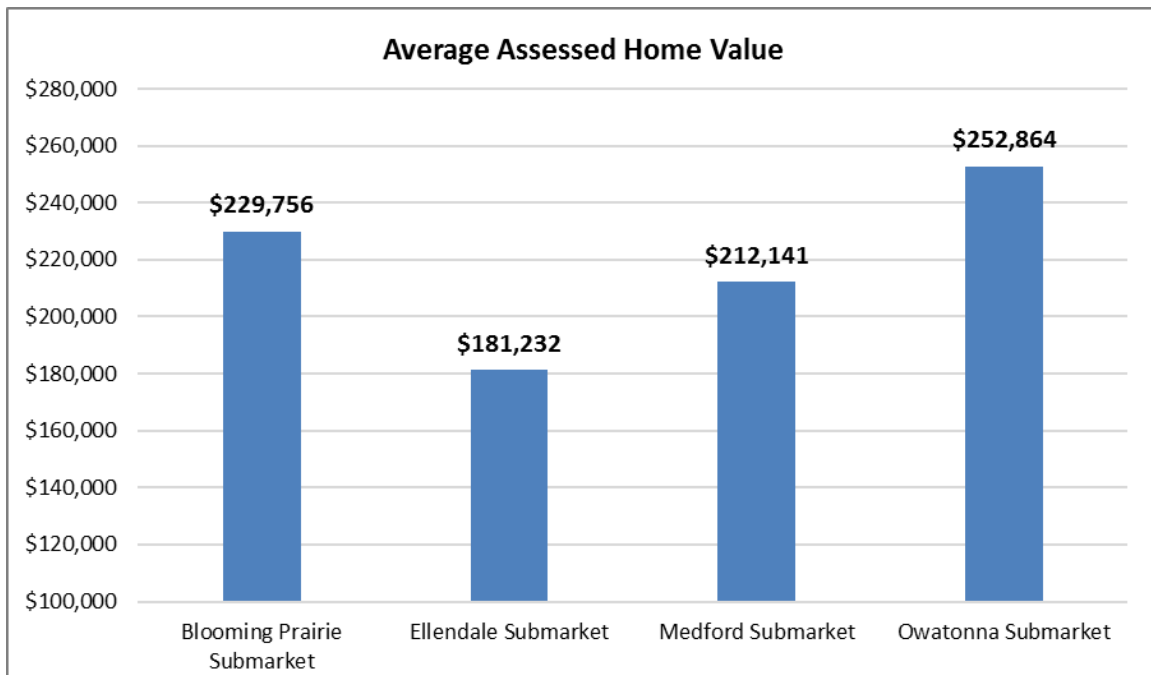
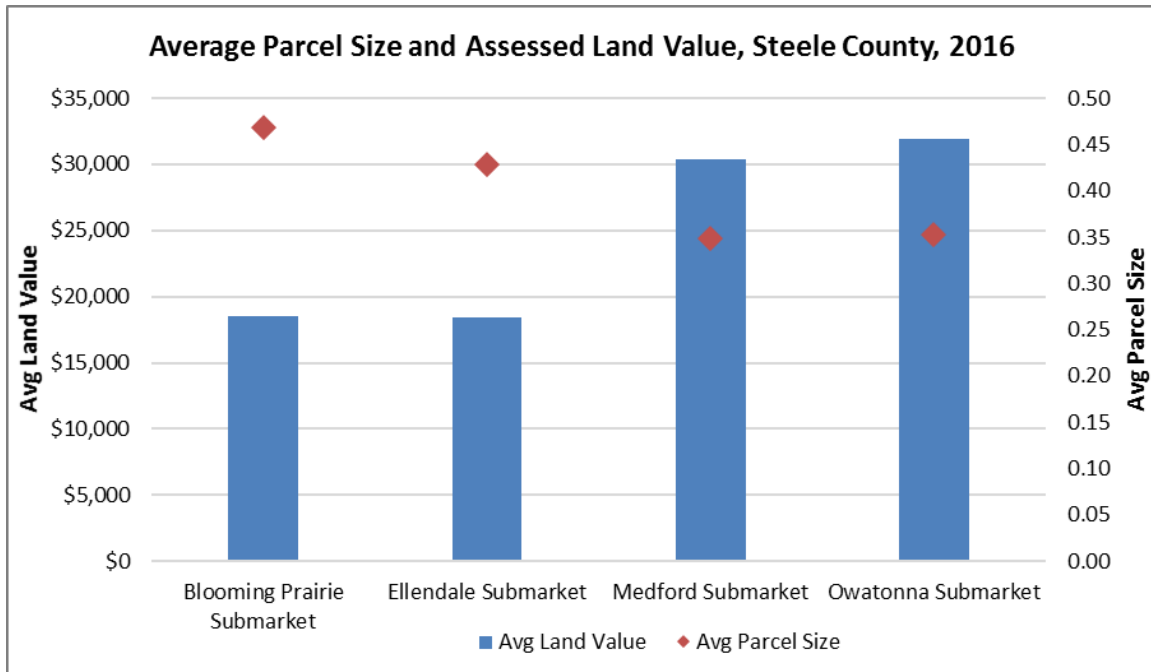
Actively Marketing Subdivisions

Table FS-6 identifies newer subdivisions with available lots in Steele County. The table identifies the number of lots, available lots, typical lot sizes, and assessed values for lots and homes. Please note; the table does not include scattered, infill lots. Key points from the table follow.

- There are a total of 1,248 lots in actively marketing subdivisions in Steele County, the majority of the lots, 1,012 (single-family and multifamily lots) are in the Owatonna submarket.
- There are 458 available lots in actively marketing subdivisions. Medford had the fewest lots available, with only 14 of 141 lots within newer subdivisions remaining. While Owatonna had the greatest number of available lots, 314 single family lots were available and 78 twinhome/townhome lots.



- The average lot size was smaller in the Owatonna and Medford (0.35 acres) submarkets compared to the Ellendale submarket where the average lot size was 0.43 acres and the Blooming Prairie submarket where the average lot size was 0.47 acres.
- The Owatonna submarket was the only submarket offering twin or townhome lots in newer subdivisions. The twin and townhome lots averaged 0.12 acres in size.
- The price of lots was lowest in the Blooming Prairie and Ellendale submarkets, with lots averaging nearly \$18,500. In Medford the average lot cost was about \$31,000 and in the Owatonna submarkets lots averaged close to \$32,000.
- Townhome and twinhome lots averaged nearly \$19,000 in the Owatonna submarket.



- Average assessed home values were highest in the Owatonna submarket, \$252,864 for single family homes and lowest in the Ellendale submarket, \$181,232.
- The marketing price for lots ranged from an average of \$18,364 in the Crown Ridge subdivision in Ellendale to an average of \$47,450 in the North Country subdivision in Owatonna.

FOR-SALE MARKET ANALYSIS

- Marketing prices for twinhome and townhome lots averaged \$14,900 in the Eden Valley subdivision to an average of \$30,567 in the Skyview subdivision.
- Actively marketing single family homes in the new subdivisions in Owatonna ranged from an average of \$169,900 in Eden Valley to an average of \$389,114 in Country Creek.

FOR-SALE MARKET ANALYSIS

TABLE FS-6 ACTIVELY MARKETING SINGLE-FAMILY SUBDIVISIONS STEELE COUNTY SEPTEMBER 2016															
Subdivision	City/Twp.	No. of Lots	Vacant/ Avail. Lots	Avg Size of Lots (Acres)			Avg Assessed Lot/Land Value			Avg Assessed Home Value					
				Min	Max	Avg.	Min	Max	Avg.	Min	Max	Avg.			
Blooming Prairie Submarket															
Prairie Addition 3	Blooming Prairie	23	17	0.24	-	0.75	0.51	\$5,500	-	\$39,100	\$22,909	\$181,800	-	\$296,900	\$246,867
Hansen Heights 3	Blooming Prairie	10	9	0.32	-	0.60	0.38	\$5,900	-	\$29,800	\$8,290	\$190,400	-	\$190,400	\$190,400
Subtotal		33	26			0.47				\$18,479				\$229,756	
Ellendale Submarket															
Crown Ridge	Ellendale	55	23	0.19	-	1.36	0.43	\$10,600	-	\$46,500	\$18,667	\$18,000	-	\$277,900	\$179,216
Edgewood	Ellendale	7	3	0.36	-	0.51	0.42	\$11,300	-	\$21,200	\$16,343	\$182,200	-	\$235,600	\$197,075
Subtotal		62	26			0.43				\$18,405				\$181,232	
Medford Submarket															
Jones' Subdivision	Medford	43	2	0.22	-	0.50	0.30	\$12,000	-	\$42,800	\$26,849	\$151,000	-	\$254,300	\$192,818
Scenic Heights	Medford	15	5	0.16	-	0.55	0.29	\$13,300	-	\$55,800	\$27,720	\$173,000	-	\$559,300	\$275,300
Oakridge Bluff	Medford	83	7	0.21	-	2.13	0.38	\$17,500	-	\$63,600	\$32,659	\$148,000	-	\$393,700	\$210,738
Subtotal		141	14			0.35				\$30,362				\$212,141	
Owatonna Submarket															
Majestic Oaks Single Family	Owatonna	59	43	0.34	-	1.27	0.52	\$3,900	-	\$66,200	\$34,807	\$29,200	-	\$544,200	\$282,619
Majestic Oaks Townhome	Owatonna	14	14	0.09	-	0.10	0.09	\$5,000	-	\$5,000	\$5,000	-	-	-	-
Eden Valley Single Family	Owatonna	33	28	0.21	-	0.38	0.24	\$28,800	-	\$31,100	\$29,720	\$157,300	-	\$218,300	\$188,280
Eden Valley Twin Homes	Owatonna	28	12	0.08	-	0.08	0.08	\$30,000	-	\$30,000	\$30,000	\$146,300	-	\$182,800	\$159,550
Emerald Acres No 3	Owatonna	45	17	0.22	-	0.55	0.27	\$21,900	-	\$46,700	\$30,096	\$143,400	-	\$287,800	\$205,743
Sherwood Heights	Owatonna	72	13	0.21	-	1.16	0.37	\$12,900	-	\$90,800	\$31,108	\$148,700	-	\$444,500	\$234,547
Riverwood Parks	Owatonna	24	20	0.04	-	0.07	0.06	\$2,000	-	\$18,000	\$6,742	\$260,400	-	\$278,800	\$271,425
Skyview Single Family	Owatonna	36	21	0.24	-	0.42	0.28	\$19,200	-	\$32,500	\$23,964	\$156,500	-	\$286,000	\$190,453
Skyview Twinhomes	Owatonna	17	14	0.09	-	0.10	0.10	\$15,000	-	\$22,000	\$16,235	\$169,600	-	\$212,700	\$188,467
North Country Single Family	Owatonna	152	33	0.25	-	1.15	0.35	\$20,800	-	\$57,800	\$31,653	\$136,600	-	\$450,100	\$225,124
North Country Twin Homes	Owatonna	16	2	0.18	-	0.29	0.19	\$10,000	-	\$24,700	\$18,569	\$144,700	-	\$166,100	\$158,143
Maple Creek Highlands Single Family	Owatonna	22	14	0.27	-	1.49	0.72	\$1,000	-	\$67,200	\$29,236	\$230,400	-	\$326,200	\$268,725
Maple Creek Highlands Twin Homes	Owatonna	7	5	0.19	-	0.33	0.21	\$12,000	-	\$26,600	\$15,371	\$168,600	-	\$209,700	\$189,150
Country Creek Single Family	Owatonna	146	33	0.25	-	0.75	0.35	\$3,200	-	\$65,100	\$37,614	\$190,000	-	\$701,700	\$302,721
Country Creek Twin Homes	Owatonna	12	8	0.09	-	0.09	0.09	\$2,300	-	\$30,000	\$16,383	\$155,300	-	\$159,000	\$157,150
Willow Creek	Owatonna	84	20	0.22	-	1.00	0.33	\$18,600	-	\$56,700	\$30,898	\$56,500	-	\$314,100	\$232,627
Radel's Francis Addition	Owatonna	62	11	0.21	-	0.41	0.25	\$14,300	-	\$29,200	\$23,018	\$19,200	-	\$226,500	\$164,443
Autumn Hills	Owatonna	15	11	0.20	-	0.37	0.24	\$11,900	-	\$26,900	\$15,713	\$125,400	-	\$155,800	\$136,625
North Bluff Single Family	Owatonna	133	50	0.26	-	1.94	0.41	\$18,100	-	\$84,300	\$39,864	\$180,900	-	\$651,000	\$336,553
North Bluff Twin Homes	Owatonna	35	23	0.09	-	0.17	0.12	\$2,300	-	\$38,000	\$18,403	\$203,600	-	\$259,500	\$227,342
Subtotal Single Family Homes		883	314			0.35				\$31,890				\$252,864	
Subtotal Twin and Town Homes		129	78			0.12				\$18,848				\$165,647	
Steele County Total		1248	380			0.33				\$29,345				\$235,078	
¹ Lot value and home value based on Steele County Assessor data.															
Source: City of Owatonna, Maxfield Research and Consulting, LLC															

Newer Subdivisions in Steele County

The following are photographs of housing options in select newer subdivisions in Steele County.



Blooming Prairie



Ellendale



Medford Twinhome



Owatonna Twinhome



Owatonna Quad Home



Owatonna Single Family Home

Realtor Interviews

Maxfield Research and Consulting interviewed real estate agents and other professionals familiar with Steele County's owner-occupied market to solicit their impressions of the for-sale housing market throughout the county. Key points are summarized by topic as follows.

- Real estate agents expressed the sentiment that most buyers seek single-family homes, but there is a market for all housing product types and price ranges.
- Seniors 65 and over are seeking newer housing options that are single-level with two car garages.
- There is limited inventory of homes in the Steele County area and with continued low interest rates, the market is hot for both sellers and buyers.
- First-time home buyers are seeking housing products by number of bedrooms, home offices, and two-plus garages.
- First-time home buyers are having a difficult time finding affordable housing that meets guidelines for Federal Housing Administration financing.
- Homes that are priced competitively on average are on the market for 45 days.
- Buyers are usually able to find more house for their dollar outside of Owatonna in the smaller Steele County communities.
- Most buyers that are seeking homes in Blooming Prairie, Ellendale, and Medford are seeking single family options that are more affordable than single family housing that is in Owatonna. Not as many housing options are available outside of Owatonna with Realtors stating that there were only two starter homes listed in Medford as of December.
- Many buyers are drawn to Ellendale and Medford for their school districts with buyers seeking smaller schools.
- Lot costs are often found to be between \$10,000 and \$15,000 for basic lots, up to \$20,000 in Owatonna. Lots with more amenities, views, and inclusive lots are often found between \$26,000 and \$30,000, up to \$38,000 in Owatonna. Foreclosure lots have decreased significantly in recent years, but were as low as \$2,000 a few years ago.
- Not many townhomes are available in Steele County or Owatonna with only one available in Owatonna as of December. There is a high demand for townhomes priced in the \$160,000 to \$180,000 range that are one level living with two car garages.

FOR-SALE MARKET ANALYSIS

- Although many of today's sellers could easily sell their home in today's market, many sellers have few options to buy when purchasing their next home. Many "trade down buyers" are seeking one-level living and maintenance free options and there are few for-sale products available with these preferences. Furthermore, many sellers downsizing do not want to spend more to purchase another home than the sales price of the home they currently own.
- Lender-mediated property sales remain low and most real estate agents expect that trend to continue. As long as these properties remain low, this should assist in maintaining a stable housing market with positive appreciation.
- Steele County housing costs outside of Owatonna are generally defined as follows:
 - Entry-level: less than \$100,000
 - Move-up: \$150,000 to \$200,000
 - Executive: \$250k+
- Owatonna housing costs are generally defined as follows:
 - Entry-level: less than \$130,000
 - Move-up: \$160,000 to \$250,000
 - Executive: \$300k+

Real estate agents commented that additional maintenance-free products (new, rambler, and townhomes) would be desirable.

Planned and Proposed Housing Projects

Maxfield Research interviewed planning staff members in communities in Steele County in order to identify housing developments under construction, planned, or pending. At the time of this study, there are no pending for-sale projects in progress, however several there were several development proposals being discussed.

