

Comprehensive Housing Market Study
City of Luverne, Minnesota



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August 11, 2016

Ms. Holly Sammons
Economic Development Director
City of Luverne
305 E Luverne St.
Luverne, MN 56156

Dear Ms. Sammons:

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

The study identifies a potential demand for approximately 390 new housing units through 2025. About 65% of the total demand is for senior housing; while general-occupancy housing accounted for 35% of the demand. Demand is strongest for market rate senior housing, representing 165 of the 389 new housing units. The current lot supply is sufficient to meet short term demand of for-sale housing. After accounting for vacant lots, we calculate demand for 34 single-family homes and 25 multi-family homes.

Based on our research, we find growing demand for maintenance free for-sale housing and age-restricted housing. We recommend single-level living, maintenance-free products such as town-homes/twinhomes to fulfill the need for owner-occupied for-sale housing and the development, or expansion, of senior housing options, including congregate, assisted living and memory care units. Detailed information regarding recommended housing concepts can be found in the *Conclusions and Recommendations* section at the end of the report.

If you have any questions or need additional information, please contact us. We have enjoyed conducting this study for you.

Sincerely,

MAXFIELD RESEARCH AND CONSULTING, LLC

A handwritten signature in black ink that reads "Matt Mullins".

Matt Mullins
Vice President

A handwritten signature in black ink that reads "Jessica Van Voorhis".

Jessica Van Voorhis
Associate

Attachment

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Purpose and Scope of Study

Maxfield Research and Consulting LLC (i.e. “Maxfield Research”) was engaged by the City of Luverne to conduct a *Comprehensive Housing Market Study* for the City of Luverne. The Housing Market Study provides recommendations on the amount and types of housing that should be developed in order to meet the needs of current and future households who choose to reside in the City.

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

Demographic and Employment Analysis

- The population of the Market Area is projected to decline by 2% (246 people) from 2010 to 2025. However, Luverne may be able to capitalize on the growth of the Sioux Falls Metro Area. As a result, the population in 2030 will experience a slight increase.
- As seen in many areas throughout Minnesota, the population of Luverne will experience growth in the older age cohorts as the Baby Boomer generation ages. From 2010 to 2025 the largest growth in the Market Area will occur among the population 65 to 74 which will grow 41%.
- Median household incomes are projected to rise by 8.3% from 2016 to 2021 in the City of Luverne. The result is an increase in median income from \$49,044 to \$53,118.
- Other Family households experienced the most significant growth between 2000 and 2010, increasing by 25.6% in the Market Area. However, households of married couples without children and person living alone are the largest household types in Luverne and the Remainder of the Market Area.
- Rock County’s labor force was in decline from 2000 through 2007 when it reached a low of 4,925. The labor force has since started to increase since the Great Recession, continuing to rise each year and recording a high of 5,919 in 2015.
- Unemployment in Rock County reached its peak in 2010 at 5.1%, although this was far below the 2010 unemployment rate of Minnesota (7.4%) and the U.S. (9.6%). Since 2010, Rock County unemployment has continued to decline, falling to 2.1% in 2015.

EXECUTIVE SUMMARY

- The largest employment sector in Luverne was Education and Health Services, accounting for 33% of all employment. This sector reported an average weekly wage of \$684 in 2014, representing an annual salary of \$35,565.
- The highest paying employment sector in Luverne was Manufacturing, with a weekly wage of \$1,158 (\$60,200 annually) in 2014. However, the Manufacturing sector accounted for only 4.2% of employment in Luverne.
- Approximately 1,500 people live in Luverne but work outside the city, while nearly 1,400 live outside Luverne but commute into the city for work, generating a nearly even inflow and outflow of commuters. An additional 800 people live and work in Luverne.

Housing Characteristics

- The City of Luverne averaged approximately three new single family permit per year from 2007 to 2015.
- The largest proportion of housing in Luverne was built before 1940, accounting for 25% of the housing stock in the Luverne. Just 6% of the housing stock in Luverne was built in 2000 or later.
- The dominant housing type in the Market Area is the single-family detached home, representing an estimated 96.4% of all owner-occupied housing units and 47.5% of renter-occupied housing units as of 2014.
- In Luverne, 44.7% of housing units do not have a mortgage. The proportion is even higher in the Remainder of Market Area, where 64.2% of housing units do not have a mortgage.
- Approximately 42% of renter-occupied units have a contract rent of \$250 to \$499 in Luverne, with 30% of contract rents falling between \$500 and \$749. The median contract rent in Luverne was \$461.

Planned/Pending Projects

- The City of Adrian is preparing for the development of the 36 lot Sudekamp Addition, with the first phase of construction expected to develop 15 lots.
- The City of Hills is beginning the planning process for a twin home development and the number of units is not yet known
- There are two for sale duplex/triplex developments under construction in Luverne. The Barck Ave Twin Homes have eight living units, with five units already sold. The Blue Ridge

EXECUTIVE SUMMARY

Twin Home development will have a total of 16 units when complete, and 10 of these units are already sold.

Rental Housing Market Analysis

- The market rate rental property in the PMA are primarily two bedroom units, accounting for 76% of rental units, which have an average rent of \$514 (\$0.56 psf).
- Rents range from \$365 for a one-bedroom to \$650 for a three-bedroom units.
- The vacancy rate was 2.1% among market rate properties, below the market equilibrium of 5%, which promotes competitive rates, ensures adequate choice and allows for unit turnover.
- There are 150 income-restricted projects in Luverne with 12 vacancies. Subsidized units were most likely to be one-bedrooms (83%).
- Few three and four bedroom rentals are available in in the Market Area. There are four market rate three-bedroom units at the City Centre Apartments. Additionally, there are 22 three-bedroom and two four-bedroom affordable units at the Rock Creek Townhomes.

Senior Housing Market Analysis

- The majority of senior housing units in the Market Area are contained in assisted living facilities, making up 42% of all senior housing units.
- There are only 10 memory care units in the Market Area, and no memory care units within the City of Luverne.
- Vacancies are very low at all senior housing facilities. The vacancy rate was 7% for all senior living developments in the Market Area. One facility, Sunrise View, is undergoing a remodel from a skilled nursing facility to an assisted living facility and is still leasing its new units. This facility currently has 10 vacancies. Excluding this facility from the vacancy rate calculations, results in a vacancy rate of only 1%.

For-Sale Housing Market Analysis

- The majority of residential parcels in Luverne are single family housing units with market values below \$150,000.
- Between 2011 and 2015 the median home price of residential resale properties rose 17% and sales averaged 117 per year.

EXECUTIVE SUMMARY

- The current supply of homes listed for sale advertised a median listing price of \$144,900 in Luverne. About 66% of homes for sale in the City of Luverne are priced under \$140,000; and 48.6% are priced under \$100,000. There were only five homes, 14.3%, for sale in Luverne with an asking price over \$250,000.
- There are 42 vacant lots for sale in Luverne offering 41 single family home sites and one multi-family sites. The average marketing price of a lot in Luverne was \$22,188, although a portion of the lot costs can be offset with the City's Residential Lot Incentive Program.
- New construction costs begin at \$1.50 per square foot and rise from there.

Housing Affordability

- Within the PMA, 20% of owner households are costs burdened and 45% of renter households. Cost burdened households pay more than 30% of their income for housing costs.
- Approximately 80% of all households in the Market Area could afford an entry level home of \$80,000. These household would have a minimum income of \$18,805. This makes for-sale housing nearly as attainable as rental housing where the minimum income to afford an existing rental ranges between \$19,331 to \$22,900.

Housing Demand Analysis

- Based on our calculations, demand exists in the City of Luverne for the following general occupancy product types between 2016 and 2025:
 - Market rate rental 40 units
 - Affordable rental 14 units
 - Subsidized rental 27 units
 - For-sale single-family 34 units (after subtracting vacant lots)
 - For-sale multifamily 25 units
- In addition, we find demand for multiple senior housing product types. By 2025, demand in Luverne for senior housing is forecast for the following:
 - Active adult ownership 35 units
 - Active adult market rate rental 14 units
 - Active adult affordable 89 units
 - Active adult subsidized 0 units
 - Congregate 47 units
 - Assisted Living 30 units
 - Memory care 38 units

EXECUTIVE SUMMARY

Recommendations and Conclusions

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

RECOMMENDED HOUSING DEVELOPMENT CITY OF LUVERNE 2016 to 2025				
	Purchase Price/ Monthly Rent Range ¹	No. of Units	Pct. of Total	Development Timing
Owner-Occupied Homes				
Single Family²				
Entry-level	>\$125,000	8 - 10	27%	2018+
Move-up	\$125,00 - \$250,000	10 - 12	33%	2018+
Executive	\$250,000+	12 - 14	39%	2019+
Total		30 - 36	100%	
Townhomes/Detached Townhomes/Twinhomes²				
Entry-level	>\$225,000	8 - 10	41%	2016+
Move-up	\$225,000+	12 - 14	59%	2016+
Total		20 - 24	100%	
Total Owner-Occupied		50 - 60		
General Occupancy Rental Housing				
Market Rate Rental Housing				
Apartment-style	\$700/1BR - \$1100/3BR	20 - 24	55%	2017+
Townhomes	\$1,100/2BR - \$1,400/3BR	16 - 20	45%	2017+
Total		36 - 44	100%	
Affordable Rental Housing				
Townhomes	Moderate Income ³	12 - 14	100%	2019+
Total		12 - 14	100%	
Total Renter-Occupied		48 - 58		
Senior Housing (i.e. Age Restricted)				
Active Adult Senior Coop	\$50,000+ (plus monthly fee)	24 - 30	15%	2016+
Active Adult Affordable Rental	Moderate Income ³	40 - 50	25%	2016+
Active Adult Market Rate Rental ⁴	\$750/1BR - \$900/2BR+	30 - 36	18%	2017+
Independent Living (Congregate)	\$1,500/1BR - \$2000/2BR	30 - 34	18%	2018+
Assisted Living	\$2500/EFF - \$3,400/2BR	20 - 22	12%	2017+
Memory Care	\$3,000/EFF - \$5,000/2BR	20 - 24	12%	2017+
Total		164 - 196	100%	
Total - All Units		262 - 314		
¹ Pricing in 2016 dollars. Pricing can be adjusted to account for inflation. ² Recommendations include the absorption of some existing previously platted lots. ³ Affordability subject to income guidelines per MHFA. See Table HA-1 for Rock County Income limits. ⁴ In order to develop an Market Rate Active Adult housing, it will need to combined with Active Adult Affordable Rentals in a mixed-income senior community Note - Recommended development does not coincide with total demand. Luverne may not be able to accommodate all recommended housing types based on a variety of factors (i.e. development constraints, land availability, etc.)				
Source: Maxfield Research & Consulting, LLC				

Introduction

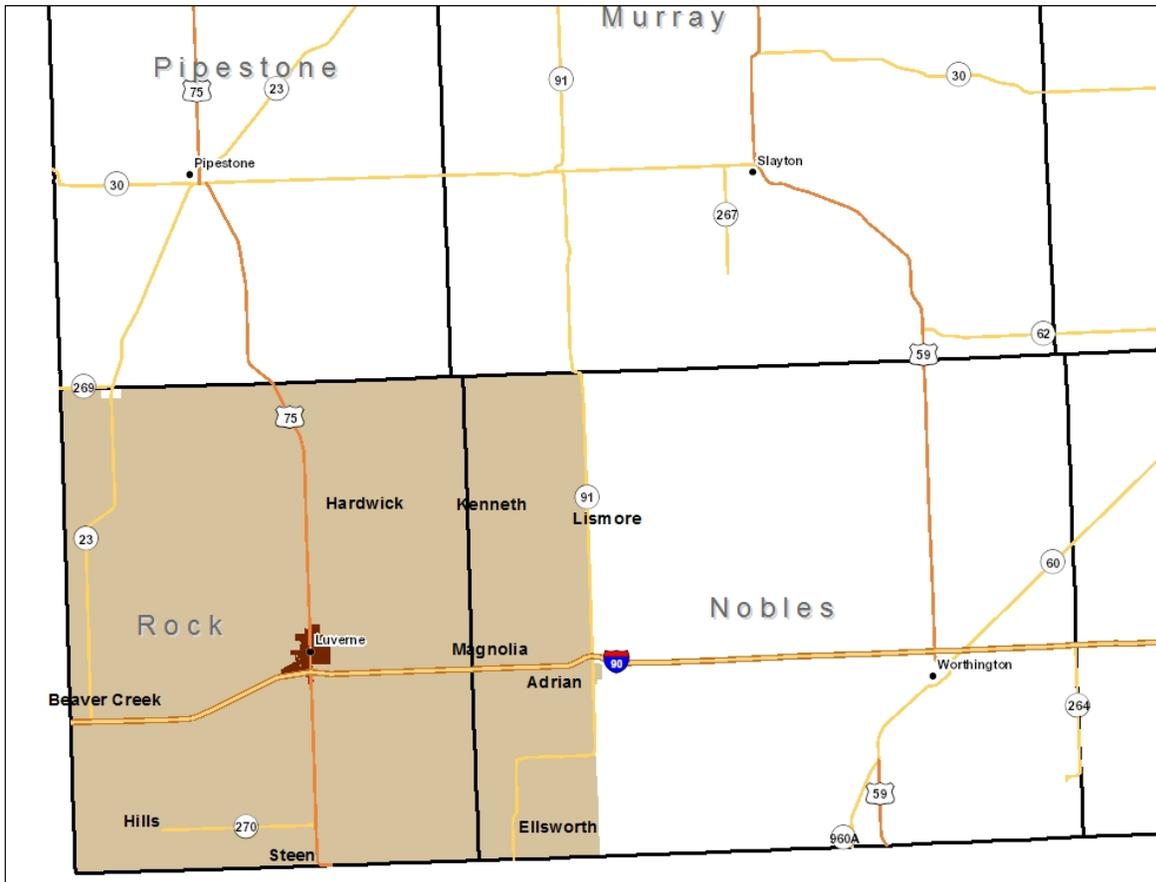
This section of the report examines factors related to the current and future demand for both owner- and renter-occupied housing in Luverne, Minnesota. It includes an analysis of population and household growth trends and projections, projected age distribution, household income, net worth, household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

Market Area Definition

The primary draw area (Market Area) for housing in Luverne was defined based on geographic and man-made barriers, commuting patterns, school district boundaries, and our previous experience in Luverne. The Market Area geography includes the includes all the communities within Rock County, except the City of Jasper. The Primary Market Area also contains the western portion of Nobles County, including the cities of Lismore, Adrian, Ellsworth and the townships of Grand Prairie, Leota, Lismore and Westside. A map of the PMA is provided on the following page.

City of Luverne - Market Area Definition	
City	Township
Rock County	
Beaver Creek	Battle Plain
Hardwick	Beaver Creek
Hills	Clinton
Kenneth	Denver
Luverne	Kanaranzi
Magnolia	Luverne
Steen	Magnolia
	Martin
	Mound
	Rose Dell
	Springwater
	Vienna
Nobles County	
Adrian	Grand Prairie
Ellsworth	Leota
Lismore	Lismore
	Westside
Source: Maxfield Research and Consulting LLC	

Primary Market Area



Population and Household Growth Trends and Projections from 1990 to 2030

Table D-1 presents the historic population and household growth trends from 1990 to 2000. The data was collected from the U.S. Census Bureau. Table D-2 presents population and household growth trends and projections from 1990 to 2025. Historic data was collected from the U.S. Census Bureau, estimates and projections were calculated based on data from ESRI (a national demographics service provider) and the Minnesota State Demographer with adjustments calculated by Maxfield Research and Consulting, LLC. The adjustments are intended to reflect the impact of the current housing market, employment and review of building permit trends.

Historic Population and Household Trends

- Between 1990 and 2000, the City of Luverne experienced a 5% increase in population, adding 235 people. At the same time, the Remainder of the Market Area experienced a 5% reduction in population, losing a total of 411 people. The result was a 1% decline in the population of the Market Area.

DEMOGRAPHIC ANALYSIS

- Similar trends in the population were observed between 2000 and 2010. The population grew by 3%, 128 people, in the City of Luverne during this time. However, the Remainder of the Market Area continued to experience a population decline, declining by 5%, 451 people. The result was a 3% decline in the total population of the PMA.
- From 1990 to 2000 the number of households in Luverne increased by 3% from 1,902 in 1990 to 1,968 in 2000. Although the Remainder of the PMA experienced population decline, the number of households increased by 1%.
- The number of households again increased in the City of Luverne from 2000 to 2010 by 4%, 80 households. However, the Remainder of the Market Area experienced a decline in the number households of 59 (2%).

TABLE D-1 POPULATION AND HOUSEHOLD GROWTH TRENDS LUVERNE MARKET AREA 1990 to 2010							
	U.S. Census			Change			
				1990 to 2000		2000 to 2010	
	1990	2000	2010	No.	Pct.	No.	Pct.
POPULATION							
City of Luverne	4,382	4,617	4,745	235	5.4%	128	2.8%
Remainder of the PMA	8,632	8,221	7,770	-411	-4.8%	-451	-5.5%
Adrian City	1,141	1,234	1,209	93	8%	-25	-2%
Ellsworth City	580	540	463	-40	-7%	-77	-14%
Grand Prairie Township	272	227	206	-45	-17%	-21	-9%
Leota Township	504	463	390	-41	-8%	-73	-16%
Lismore City	248	238	227	-10	-4%	-11	-5%
Lismore Township	246	232	175	-14	-6%	-57	-25%
Westside Township	292	258	218	-34	-12%	-40	-16%
Battle Plain Township	229	233	199	4	2%	-34	-15%
Beaver Creek City	249	250	297	1	0%	47	19%
Beaver Creek Township	445	391	386	-54	-12%	-5	-1%
Clinton Township	350	292	277	-58	-17%	-15	-5%
Denver Township	227	212	173	-15	-7%	-39	-18%
Hardwick City	234	222	198	-12	-5%	-24	-11%
Hills City	607	565	686	-42	-7%	121	21%
Kanaranzi Township	320	286	247	-34	-11%	-39	-14%
Kenneth City	81	61	68	-20	-25%	7	11%
Luverne Township	477	493	479	16	3%	-14	-3%
Magnolia City	155	221	222	66	43%	1	0%
Magnolia Township	303	250	212	-53	-17%	-38	-15%
Martin Township	465	451	382	-14	-3%	-69	-15%
Mound Township	274	257	252	-17	-6%	-5	-2%
Rose Dell Township	241	214	216	-27	-11%	2	1%
Springwater Township	303	266	252	-37	-12%	-14	-5%
Steen City	176	182	180	6	3%	-2	-1%
Vienna Township	213	183	156	-30	-14%	-27	-15%
Primary Market Area	13,014	12,838	12,515	-176	-1.4%	-323	-2.5%

DEMOGRAPHIC ANALYSIS

<i>Continued</i>							
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>No.</u>	<u>Pct.</u>	<u>No.</u>	<u>Pct.</u>
HOUSEHOLDS							
City of Luverne	1,902	1,968	2,048	66	3%	80	4%
Remainder of the PMA	3,063	3,095	3,036	32	1%	-59	-2%
Adrian City	473	493	491	20	4%	-2	0%
Ellsworth City	231	227	210	-4	-2%	-17	-7%
Grand Prairie Township	91	82	80	-9	-10%	-2	-2%
Leota Township	182	191	175	9	5%	-16	-8%
Lismore City	95	97	96	2	2%	-1	-1%
Lismore Township	82	76	65	-6	-7%	-11	-14%
Westside Township	91	84	77	-7	-8%	-7	-8%
Battle Plain Township	76	78	74	2	3%	-4	-5%
Beaver Creek City	99	106	117	7	7%	11	10%
Beaver Creek Township	133	141	143	8	6%	2	1%
Clinton Township	108	103	100	-5	-5%	-3	-3%
Denver Township	77	74	68	-3	-4%	-6	-8%
Hardwick City	96	96	87	0	0%	-9	-9%
Hills City	215	230	263	15	7%	33	14%
Kanaranzi Township	102	95	92	-7	-7%	-3	-3%
Kenneth City	26	27	29	1	4%	2	7%
Luverne Township	167	166	169	-1	-1%	3	2%
Magnolia City	62	79	77	17	27%	-2	-3%
Magnolia Township	102	92	84	-10	-10%	-8	-9%
Martin Township	146	148	142	2	1%	-6	-4%
Mound Township	88	92	90	4	5%	-2	-2%
Rose Dell Township	82	79	78	-3	-4%	-1	-1%
Springwater Township	111	102	97	-9	-8%	-5	-5%
Steen City	63	69	67	6	10%	-2	-3%
Vienna Township	65	68	65	3	5%	-3	-4%
Primary Market Area	4,965	5,063	5,084	98	2%	21	0%
Sources: U.S. Census Bureau; Maxfield Research and Consulting LLC							

Population and Household Projections

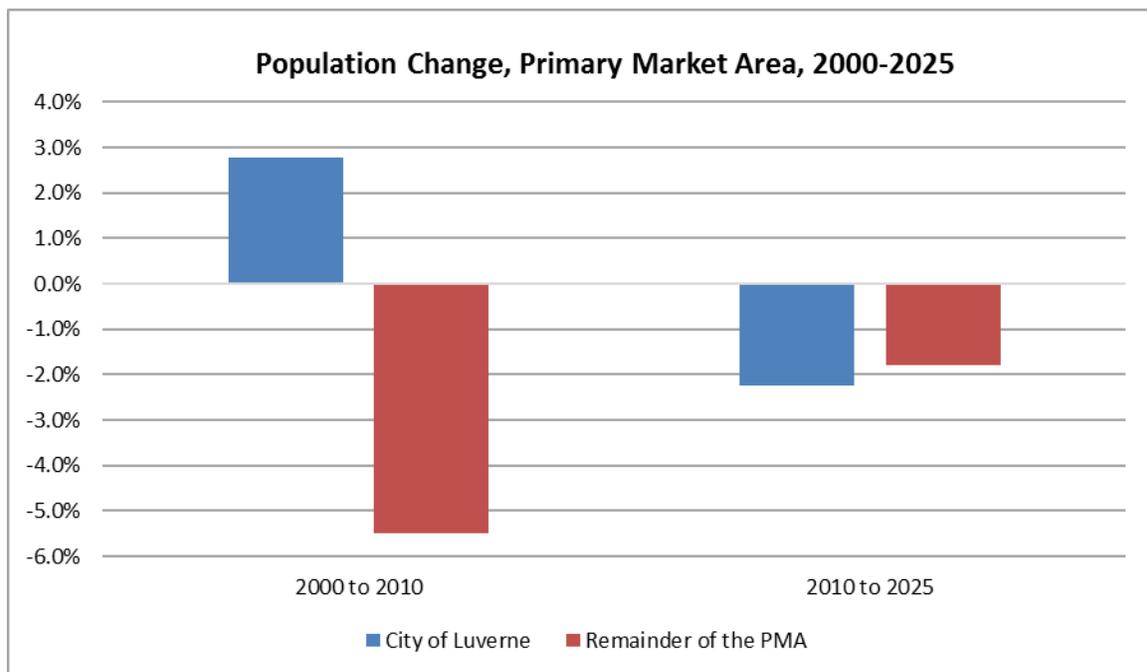
- In both the City of Luverne and the Remainder of the Market Area, the population is forecast to decline from 2010 to 2025. Luverne is forecast to lose 106 people, declining by 2.2%, and the Remainder of the Market is projected to decline by 1.8%, decreasing by 140 people.
- Population in 2030 is forecast to rise slightly, mostly due to the potential to capture a proportion of the growth occurring in Sioux Falls.
- 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 come from changing demographics of the population base, which results in demand for different housing products.

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TABLE D-2 POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS LUVERNE MARKET AREA 1990 to 2030													
	U.S. Census							Estimate		Forecast		Change	
	U.S. Census			Estimate	Forecast	Forecast	Forecast	2000 to 2010		2010 to 2025			
	1990	2000	2010	2016	2021	2025	2030	No.	Pct.	No.	Pct.		
POPULATION													
City of Luverne	4,382	4,617	4,745	4,692	4,662	4,639	4,662	128	2.8	-106	-2.2		
Remainder of the PMA	8,632	8,221	7,770	7,675	7,660	7,630	7,668	-451	-5.5	-140	-1.8		
Primary Market Area	13,014	12,838	12,515	12,367	12,322	12,269	12,330	-323	-2.5	-246	-2.0		
HOUSEHOLDS													
City of Luverne	1,902	1,968	2,048	2,060	2,055	2,050	2,071	80	4.1	2	0.1		
Remainder of the PMA	3,063	3,095	3,036	3,010	3,005	3,000	3,030	-59	-1.9	-36	-1.2		
Primary Market Area	4,965	5,063	5,084	5,070	5,060	5,050	5,101	21	0.4	-34	-0.7		
<i>Persons per Household</i>													
City of Luverne	2.30	2.35	2.32	2.28	2.27	2.26	2.25						
Remainder of the Market Area	2.82	2.66	2.56	2.55	2.55	2.54	2.53						
Market Area	2.62	2.54	2.46	2.44	2.44	2.43	2.42						
Sources: U.S. Census Bureau; ESRI; State Demographic Center; Maxfield Research and Consulting LLC													

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- From 2010 to 2025 the number of households in Luverne is projected to remain relatively stable, gaining two households. The Remainder of the PMA is projected to lose a greater number of households, with a decrease in 36 households projected, a 1.2% decline.
- The number of people per household has been declining in the Market Area. In 1990, there were 2.62 people per household. By 2010, the number of people per household declined to 2.46. The number of people per household is projected to continue to decline through 2025, reaching 2.43 people per household.
- Household size varies between the City of Luverne and the Remainder of the Market Area. In 2010, Luverne recorded 2.32 people per household while the Remainder of the Market Area recorded 2.56 people per household. Luverne and the Remainder of the Market are project to continue to see the number of people per household decline, reaching 2.26 and 2.54 respectively.