- Blooming Prairie held discussions with a developer on a new subsidized senior housing project in early 2016. No formal plans have been submitted for this project.
- Blooming Prairie is holding meetings with a residential developer to discuss possible future plans for development in the city.
- There are no planned or pending residential developments under review by the City of Medford at this time. There has been some interest in additional residential redevelopment in the city, but no formal plans have been submitted.

FOR-SALE MARKET ANALYSIS

- There two general occupancy market rate apartment projects under way in Owatonna. Upon completion these projects will add 70 market rate apartment units to the city's supply. In addition, there are an additional 33 units planned, but not yet under construction.
- Owatonna also has 24 units of memory care under construction. There are two additional phases planned, with each phase adding 24 additional units.
- The planned units for market rate apartments and memory care are not factored into our demand calculations, only those under construction were included.
- Ellendale has existing availability for housing projects, but currently does not have any planned or pending developments at this time.

Introduction

Affordable housing is a term that has various definitions according to different people and is a product of supply and demand. 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.

Generally, housing that is income-restricted to households earning at or below 80% of Area Median Income (AMI) is considered affordable. However, many individual properties have income restrictions set anywhere from 30% to 80% of AMI. Rent is not based on income but instead is a contract amount that is affordable to households within the specific income restriction segment. Moderate-income housing, often referred to as “workforce housing,” refers to both rental and ownership housing. Hence the definition is broadly defined as housing that is income-restricted to households earning between 50% and 120% AMI. Figure 1 below summarizes income ranges by definition.

FIGURE 1
AREA MEDIAN INCOME (AMI) DEFINITIONS

Definition	AMI Range
Extremely Low Income	0% - 30%
Very Low Income	31% - 50%
Low Income	51% - 80%
Moderate Income Workforce Housing	80% - 120%

Note: Steele County 4-person AMI = \$73,500 (2016)

Naturally-Occurring Affordable Housing (i.e. Unsubsidized Affordable)

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. Because of these factors, housing costs tend to be lower.

HOUSING AFFORDABILITY

According to the *Joint Center for Housing Studies of Harvard University*, the privately unsubsidized housing stock supplies three times as many low-cost affordable units than assisted projects nationwide. Unlike assisted rental developments, most unsubsidized affordable units are scattered across small properties (one to four unit structures) or in older multifamily structures. Many of these older developments may be vulnerable to redevelopment due to their age, modest rents, and deferred maintenance.

Because many of these housing units have affordable rents, project-based and private housing markets cannot be easily separated. Some households (typically those with household incomes of 50% to 60% AMI) income-qualify for both market rate and project-based affordable housing.

Based on the review of Steele County's housing stock and the inventory of rental properties; we find a substantial portion of the housing stock would be classified as naturally-occurring affordable housing.

Rent and Income Limits

Table HA-1 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 Steele County. These incomes are published and revised annually by the Department of Housing and Urban Development (HUD) and also published separately by the Minnesota Housing Finance Agency based on the date the project was placed into service. Fair market rent is the amount needed to pay gross monthly rent at modest rental housing in a given area. This table is used as a basis for determining the payment standard amount used to calculate the maximum monthly subsidy for families at financially assisted housing.

Table HA-2 shows the maximum rents by household size and AMI based on income limits illustrated in Table HA-1. The rents on Table HA-2 are based on HUD's allocation that monthly rents should not exceed 30% of income. In addition, the table reflects maximum household size based on HUD guidelines of number of persons per unit. For each additional bedroom, the maximum household size increases by two persons.

HOUSING AFFORDABILITY

**TABLE HA-1
MHFA/HUD INCOME AND RENT LIMITS
STEELE COUNTY- 2016**

	Income Limits by Household Size							
	1 pph	2 pph	3 pph	4 pph	5 pph	6 pph	7 pph	8 pph
30% of median	\$15,450	\$17,640	\$19,860	\$22,050	\$23,820	\$25,590	\$27,360	\$29,130
50% of median	\$25,750	\$29,400	\$33,100	\$36,750	\$39,700	\$42,650	\$45,600	\$48,550
60% of median	\$30,900	\$35,280	\$39,720	\$44,100	\$47,640	\$51,180	\$54,720	\$58,260
80% of median	\$41,200	\$47,040	\$52,960	\$58,800	\$63,520	\$68,240	\$72,960	\$77,680
100% of median	\$51,500	\$58,800	\$66,200	\$73,500	\$79,400	\$85,300	\$91,200	\$97,100
120% of median	\$61,800	\$70,560	\$79,440	\$88,200	\$95,280	\$102,360	\$109,440	\$116,520
	Maximum Gross Rent							
	EFF	1BR	2BR	3BR	4BR			
30% of median	\$386	\$441	\$496	\$551	\$595			
50% of median	\$643	\$735	\$827	\$918	\$992			
60% of median	\$772	\$882	\$993	\$1,102	\$1,191			
80% of median	\$1,030	\$1,176	\$1,324	\$1,470	\$1,588			
100% of median	\$1,287	\$1,470	\$1,655	\$1,837	\$1,985			
120% of median	\$1,545	\$1,764	\$1,986	\$2,205	\$2,382			
	Fair Market Rent							
	EFF	1BR	2BR	3BR	4BR			
Fair Market Rent	\$490	\$577	\$772	\$1,038	\$1,348			

Sources: MHFA, HUD, Novogradac, Maxfield Research and Consulting LLC

HOUSING AFFORDABILITY

**TABLE HA-2
MAXIMUM RENT BASED ON HOUSEHOLD SIZE AND AREA MEDIAN INCOME
STEELE COUNTY - 2016**

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	\$386	- \$386	\$644	- \$644	\$773	- \$773	\$1,030	- \$1,030	\$1,288	- \$1,288	\$1,545	- \$1,545
1BR	1	2	\$386	- \$441	\$644	- \$735	\$773	- \$882	\$1,030	- \$1,176	\$1,288	- \$1,470	\$1,545	- \$1,764
2BR	2	4	\$441	- \$551	\$735	- \$919	\$882	- \$1,103	\$1,176	- \$1,470	\$1,470	- \$1,838	\$1,764	- \$2,205
3BR	3	6	\$497	- \$640	\$828	- \$1,066	\$993	- \$1,280	\$1,324	- \$1,706	\$1,655	- \$2,133	\$1,986	- \$2,559
4BR	4	8	\$551	- \$728	\$919	- \$1,214	\$1,103	- \$1,457	\$1,470	- \$1,942	\$1,838	- \$2,428	\$2,205	- \$2,913

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 Steele County AMI is \$73,500 (2016)

Sources: HUD, Novogradac, Maxfield Research and Consulting, LLC

Housing Cost Burden

Table HA-3 shows the number and percentage of owner and renter households in Minnesota, Steele County, and the major cities in Steele County that pay 30% or more of their gross income for housing. This information was compiled from the American Community Survey 2014 estimates. This information is different than the 2000 Census which separated households that paid 35% or more in housing costs. As such, the information presented in the tables may be overstated in terms of households that may be “cost burdened.” The Federal standard for affordability is 30% of income for housing costs. Without a separate break out for households that pay 35% or more, there are likely a number of households that elect to pay slightly more than 30% of their gross income to select the housing that they choose. Moderately cost-burdened is defined as households paying between 30% and 50% of their income to housing; while severely cost-burdened is defined as households paying more than 50% of their income for housing.

Higher-income households that are cost-burdened may have the option of moving to lower priced housing, but lower-income households often do not. The figures focus on owner households with incomes below \$50,000 and renter households with incomes below \$35,000.

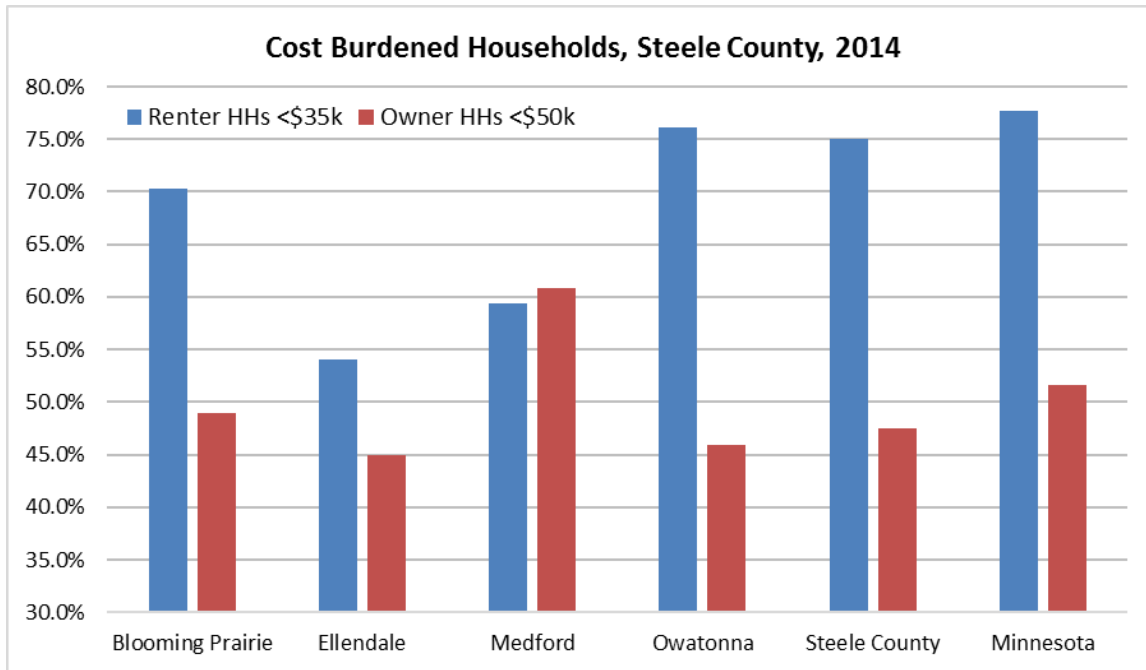
Key findings from Table HA-3 follow.

- In Steele County, 22.3% of owner households and 53.1% of renter households are considered cost burdened. The Medford submarket recorded the highest proportion of cost burdened owner households, 31.8% and the Owatonna submarket recorded the highest proportion of cost burdened renter households, 54.3%.
- Among owner households earning less than \$50,000, 47.4% were cost burdened in Steele County. The Medford submarket reported the highest proportion of cost burdened owner households earning less than \$50,000, 60.8%.
- Approximately 75% of Steele County renter households earning less than \$35,000 were cost burdened. The proportion in the Owatonna submarket was slightly higher than the County at 76.1%.
- The proportion of cost burdened households in Steele County was less than the proportion in the State of Minnesota across all categories for tenure and income.

HOUSING AFFORDABILITY

TABLE HA-3
HOUSING COST BURDEN
STEELE COUNTY SUBMARKETS
2014

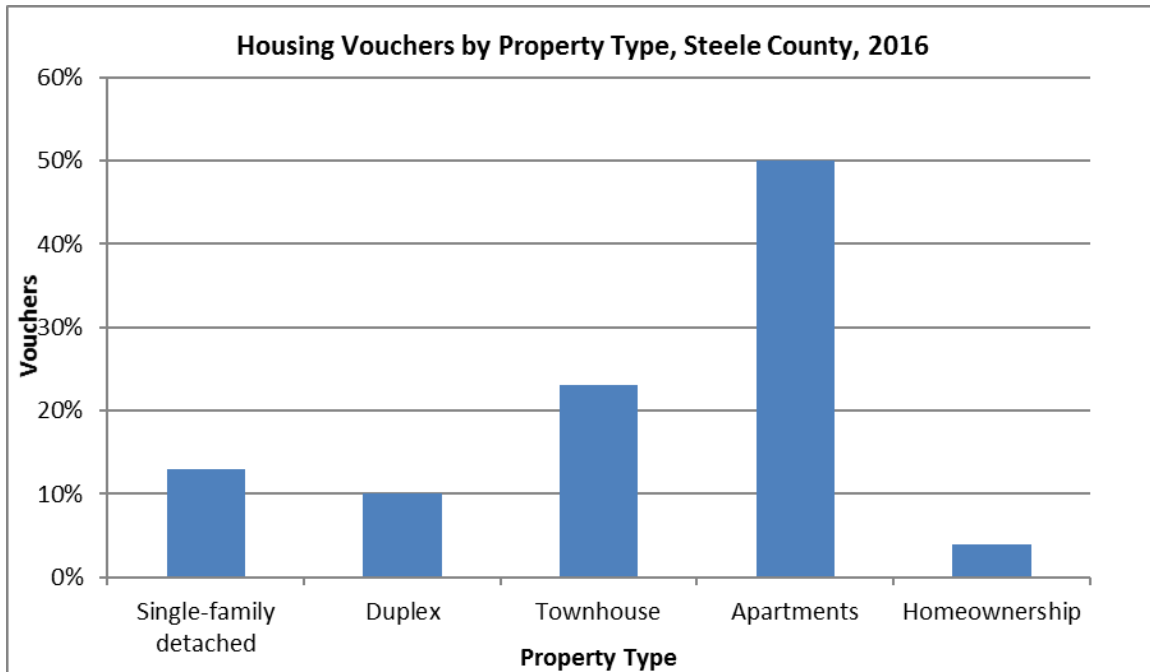
Community	Blooming Prairie		Ellendale		Medford		Owatonna		Steele County		Minnesota	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Owner Households												
All Owner Households	937		503		882		8,689		11,011		1,525,201	
Cost Burden 30% or greater	210	22.5%	107	21.3%	278	31.8%	1,848	21.4%	2,443	22.3%	360,187	23.7%
Owner Households w/ incomes <\$50,000	293		160		338		2,903		3,694		459,805	
Cost Burden 30% or greater	142	49.0%	72	45.0%	200	60.8%	1,313	45.9%	1,727	47.4%	233,629	51.6%
Renter Households												
All Renter Households	201		89		79		2,959		3,328		590,136	
Cost Burden 30% or greater	76	46.9%	33	40.7%	19	32.8%	1,519	54.3%	1,647	53.1%	272,161	49.1%
Renter Households w/ incomes <\$35,000	119		55		44		1,940		2,158		319,421	
Cost Burden 30% or greater	71	70.3%	27	54.0%	19	59.4%	1,397	76.1%	1,514	75.0%	230,234	77.7%
Median Contract Rent ¹	\$528		\$587		\$540		\$634		\$627		\$747	
¹ Median Contract Rent 2014 Note: Calculations exclude households not computed.												
Sources: American Community Survey 2014 estimates; Maxfield Research and Consulting LLC												



Housing Vouchers

In addition to subsidized apartments, “tenant-based” subsidies like *Housing Choice Vouchers*, can help lower income households afford market-rate rental housing. The tenant-based subsidy is funded by the Department of Housing and Urban Development (HUD), and is managed by the Owatonna Housing and Redevelopment Authority. Under the Housing Choice Voucher program (also referred to as Section 8) qualified households are issued a voucher that the household can take to an apartment that has rent levels with Payment Standards. The household then pays approximately 30% of their adjusted gross income for rent and utilities, and the Federal government pays the remainder of the rent to the landlord. The maximum income limit to be eligible for a Housing Choice Voucher is 50% AMI based on household size, as shown in Table HA-1. The following are key points about the Housing Choice Voucher Program in Steele County

- Steele County has 113 housing choice vouchers available and 110 are currently in use. The HRA maintains a waiting list for the use of vouchers and applicants may wait two to three years for a voucher to be available to them.
- The majority of vouchers in Steele County are in use in the City of Owatonna. There are 102 vouchers being used in Owatonna, accounting for nearly 93% of the county vouchers in use. There are two vouchers in use in Ellendale, three in use in Blooming Prairie and three that were portable out of the county. There are no vouchers in use in Medford.
- Half of all vouchers are being used for apartments and nearly one-quarter are in use at townhomes.



Housing Costs as Percentage of Household Income

Housing costs are generally considered affordable at 30% of a households' adjusted gross income. Table HA-4 on the following page illustrates key housing metrics based on housing costs and household incomes in Steele County. The table estimates the percentage of Steele County householders that can afford rental and for-sale housing based on a 30% allocation of income to housing. Housing costs are based on the Steele County average.