Age Distribution Trends

Age distribution affects demand for different types of housing since needs and desires change at different stages of the life cycle. Table D-3 shows the distribution of persons within nine age cohorts for Luverne and the Market Area in 2000 and 2010 with estimates for 2016 and projections for 2021 and 2025. The 2000 and 2010 age distribution is from the U.S. Census Bureau and the 2016 figures are estimate based on 2015 ESRI data. Maxfield Research and Consulting LLC derived the 2021 and 2025 projections with adjustments made to data obtained from ESRI. The following are key points from the table.

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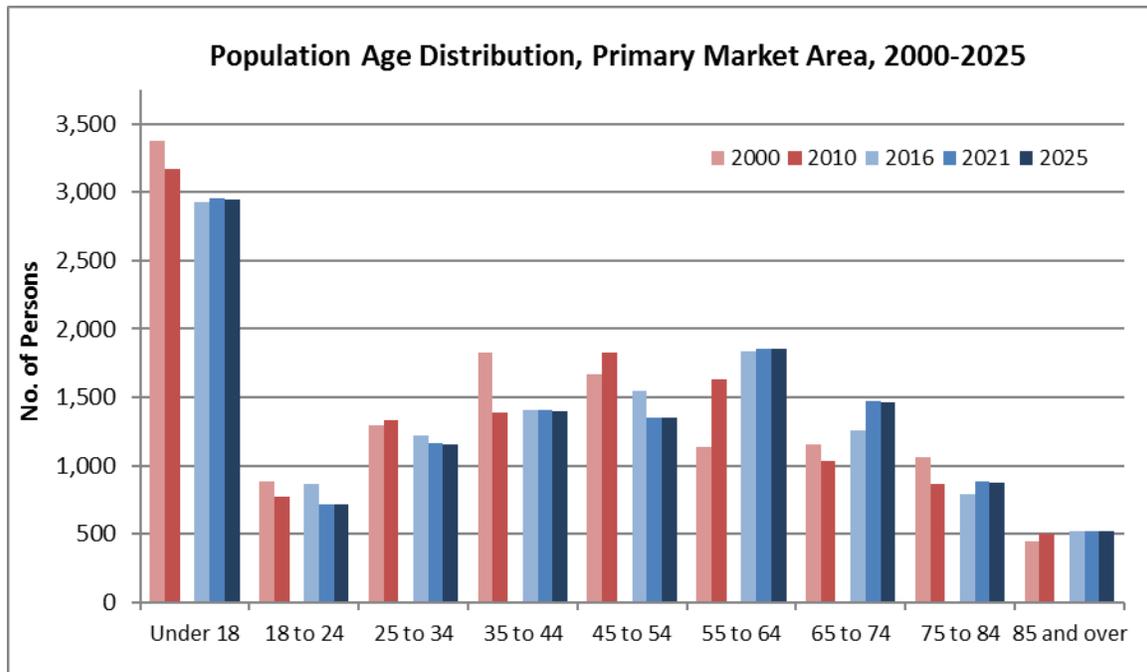
- In the City of Luverne, those age 55 to 64 and 85 and over experienced the largest growth from 2000 to 2010, growing by 52.8% and 37.7% respectively. During the same time period, the age cohorts 65 to 74 and 75 to 84 saw the greatest decline in population, decreasing by 12% and 26.8% respectively.
- Going forward, between 2010 and 2025 the growth of the older age cohorts will continue in Luverne, with the age 55 to 64 seeing the largest growth at 33%. At the same time, younger age cohorts will see a decline. Ages 45 to 54 will decline by 18% and those under 18 will see a decrease of 10%. The decline in children is reflective of the decline of the adult age cohorts 25 to 54 and the declining birth rates caused by the Great Recession.

Age	Census		Estimate	Projection	Projection	Change				
	2000	2010	2016	2021	2025	2000-2010		2010-2025		
	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.	
Luverne										
Under 18	1,097	1,157	1,075	1,047	1,042	60	5.5	-115	-10.0	
18 to 24	319	304	329	288	287	-15	-4.7	-17	-5.6	
25 to 34	456	524	494	490	487	68	14.9	-37	-7.0	
35 to 44	575	516	498	495	493	-59	-10.3	-23	-4.5	
45 to 54	565	562	523	463	460	-3	-0.5	-102	-18.1	
55 to 64	386	590	616	628	625	204	52.8	35	6.0	
65 to 74	460	405	486	541	539	-55	-12.0	134	33.0	
75 to 84	555	406	388	429	427	-149	-26.8	21	5.2	
85 and over	204	281	284	280	279	77	37.7	-2	-0.8	
Subtotal	4,617	4,745	4,692	4,662	4,639	128	2.8	-106	-2.2	
Remainder of Market Area										
Under 18	2,277	2,012	1,853	1,910	1,902	-265	-11.6	-110	-5.4	
18 to 24	564	464	539	429	427	-100	-17.7	-37	-7.9	
25 to 34	836	807	724	672	670	-29	-3.5	-137	-17.0	
35 to 44	1,251	876	912	910	907	-375	-30.0	31	3.5	
45 to 54	1,101	1,262	1,025	891	887	161	14.6	-375	-29.7	
55 to 64	747	1,037	1,218	1,230	1,225	290	38.8	188	18.2	
65 to 74	694	631	768	926	922	-63	-9.1	291	46.2	
75 to 84	509	462	402	452	451	-47	-9.2	-11	-2.5	
85 and over	242	219	233	240	239	-23	-9.5	20	9.0	
Subtotal	8,221	7,770	7,675	7,660	7,630	-451	-5.5	-140	-1.8	
Market Area Total										
Under 18	3,374	3,169	2,928	2,957	2,944	-205	-6.1	-225	-7.1	
18 to 24	883	768	868	717	714	-115	-13.0	-54	-7.0	
25 to 34	1,292	1,331	1,218	1,162	1,157	39	3.0	-174	-13.1	
35 to 44	1,826	1,392	1,410	1,405	1,399	-434	-23.8	7	0.5	
45 to 54	1,666	1,824	1,548	1,353	1,347	158	9.5	-477	-26.1	
55 to 64	1,133	1,627	1,834	1,858	1,851	494	43.6	224	13.7	
65 to 74	1,154	1,036	1,254	1,467	1,461	-118	-10.2	425	41.0	
75 to 84	1,064	868	790	881	877	-196	-18.4	9	1.1	
85 and over	446	500	518	520	517	54	12.1	17	3.5	
Total	12,838	12,515	12,367	12,322	12,269	-323	-2.5	-246	-2.0	

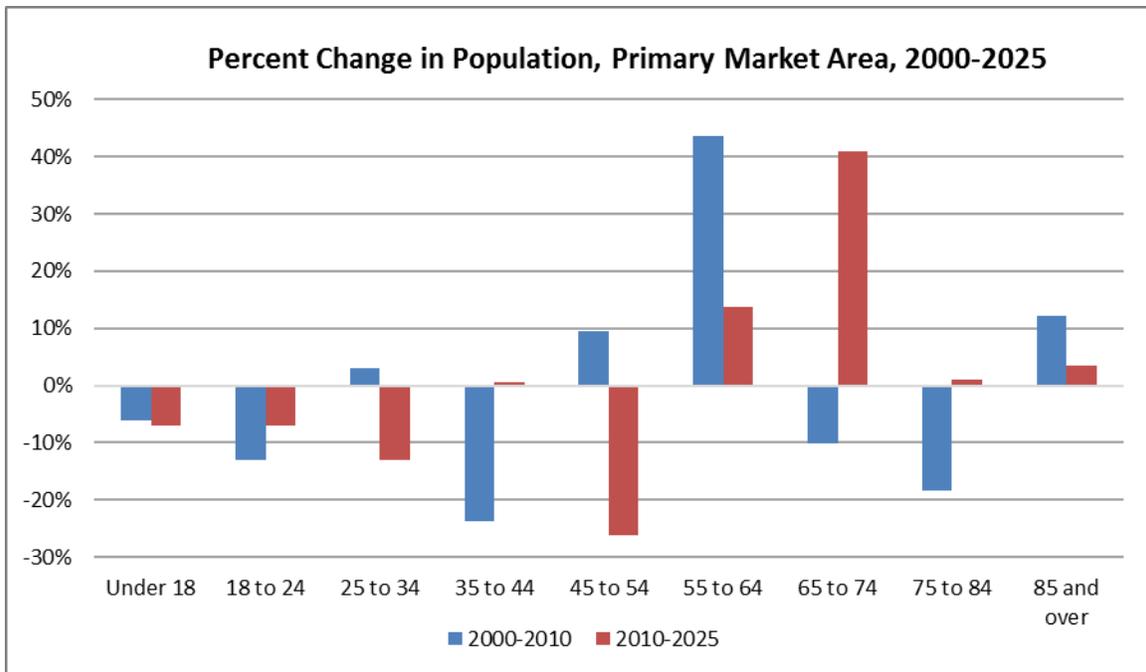
Sources: U.S. Census Bureau; ESRI; Maxfield Research and Consulting LLC

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- Although the under 18 age cohort is projected to decline from 2010 to 2025, in overall numbers, this age cohort is the largest in the Market Area, with an estimated population of 2,928 in 2016 and a projected population of 2,944 in 2025.
- Outside the senior age cohorts, those age 18 to 24 represent the smallest age cohort.



- From 2000 to 2010 the 55 to 64 age cohort experienced the greatest growth in the Market Area, increasing by 43.6%. This large age cohort continues to show the largest growth (41%) as they age into the 65 to 74-year-old age cohort from 2010-2025.
- The Market Area lost population in the under 18 age cohort from 2000 to 2010, declining by 6.1%. This trend is projected to continue from 2010 to 2025, with a 7.1% decline in the population under 18.



Household Income by Age of Householder

The estimated distribution of household incomes in the City of Luverne and the Remainder of the Market Area for 2016 and 2021 are shown in Tables D-4 and D-5. The data is estimated by ESRI with adjustments by Maxfield Research. 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 in the PMA with the average income of \$49,044 per year would be able to afford a monthly housing cost of about \$1,226. Maxfield Research and Consulting LLC uses a figure of 25% to 30% for younger households and 40% or more for seniors, since seniors generally have lower living expenses and can often sell their homes and use the proceeds toward rent payments.

A generally accepted standard for affordable owner-occupied housing is that a typical household can afford to pay 3.0 to 3.5 times their annual income on a single-family home. Thus, a \$49,044 income would translate to an affordable single-family home of \$147,132 to \$171,654. 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 which would allow them to purchase a higher priced home.

- The City of Luverne has an estimated median household income of \$49,044 in 2016. It is projected to increase over the next five years to \$53,118 in 2021 (+8.3%).

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- Median income peaks in the 35 to 44 age group at \$74,116 in 2016. In 2021, 35 to 44 year olds are forecast to retain the highest income, which is expected to increase to \$76,199.
- Incomes are lowest in Luverne for those age 75 and older in both 2016 and 2021. People in this age group are typically retired, resulting in lower annual incomes.

	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
2016								
Less than \$15,000	317	32	36	21	35	68	32	94
\$15,000 to \$24,999	195	9	12	8	5	26	35	99
\$25,000 to \$34,999	252	11	19	15	29	40	46	92
\$35,000 to \$49,999	278	27	32	34	41	38	44	62
\$50,000 to \$74,999	441	16	73	64	73	79	86	49
\$75,000 to \$99,999	288	8	55	60	61	48	27	29
\$100,000-\$149,999	194	6	27	65	33	41	13	8
\$150,000-\$199,999	73	3	5	7	23	21	11	3
\$200,000+	22	0	1	7	3	7	0	3
Total	2,060	113	260	281	303	369	295	439
Median Income	\$49,044	\$36,541	\$57,664	\$74,116	\$61,337	\$52,615	\$45,591	\$27,169
2021								
Less than \$15,000	307	27	33	18	28	63	34	103
\$15,000 to \$24,999	154	7	9	4	4	16	29	83
\$25,000 to \$34,999	220	9	15	13	21	33	43	86
\$35,000 to \$49,999	253	21	29	29	28	36	46	62
\$50,000 to \$74,999	489	17	79	68	66	88	104	65
\$75,000 to \$99,999	324	8	60	65	61	56	35	39
\$100,000-\$149,999	197	7	26	62	28	46	17	9
\$150,000-\$199,999	87	4	5	7	24	24	17	5
\$200,000+	24	0	1	7	3	8	0	4
Total	2,055	102	258	275	265	371	325	458
Median Income	\$53,118	\$38,652	\$60,335	\$76,199	\$66,897	\$58,066	\$51,324	\$29,052
Change 2016- 2021								
Less than \$15,000	-11	-5	-3	-3	-7	-5	2	9
\$15,000 to \$24,999	-41	-2	-3	-4	-1	-10	-6	-16
\$25,000 to \$34,999	-32	-2	-4	-3	-8	-8	-3	-5
\$35,000 to \$49,999	-25	-6	-2	-5	-13	-2	2	0
\$50,000 to \$74,999	48	0	6	5	-7	9	19	16
\$75,000 to \$99,999	37	0	5	6	0	7	8	10
\$100,000-\$149,999	3	1	-0	-3	-5	5	3	1
\$150,000-\$199,999	14	1	0	0	2	4	6	2
\$200,000+	3	0	0	0	0	1	0	1
Total	-5	-11	-2	-6	-38	2	31	19
Median Income	\$4,074	\$2,111	\$2,671	\$2,083	\$5,560	\$5,451	\$5,733	\$1,883

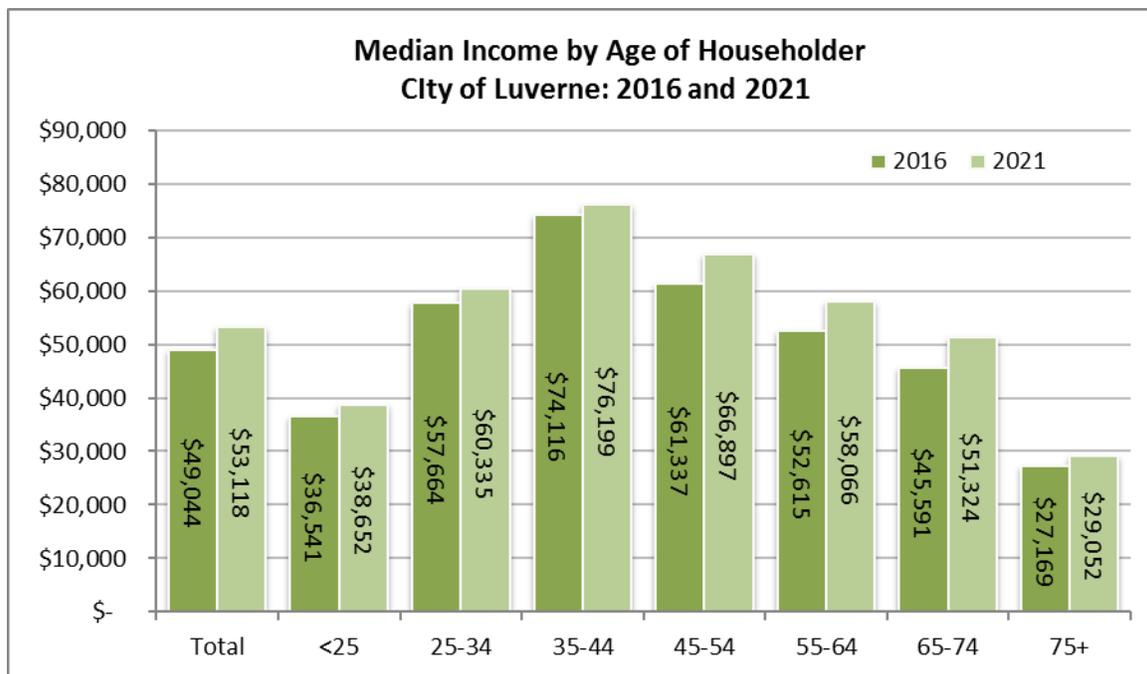
Sources: ESRI; US Census Bureau; Maxfield Research and Consulting LLC

- With a household income of \$57,664, a younger household in Luverne (the median household income for the 25 to 34 cohort) could afford a monthly housing cost of about \$1,392 based on an allocation of 30% of income toward housing. A senior household (75+) in the

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PMA with an income of \$27,169 (the median household income of seniors (75+) could afford a monthly housing cost of \$906, based on an allocation of 40% of income toward housing.

- As shown in the figure below, median incomes are projected to rise for all age groups in Luverne, with people ages 55 to 74 projected to experience the largest increase. Incomes for people age 55-64 is projected to increase by 10.4% and incomes for those age 65-74 are forecast to see a 12.6% increase.
- The number of households with householders in age cohorts under 65 is projected to decline between 2016 and 2021. During the same time, the age cohorts over 65 are projected to add population.



- Within the Remainder of the PMA, the median income is \$51,982 in 2016 and median incomes are expected to increase 10.7% to \$57,554 in 2021.
- Median incomes are forecast to rise for all age cohorts. For age cohorts older than 25, median incomes are projected to rise from 10% to 16% by 2020.

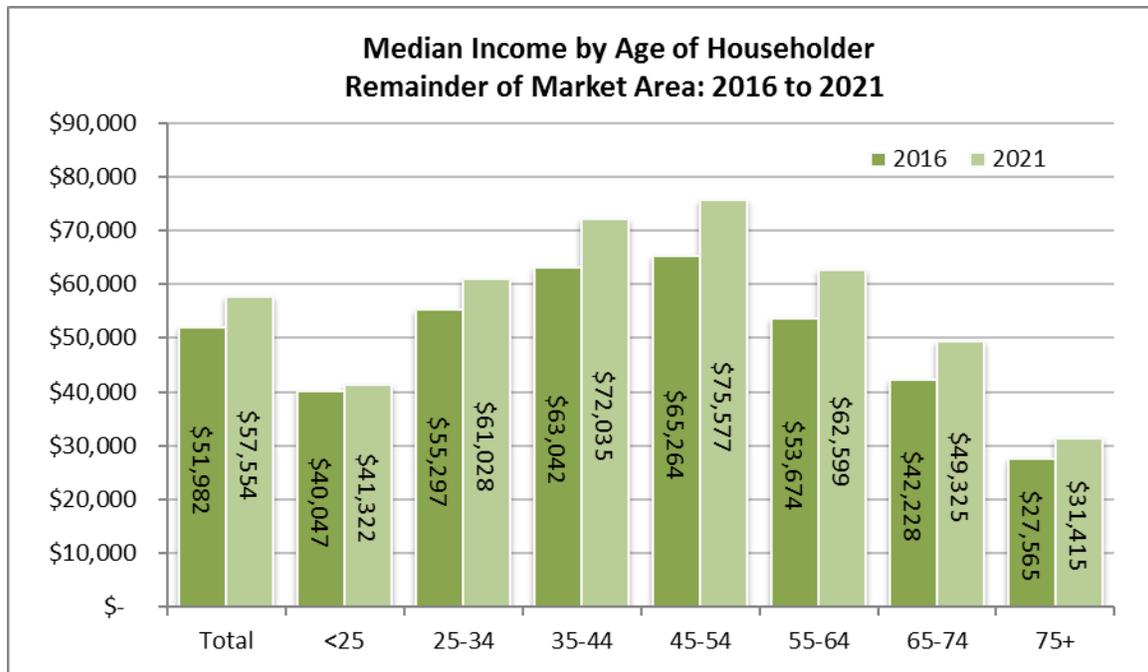
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**TABLE D-5
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
REMAINDER OF THE PMA
2016 & 2021**

	Total	Age of Householder						75+
		<25	25-34	35-44	45-54	55-64	65 -74	
2016								
Less than \$15,000	304	14	31	30	35	65	46	83
\$15,000 to \$24,999	259	7	20	21	28	49	46	90
\$25,000 to \$34,999	360	4	41	41	31	77	88	78
\$35,000 to \$49,999	514	18	51	72	75	124	103	72
\$50,000 to \$74,999	661	16	89	127	145	157	91	36
\$75,000 to \$99,999	453	3	56	101	116	113	47	17
\$100,000-\$149,999	330	4	37	73	78	79	39	19
\$150,000-\$199,999	73	0	10	10	18	22	11	2
\$200,000+	54	0	5	12	17	11	8	1
Total	3,010	66	341	487	544	697	478	398
Median Income	\$51,982	\$40,047	\$55,297	\$63,042	\$65,264	\$53,674	\$42,228	\$27,565
2021								
Less than \$15,000	269	12	23	23	24	52	46	89
\$15,000 to \$24,999	184	6	13	12	13	26	37	77
\$25,000 to \$34,999	294	3	27	28	21	52	85	79
\$35,000 to \$49,999	472	15	40	59	48	112	117	81
\$50,000 to \$74,999	693	15	89	128	123	168	122	49
\$75,000 to \$99,999	534	3	62	116	116	141	69	26
\$100,000-\$149,999	403	4	37	86	85	98	60	34
\$150,000-\$199,999	90	0	10	9	19	24	18	9
\$200,000+	66	0	6	18	17	16	8	1
Total	3,005	57	307	480	466	687	563	445
Median Income	\$57,554	\$41,322	\$61,028	\$72,035	\$75,577	\$62,599	\$49,325	\$31,415
Change 2016- 2021								
Less than \$15,000	-35	-2	-9	-6	-11	-13	0	6
\$15,000 to \$24,999	-76	-1	-7	-9	-15	-22	-9	-13
\$25,000 to \$34,999	-65	-1	-14	-13	-10	-26	-2	1
\$35,000 to \$49,999	-42	-3	-10	-12	-28	-12	14	9
\$50,000 to \$74,999	32	-1	0	1	-22	10	31	13
\$75,000 to \$99,999	80	-0	6	15	-0	28	23	9
\$100,000-\$149,999	73	-0	-1	13	7	18	21	15
\$150,000-\$199,999	17	0	-0	-0	1	2	6	7
\$200,000+	11	0	1	5	-0	4	1	-0
Total	-5	-9	-34	-6	-78	-10	85	47
Median Income	\$5,572	\$1,275	\$5,731	\$8,993	\$10,313	\$8,925	\$7,097	\$3,850

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

- In the Remainder of the Market Area, the number of households with a householder age 65 or over is projected increase between 2015 and 2020. Households with householders under age 65 are project remain steady or experience a decrease.



Non-senior Households

- In 2016, 14% of the non-senior (under age 65) households in the City of Luverne had incomes under \$15,000 (192 households) and 8% of non-senior households (176) in the Remainder of the Market Area. All of these households would be eligible for subsidized rental housing. Another 5% of the City of Luverne’s non-senior households and 6% of households in the Remainder of the Market Area had incomes between \$15,000 and \$25,000 (185 households). Many of these households would qualify for subsidized housing, but many could also afford “affordable” or older market rate rentals. If housing costs absorb 30% of income, households with incomes of \$15,000 to \$25,000 could afford to pay \$375 to \$625 per month.
- In most areas, household median incomes peak in the 45 to 54 age group as that group is usually considered to be in their peak earning years. Similar to many areas, median incomes for households in Remainder of the Market Area peak at \$65,264 for the 45 to 54 age group in 2016. However, in Luverne income peaks at \$74,116 for the 35 to 44 age group.

Senior Households

- The oldest householders are likely to have lower incomes in 2016. In Luverne, 11% of households ages 65 to 74 had incomes below \$15,000, compared to 21% of households ages 75 and over. In the Remainder of the Market Area, 10% of households ages 65 to 74 had incomes below \$15,000 and 21% of households age 75 and older. Many of these low-income older senior households rely solely on social security benefits.

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- Typically, younger seniors have higher incomes due to the fact they are still able to work or are married couples with two pensions or higher social security benefits. The 2016 median income for Luverne householders age 65 to 74 and 75+ are, \$45,591 and \$27,169 respectively. In the Remainder of the Market Area, households age 65 to 74 reported a median income of \$42,228 and households age 75+ had median incomes of \$27,565 in 2015.
- Generally, senior households with incomes greater than \$25,000 can afford market rate senior housing in the PMA. Based on a 40% allocation of income for housing, this translates to monthly rents of at least \$833. About 65% senior households in Luverne (460 households), and 70% of senior households (641) in the Market Area have incomes above \$25,000 in 2016.

Net Worth

Table D-6 shows household net worth in Luverne and in the Remainder of the Market Area in 2015. 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.

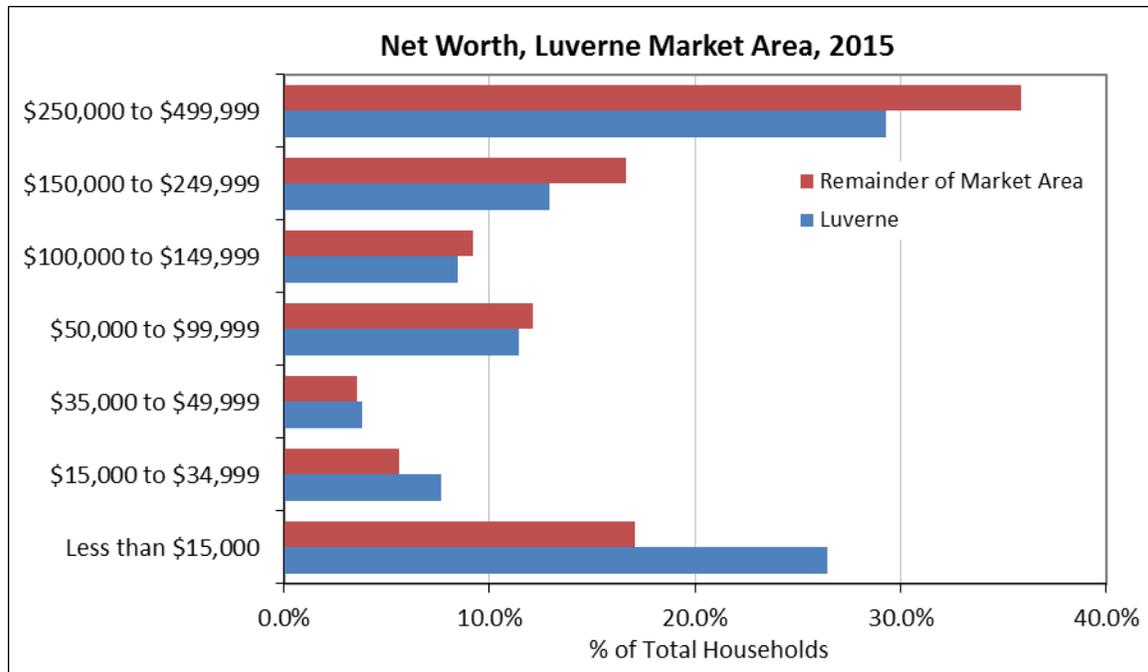
According to the Urban Institute Housing Finance Center, the average homeowner's net housing worth is \$150,506 compared to an average net worth of just over \$5,000 for renters reported by the 2013 Federal Reserve Survey of Consumer Finances.