The housing affordability calculations assume the following:

For-Sale Housing

- 10% down payment with good credit score
- Closing costs rolled into mortgage
- 30-year mortgage at 4.25% interest rate
- Private mortgage insurance (equity of less than 20%)
- Homeowners insurance for single-family homes and association dues for townhomes
- Owner household income per 2014 ACS

Rental Housing

- Background check on tenant to ensure credit history
- 30% allocation of income
- Renter household income per 2014 ACS

Because of the down payment requirement and strict underwriting criteria for a mortgage, not all households will meet the income qualifications as outlined above.

HOUSING AFFORDABILITY

- The median income of all Steele County households in 2015 was about \$57,858. However, the median income varies by tenure. According to the 2015 American Community Survey, the median income of a homeowner is \$70,095 compared to \$26,045 for renters.
- Approximately 80% of all households and 84% of owner households could afford to purchase an entry-level home in Steele County (\$120,000). When adjusting for move-up buyers (\$160,000) about 72% of all households and 76% of owner households would income qualify.
- About 68% of existing renter households can afford to rent a one-bedroom unit in Steele County (\$616/month). The percentage of renter income-qualified households decreases to 30% that can afford an existing three-bedroom unit (\$1,058/month). After adjusting for new construction rental housing, the percentage of renters that are income-qualified decreases significantly. About 31% of renters can afford a new market rate one-bedroom unit while 30% can afford a new three-bedroom unit.

HOUSING AFFORDABILITY

TABLE HA-4 STEELE COUNTY MARKET AREA HOUSING AFFORDABILITY - BASED ON HOUSEHOLD INCOME						
For-Sale (Assumes 10% down payment and good credit)						
	Single-Family			Townhome/Twinhome/Condo		
	Entry-Level	Move-Up	Executive	Entry-Level	Move-Up	Executive
Price of House	\$120,000	\$160,000	\$280,000	\$80,000	N/A	\$180,000
Pct. Down Payment	10.0%	10.0%	10.0%	10.0%	N/A	10.0%
Total Down Payment Amt.	\$12,000	\$16,000	\$28,000	\$8,000	N/A	\$18,000
Estimated Closing Costs (rolled into mortgage)	\$3,600	\$4,800	\$8,400	\$2,400	N/A	\$5,400
Cost of Loan	\$111,600	\$148,800	\$260,400	\$74,400	N/A	\$167,400
Interest Rate	4.250%	4.250%	4.250%	4.250%	4.250%	4.250%
Number of Pmts.	360	360	360	360	N/A	360
Monthly Payment (P & I)	-\$549	-\$732	-\$1,281	-\$366	N/A	-\$824
(plus) Prop. Tax	-\$100	-\$133	-\$233	-\$67	N/A	-\$150
(plus) HO Insurance/Assoc. Fee for TH	-\$40	-\$53	-\$93	-\$100	N/A	-\$100
(plus) PMI/MIP (less than 20%)	-\$48	-\$64	-\$113	-\$32	N/A	-\$73
Subtotal monthly costs	-\$737	-\$983	-\$1,721	-\$565	N/A	-\$1,146
Housing Costs as % of Income	30%	30%	30%	30%	N/A	30%
Minimum Income Required	\$29,495	\$39,326	\$68,821	\$22,596	N/A	\$45,842
Pct. of ALL Steele County HHDS who can afford¹	80.3%	71.6%	49.4%	90.7%	N/A	70.9%
No. of Steele County HHDS who can afford¹	11,511	10,266	7,079	12,999	N/A	10,166
Pct. of Steele County owner HHDS who can afford²	84.2%	76.0%	54.0%	93.6%	N/A	58.8%
No. of Steele County owner HHDS who can afford²	9,277	8,371	5,948	10,305	N/A	6,473
No. of Steele County owner HHDS who cannot afford²	1,735	2,640	5,063	706	N/A	4,538
Rental (Market Rate)						
	Existing Rental			New Rental		
	1BR	2BR	3BR	1BR	2BR	3BR
Monthly Rent	\$616	\$751	\$1,058	\$975	\$1,100	\$1,200
Annual Rent	\$7,392	\$9,012	\$12,696	\$11,700	\$13,200	\$14,400
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$24,640	\$30,040	\$42,320	\$39,000	\$44,000	\$48,000
Pct. of ALL Steele County HHDS who can afford¹	90.5%	82.5%	71.3%	71.7%	71.1%	70.6%
No. of Steele County HHDS who can afford¹	12,982	11,827	10,225	10,280	10,196	10,130
Pct. of Steele County renter HHDS who can afford²	67.7%	47.8%	30.4%	30.9%	30.2%	29.7%
No. of Steele County renter HHDS who can afford²	2,251	1,591	1,013	1,028	1,006	988
No. of Steele County renter HHDS who cannot afford²	1,077	1,737	2,315	2,300	2,322	2,340

¹ Based on 2016 household income for ALL households

² Based on 2015 ACS household income by tenure (i.e. owner and renter incomes. Owner incomes = \$70,995 vs. renter incomes = \$26,045)

Source: Maxfield Research & Consulting, LLC

Introduction

Previous sections of this study analyzed the existing housing supply and the growth and demographic characteristics of the population and household base in Steele County. This section of the report presents our estimates of housing demand in the County from 2016 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.

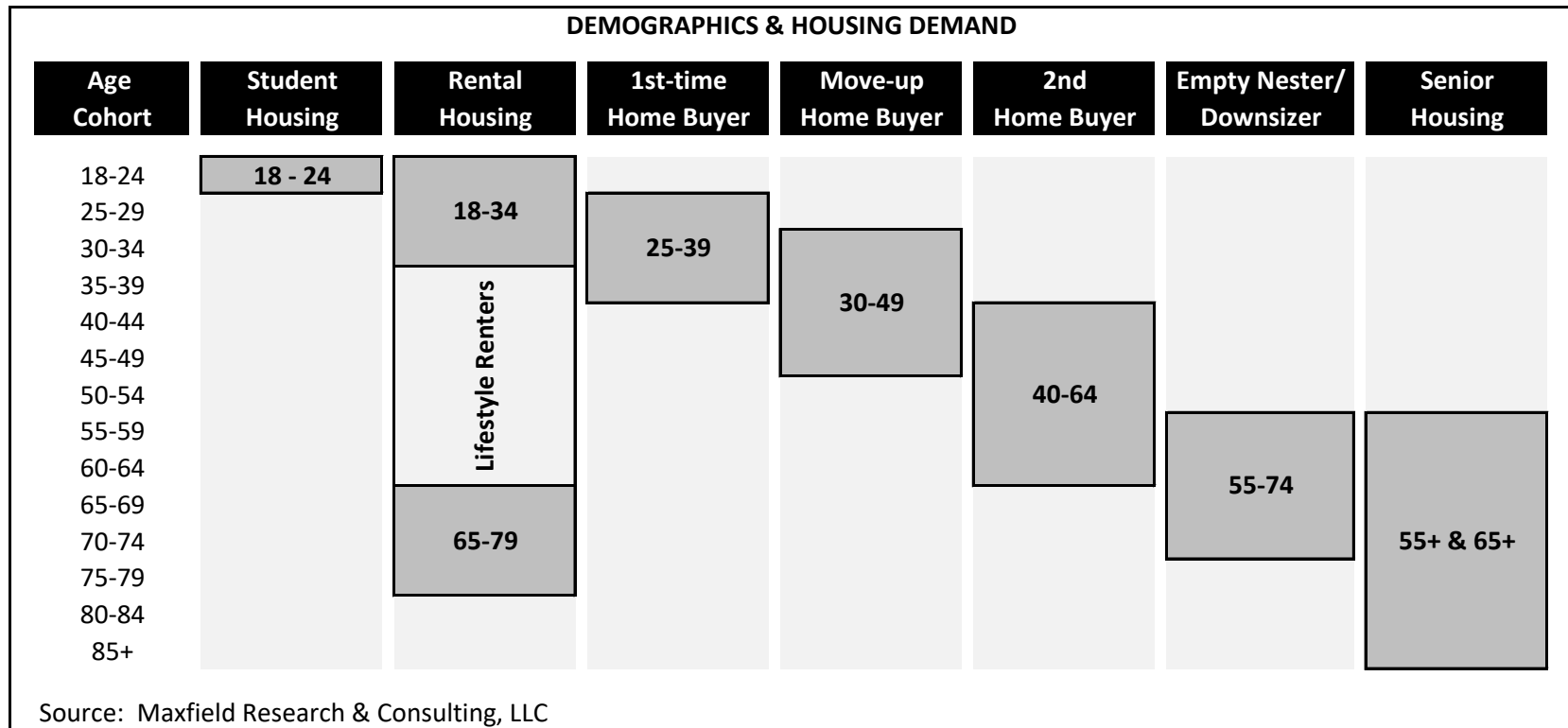
The following graphic provides greater detail of various housing types supported within each housing life cycle. Information on square footage, average bedrooms/bathrooms, and lot size is provided on the subsequent graphic.

Housing Demand Overview

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

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

HOUSING DEMAND ANALYSIS



HOUSING DEMAND ANALYSIS

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
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

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.

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. 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 recently become slightly easier as lenders have eased restrictions that had been in place after the Great Recession. As a result, many borrowers are taking the opportunity to seek for-sale housing within their means or home refinancing their current residence.

Mobility

It is important to note that demand is somewhat fluid between submarkets and will be impacted by development activity in nearby areas, including other communities outside Steele County. Demand given for each submarket may be lower or higher if proposed and/or planned developments move forward.

For-Sale Housing Market Demand Analysis

Table HD-1 presents our demand calculations for general occupancy for-sale housing in Steele County between 2016 and 2025. This analysis identifies potential demand for general occupancy for-sale housing that is generated from both new households and turnover households. The following points summarize our findings.

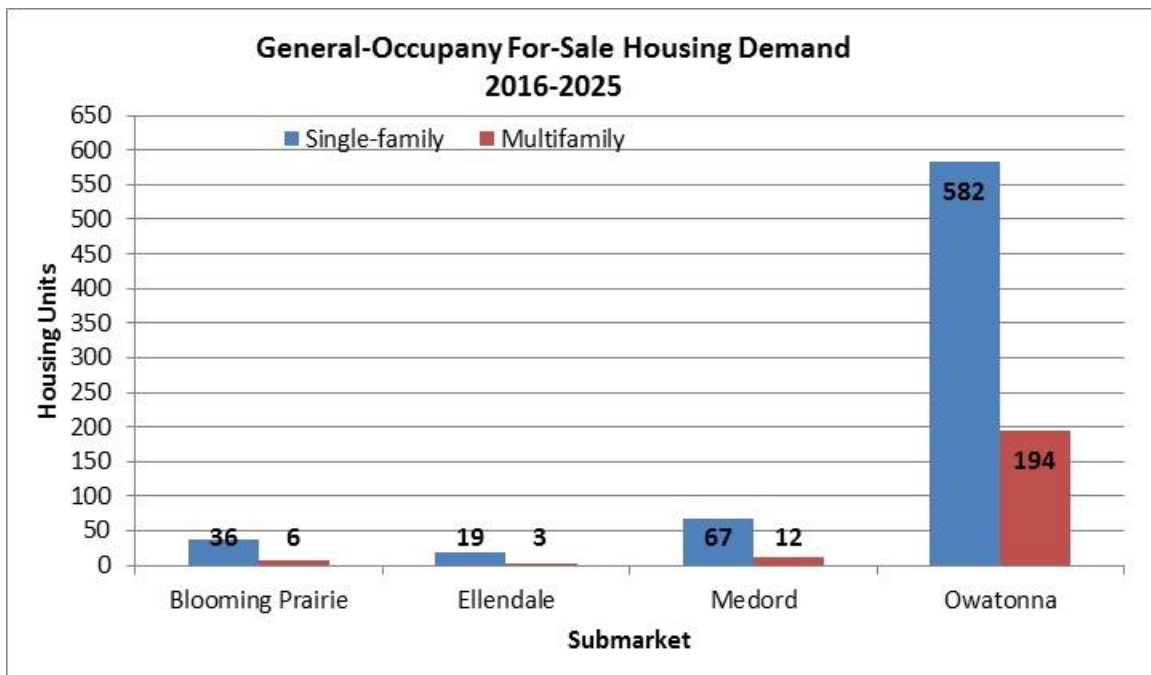
- Because the 65 and older cohort is typically not a target market for new general occupancy for-sale housing, we limit demand from household growth to only those households under the age of 65. According to our projections, Steele County is expected to increase by 565 households under age 65 between 2016 and 2025.
- Based on household tenure data from the US Census, we expect that between 74.2% of the demand (Owatonna Submarket) to 93.2% of the demand (Medford Submarket) will be for owner-occupied housing units. Household growth is expected in all submarkets with a total excess demand for 256 new household growth from households under the age of 65 in Steele County.
- As of 2016, there are approximately 8,232 owner households under the age of 65 in the County. Based on household turnover data from the 2014 American Community Survey, we estimate that between 29.3% and 34.8% of these under-65 owner households will experience turnover between 2016 and 2025 (turnover rate varies by submarket). This estimate results in anticipated turnover of approximately 2,804 existing households by 2025.
- Considering the age of the County's housing stock, we estimate that 10% of the households turning over will desire new housing. This estimate results in demand from existing households for 280 new residential units in the County between 2016 and 2025.

HOUSING DEMAND ANALYSIS

TABLE HD-1 DEMAND FOR ADDITIONAL FOR-SALE HOUSING STEELE COUNTY 2016 to 2025										
	Blooming Prairie MA		Ellendale MA		Medford MA		Owatonna MA		Steele County Total	
DEMAND FROM NEW HOUSEHOLD GROWTH										
Household growth under age 65, 2016 to 2025	25		7		50		483		565	
(times) % propensity to own ¹	79.1%		84.9%		93.2%		74.2%			
(Equals) Demand from new household growth	20		6		47		359		431	
DEMAND FROM EXISTING HOUSEHOLDS										
Total owner households under age 65, 2016	635		420		684		6,493		8,232	
(times) % of owner turnover 2016-2025 ²	29.3%		34.1%		34.8%		34.4%			
(times) % desiring new owner housing	10.0%		10.0%		10.0%		10.0%			
(Equals) Demand from existing households	19		14		24		224		280	
TOTAL MARKET DEMAND										
Total demand from new HH growth and turnover	38		20		70		582		711	
(Plus) Demand from outside Submarket	10.0%		10.0%		10.0%		25.0%			
(Equals) Total demand potential for ownership housing	43		23		78		776		920	
Proportion Single-family vs. Multifamily	85% / 15%		85% / 15%		85% / 15%		75% / 25%		77% / 23%	
No. of Single-family vs. Multifamily Units	36 / 6		19 / 3		67 / 12		582 / 194		704 / 216	
¹ Based on percent owner households under age 65 in 2010 ² Based on household turnover and mobility data (2014 American Community Survey, Five Year Estimates) ³ Includes twinhomes, townhomes, detached townhomes, condos, etc.										
Source: Maxfield Research and Consulting LLC										

HOUSING DEMAND ANALYSIS

- Total demand from household growth and existing household turnover between 2016 and 2025 equates to 711 new for-sale housing units.
- Next, we estimate that a portion of the total demand for new for-sale units in Steele County will come from people currently living outside of the four submarkets. A portion of this market will be former residents of the area, such as “snow-birds” heading south for the winters. Adding demand from outside Steele County to the existing demand potential, results in a total estimated demand for 920 for-sale housing units by 2025.
- Based on land available, building trends, the existing housing stock, and demographic shifts (increasing older adult population), we project 77% of the for-sale owners in Steele County will prefer traditional single-family product types while the remaining 23% will prefer a maintenance-free multi-family product (i.e. twin homes, townhomes, or condominiums). This results in demand for 704 single-family units and 216 multifamily units in Steele County through 2025.