- The City of Luverne had an average net worth of \$402,059 in 2015 and a median net worth of \$103,233. The Remainder of the Market Area had average net worth of \$509,596 and a median net worth of \$157,563. 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.
- Similar to household income, net worth increases as households age and decreases after they pass their peak earning years and move into retirement. Median and average net worth usually peak in the 65 to 74 age cohort. In Luverne, median net worth was highest for the 65-74 age cohort at \$250,001. In the Market Area, median net worth reached a high of \$250,001 for those 65 to 74 years old. Senior households usually have a higher net worth also due to their 401k's, and other retirement funds. Also, senior households that continue to have higher average net worth could be an indication of farm equipment and land assets being primarily retained by households in senior age cohorts.
- Over half of the net worth in Luverne (55.7%) and the Remainder of the Market Area (52.9%) are contained in the lowest and highest income brackets.

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TABLE D-6 NET WORTH BY AGE OF HOUSEHOLDER LUVERNE MARKET AREA 2015									
	Total	% of Total	Age of Householder						
			<25	25-34	35-44	45-54	55-64	65-74	75+
CITY OF LUVERNE									
Less than \$15,000	527	26.4%	68	88	67	81	95	35	93
\$15,000 to \$34,999	152	7.6%	23	33	26	25	17	6	22
\$35,000 to \$49,999	76	3.8%	6	11	18	11	13	9	8
\$50,000 to \$99,999	228	11.4%	6	50	45	31	26	22	48
\$100,000 to \$149,999	169	8.5%	1	33	23	20	26	28	38
\$150,000 to \$249,999	257	12.9%	4	24	42	38	35	42	72
\$250,000 or more	584	29.3%	0	13	50	88	145	144	144
Total	1,993	100%	108	252	271	294	357	286	425
Median Net Worth	\$103,233		\$11,912	\$41,001	\$70,871	\$97,573	\$152,995	\$250,001	\$153,119
REMAINDER OF MARKET AREA									
Less than \$15,000	538	17.1%	33	107	114	92	100	36	56
\$15,000 to \$34,999	176	5.6%	24	39	38	29	28	6	12
\$35,000 to \$49,999	112	3.6%	4	25	31	16	23	9	4
\$50,000 to \$99,999	382	12.1%	11	81	92	61	53	36	48
\$100,000 to \$149,999	289	9.2%	4	39	65	43	61	39	38
\$150,000 to \$249,999	523	16.6%	0	29	90	101	125	98	80
\$250,000 or more	1,128	35.8%	0	42	81	225	340	262	178
Total	3,148	100%	76	362	511	567	730	486	416
Median Net Worth	\$157,563		\$17,052	\$53,494	\$84,606	\$181,830	\$222,672	\$250,001	\$201,765
Data Note: Net Worth is total household wealth minus debt, secured and unsecured. Net worth includes home equity, equity in pension plans, net equity in vehicles, IRAs and Keogh accounts, business equity, interest-earning assets and mutual fund shares, stocks, etc. Examples of secured debt include home mortgages and vehicle loans; examples of unsecured debt include credit card debt, certain bank loans, and other outstanding bills. Forecasts of net worth are based on the Survey of Consumer Finances, Federal Reserve Board. Detail may not sum to totals due to rounding.									
Sources: ESRI; Maxfield Research and Consulting LLC									

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Tenure by Household Income

Table D-7 shows household tenure by income for Luverne, the Remainder of the Market Area and the Market Area total in 2014. The data is an estimate from the American Community Survey. Household tenure information is important to assess the propensity for owner-occupied or renter-occupied housing options based on household affordability. As stated earlier, the Department of Housing and Urban Development determines affordable housing as not exceeding 30% of the household's income. It is important to note that the higher the income, the lower percentage a household typically allocates to housing. Many lower income households, as well as many young and senior households; spend more than 30% of their income, while middle-aged households in their prime earning years typically allocate 20% to 25% of their income.

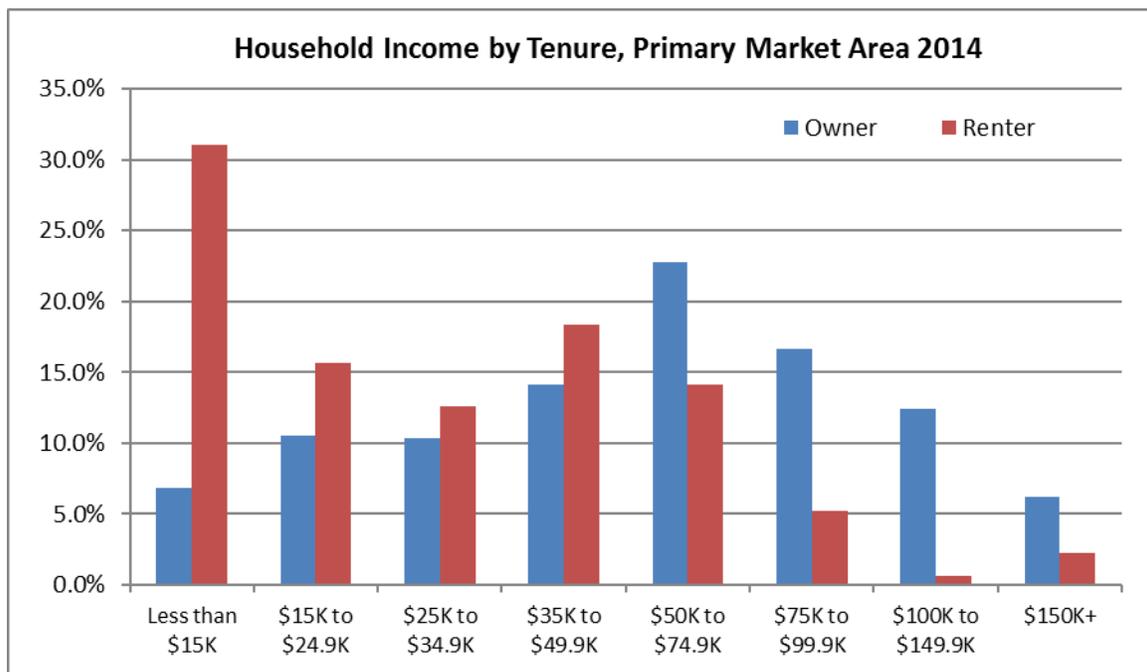
**TABLE D-7
TENURE BY HOUSEHOLD INCOME
LUVERNE MARKET AREA
2014**

Income	CITY OF LUVERNE				REMAINDER OF MARKET AREA				MARKET AREA			
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.
Less than \$15,000	89	6.4%	274	38.7%	178	6.9%	100	24.4%	445	6.8%	474	31.0%
\$15,000 to \$24,999	192	13.8%	106	15.0%	248	9.7%	67	16.3%	688	10.5%	240	15.7%
\$25,000 to \$34,999	213	15.3%	59	8.3%	232	9.0%	67	16.3%	677	10.4%	193	12.6%
\$35,000 to \$49,999	196	14.1%	133	18.8%	363	14.1%	74	18.0%	922	14.1%	281	18.4%
\$50,000 to \$74,999	260	18.7%	92	13.0%	614	23.9%	62	15.1%	1,488	22.8%	216	14.1%
\$75,000 to \$99,999	202	14.5%	26	3.7%	442	17.2%	27	6.6%	1,086	16.6%	80	5.2%
\$100,000 to \$149,999	174	12%	0	0.0%	319	12.4%	5	1.2%	812	12.4%	10	0.7%
\$150,000+	68	4.9%	18	2.5%	170	6.6%	8	2.0%	408	6.3%	34	2.2%
Total	1,394	100%	708	100%	2,566	100%	410	100%	6,526	100%	1,528	100%
Median Household Income	\$50,449		\$21,000		\$61,651		\$35,243		\$57,708		\$26,223	

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

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- In 2014, the median income of homeowners was \$50,449 while the median income of renters was \$21,000 in Luverne. Median income in the Remainder of the Market Area was \$61,651 for homeowners and \$35,243 for renters.
- About 58.1% of owner households earn over \$50,000 compared to 22.3% of renter households in the Market Area.
- A portion of renter households are referred to as lifestyle renters, or those who are financially-able to own but choose to rent, have household incomes above \$50,000. These lifestyle renters account for approximately 19% of the renters in Luverne and 25% of the Remainder of the Market Area's renters in 2014).
- Households with incomes below \$15,000 are typically a market for deep subsidy rental housing. In 2014, this was about 39% of renters in Luverne and 24% of renters in the Remainder of the Market Area.



Tenure by Age of Householder

Table D-8 shows the number of owner and renter households in the Market Area by age group in 2000 and 2014. This data is useful in determining demand for certain types of housing since housing preferences change throughout an individual's life cycle. The following are key findings from Table D-8.

- In 2000, 80.3% of all households in the Market Area owned their housing. By 2014, that percentage declined to 78.0%. In most cases, the housing market downturn contributed to

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the decrease in the homeownership rate during the late 2000s as it became more difficult for households to secure mortgage loans, households delayed purchasing homes due to the uncertainty of the housing market, and foreclosures forced households out of their homes.

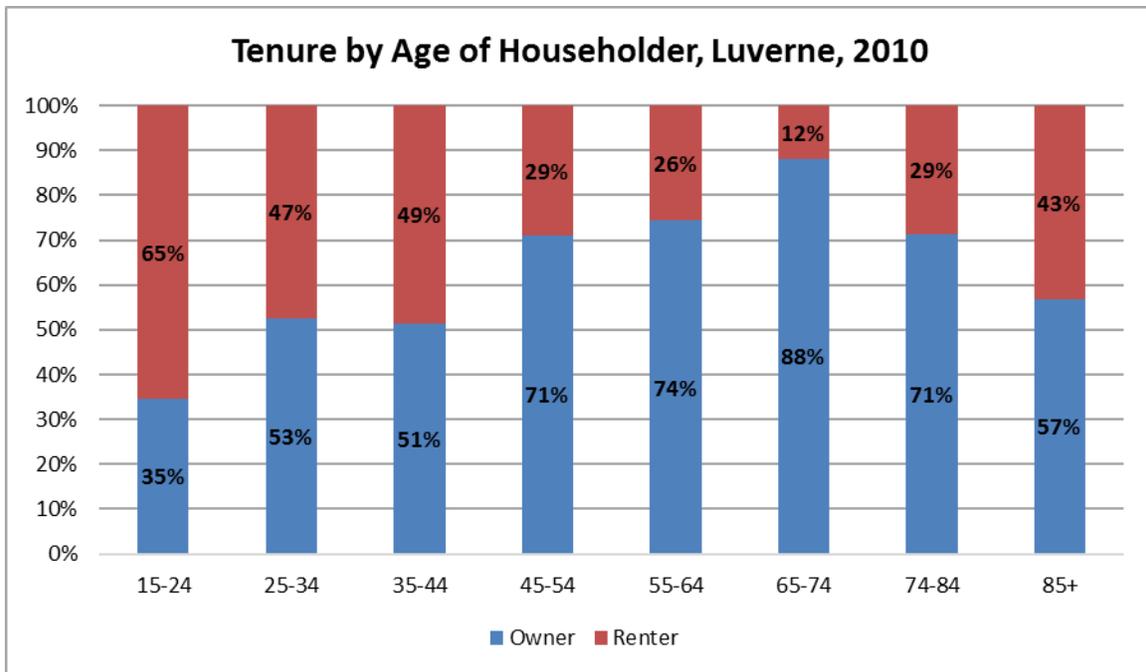
- The number of owner households in Luverne decreased from 71.6% in 2000 to 66.3% in 2014. However, in the Remainder of the Market Area, homeownership remained steady between 2000 and 2014 at 86%.
- As households progress through their life cycle, housing needs change. The proportion of renter households decreases significantly as households' age out of their young-adult years. However, by the time households reach their senior years, rental housing often becomes a more viable option than homeownership, reducing the responsibility of maintenance and the financial commitment. In the City of Luverne, homeowner households reach a high of 88.1% in the age cohort 55-64 in 2014. Homeownership then begins to fall, dropping to 56.9% for those 85 and older in 2014.

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TABLE D-8
TENURE BY AGE OF HOUSEHOLDER
LIVERNE MARKET AREA
2000 and 2014

Age		CITY OF LIVERNE				REMAINDER OF MARKET AREA				MARKET AREA TOTAL			
		2000		2014		2000		2014		2000		2014	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
15-24	Own	27	27.8	27	34.6	54	45.0	30	62.5	81	37.3	57	45.2
	Rent	70	72.2	51	65.4	66	55.0	18	37.5	136	62.7	69	54.8
	Total	97	100.0	78	100.0	120	100.0	48	100.0	217	100.0	126	100.0
25-34	Own	149	61.3	120	52.6	318	75.7	330	72.7	467	70.4	450	66.0
	Rent	94	38.7	108	47.4	102	24.3	124	27.3	196	29.6	232	34.0
	Total	243	100.0	228	100.0	420	100.0	454	100.0	663	100.0	682	100.0
35-44	Own	237	73.4	199	51.4	546	84.8	356	79.3	783	81.0	555	66.4
	Rent	86	26.6	188	48.6	98	15.2	93	20.7	184	19.0	281	33.6
	Total	323	100.0	387	100.0	644	100.0	449	100.0	967	100.0	836	100.0
45-54	Own	265	83.1	228	71.0	535	87.8	563	92.1	800	86.2	791	84.9
	Rent	54	16.9	93	29.0	74	12.2	48	7.9	128	13.8	141	15.1
	Total	319	100.0	321	100.0	609	100.0	611	100.0	928	100.0	932	100.0
55-64	Own	188	88.3	266	74.3	385	93.4	533	94.2	573	91.7	799	86.5
	Rent	25	11.7	92	25.7	27	6.6	33	5.8	52	8.3	125	13.5
	Total	213	100.0	358	100.0	412	100.0	566	100.0	625	100.0	924	100.0
65-74	Own	215	81.7	290	88.1	395	95.0	389	89.8	610	89.8	679	89.1
	Rent	48	18.3	39	11.9	21	5.0	44	10.2	69	10.2	83	10.9
	Total	263	100.0	329	100.0	416	100.0	433	100.0	679	100.0	762	100.0
75-84	Own	265	70.3	177	71.4	318	92.2	295	93.4	583	80.7	472	83.7
	Rent	112	29.7	71	28.6	27	7.8	21	6.6	139	19.3	92	16.3
	Total	377	100.0	248	100.0	345	100.0	316	100.0	722	100.0	564	100.0
85+	Own	63	47.4	87	56.9	104	80.6	70	70.7	167	63.7	157	62.3
	Rent	70	52.6	66	43.1	25	19.4	29	29.3	95	36.3	95	37.7
	Total	133	100.0	153	100.0	129	100.0	99	100.0	262	100.0	252	100.0
TOTAL	Own	1,409	71.6	1,394	66.3	2,655	85.8	2,566	86.2	4,064	80.3	3,960	78.0
	Rent	559	28.4	708	33.7	440	14.2	410	13.8	999	19.7	1,118	22.0
	Total	1,968	100.0	2,102	100.0	3,095	100.0	2,976	100.0	5,063	100.0	5,078	100.0

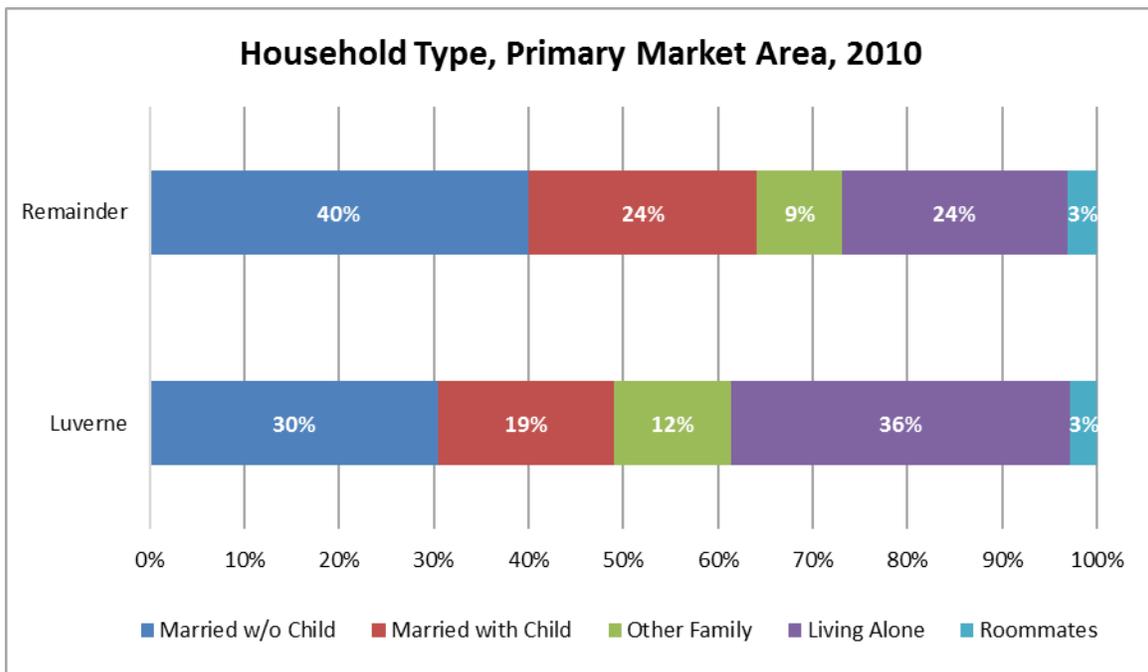
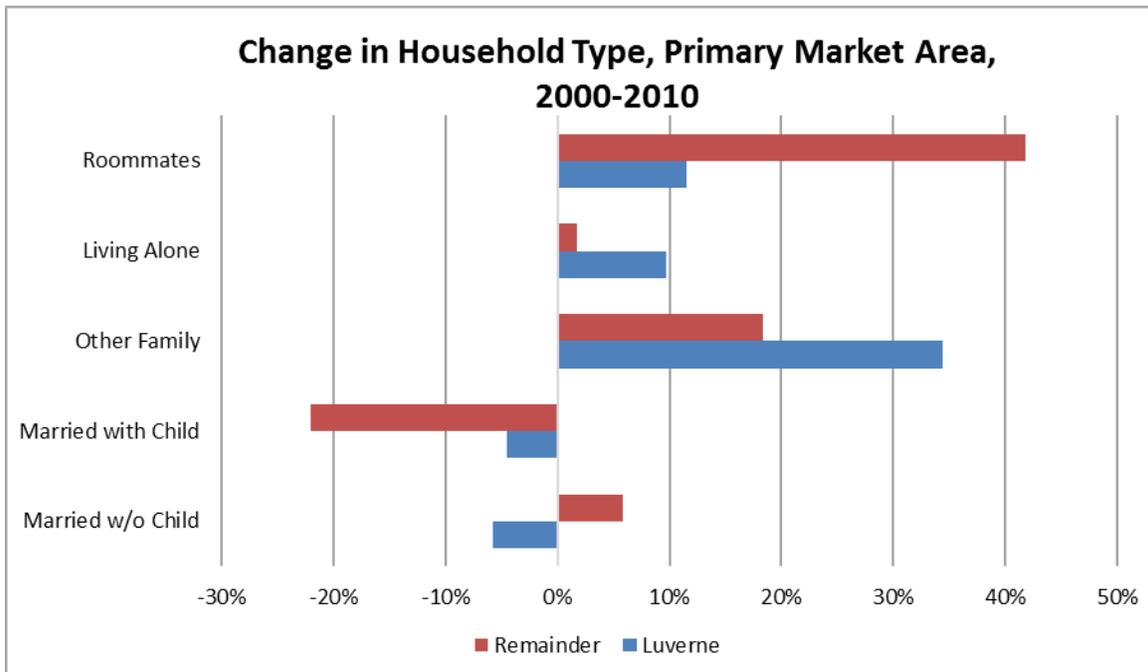
Sources: U.S. Census Bureau; Maxfield Research and Consulting LLC



Household Type

Table D-9 shows a breakdown of the type of households present in the Market Area 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.

- Between 2000 and 2010, Luverne experienced a decrease in married households, both with and without children, while other family households increased by 34.4%. Non-family households, people living alone and living with roommates, also increased. People living alone experienced a 9.7% increase and roommate households grew by 11.5%
- The Remainder of the Market Area experienced a more significant decrease in married households with children than Luverne. Married households with children declined by 22%, losing 208 households between 2000 and 2010.
- The largest increase in household type for the Remainder of the Market Area occurred in roommate households, which increased by 41.8%.
- In Luverne, non-family roommate households consisting of people living alone comprise the largest share of households at 35.8%. In the Remainder of the Market Area, family households of married couples without children account for the largest proportion of households at 40% of households.
- The change in household type reflects changing demographic, as boomers age they become empty nesters, representing an increase in childless households and people living alone.



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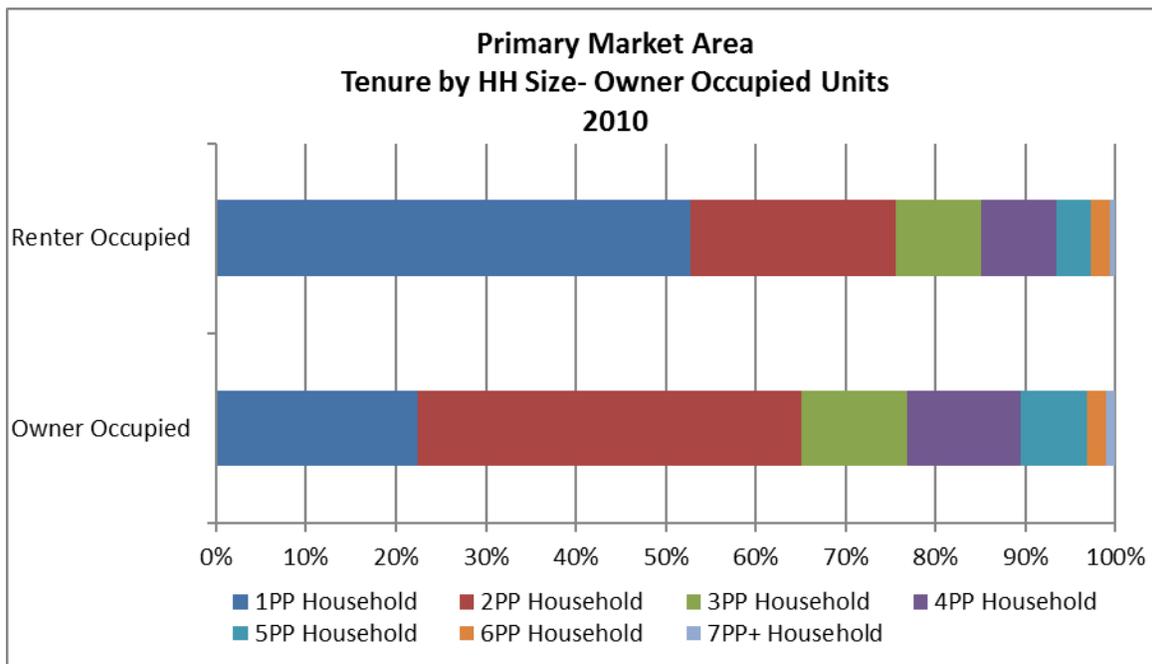
**TABLE D-9
HOUSEHOLD TYPE
LUVERNE MARKET AREA
2000 and 2010**

	Total HH's		Family Households						Non-Family Households			
			Married w/o Child		Married w/ Child		Other *		Living Alone		Roommates	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
Number of Households												
Luverne	1,968	2,048	662	624	397	379	189	254	668	733	52	58
Rem. of Market Area	3,095	3,036	1,146	1,213	941	733	229	271	712	724	67	95
Market Area Total	5,063	5,084	1,808	1,837	1,338	1,112	418	525	1,380	1,457	119	153
Percent of Total												
Luverne	38.9	40.3	33.6	30.5	20.2	18.5	9.6	12.4	33.9	35.8	2.6	2.8
Rem. of Market Area	61.1	59.7	37.0	40.0	30.4	24.1	7.4	8.9	23.0	23.8	2.2	3.1
Market Area Total	100.0	100.0	35.7	36.1	26.4	21.9	8.3	10.3	27.3	28.7	2.4	3.0
Change												
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Luverne	80	4.1	-38	-5.7	-18	-4.5	65	34.4	65	9.7	6	11.5
Rem. of Market Area	-59	-1.9	67	5.8	-208	-22.1	42	18.3	12	1.7	28	41.8
Market Area Total	21	0.4	29	1.6	-226	-16.9	107	25.6	77	5.6	34	28.6
* Single-parent families, unmarried couples with children.												
Sources: U.S. Census Bureau; Maxfield Research and Consulting LLC												

Tenure by Household Size

Table D-10 shows the distribution of households by size and tenure in the Luverne Market Area in 2000 and 2010. This data is useful in that it sheds insight into unit type that may be most needed in the Luverne Market Area.

- 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, approximately 53% of the total renter-occupied households in the Luverne Market Area were one-person households.
- Almost 76% of renter households in the Luverne Market Area and 81% of renter households in the City of Luverne in 2010 have either one or two people. The one-person households would primarily seek one-bedroom units and two-person households that are couple would primarily seek one-bedroom units. Two-person households that consist of a parent and child or roommate would primarily seek two-bedroom units.
- Renter households were primarily one-person households, accounting for 58.3% of renter households in Luverne and 44.6% of renter households in the Remainder of the Market Area in 2010. Owner occupied households were primarily two-person households, with two-person households comprising 41% of owner occupied households in in Luverne and 43.6% in the Remainder of the Market Area in 2010.