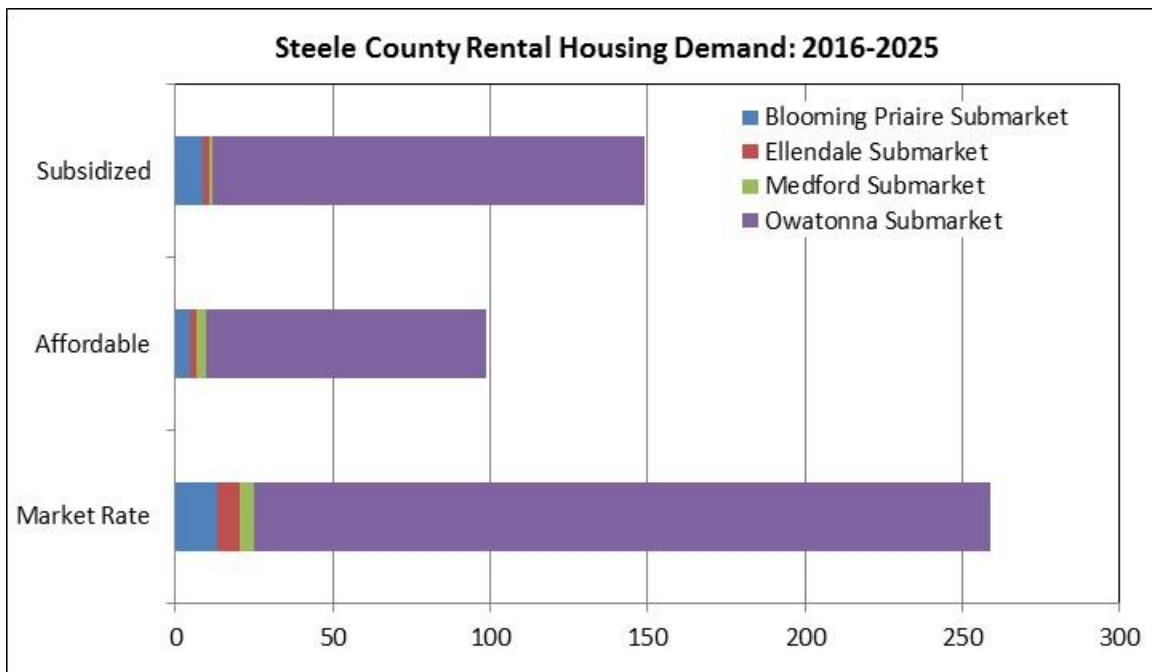


Rental Housing Demand Analysis

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

HOUSING DEMAND ANALYSIS

- According to our projections, Steele County is expected to increase by 565 non-senior households between 2016 and 2025. Because the 65 and older cohort is typically not a target market for new general-occupancy market rate rental housing, we limit demand from household growth to only those households under the age of 65.
- We identify the percentage of households that are likely to rent their housing based on 2010 tenure data. The propensity to rent ranges from 6.8% to 25.8% based on the submarket. After adjusting household growth by renters, there is growth of 134 renters through 2025 for renter households in Steele County.
- Secondly, we calculate demand from existing households under the age of 65 in Steele County that could be expected to turnover between 2016 and 2025. As of 2016, there are 2,548 renter households under the age of 65 in the County. Based on household turnover data from the 2014 American Community Survey, we estimate that between 48.8% (Medford Submarket) and 59.7% (Owatonna Submarket) of these under-65 owner households will experience turnover between 2016 and 2025 (turnover rate varies by submarket). This estimate results in anticipated turnover of approximately 1,507 existing households by 2025.
- We then estimate the percent of existing renter households turning over that would prefer to rent in a new rental development. Considering the age of the County's housing stock, we estimate that 20% of the households turning over in Steele County will desire new rental housing. This estimate results in demand from existing households for 301 new residential rental units between 2016 and 2025.
- Combining demand from household growth plus turnover results in total demand in the County for 436 rental units between 2016 and 2025.



- Like for-sale housing, we estimate that 10% to 25% of the total demand for new rental housing units in Steele County will come from people currently living outside of one of the four submarkets. As a result, we find demand for 572 renter households based on household growth and existing households alone between 2016 and 2025.
- We then subtract from our demand new units under construction at 95% occupancy. As of January 2017 there were 70 market rate apartment units under construction in Owatonna. Therefore, we reduced our demand by 67 units, resulting in total rental demand of 505 units.
- Based on a review of renter household incomes and sizes and monthly rents at existing properties, we estimate that 50% to 67% of the total demand will be for market rate housing. Through 2025, demand exists for 259 market rate rental units in Steele County.
- We estimate that 17% to 35% of the total demand in Steele County will be for affordable housing and 14% to 33% will be for subsidized housing. The percentage breakdown varies by submarket.

Senior Housing Demand Analysis

Tables HD-3 and HD-7 shows demand calculations for senior housing in Steele County by submarket from 2016 to 2025. Demand methodology employed by Maxfield Research utilizes capture and penetration rates that blend national senior housing trends with local market characteristics, preferences and patterns. Our demand calculations consider the following target market segments for each product types:

Market Rate Active Adult Rental and Ownership Housing: Target market based includes age 55+ older adult and senior households with incomes of \$35,000 or more and senior homeowners with incomes between \$25,000 and \$34,999.

Affordable/Subsidized Independent Housing: Target market based includes age 55+ older adult and senior households with incomes of \$35,000 or less.

Congregate Housing: Target market base includes age 65+ seniors who would be financially able to pay for housing and service costs associated with congregate housing. Income-ranges considered capable of paying for congregate housing are the same as for active adult housing.

Assisted Living Housing: Target market base includes older seniors (age 75+) who would be financially able to pay for private pay assisted living housing (incomes of \$40,000 or more and some homeowners with incomes below \$40,000).

Memory Care Housing: Target market base includes age 65+ seniors who would be financially

HOUSING DEMAND ANALYSIS

able to pay for housing and service costs associated with memory care housing. Income ranges considered capable of paying for memory care housing (\$60,000 or more) are higher than other service levels due to the increased cost of care.

Existing senior housing units are subtracted from overall demand for each product type.

HOUSING DEMAND ANALYSIS

<p align="center">TABLE HD-3 DEMAND FOR MARKET RATE ACTIVE ADULT HOUSING STEELE COUNTY 2016 to 2025</p>					
	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele County
2016					
Households age 55-64	239	144	187	2,258	2,828
(times) % income qualified ¹	79.9%	86.8%	83.4%	81.7%	
(times) HO factor \$25k-\$35k	5.3%	3.7%	4.7%	4.8%	
(plus) Homeowners w/incomes \$25k-35k ²	13	5	9	108	
(times) potential capture rate	0.5%	0.5%	0.5%	0.5%	
(equals) demand potential	1	1	1	10	
Households age 65-74	181	82	142	1,489	1,894
(times) % income qualified ¹	64.6%	82.9%	73.9%	70.0%	
(times) HO factor \$25k-\$35k	12.6%	7.1%	10.2%	10.2%	
(plus) Homeowners w/incomes \$25k-35k ²	23	6	15	152	
(times) potential capture rate	5.5%	5.5%	5.5%	5.5%	
(equals) demand potential	8	4	7	66	
Households age 75+	205	98	95	1,464	1,862
(times) % income qualified ¹	34.6%	43.9%	41.1%	42.7%	
(times) HO factor \$25k-\$35k	15.8%	11.9%	14.8%	11.3%	
(plus) Homeowners w/incomes \$25k-35k ²	32	12	14	165	
(times) potential capture rate	16.5%	16.5%	16.5%	16.5%	
(equals) demand potential	17	9	9	130	
(Equals) Demand potential from Steele Cty.	26	14	16	206	262
(plus) Demand from Outside Steele Cty./Submarket)	10%	10%	10%	25%	
(Equals) total Demand Potential	29	15	18	275	
Percent Owner-Occupied	30%	30%	30%	55%	
Number	9	5	5	151	170
(minus) Existing and Pending Units ³	0	0	0	74	74
(equals) Total Owner-Occupied Demand	9	5	5	77	96
Percent Renter-Occupied	70%	70%	70%	45%	
Number	20	11	13	124	167
(minus) Existing and Pending Units ³	0	0	0	43	43
(equals) Total Renter-Occupied Demand	20	11	13	81	124

CONTINUED

HOUSING DEMAND ANALYSIS

TABLE HD-3 CONT. DEMAND FOR MARKET RATE ACTIVE ADULT HOUSING STEELE COUNTY 2016 to 2025					
	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele County
2025					
Households age 55-64	240	155	193	2,422	3,010
(times) % income qualified ¹	80.8%	88.4%	83.9%	82.6%	
(times) HO factor \$25k-\$35k	5.3%	2.9%	4.6%	4.2%	
(plus) Homeowners w/incomes \$25k-35k ²	13	4	9	101	
(times) potential capture rate	0.5%	0.5%	0.5%	0.5%	
(equals) demand potential	1	1	1	11	
Households age 65-74	229	112	163	1,873	2,377
(times) % income qualified ¹	61.1%	77.7%	69.9%	68.8%	
(times) HO factor \$25k-\$35k	14.1%	7.8%	10.0%	9.2%	
(plus) Homeowners w/incomes \$25k-35k ²	32	9	16	173	
(times) potential capture rate	5.5%	5.5%	5.5%	5.5%	
(equals) demand potential	9	5	7	80	
Households age 75+	225	100	112	1,624	2,061
(times) % income qualified ¹	32.4%	40.0%	33.9%	39.4%	
(times) HO factor \$25k-\$35k	17.4%	13.2%	15.5%	11.2%	
(plus) Homeowners w/incomes \$25k-35k ²	39	13	17	182	
(times) potential capture rate	16.5%	16.5%	16.5%	16.5%	
(equals) demand potential	18	9	9	136	
(Equals) Demand potential from Steele Cty.	29	15	17	227	287
(plus) Demand from Outside Steele Cty./Submarket)	10%	10%	10%	20%	
(Equals) total Demand Potential	32	16	19	283	
Percent Owner-Occupied	30%	30%	30%	55%	
Number	10	5	6	156	176
(minus) Existing and Pending Units ³	0	0	0	74	74
(equals) Total Owner-Occupied Demand	10	5	6	82	102
Percent Renter-Occupied	70%	70%	70%	45%	
Number	23	11	13	127	175
(minus) Existing and Pending Units ³	0	0	0	43	43
(equals) Total Renter-Occupied Demand	23	11	13	84	132
¹ Based on households earning \$35,000+ in 2016. 2025 calculations are based on households earning \$40,000+ due to inflation.					
² Estimated homeowners with incomes between \$25,000 and \$34,999 in 2016. Incomes between \$30,000 and \$39,999 in 2025.					
³ Existing and pending units are deducted at market equilibrium (95% occupancy).					
Source: Maxfield Research and Consulting LLC					

HOUSING DEMAND ANALYSIS

TABLE HD-4 DEMAND FOR SUBSIDIZED/AFFORDABLE SENIOR HOUSING STEELE COUNTY 2016 to 2025					
	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele County
2016					
Households age 55-64	239	144	187	2,258	2,828
(times) % income qualified ¹	26.4%	19.4%	25.7%	25.8%	
(times) potential capture rate	2.0%	2.0%	2.0%	2.0%	
Households age 65-74	181	82	142	1,489	1,894
(times) % income qualified ¹	47.5%	28.0%	41.5%	41.2%	
(times) potential capture rate	10.0%	10.0%	10.0%	10.0%	
Households age 75+	205	98	95	1,464	1,862
(times) % income qualified ¹	74.1%	66.3%	73.7%	69.7%	
(times) potential capture rate	20.0%	20.0%	20.0%	20.0%	
(Equals) Demand potential from Steele County Residents	40	16	21	277	354
(plus) Demand from Outside Steele Cty./Submarket)	10%	10%	10%	30%	
(Equals) total Demand Potential	45	18	23	396	481
Percent Subsidized	38%	17%	20%	34%	
Number	17	3	5	136	161
(minus) Existing and Pending Units ²	29	0	19	187	235
(equals) Total Subsidized Demand	0	3	0	0	3
Percent Affordable ²	62%	83%	80%	66%	
Number	28	15	18	259	320
(minus) Existing and Pending Units ²	0	0	0	0	0
(equals) Total Affordable Demand	28	15	18	259	320
CONTINUED					

HOUSING DEMAND ANALYSIS

TABLE HD-4 CONT. DEMAND FOR SUBSIDIZED/AFFORDABLE SENIOR HOUSING STEELE COUNTY 2016 to 2025					
	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele County
2025					
Households age 55-64	239	155	193	2,422	3,009
(times) % income qualified ¹	22.6%	14.8%	21.8%	23.8%	
(times) potential capture rate	2.0%	2.0%	2.0%	2.0%	
Households age 65-74	181	112	163	1,873	2,329
(times) % income qualified ¹	58.0%	27.7%	39.3%	41.2%	
(times) potential capture rate	10.0%	10.0%	10.0%	10.0%	
Households age 75+	205	100	112	1,624	2,041
(times) % income qualified ¹	80.0%	66.0%	77.7%	72.4%	
(times) potential capture rate	20.0%	20.0%	20.0%	20.0%	
(Equals) Demand potential	44	17	25	324	410
(plus) Demand from Outside Steele Cty./Submarket)	10%	10%	10%	30%	
(Equals) total Demand Potential	49	19	27	463	558
Percent Subsidized	38%	17%	20%	34%	
Number	19	3	6	159	187
(minus) Existing and Pending Units ²	29	0	19	187	235
(equals) Total Subsidized Demand	0	3	0	0	3
Percent Affordable ²	62%	83%	80%	66%	
Number	30	16	22	303	371
(minus) Existing and Pending Units ²	0	0	0	0	0
(equals) Total Affordable Demand	30	16	22	303	371
¹ Based on households earning \$35,000 and under in 2016. Households earning \$40,000 and under in 2025. ² Existing and pending units are deducted at market equilibrium (95% occupancy).					
Source: Maxfield Research and Consulting LLC					

HOUSING DEMAND ANALYSIS

TABLE HD-5 DEMAND FOR CONGREGATE RENTAL HOUSING STEELE COUNTY 2016 to 2025					
	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele County
2016					
Households age 65-74	181	82	142	1,489	1,894
(times) % income qualified ¹	64.6%	82.9%	73.9%	70.0%	
(times) HO factor \$30k-\$35k	6.3%	3.5%	5.1%	5.1%	
(plus) Homeowners w/incomes \$30k-35k ²	11	3	7	76	
(times) potential capture rate	1.5%	1.5%	1.5%	1.5%	1.5%
(equals) demand potential	2	1	2	17	
Households age 75+	205	98	95	1,464	1,862
(times) % income qualified ¹	34.6%	43.9%	41.1%	42.7%	
(times) HO factor \$30k-\$35k	7.9%	5.9%	7.4%	5.6%	
(plus) Homeowners w/incomes \$30k-35k ²	16	6	7	83	
(times) potential capture rate	13.0%	13.0%	13.0%	13.0%	11.0%
(equals) demand potential	11	6	6	92	
(Equals) Demand potential	13	7	8	109	137
(plus) Demand from Outside Steele Cty./Submarket)	10%	10%	10%	30%	
(Equals) total Demand Potential	15	8	9	155	
(minus) Existing and Pending Units ³	0	0	0	105	
(Equals) Total Congregate Demand	15	8	9	50	82
CONTINUED					

HOUSING DEMAND ANALYSIS

TABLE HD-5 CONT. DEMAND FOR CONGREGATE RENTAL HOUSING STEELE COUNTY 2016 to 2025					
	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele County
2025					
Households age 65-74	229	112	163	1,873	2,377
(times) % income qualified ¹	61.1%	77.7%	69.9%	68.8%	
(times) HO factor \$35k-\$40k	7.0%	3.9%	5.0%	4.6%	
(plus) Homeowners w/incomes \$35k-40k ²	16	4	8	87	
(times) potential capture rate	1.5%	1.5%	1.5%	1.5%	1.5%
(equals) demand potential	<u>2</u>	<u>1</u>	<u>2</u>	<u>21</u>	
Households age 75+	225	100	112	1,624	2,061
(times) % income qualified ¹	32.4%	40.0%	33.9%	39.4%	
(times) HO factor \$35k-\$40k	8.7%	6.6%	7.7%	5.6%	
(plus) Homeowners w/incomes \$35k-40k ²	20	7	9	91	
(times) potential capture rate	13.0%	13.0%	13.0%	13.0%	13.0%
(equals) demand potential	<u>12</u>	<u>6</u>	<u>6</u>	<u>95</u>	
(Equals) Demand potential	14	7	8	116	145
(plus) Demand from Outside Steele Cty./Submarket)	10%	10%	10%	30%	
(Equals) total Demand Potential	16	8	9	165	
(minus) Existing and Pending Units ³	0	0	0	105	
(Equals) Total Congregate Demand	16	8	9	60	93
¹ Based on households earning \$35,000+ in 2016. 2025 calculations are based on households earning \$40,000+ due to inflation. ² Estimated homeowners with incomes between \$25,000 and \$34,999 in 2016. Incomes between \$30,000 and \$39,999 in 2025. ³ Existing and pending units are deducted at market equilibrium (95% occupancy).					
Source: Maxfield Research and Consulting LLC					

HOUSING DEMAND ANALYSIS

TABLE HD-6 DEMAND FOR ASSISTED LIVING RENTAL HOUSING STEELE COUNTY 2016 to 2025					
	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele County
2016					
People age 75-79	117	46	66	739	968
(times) % needing assistance ¹	25.5%	25.5%	25.5%	25.5%	25.5%
People age 80-84	80	39	34	680	833
(times) % needing assistance ¹	33.6%	33.6%	33.6%	33.6%	33.6%
People age 85+	132	42	30	753	957
(times) % needing assistance ¹	51.6%	51.6%	51.6%	51.6%	51.6%
(Equals) Number needing assistance	125	47	44	805	1,021
(times) Percent Income-Qualified ²	54.0%	57.8%	55.6%	53.7%	
(times) Percent Living Alone	50.0%	52.6%	42.9%	56.3%	
(plus) Proportion of demand from couples (12%) ³	5	2	1	33	41
(equals) Total Age-Income Qualified market needing assistance	38	16	12	276	
(times) Potential penetration rate ⁴	40.0%	40.0%	40.0%	40.0%	
(Equals) Demand potential from Steele Cty. Residents	15	6	5	111	137
(plus) Demand from Outside Steele Cty./Submarket)	10%	10%	10%	30%	
(Equals) total Demand Potential	17	7	5	158	
(minus) Existing and Pending Units ⁵	19	27	22	249	317
(Equals) Total Assisted Living Demand	0	0	0	0	0
CONTINUED					

HOUSING DEMAND ANALYSIS

TABLE HD-6 CONT. DEMAND FOR ASSISTED LIVING RENTAL HOUSING STEELE COUNTY 2016 to 2025					
	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele County
2025					
People age 75-79 (times) % needing assistance ¹	137 25.5%	58 25.5%	75 25.5%	863 25.5%	1,133 25.5%
People age 80-84 (times) % needing assistance ¹	94 33.6%	37 33.6%	50 33.6%	641 33.6%	822 33.6%
People age 85+ (times) % needing assistance ¹	137 51.6%	43 51.6%	33 51.6%	793 51.6%	1,006 51.6%
(Equals) Number needing assistance	137	49	53	845	1,084
(times) Percent Income-Qualified ²	58.1%	61.4%	61.3%	59.0%	
(times) Percent Living Alone	50.0%	56.6%	42.9%	56.3%	
(plus) Proportion of demand from couples (12%) ³	5	2	2	38	48
(equals) Total Age-Income Qualified market needing assistance	45	20	16	319	
(times) Potential penetration rate ⁴	40.0%	40.0%	40.0%	40.0%	
(Equals) Demand potential from Steele Cty. Residents	18	8	6	128	160
(plus) Demand from Outside Steele Cty./Submarket)	10%	10%	10%	30%	
(Equals) total Demand Potential	20	9	7	182	
(minus) Existing and Pending Units ⁵	19	27	22	249	317
(Equals) Total Assisted Living Demand	1	0	0	0	1
¹ The percentage of seniors unable to perform or having difficulty with ADLs, based on the publication Health, United States, 1999 Health and Aging Chartbook, 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.					
Source: Maxfield Research and Consulting LLC					

HOUSING DEMAND ANALYSIS

TABLE HD-7 DEMAND FOR MEMORY CARE RENTAL HOUSING STEELE COUNTY 2016 to 2025					
	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele County
2016					
People age 65-74	292	146	222	2,444	3,104
(times) Dementia incident rate ¹	2.0%	2.0%	2.0%	2.0%	2.0%
People age 75-84	198	86	98	1,397	1,779
(times) Dementia incident rate ¹	19.0%	19.0%	19.0%	19.0%	19.0%
People age 85+	133	50	30	753	966
(times) Dementia incident rate ¹	42.0%	42.0%	42.0%	42.0%	42.0%
(Equals) Total senior population with dementia	99	40	36	631	806
(times) Percent Income-Qualified ²	53.4%	59.3%	54.9%	52.0%	
(times) Potential penetration rate	25.0%	25.0%	25.0%	25.0%	25.0%
(Equals) Demand Potential from Steele County	13	6	5	82	106
(plus) Demand from Outside Steele Cty./Submarket	10%	10%	10%	30%	
(Equals) total Demand Potential	15	7	5	117	
(minus) Existing and Pending Units ³	0	0	0	181	181
(Equals) Total Memory Care Demand	15	7	5	0	27
CONTINUED					

HOUSING DEMAND ANALYSIS

TABLE HD-7 CONT. DEMAND FOR MEMORY CARE RENTAL HOUSING STEELE COUNTY 2016 to 2025					
	Blooming Prairie MA	Ellendale MA	Medford MA	Owatonna MA	Steele County
2025					
People age 65-74	380	197	261	2,471	3,309
(times) Dementia incident rate ¹	2.0%	2.0%	2.0%	2.0%	2.0%
People age 75-84	231	93	125	1,504	1,953
(times) Dementia incident rate ¹	19.0%	19.0%	19.0%	19.0%	19.0%
People age 85+	136	43	33	793	1,005
(times) Dementia incident rate ¹	42.0%	42.0%	42.0%	42.0%	42.0%
(Equals) Total senior population with dementia	109	40	43	668	859
(times) Percent Income-Qualified ²	55.7%	61.4%	57.6%	55.2%	
(times) Potential penetration rate	25.0%	25.0%	25.0%	25.0%	25.0%
(Equals) Demand Potential from Steele County	15	6	6	92	120
(plus) Demand from Outside Steele Cty./Submarket	10%	10%	10%	30%	
(Equals) total Demand Potential	17	7	7	132	
(minus) Existing and Pending Units ³	0	0	0	181	181
(Equals) Total Memory Care Demand	17	7	7	0	30
¹ Alzheimer's Association: Alzheimer's Disease Facts & Figures (2007) ² Includes seniors with income at \$60,000 or above plus 40% of homeowners with incomes below this threshold (who will spend down assets, including home-equity, in order to live in memory care housing. Households with incomes at \$65,000+ for 2025 calculations due to inflation. ³ Existing and pending units at 93% occupancy.					
Source: Maxfield Research and Consulting LLC					

Steele County Demand Summary

The housing demand calculations in Tables HD-1 through HD-7 indicate that between 2016 and 2025, 920 for-sale housing units, 507 rental units, and 1,384 senior units will be needed in Steele County to satisfy the housing demand for current and future residents. Summary demand tables for general occupancy and senior housing are broken down by submarket in Tables HD-8 and HD-9.

We recommend maintaining a single-family lot supply of at least three to five years to provide adequate consumer choice but not prolonged developer carrying costs. With an average of 36 new housing units built annually between 2012 and 2015 in Steele County (see *Table HC-1*), this equates to a lot supply of about 324 lots needed through 2025. Most residential building construction has occurred in the City of Owatonna with an average of 17 new housing units built between 2012 and 2015. Currently, Steele County has about 380 vacant developed lots in subdivisions, excluding infill lots and agricultural properties that could be subdivided. This equates to an adequate lot supply through 2025 throughout the County.

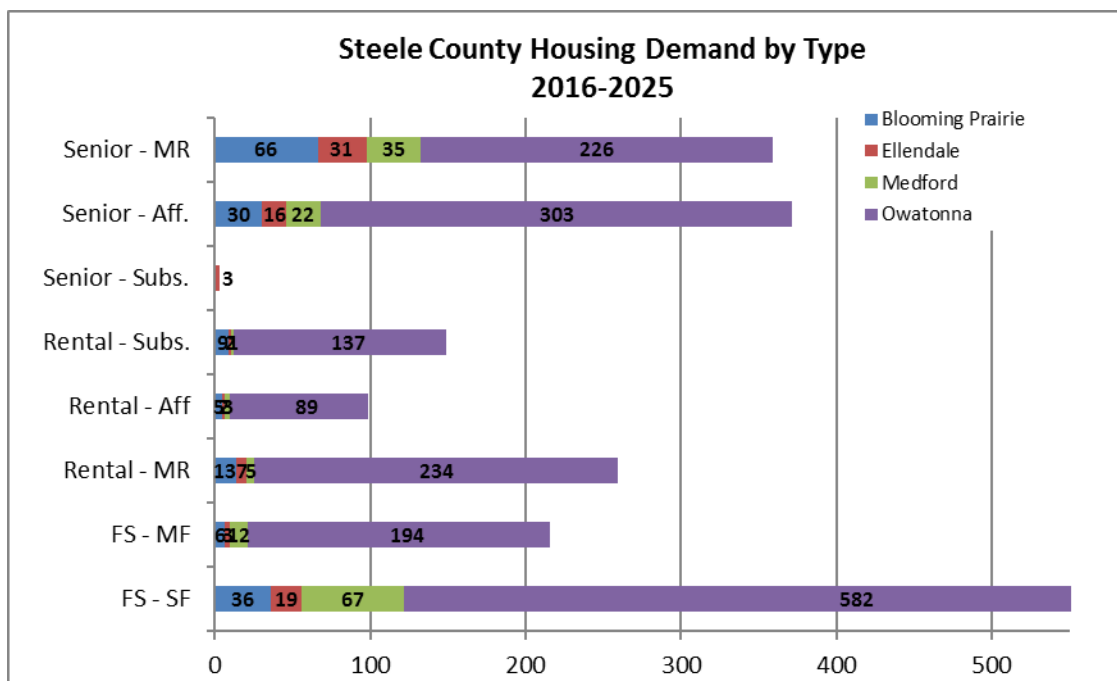
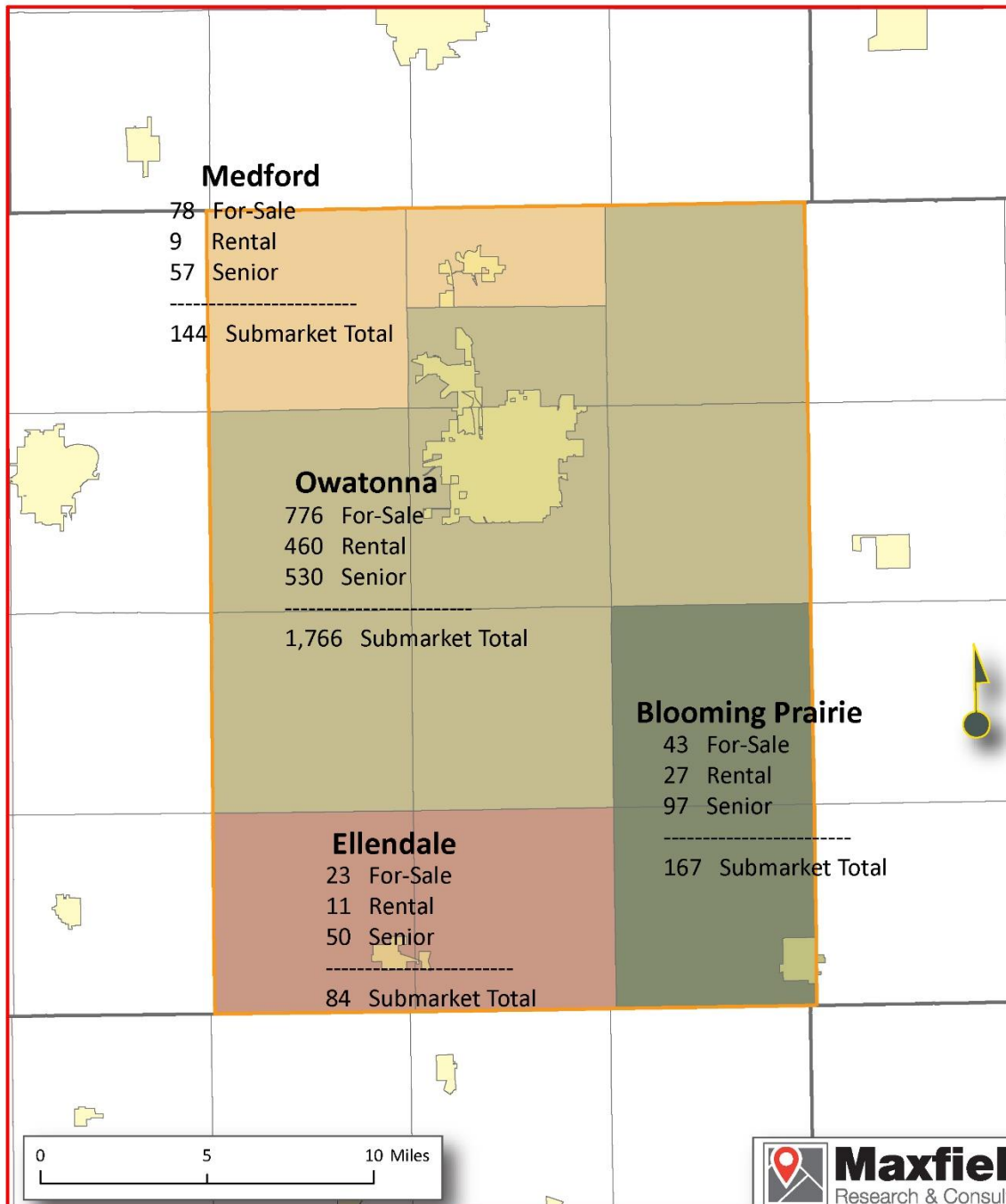


Table R-4 showed that there is a 4.2% vacancy rate in the general-occupancy rental market. There are few newer apartment products in Steele County (especially outside of Owatonna) and the existing rental stock is older and lacks features and amenities today’s renters seek. With a strong rental market, we find that new rental units should be added in the short-term to satisfy potential household growth and accommodate employees working at local businesses. We found demand for 507 general-occupancy rental units in Steele County through 2025, most of which are market rate units.