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**TABLE D-10
TENURE BY HOUSEHOLD SIZE
LUVERNE MARKET AREA
2000 and 2010**

CITY OF LUVERNE								
Size	2000				2010			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.
1PP Household	341	24.2%	327	58.5%	373	26.1%	360	58.3%
2PP Household	604	42.9%	130	23.3%	587	41.0%	140	22.7%
3PP Household	159	11.3%	41	7.3%	148	10.3%	52	8.4%
4PP Household	172	12.2%	31	5.5%	186	13.0%	36	5.8%
5PP Household	99	7.0%	18	3.2%	101	7.1%	19	3.1%
6PP Household	28	2.0%	5	0.9%	25	1.7%	10	1.6%
7PP+ Household	6	0.4%	7	1.3%	10	0.7%	1	0.2%
Total	1,409	100.0%	559	100.0%	1,430	100.0%	618	100.0%

REMAINDER OF MARKET AREA								
Size	2000				2010			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.
1PP Household	549	20.7%	163	37.0%	535	20.5%	189	44.6%
2PP Household	1,041	39.2%	109	24.8%	1,138	43.6%	99	23.3%
3PP Household	391	14.7%	57	13.0%	322	12.3%	47	11.1%
4PP Household	340	12.8%	56	12.7%	325	12.4%	51	12.0%
5PP Household	215	8.1%	27	6.1%	196	7.5%	20	4.7%
6PP Household	93	3.5%	21	4.8%	64	2.5%	13	3.1%
7PP+ Household	26	1.0%	7	1.6%	32	1.2%	5	1.2%
Total	2,655	100.0%	440	100.0%	2,612	100.0%	424	100.0%

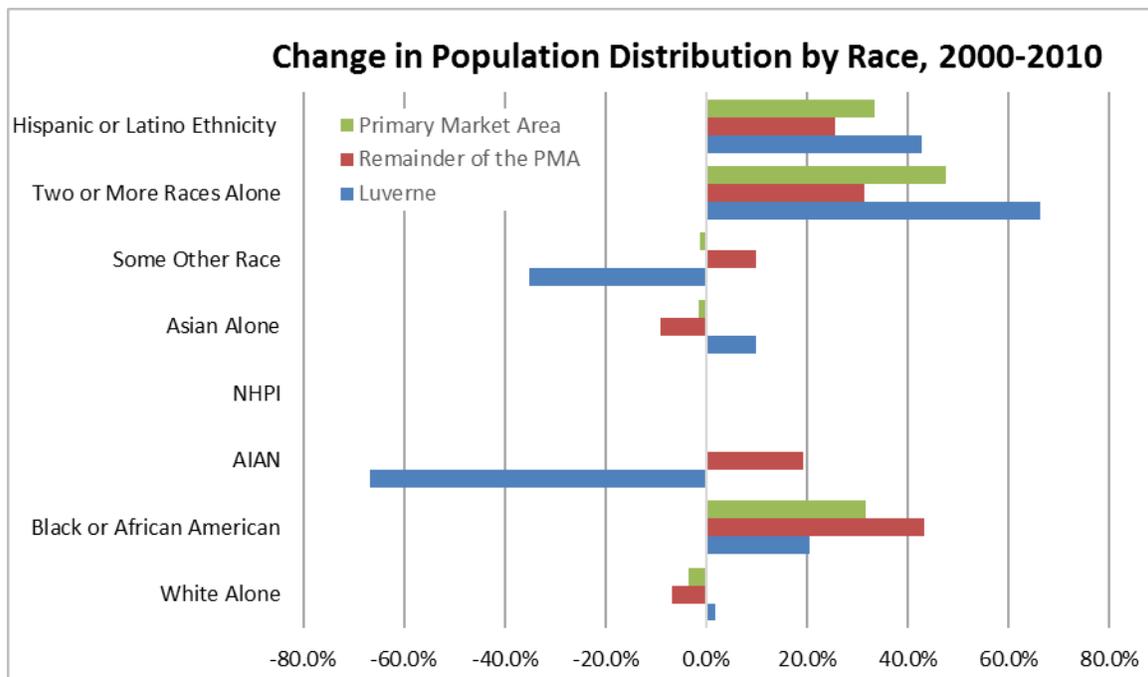
MARKET AREA TOTAL								
Size	2000				2010			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.
1PP Household	890	21.9%	490	49.0%	908	22.5%	549	52.7%
2PP Household	1,645	40.5%	239	23.9%	1,725	42.7%	239	22.9%
3PP Household	550	13.5%	98	9.8%	470	11.6%	99	9.5%
4PP Household	512	12.6%	87	8.7%	511	12.6%	87	8.3%
5PP Household	314	7.7%	45	4.5%	297	7.3%	39	3.7%
6PP Household	121	3.0%	26	2.6%	89	2.2%	23	2.2%
7PP+ Household	32	0.8%	14	1.4%	42	1.0%	6	0.6%
Total	4,064	100.0%	999	100.0%	4,042	100.0%	1,042	100.0%

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

Diversity

The population distribution by race, Table D-11 presents the diversity of the population in the Market Area for 2000 and 2010. The data was obtained from the U.S. Census.

- In 2010, “White Alone” comprised the largest proportion of the population in Luverne (96.3%), the Remainder of the PMA (96.6%), and the Primary Market Area (96.5%). The percentage has decreased slightly since 2000 where “White Alone” was 97.3% in Luverne and 97.4% in the Remainder of the PMA.
- U.S. Census respondents that list themselves ethnically as Hispanic or Latino, racially list themselves in various race categories. As of 2010, 2.7% of Luverne’s population and 2% of the Remainder of the PMA population was Hispanic/Latino. This is an increase from 1.6% of the population of Luverne and 1.4% of the population in the Remainder of the PMA in 2000.
- Residents who reported their race as two or more races in the U.S. Census saw the greatest percent increase in Luverne, growing by 66.2% between 2000 and 2010. At the same time, respondents reporting their race as American Indian or Alaska Native declined by 66.7%.
- The number of residents who reported their race as White Alone increased 1.7% in Luverne between 2000 and 2010. However, White Alone responses declined by 6.7% in the Remainder of the people during the same time period.



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**TABLE D-11
POPULATION DISTRIBUTION BY RACE
LUVERNE MARKET AREA
2000 and 2010**

NUMBER	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 ¹ <i>Ethnicity not Race</i>	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
Luverne	4,491	4,570	31	39	15	9	0	0	27	30	27	20	26	77	72	126
Remainder of the PMA	8,009	7,506	21	37	25	31	2	2	48	44	55	61	61	89	113	152
Primary Market Area	12,500	12,076	52	76	40	40	2	2	75	74	82	81	87	166	185	278
PERCENTAGE																
Luverne	97.3%	96.3%	0.7%	0.8%	0.3%	0.2%	0.0%	0.0%	0.6%	0.6%	0.6%	0.4%	0.6%	1.6%	1.6%	2.7%
Remainder of the PMA	97.4%	96.6%	0.3%	0.5%	0.3%	0.4%	0.0%	0.0%	0.6%	0.6%	0.7%	0.8%	0.7%	1.1%	1.4%	2.0%
Primary Market Area	97.4%	96.5%	0.4%	0.6%	0.3%	0.3%	0.0%	0.0%	0.6%	0.6%	0.6%	0.6%	0.7%	1.3%	1.4%	2.2%

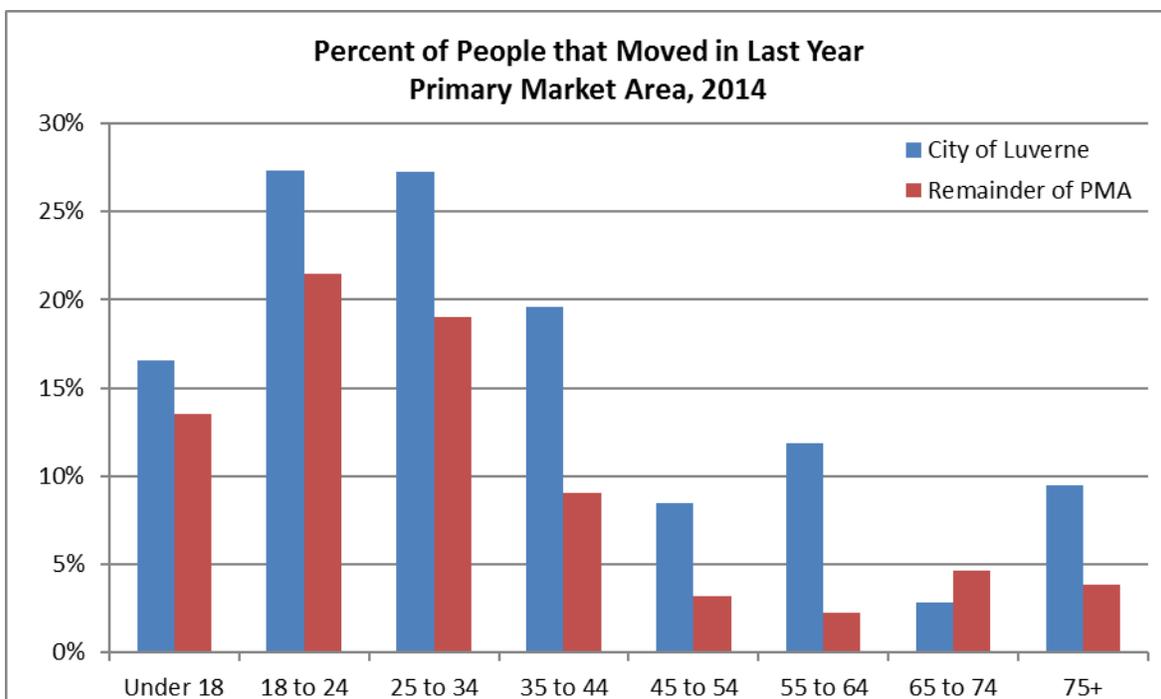
¹ US Census respondents list themselves ethnically Hispanic or Latino and racially in one of the other listed categories.

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

Mobility in the Past Year

Table D-12 shows the mobility patterns of PMA residents within a one-year time frame (2014 is the last year available).

- The majority of residents did not move within the last year. In Luverne, 85.4% reported that they lived in the same house one year ago, in the Remainder of the Market Area that figure was even higher at 90.5%.
- Of respondents that reported a move in Luverne, 7.6% moved from a different state and 5.4% moved within the same county. In the Remainder of the Market area moves were most likely to be within the same county (4.9%), followed by a different state (3.1%).



- A greater proportion of younger age cohorts tended to move compared to older age cohorts. In Luverne, approximately 27% of those 18-24 and 24-34 years old moved within the last year. For those 65-74, only 3% moved within the last year and 9% of those over the age of 75 moved in Luverne.
- Across most age cohorts, residents in the Remainder of the Market Area outside Luverne were less likely to move. Only those age 65 to 74 reported a higher proportion of movers than residents in Luverne, 5% in the Remainder of the PMA compared to 3% in the City of Luverne.

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- Those under age 44 were most likely to report a move from a different state, with over 10% of the residents in each age bracket reporting a move from a different state in the last year.

Lurvene Age	Not Moved		Moved							
	Same House		Within Same County		Different County Same State		Different State		Abroad	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 18	870	83.4%	17	1.6%	0	0.0%	156	15.0%	0	0.0%
18 to 24	186	72.7%	10	3.9%	3	1.2%	57	22.3%	0	0.0%
25 to 34	333	72.7%	36	7.9%	30	6.6%	59	12.9%	0	0.0%
35 to 44	463	80.4%	48	8.3%	0	0.0%	65	11.3%	0	0.0%
45 to 54	444	91.5%	32	6.6%	0	0.0%	0	0.0%	9	1.9%
55 to 64	572	88.1%	41	6.3%	21	3.2%	15	2.3%	0	0.0%
65 to 74	474	97.1%	8	1.6%	6	1.2%	0	0.0%	0	0.0%
75+	594	90.5%	56	8.5%	6	0.9%	0	0.0%	0	0.0%
Total	3,936	85.4%	248	5.4%	66	1.4%	352	7.6%	9	0.2%
Remainder of Market Area Age	Same House		Within Same County		Different County Same State		Different State		Abroad	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 18	1,634	86.5%	143	7.6%	45	2.4%	66	3.5%	2	0.1%
18 to 24	403	78.6%	50	9.7%	12	2.3%	47	9.2%	1	0.2%
25 to 34	710	81.0%	89	10.1%	14	1.6%	64	7.3%	0	0.0%
35 to 44	752	90.9%	35	4.2%	20	2.4%	20	2.4%	0	0.0%
45 to 54	1,113	96.8%	14	1.2%	10	0.9%	13	1.1%	0	0.0%
55 to 64	992	97.7%	18	1.8%	4	0.4%	1	0.1%	0	0.0%
65 to 74	658	95.4%	8	0.8%	2	0.2%	22	2.8%	0	0.0%
75+	679	96.2%	16	2.3%	10	1.4%	1	0.1%	0	0.0%
Total	6,941	90.5%	373	4.9%	117	1.5%	234	3.1%	3	0.0%

Sources: 2010-2014 American Community Survey; Maxfield Research and Consulting LLC

Demographic Comparison to Peer Cities

Table D-13 compares the population and housing characteristics of Luverne to cities of a similar size. Below are key points from the table.