**Steele County
2016 - 2025
Demand Summary by Sub-Market**



HOUSING DEMAND ANALYSIS

**TABLE HD-8
GENERAL OCCUPANCY EXCESS DEMAND SUMMARY
STEELE COUNTY
2016 to 2025**

Submarket	2016 to 2025						
	FOR-SALE			RENTAL			
	Single-family	Multifamily	Total	Market Rate	Affordable	Subsidized	Total
Blooming Prairie	36	6	43	13	5	9	27
Ellendale	19	3	23	7	2	2	11
Medford	67	12	78	5	3	1	9
Owatonna	582	194	776	234	89	137	460
STEELE COUNTY	704	216	920	259	99	149	507

Sources: Maxfield Research & Consulting, LLC

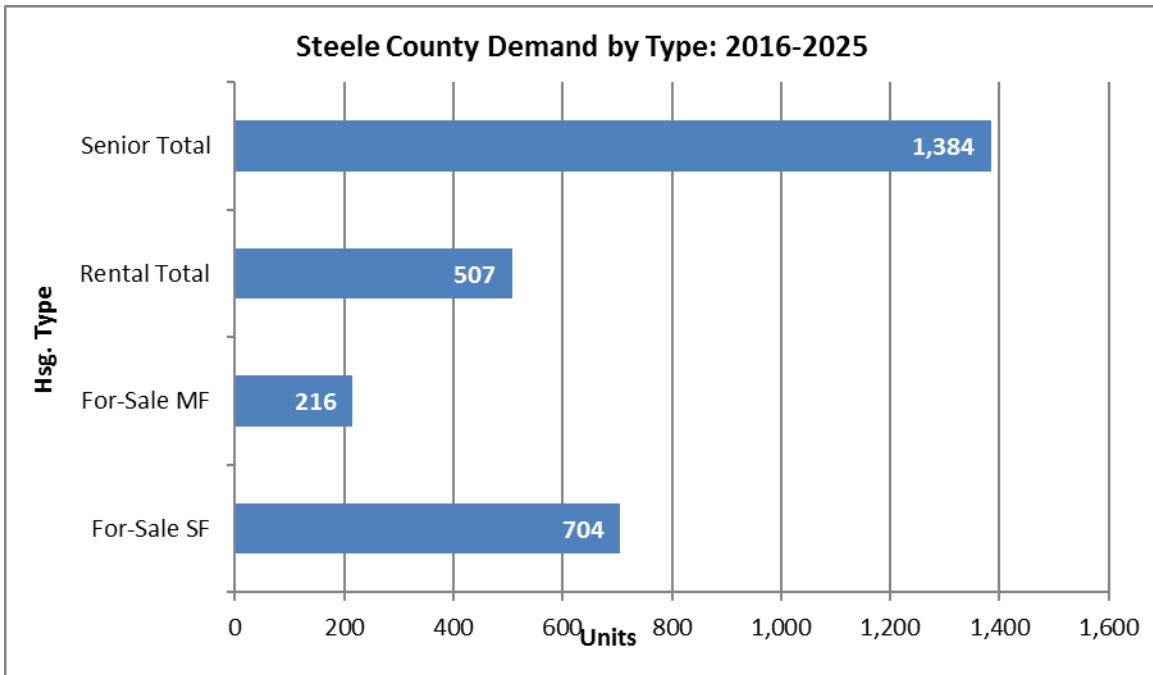
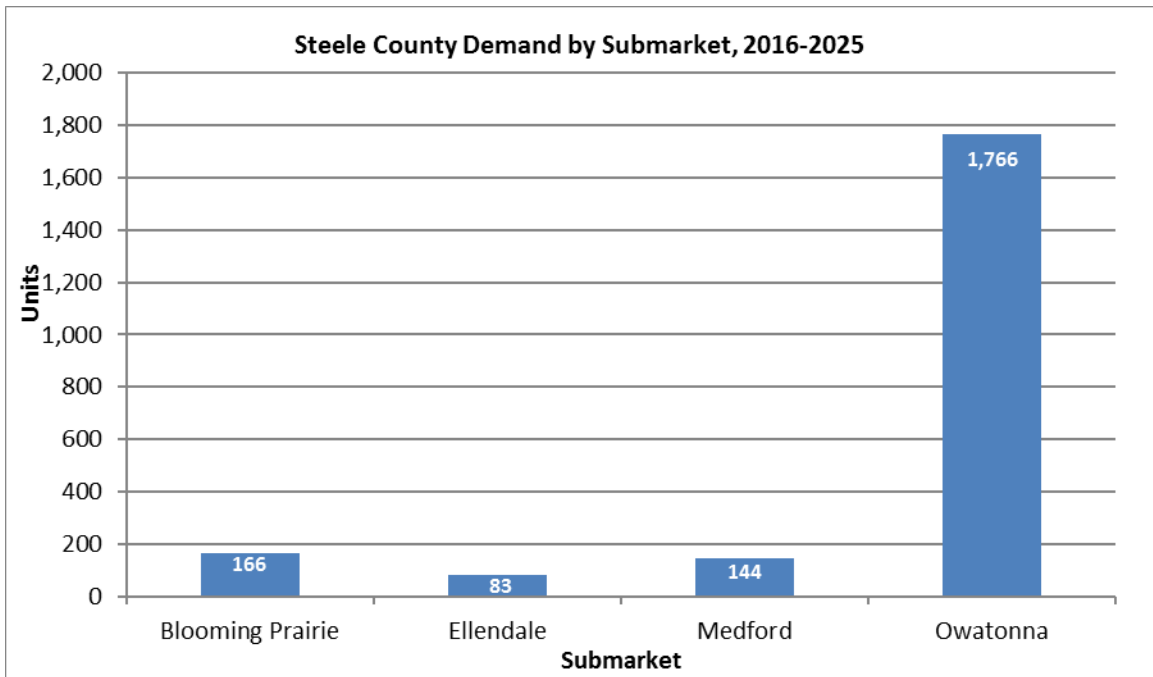
**TABLE HD-9
SENIOR HOUSING EXCESS DEMAND SUMMARY
STEELE COUNTY
2016 to 2025**

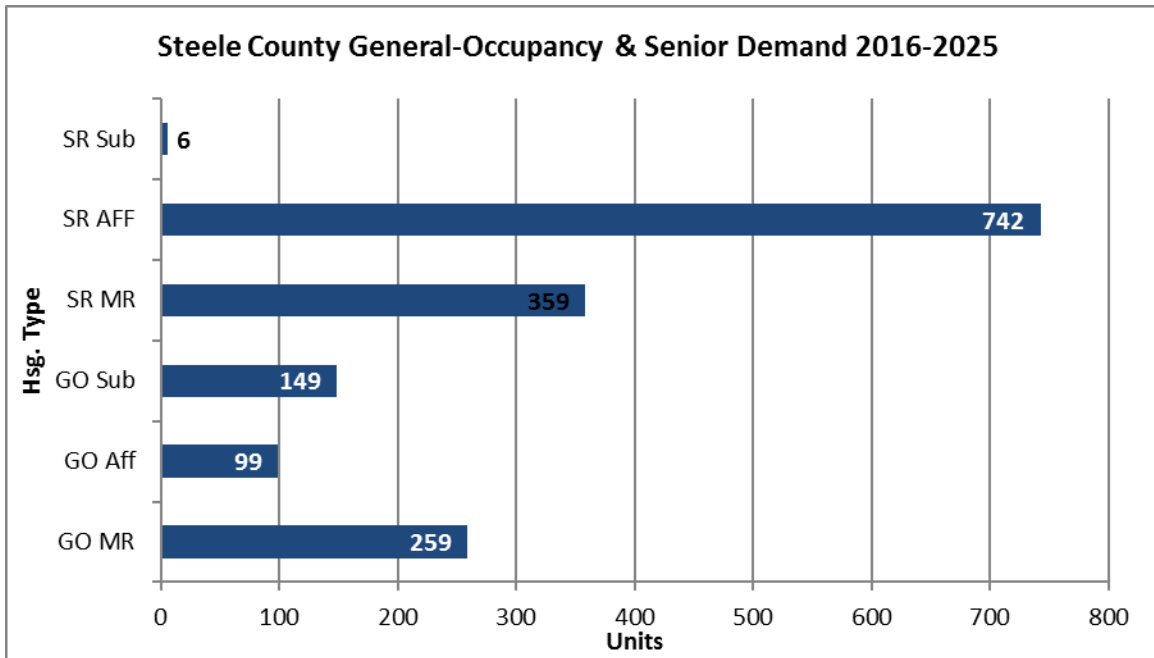
Submarket	2016								
	ACTIVE ADULT					SERVICE-ENHANCED**			
	Subsidized Rental	Affordable Rental	MR Owner	MR Rental	Total	Congregate	Assisted Living	Memory Care	Total
Blooming Prairie	0	28	9	20	56	15	0	15	29
Ellendale	3	15	5	11	33	8	0	7	15
Medford	0	18	5	13	36	9	0	5	14
Owatonna	0	259	77	81	417	50	0	0	50
STEELE COUNTY	3	320	96	124	542	82	0	27	109

Submarket	2025								
	ACTIVE ADULT					SERVICE-ENHANCED**			
	Subsidized Rental	Affordable Rental	MR Owner	MR Rental	Total	Congregate	Assisted Living	Memory Care	Total
Blooming Prairie	0	30	10	23	63	16	1	17	34
Ellendale	3	16	5	11	35	8	0	7	15
Medford	0	22	6	13	41	9	0	7	16
Owatonna	0	303	82	84	470	60	0	0	60
STEELE COUNTY	3	371	102	132	608	93	1	30	125

** Service-enhanced demand is calculated for private pay seniors only; additional demand could be captured if Elderly Waiver and other sources of non-private payment sources are permitted.

Sources: Maxfield Research & Consulting, LLC





Finally, active adult affordable senior housing demand is high across Steele County due to the aging of the population and growing baby boom generation. County-wide, demand exists for about 371 affordable active adult units and 234 active adult market rate rental units through 2025.

Introduction

Based on the finding of our analysis and demand calculations, Tables HD-8 and HD-9 provided a summary of housing demand county and submarket through 2025. Demand exists in Steele County for a variety of product types. The following section summarizes housing concepts and housing types that will be demanded from various target markets. It is important to note that not all housing types will be supportable in all communities and that the demand illustrated in Tables HD-8 and HD-9 may not directly coincide with housing development due to a variety of factors (i.e. economies of scale, infrastructure capacity, land availability, etc.).

Based on the findings of our analysis and demand calculations, Table CR-1 provides a summary of the recommended development concepts by product type for Steele County. 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 Steele County. The recommended development types do not directly coincide with total demand as illustrated in Tables HD-8 and HD-9.

Recommended Housing Product Types

Owner Occupied

Single-Family Housing

Table HD-8 identified demand for 704 single-family housing units in Steele County through 2025. Table FS-6 indicated there are 380 vacant lots located within existing and planned subdivisions. This lot supply should be adequate to meet the lot supply demand throughout the county; however the vast majority of the lot inventory is located in Owatonna.

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 Steele County and the number of homes constructed annually, the current lot supply should be able to meet historical demand through 2025. New platted lots may be needed to accommodate product type preference. Although there are a number of scattered, infill lots in all of the Steele County Submarkets, many of these lots are undesirable to today's buyers as they are unable to accommodate specific product types (i.e. ranch-style homes with large main-levels).

The Blooming Prairie, Ellendale, and Owatonna Submarkets seem to have enough vacant lots in the short-term to meet demand. However, the Medford Submarket lacks lots platted to keep up with supply by 2025. Additional, newer, larger lots for new construction may be needed to accommodate single-family construction over the next decade.

RECOMMENDATIONS AND CONCLUSIONS

Nearly all of the new single-family construction in Steele County has targeted move-up buyers; in part because of the high infrastructure costs in developing new subdivisions and increasing construction and labor costs. However, through our research and interviews we find demand for a variety of price points of new single-family homes.

Due to the age and price of the existing housing stock in Steele County, most of the existing housing stock appeals to entry-level buyers. Entry-level homes, which we generally classify as homes priced under \$100,000 will be mainly satisfied by existing single-family homes as residents of existing homes move into newer housing products built in Steele County communities, such as move-up single-family homes, twinhomes, rental housing and senior housing. Although there would be substantial demand for a new single-family housing product priced from \$160,000 to \$250,000, 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 \$160,000 (i.e. split-level with unfinished basement).

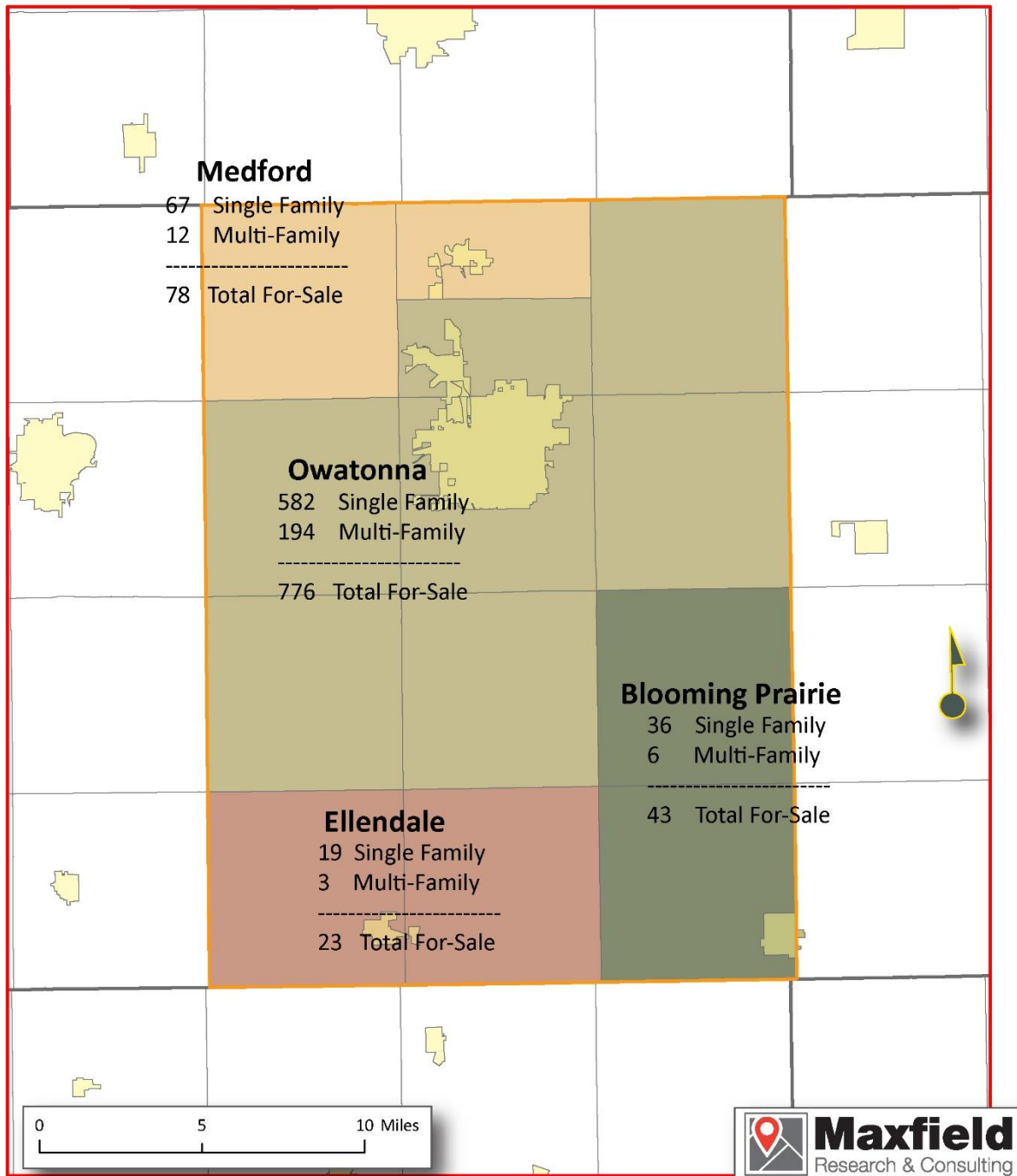
For-Sale Multifamily Housing

A growing number of households desire alternative housing types such as townhouses, twinhomes and condominiums. 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.

Our review of the Steele County for-sale housing stock found very few maintenance-free products as historically buyers have preferred the single-family house. However, given the aging of the population and the high growth rate in the 55+ population, Steele County would benefit from a more diversified housing stock. Based on the changing demographics, demand was calculated for 216 new multifamily for-sale units in Steele County through 2025. 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).

**Steele County
2016 - 2025
For-Sale Demand by Sub-Market**



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 architectural detail. Many higher-end twin home developments feature designs where one

RECOMMENDATIONS AND CONCLUSIONS

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 Steele County 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.

Because the demand for 216 units is spread across Steele County, twinhomes will be the preferred multifamily product type as units can be constructed 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. We recommend a broad range of pricing for twinhomes; however, pricing should start at around \$180,000. 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. The twinhomes should be association-maintained with 40' - to 50'-wide lots on average.

- *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 look-out 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 \$180,000 and will fluctuate based on custom finishes, upgrades, etc.

- *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.

RECOMMENDATIONS AND CONCLUSIONS

Because multifamily for-sale housing is still untested in Steele County, we recommend a four-plexes that could be back-to-back with main-level master bedrooms that would cater to empty-nesters. If the product is successful, future phases could include rowhomes that would increase density and cater to a broader market. Units should be priced from \$135,000 to \$150,000.

General Occupancy Rental Housing

Maxfield Research and Consulting calculated demand for 507 general-occupancy rental units in Steele County through 2025 (259 market rate, 99 affordable, and 149 subsidized units). The Owatonna Submarket accounted for over 90% of the demand (460 units), followed by the Blooming Prairie Submarket (27 units), Ellendale Submarket (11 units), and the Medford Submarket (9 units). Because of this demand, we recommend a variety of rental housing product types to meet this demand.

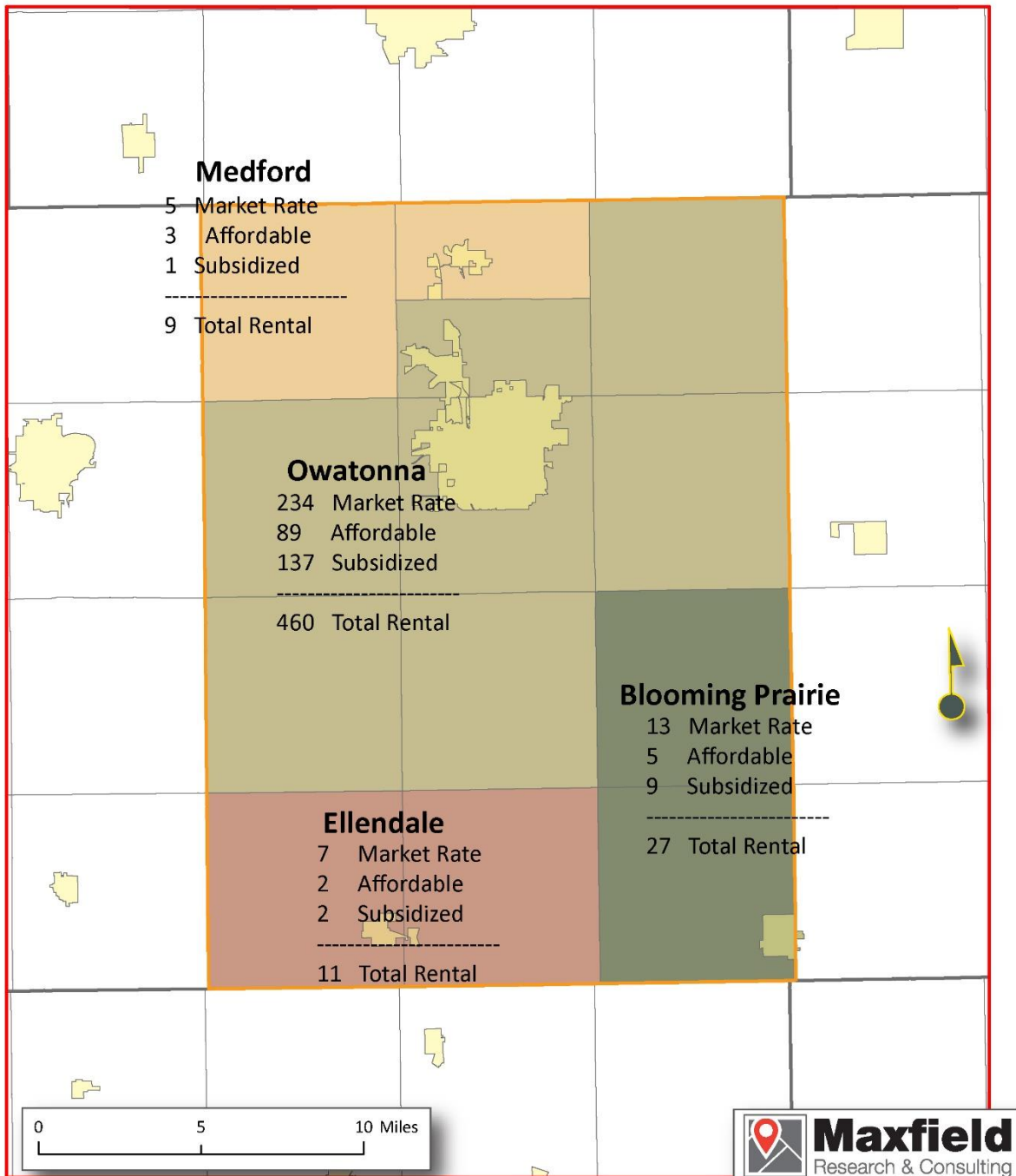
Our competitive inventory identified 4.2% vacancy rate among the general occupancy rental product as of September 2016. Due to the age and positioning of most of the existing rental supply, a significant portion of units are priced at or below guidelines for affordable housing, which indirectly satisfies demand from households that income-qualify for financially assisted housing. However, the renter base is seeking newer rental properties with additional and updated amenities that are not offered in older developments.

Because of the economies of scale when constructing multifamily rental housing, new construction requires density that will be difficult to achieve in the smaller Steele County communities. New rental housing can be developed immediately and will continue to be in demand through this decade especially if new job growth is attracted to Steele County. The following rental product types are recommended through 2025:

- ***Market Rate Rental*** - As illustrated in Table R-2, there are few townhome style multifamily rental projects in Steele County. The existing rental housing stock is older and located in mainly smaller structures (8 units or less). In addition, the single-family housing stock also plays a significant role in the overall rental housing market sector. Due to the lack of rental supply throughout the County, we recommend new market rate rental product in the Blooming Prairie, and Owatonna Submarkets. We recommend new market rental project(s) that will attract a diverse resident profile; including young to mid-age professionals as well as singles and couples across all ages. To appeal to a wide target market, we suggest a market rate apartment project(s) with a unit mix consisting of one-bedroom units, one-bedroom plus den units or two-bedroom units, and two-bedroom plus den or three-bedroom units. Larger three-bedroom units would be attractive to households with children.

Monthly rents (in 2016 dollars) should range from \$700 for a one-bedroom unit to \$1,050 for a three-bedroom unit. Average rents in Steele County are approximately \$0.93 per square foot, however monthly rents should range from about \$0.95 to \$1.10 per square foot to be financially feasible. Monthly rents can be trended up by 2.0% annually prior to

**Steele County
2016 - 2025
Rental Demand by Sub-Market**

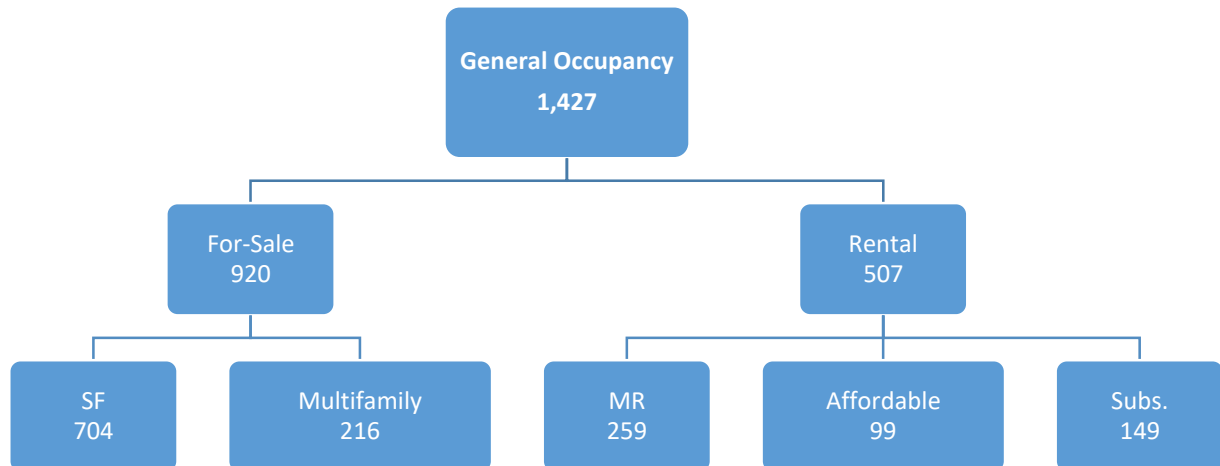


occupancy to account for inflation depending on overall market conditions. Because of construction and development costs, it may be difficult for a market rate apartment to be financially feasible with rents lower than the suggested per square foot price. Thus, for this type of project to become a reality, there may need to be a public – private partnership to

RECOMMENDATIONS AND CONCLUSIONS

reduce development costs and bring down the rents or the developer will need to provide smaller unit sizes.

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.



- **Market Rate General Occupancy Rental Townhomes**– In addition to the traditional multifamily structures, we find that demand exists for some larger townhome units for families – including those who are new to the community and want to rent until they find a home for purchase. A portion of the overall market rate demand could be a townhome style development versus traditional multifamily design. We recommend a project with rents of approximately \$900 for two-bedroom units to \$1,200 for three-bedroom units. Units should feature contemporary amenities (i.e. in-unit washer/dryer, high ceilings, etc.) and an attached two car garage. Again, like traditional multifamily development, these rents are significantly higher than then existing rental product and a public-private partnership may be needed to bring down development and monthly rental costs.
- **Affordable and Subsidized Rental Housing**– Affordable and subsidized housing receives financial assistance (i.e. operating subsidies, tax credits, rent payments, etc.) from governmental agencies in order to make the rent affordable to low-to-moderate income households. Although we find demand for about 149 subsidized and 99 affordable rental housing units through 2025, this housing is very difficult to develop financially as federal funding has shifted to tax credit rentals. A new subsidized or public housing development would have pent-up demand.

Senior Housing

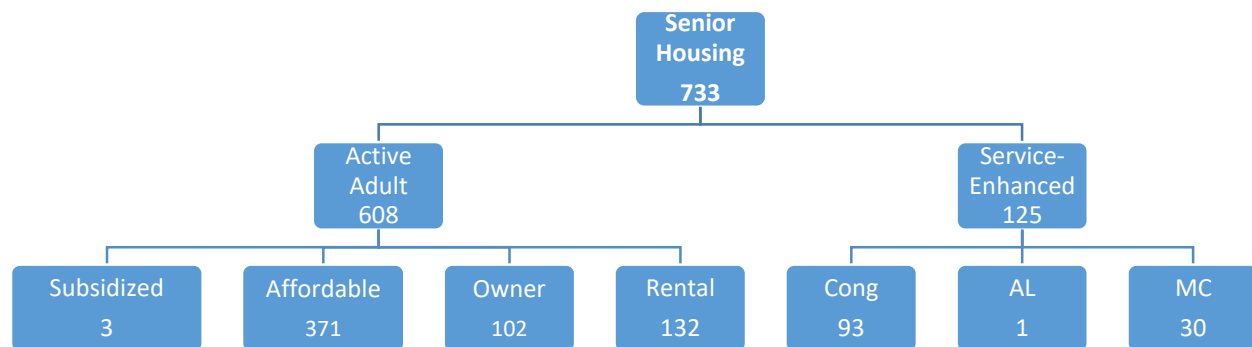
As illustrated in Table HD-9, demand exists for active adult, congregate, and memory care senior housing product types in Steele County through 2025. Due to the aging of the County’s population, senior housing product types show the highest demand among all product types in the

RECOMMENDATIONS AND CONCLUSIONS

short-term. In fact, senior housing demand in 2016 and 2025 accounts for about 651 and 733 units respectively, making up 49% of the total demand for housing in Steele County.

Development 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 Steele County: older adult and senior residents are able to relocate to new age-restricted housing in Steele County, 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.

2025 Senior Demand



- ***Active Adult Senior Cooperative*** – There are two senior age-restricted for-sale developments in Steele County at this time. Maxfield Research projected demand for 102 active adult ownership units through 2025. Because demand is spread across all four submarkets, a new for-sale development could likely only be constructed in one of the submarkets and would attract residents from other neighboring communities. Maxfield Research recommends a cooperative development with a mix of two- and three-bedroom units with share costs starting around \$30,000. The cooperative model, in particular, appeals to a larger base of potential residents in that it has characteristics of both rental and ownership housing. Cooperative developments allow prospective residents an ownership option and homestead tax benefits without a substantial upfront investment as would be true in a condominium development or life care option.
- ***Active Adult Rental*** – Because of the limited number of active adult product in Steele County, demand was calculated for 132 active adult rentals in Steele County through 2025.

Because active adult senior housing is not need-driven, the demand for this product type may experience delays in realizing demand if seniors decide to choose not to sell their homes. Therefore, we would cautiously recommend pursuing market rate active adult

RECOMMENDATIONS AND CONCLUSIONS

rentals. Furthermore, this demand could also be captured by new general-occupancy rental housing development in Steele County.

- *Affordable and Subsidized Rental* – Steele County demand for affordable senior housing is 371 units through 2025, while subsidized senior housing is three units. Affordable senior housing products can also be incorporated into a mixed-income building which may increase the projects financial feasibility. Affordable senior housing will likely be a low-income tax credit project through the Minnesota Housing Finance Agency. The Blooming Prairie and the Owatonna Submarket could support an affordable senior housing development. Financing subsidized senior housing is difficult as federal funds have been shrinking. Therefore, a new subsidized development would likely rely on a number of funding sources; from low-income tax credits (LIHTC), tax-exempt bonds, Section 202 program, USDA 515 program, among others.
- *Independent Living/Congregate* – Demand was calculated for about 93 congregate units through 2025 in Steele County. There are two congregate projects in Steele County located in Owatonna. The Owatonna Submarket has demand for 60 units of senior congregate housing. We recommend new congregate projects have a mix of one-bedroom, one-bedroom plus den, and two-bedroom units.

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.

Due to economies of scale needed for congregate housing, other service levels may have to be combined to the project to increase density to be financial feasible. Alternatively, the concept called “Catered Living” may be viable as it combines independent and assisted living residents and allows them to age in place in their unit versus moving to a separate assisted living facility. (See below for definition of Catered Living).

- *Assisted Living and Memory Care Senior Housing* – Based on our analysis, we project demand to support an additional one assisted living unit and 30 memory care units in Steele County through 2025. Due to the lack of assisted living demand, a new assisted living project would not be economically feasible in Steele County.

At this time, if assisted living units were developed, we would recommend that this type of development include a mix of studio, and one-bedroom, and a few two-bedroom units with base monthly rents ranging from \$3,000 to \$5,000. 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.

RECOMMENDATIONS AND CONCLUSIONS

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;
- 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.

Given the service-intensive nature of memory care housing and staffing ratios, typically most memory care facilities are attached to either an assisted living development or are a component of a skilled nursing facility. As a result, it will be very difficult to build a stand-alone memory care facility that can be financially feasible on its own. Therefore, new memory care units would be best suited if they were attached to an assisted living complex. Alternatively, memory care could also be associated with a skilled nursing facility; however, we stress the residential approach to memory care versus the institutional feel from a nursing home.

- Service-Enhanced Senior Housing or "Catered Living" –Due to economies of scale, it will be difficult to develop stand-alone facilities in the smaller communities for service enhanced senior housing products that are financially feasible. Therefore, we recommend senior facilities that allow seniors to "age in place" and remain in the same facility in the stages of later life. Catered living is a "hybrid" senior housing concept where demand will come from independent seniors interested in congregate housing as well as seniors in need of a higher level of care (assisted living). In essence, catered living provides a permeable boundary between congregate and assisted living care. The units and spatial allocations are undistinguishable between the two senior housing products, but residents will be able to select an appropriate service level upon entry to the facility and subsequently increase service levels over time. Additionally, catered living not only appeals to single seniors but also to couples; each resident is able to select a service level appropriate for his or her level of need, while still continuing to reside together. In addition, memory care can be incorporated into the facility in a separate secured wing.

RECOMMENDATIONS AND CONCLUSIONS

The catered living concept tends to be a newer concept but tends to be developed in more rural communities that cannot support stand-alone facilities for each product type. Monthly rents should include a base rent and service package with additional services provided either a la carte or within care packages. Monthly rents should start at about \$2,000 for congregate care and \$3,000 for assisted living care.

Summary by Submarket

Although there is demand for a variety of housing product types in each of the submarkets, it will be difficult to develop certain housing products due to the density and economies of scale needed to be financially viable. Therefore, the lesser populated communities will experience additional challenges due to density requirements. In addition, there is likely to be cross-over demand and mobility between submarkets as new housing product is developed. Table CR-1 outlines the submarkets most likely to experience new housing based on housing demand and the number of units needed to be supportable.

RECOMMENDATIONS AND CONCLUSIONS

Housing Type/Program	Blooming Prairie Submarket	Ellendale Submarket	Medford Submarket	Owatonna Submarket
For-Sale Housing				
Single-family¹				
Entry-level ²	x		x	x
Move-up	x	x	x	x
Executive	x		x	x
Twinhomes/Townhomes/Detached Townhomes				
Entry-level ²			x	x
Move-up				x
General Occupancy Rental Housing				
Market Rate Rental Housing				
Apartment-style				x
Townhome-style	x	x	x	x
Affordable Rental Housing³				
Apartment-style				x
Townhome-style				x
Senior Housing				
Market Rate				
Active Adult - For-Sale				x
Active Adult - Rental	x			x
Congregate/Independent				x
Assisted Living				
Memory Care	x			
Affordable Senior Housing				
Active Adult	x		x	x

¹ A portion of demand will be met by the existing lot supply

² Entry-level single-family will be very difficult to develop without financial assistance. The majority of entry-level demand will be met by the existing housing stock/resale market.

³ Affordability subject to income guidelines per MN Housing Finance Authority. See Table HA-1 for Steele County income limits.

⁴ Catered living is a hybrid concept of congregate and assisted living service levels. Catered living would absorb demand from both independent and assisted living seniors

Note: Although all of the submarkets show housing demand for a variety of housing types; it will not be feasible due to the economies of scale needed for new development. Therefore, recommendations are based on the demand and density needed to be feasible.

Source: Maxfield Research & Consulting, LLC

Challenges and Opportunities

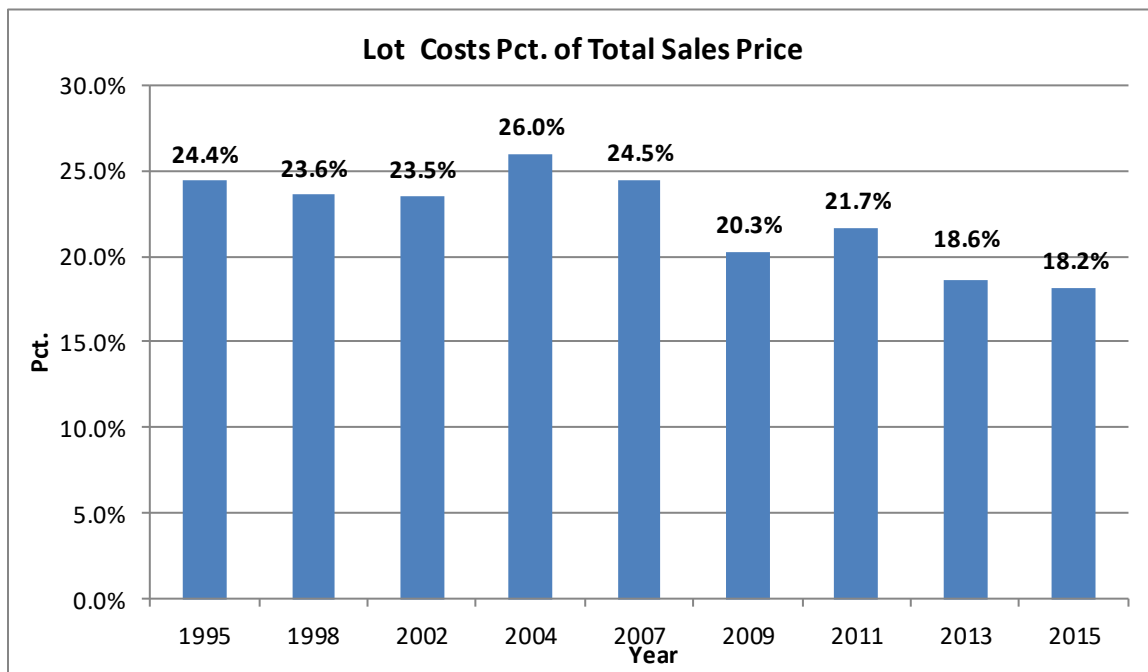
The following were identified as the greatest challenges and opportunities for developing the recommended housing types (in no particular order – sorted alphabetically).

- **Affordable Housing.** Tables HA-1 and HA-2 identified Steele County Area Median Incomes (“AMI”) and the fair market rents by bedroom type. The average market rate rent average is \$717/month and the established rents for affordable housing are higher than most market rate rental developments in Steele County. As a result, the majority of rental housing units in the County are considered affordable and are mostly fulfilled by existing, older rental product in the marketplace. Furthermore, first-time homebuyers with good credit and a down payment can purchase an entry-level single-family home that would have housing costs on-par with rental housing. As a result, it may be difficult to develop affordable housing that would be financially viable.
- **Age of Rental Housing Stock.** The Rental Market Analysis section of the report identified the newest general occupancy housing product is the *Northgate*, an affordable housing project built in 2015. The Overall market rate general occupancy rental housing stock in Steele County has a median year built of 1979. Most of the rental housing stock lacks the contemporary amenities many of today’s renters seek. Many renters today seek the following unit amenities: in-unit laundry, walk-in closets, balconies/patios, oversized windows, and individually controlled heating and air-conditioning. Community amenities included: community rooms with kitchens and big screen TV’s, fitness centers, Wi-Fi, extra storage, and the inclusion of environmentally responsible design and features. Most of these features and amenities are not offered in current rental housing products in Steele County.
- **Aging Population.** As illustrated in Table D-6, there is significant growth in the Steele County senior population, especially among seniors ages 65 to 74 (+20.4% growth through 2021). In addition, Table D-11 shows market area homeownership rates among seniors 65+ is approximately 78%. High homeownership rates among seniors indicate there could be lack of senior housing options, or simply that many seniors prefer to live in their home and age in place. Aging in place tends to be higher in rural vs. urban settings as many rural seniors do not view senior housing as an alternative retirement destination but a supportive living option only when they can no longer live independently. Rural areas also tend to have healthier seniors and are also more resistant to change. Because of the rising population of older adults, demand for alternative maintenance-free housing products should be rising. In addition, demand for home health care services and home remodeling programs to assist seniors with retrofitting their existing homes should also increase.

RECOMMENDATIONS AND CONCLUSIONS

- **Developers Lot Carrying Costs.** Land development and entitlement carries a large financial risk for builders and/or investors. Prior the Great Recession developing land was considered a profitable side of the housing business. However, today land development continues to be dominated by larger builders that can absorb the lot inventory more easily than smaller builders or land developers. Due to raw land costs, entitlements, and the cost to develop infrastructure, developers will be cautious given the lot price they could achieve. Prolonged carrying costs due to slow lot absorption are deterrents for builders and developers who must absorb project development costs until the lots are sold.

As a result, the land development business is not a lucrative business for real estate investors and future lot development may require a private-public partnership to bring down infrastructure costs; especially in communities outside of Owatonna. The chart below shows the average lot cost across the country compared to the retail sales price of the home.



- **Economies of Scale.** Economies of scale refer to the increase in efficiency of production as the number of goods being produced is increased. Typically, companies or organizations achieving economies of scale lower the average cost per unit through increased production since fixed costs are shared over an increased number of goods. In the housing development industry, generally the more units that are constructed the greater the efficiency. For example, larger homebuilders negotiate volume discounts in materials and subcontractors, are more efficient in the land entitlement process, leverage the power of technology, and have greater access and lower costs of capital. In multifamily housing, typically the higher the number of units equates into a lower per unit costs. Because of this, construction costs

RECOMMENDATIONS AND CONCLUSIONS

in larger communities such as in Mankato or Rochester can actually be lower than found in many communities in Steele County.

Although Table CR-1 showcased demand for many housing products in Steele County through 2025, many of the products will require some density for the project to be financially feasible. Because demand may not be high enough to support various stand-alone housing concepts new development may require private/public partnerships or the combination of multiple product types to ensure the project can be developed.

- **Financing Barriers/Infrastructure Costs and Private/Public Partnerships** One of the key challenges facing housing development in rural communities is financing. Finding banks to finance projects is difficult as most lenders require substantial equity contributions from the developer. As discussed in the previous bullet (*Developers' Carrying Costs*), developers are typically required to upfront residential subdivisions and pay for the cost of water, sewer, curb and gutter, utilities, etc. Because of the substantial cost to fund improvements, most builders/developers do not have the assets or equity to fund the project and lenders have conservative underwriting standards. Furthermore, private investors seek targeted returns on investment and liquidity that cannot be guaranteed as lot absorption/takedowns is an unknown factor. Many local jurisdictions do not have the necessary tools today to fund infrastructure costs.

Because of this barrier, we recommend exploring other private/public partnerships to entice housing development. Private/public partnerships are a creative alliance formed to achieve a mutual purpose and goal. Partnerships between local jurisdictions, the private sector, and nonprofit groups can help communities develop housing products through collaboration that otherwise may not materialize. Private sector developers can benefit through greater access to sites, financial support, and relaxed regulatory processes. Public sectors have increased control over the development process, maximize public benefits, and can benefit from and increased tax base.

A number of communities have solved housing challenges through creative partnerships in a variety of formats. Many of these partnerships involve numerous funding sources and stakeholders. Because of the difficulty financing infrastructure costs in Steele County, it will likely require innovative partnerships to stimulate housing development. We also recommend exploring partnerships with major employers in Steele County that could assist housing product by donating into a housing trust fund that would be designated for housing projects that would best serve workers in Steele County.

RECOMMENDATIONS AND CONCLUSIONS

- **Job Growth/Employment.** 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. Like most areas across Minnesota, the Midwest, and U.S., the Steele County unemployment rate peaked in 2009 during the Great Recession at 8.6%. This rate was similar to what most cities and counties experienced during the recession. The unemployment rate has decreased annually since 2009 and is only 3.3% as of the end of 2015. Although the low unemployment rate is generally considered positive news, a very low unemployment rate can be challenging for employers looking to add additional staff. However, Steele County's labor force has grown and which indicates employers in the County are likely attracting workers from outside the County. Additional job creation in Steele County will result in household growth that could exceed projections outlined in Table D-3.
- **Land Banking/Land Acquisition.** Land Banking is a program of acquiring land with the purpose of developing at a later date. After a holding period, the land can be sold to a developer (often at a price lower than market) with the purpose of developing housing. Steele County municipalities should consider establishing a land bank to which private land may be donated and public property may be held for future housing development.

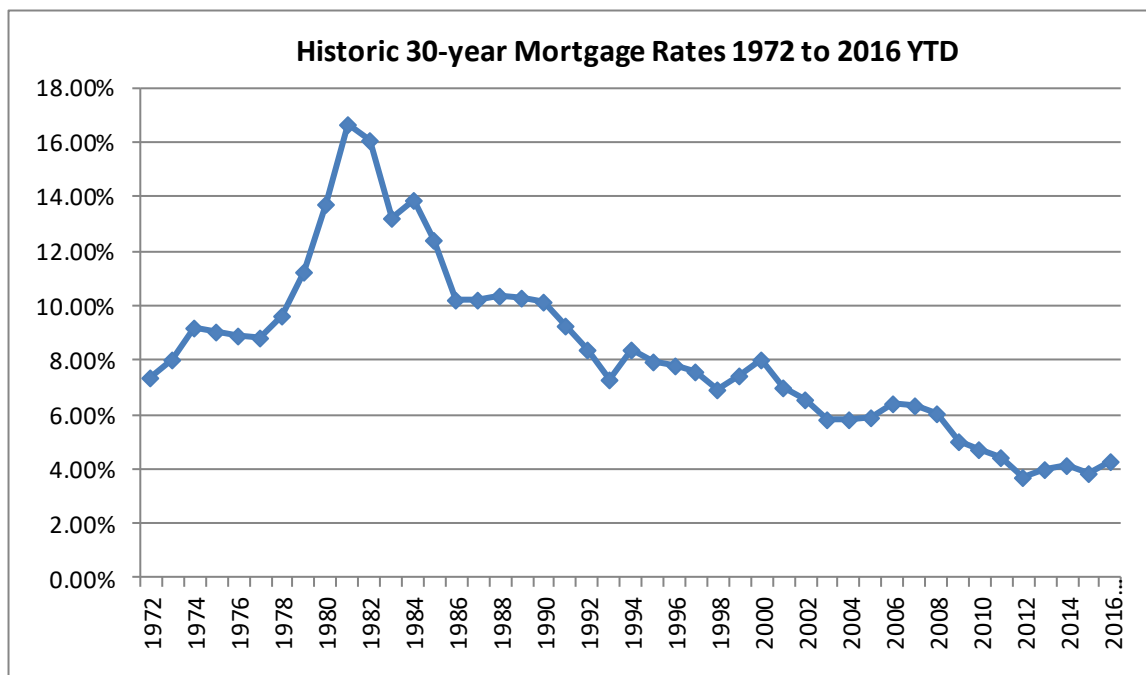
Similarly, land acquisition is a tool used by many governmental authorities to set aside land for a variety of public purposes; including new development/redevelopment, infrastructure projects, recreation, conservation, etc. Many local governments consider land acquisition and land banking as a strategy for stimulating private sector development.

- **Lot Supply.** Table FS-4 showed an inventory of 380 vacant lots throughout Steele County in newer subdivisions. Based on this lot supply and the recent construction activity over the past five years, the current finished lot inventory is some of the county submarkets. However, additional lots will be needed in some submarkets as the vacant lot supply is low. We find the Owatonna submarket has enough platted lots in the short-term to meet demand; however, all of the remaining submarkets have lower lot supplies and may need additional lot supply. In particular, the City of Medford has the lowest lot supply and will need new platted lots the soonest. Lot demand could also be higher for lot offerings that were more diverse from the current availability of vacant lots (i.e. mature treed lots, lot sizes, walk-outs, etc.).

RECOMMENDATIONS AND CONCLUSIONS

- **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. The Federal Reserve originally indicated rates would rise throughout 2016; however due to Brexit and the slowdown in the worldwide economy most economists did not raise rates until mid-December 2016. 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%.



- **Renovation of Existing Housing Stock (both owner and rental).** As illustrated in the *Housing Characteristics* section of this report, 19.6% of the housing stock in Steele county was built pre-1940, with the next highest decade in the 2000s (17.2%) and the 1970s (16.7%). Because of a portion of the housing stock is older, many housing units in throughout Steele County become affordable through a combination of factors such as age of structure, condition, square footage, functionally obsolete, etc. Housing units that are older with low rents or low market values are considered “naturally occurring affordable housing” as the property values on these units are low.

RECOMMENDATIONS AND CONCLUSIONS

Since a portion of the housing stock is older, housing consumers will demand increased remodeling or replacement needs over the long-term. Realtors and other interviewees commented that although the housing stock is affordable, many homes need updating and haven't been maintained. Entry-level buyers are also challenged as many homes in the less than the \$100,000 price range also need updating. As a result, the demand for new construction is very high as buyers are seeking more amenitized homes; however builders cannot deliver an entry-level new home that is affordable. Because builders are unable to bring more affordable new homes to the market, Maxfield Research recommends encouraging housing programs that will enhance the existing housing stock.

Numerous home improvement programs are initiated by local HRAs and local governmental agencies across the country to preserve the existing housing stock. Steele County communities should explore various programs that would aid the improvement of the county's housing stock. A variety of programs are available, including:

- Redevelopment Credit – remove a substandard home with new construction
- Remodeling Advisor – Partner with local architects and/or builders to provide ideas and general cost estimates for property owners
- Construction Management Services – Assist homeowners regarding local building codes, reviewing contractor bids, etc.
- Historic Preservation – Encourage residents to preserve historic housing stock in neighborhoods with turn-of-the-century character through restoring and preserving architectural and building characteristics. Typically funded with low interest rates on loans for preservation construction costs.
- Mobile Home Improvements – Offer low or no-interest loans to mobile home owners for rehabilitation. Establish income-guidelines based on family size and annual gross incomes.
- Rent to Own - Income-eligible families rent for a specified length of time with the end-goal of buying a home. The local government agency saves a portion of the monthly rent that will be allocated for a down payment on a future house.
- Home Fair – Provide residents with information and resources to promote improvements to the housing stock. Typically offered on a weekend in early spring where home owners can meet and ask questions to architects, landscapers, building contractors, lenders, building inspectors, Realtors, etc.

APPENDIX

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 – The general definition of affordability is for a household to pay no more than 30% of their income for housing. For purposes of this study we define affordable 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

APPENDIX

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.

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 Steele County - 2016

	Fair Market Rent				
	EFF	1BR	2BR	3BR	4BR
Fair Market Rent	\$490	\$577	\$772	\$1,038	\$1,348

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

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 Steele County are shown in the figure below.

**Gross Rent
Steele County – 2016**

	Maximum Gross Rent				
	EFF	1BR	2BR	3BR	4BR
30% of median	\$386	\$441	\$496	\$551	\$595
50% of median	\$643	\$735	\$827	\$918	\$992
60% of median	\$772	\$882	\$993	\$1,102	\$1,191
80% of median	\$1,030	\$1,176	\$1,324	\$1,470	\$1,588
100% of median	\$1,287	\$1,470	\$1,655	\$1,837	\$1,985
120% of median	\$1,545	\$1,764	\$1,986	\$2,205	\$2,382

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 household 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.

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 household 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. See Income-qualifications.

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. Mobility rate is often illustrated over a one-year time frame.

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 hous-

ing alternatives. Maxfield Research Consulting, LLC. 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.

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.