- In 2010, household size in Luverne was larger than most other peer cities. The household size in Luverne was 2.32, compared to 2.22 in Jackson and 2.26 in Granite Falls.
- The median income in Luverne (\$38,351) was lower than a majority of the other peer cities, although it was very comparable to Windom (\$38,438) in 2014. Granite Falls had the highest median income, \$45,656, in 2014.
- Luverne exceeded the peer cities in several categories. Luverne reported one of the highest weekly wages in 2014 (\$704), following only Granite Falls (\$714). Likely reflecting the higher wages, Luverne recorded the highest median home values in 2014 at \$114,800. Additionally, the median contract rent in Luverne (\$461) was the second highest, again following Granite Falls (\$504).

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**TABLE D-13
PEER CITY SUMMARY
LUVERNE & PEER CITIES**

	Luverne		Granite Falls		Jackson		Pipestone		Windom	
	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.
Demographic Summary										
Population (2010)	4,745		2,897		3,299		4,317		4,646	
Households (2010)	2,048		1,282		1,489		1,923		1,994	
HH Size (2010)	2.32		2.26		2.22		2.24		2.33	
HH Median Income (2014)	\$38,351		\$45,656		\$41,050		\$41,154		\$38,438	
Housing Characteristics										
Percent Own (2010)	69.8%		65.6%		69.8%		65.3%		71.0%	
Percent Rent (2010)	30.2%		34.4%		30.2%		34.7%		29.0%	
Median Home Value (2014)	\$114,800		\$101,519		\$86,500		\$79,000		\$94,600	
Median Contract Rent (2014)	\$461		\$504		\$443		\$442		\$444	
Percent with a Mortgage (2014)	55.3%		55.8%		48.0%		51.6%		56.2%	
Single and Multi-Family Building Permits (2003 - 2015)	100		50		138		38		32	
Employment										
Avg. Annual Wage (2014)	\$704		\$744		\$631		\$612		\$633	
Unemployment Rate (2014)	6.1%		2.6%		3.9%		6.1%		4.5%	

Source: U.S. Census Bureau; DEED; 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.

- From 1990 to 2010, the City of Luverne experience modest population growth, growing from 4,382 to 4,745. At the same time, the Remainder of the Market Area experienced a decline in population, from 8,632 to 7,770.
- Population is projected to decrease in the City of Luverne (-2.2%) and the Remainder of the Market Area (-1.8%) from 2010 to 2025.
- Decreasing household size will result in the number of households experiencing less of decline than population. Households in the City of Luverne are projected to remain steady from 2010 to 2025 and households in the Remainder of the Market Area will decline by 1.2%.
- Younger age cohorts are projected to experience declining population from 2010 to 2025 in the Market Area. The population over 55 is expected to grow during the same time period, with those 65 to 74 experiencing the greatest increase (41%).

DEMOGRAPHIC ANALYSIS

- Median income in Luverne is projected to rise by 8.3% between 2016 and 2021 from \$49,044 to \$53,118. In the Remainder of the Market Area median incomes are projected to rise by 10.7% from \$51,982 to \$57,554 between 2015 to 2020.
- Home ownership rates generally increased as income increased, with the exception of a slight decrease in ownership rates among those earning \$35,000 to \$49,999.
- The proportion of renter households declined in households aged and by ages 65 to 74, 88% of households were owner households.
- Other Family households experienced the most significant growth between 2000 and 2010, increasing by 25.6% in the Market Area. However, households of married couples without children and person living alone are the largest household types in Luverne and the Remainder of the Market Area.
- Renter occupied units are more likely to be one person households, accounting for 52.7% of all renter households compared to 22.5% of owner households. Owner households are most likely to be two person households, making up 42.7% of all owner households in the Market Area.
- The City of Luverne experienced greater mobility than the Remainder of the Market Area. Those age 18 to 24 and 25 to 34 were most likely to move, with 27.3% reporting a move.

Employment Trends

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

Employment Growth and Projections

Table E-1 shows projected employment growth in Southwest Minnesota. Table E-1 shows employment growth trends and projections 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 Southwest Minnesota Planning area. The Southwest Minnesota Planning area consists of 23 Minnesota Counties.

TABLE E-1 EMPLOYMENT PROJECTIONS SOUTHWEST MINNESOTA 2012-2025					
				Change	
		Forecast	Forecast		
	2012	2022	2025	2012-2025	
	No.	No.	No.	No.	Pct.
Southwest Minnesota	207,849	213,534	215,240	7,391	3.6%

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

Resident Labor Force

The smallest geography available to examine annual average resident employment growth trends in the area is Rock County. The City of Luverne is the smallest geography available to examine covered employment. Recent employment growth trends are shown in Tables E-2 and E-3. Table E-2 presents resident employment data for Rock 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 the County. Table E-3 presents covered employment workforce numbers as available for the City of Luverne and Rock County from 2000 through 2014. 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

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positions, agricultural, self-employed persons, and some other types of jobs are not covered by unemployment insurance and are not included in the table. Some agricultural businesses and employees are listed in Table E-3, but not all positions are included. 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:

- Resident employment in Rock County increased by approximately 686 people between 2000 and 2015 (13.4%). The unemployment rate in 2015 (2.1%) was below the rate reported in 2000 (2.7%) and nearly half the rate recorded in 2009 (5.3%). By comparison, in 2015 the unemployment rate in Minnesota was 3.7% and the U.S. unemployment rate was 5.3%.
- An unemployment rate at 2.1% falls below what is considered the full employment rate of 5%. Unemployment rates that fall below the full employment rate can lead to pressure to increase wages, which can be followed by increasing inflation.
- Rock County’s labor force was in decline from 2000 through 2007 when it reached a low of 4,925. The labor force has since started to increase, continuing to rise each year and recording a high of 5,919 in 2015. In a similar pattern, the number of residents employed was lowest in 2008 and then began to rise again to 5,792 in 2015.
- As seen in the figure below, the unemployment rate of Rock County followed the same trend as the state and country, hitting a low point in 2006, rising to a high in 2009 and 2010 and continuing to decline from the high point through the most recent year. However, the Rock County unemployment rate remained much lower overall than the state and country.

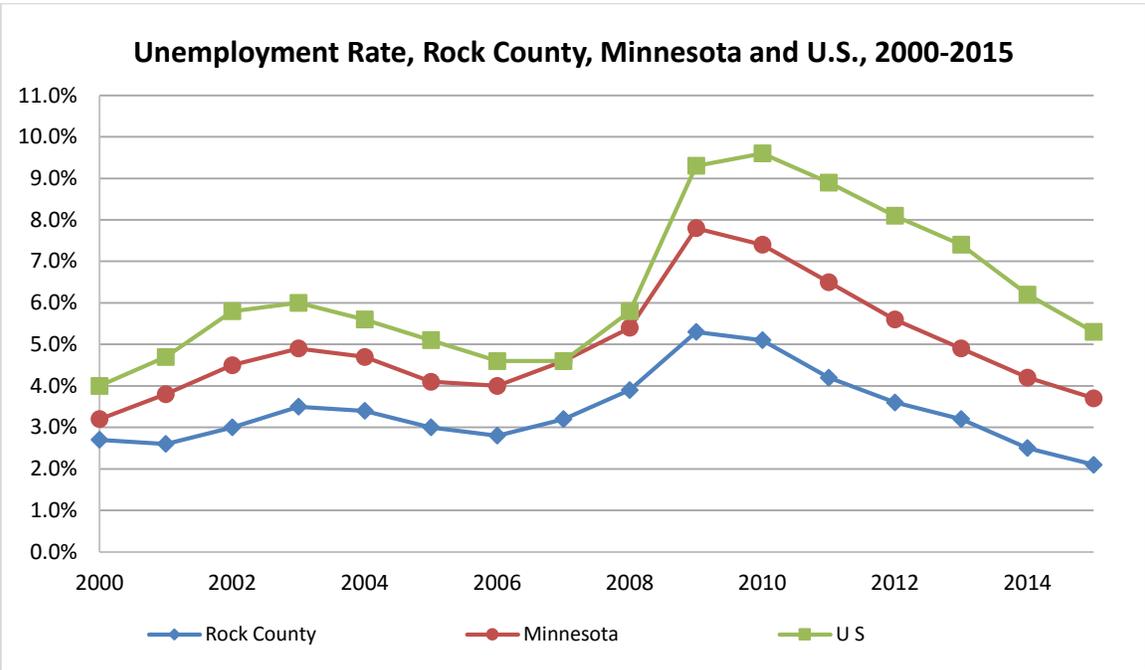


TABLE E-2 ANNUAL AVERAGE RESIDENT EMPLOYMENT ROCK COUNTY 2000 to 2015				
Year	Labor Force	Employed	Unemployed	Rate
ROCK COUNTY				
2000	5,250	5,106	144	2.7%
2001	5,324	5,187	137	2.6%
2002	5,357	5,194	163	3.0%
2003	5,237	5,055	182	3.5%
2004	5,055	4,883	172	3.4%
2005	5,184	5,027	157	3.0%
2006	4,964	4,825	139	2.8%
2007	4,925	4,769	156	3.2%
2008	4,945	4,754	191	3.9%
2009	5,052	4,784	268	5.3%
2010	5,376	5,104	272	5.1%
2011	5,615	5,378	237	4.2%
2012	5,566	5,364	202	3.6%
2013	5,647	5,468	179	3.2%
2014	5,687	5,543	144	2.5%
2015	5,919	5,792	127	2.1%
Change 2000-2015				
Number	669	686	-17	--
Percent	13.1%	13.4%	-11.8%	--
MINNESOTA				
2010	2,938,795	2,721,194	88,829	7.4%
2014	2,982,750	2,858,592	124,157	4.2%
2015	3,010,366	2,898,863	111,502	3.7%
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

- Between 2005 and 2010, the average number of employees fell by 491 people, 14%, in Rock County. The number of employees recovered between 2010 and 2014, adding 577 people in Rock County. The result was a net increase in the average number of employees between 2005 and 2014 of 86 (2.5%).
- Between 2005 and 2014, the Natural Resources and Mining and Construction industries experienced the largest growth, growing by 59.2% and 26.9% respectively. Although each of these sectors represent only about 3% of employees in Rock County. The Information industry saw the largest decline, 13.6%.
- In Rock County and Luverne, Education and Health Services accounted for the largest proportion of employment, making up 30% and 33% respectively, in 2014.
- Similar to Rock County, the City of Luverne experienced a decrease in the average number of employees from 2005 to 2010 of 689 (25%). The number of employees rebounded in Luverne from 2010 to 2014, adding 468 people.
- The gains in the average number of employees from 2010 to 2014 did not restore employment to the pre-recession levels. As a result, between 2000 and 2014 the average number of employees decreased by 8% in Luverne.
- As in Rock County, Natural Resources and Mining experience the largest growth, increasing by 110%, although the sector only employ 0.8% of Luverne's workers.

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Rock County					Change					
Average Number of Employees					2005 - 2014		% of Total			
Industry	2000	2005	2010	2014	No.	Pct.	2000	2005	2010	2014
Natural Resources & Mining	104	71	64	113	42	59.2	3.1%	2.1%	2.2%	3.2%
Construction	91	93	81	118	25	26.9	2.7%	2.7%	2.8%	3.4%
Manufacturing	427	352	276	343	-9	-2.6	12.6%	10.3%	9.5%	9.8%
Trade, Transportation, and Utilities	683	712	640	691	-21	-2.9	20.2%	20.9%	22.0%	19.8%
Information	50	44	49	38	-6	-13.6	1.5%	1.3%	1.7%	1.1%
Financial Services	313	386	314	431	45	11.7	9.3%	11.3%	10.8%	12.4%
Professional and Business Services	146	119	73	139	20	16.8	4.3%	3.5%	2.5%	4.0%
Education and Health Services	992	1,063	881	1,058	-5	-0.5	29.4%	31.2%	30.3%	30.3%
Leisure and Hospitality	261	270	230	268	-2	-0.7	7.7%	7.9%	7.9%	7.7%
Other Services	83	66	59	74	8	12.1	2.5%	1.9%	2.0%	2.1%
Public Administration	228	223	241	214	-9	-4.0	6.7%	6.6%	8.3%	6.1%
Totals	3,379	3,402	2,911	3,488	86	2.5				

City of Luverne					Change					
Average Number of Employees					2005 - 2014		% of Total			
Industry	2000	2005	2010	2014	No.	Pct.	2000	2005	2010	2014
Natural Resources & Mining	na	10	18	21	11	110.0	na	0.4%	0.9%	0.8%
Construction	58	64	68	61	-3	-4.7	2.1%	2.3%	3.3%	2.4%
Manufacturing	391	309	101	107	na	na	14.5%	11.2%	na	na
Trade, Transportation, and Utilities	540	604	500	516	-88	-14.6	20.0%	21.9%	24.2%	20.4%
Information	44	na	na	na	na	na	1.6%	na	na	na
Financial Services	295	361	168	na	na	na	10.9%	13.1%	8.1%	na
Professional and Business Services	133	92	52	106	14	15.2	4.9%	3.3%	2.5%	4.2%
Education and Health Services	813	838	662	837	-1	-0.1	30.1%	30.4%	32.0%	33.0%
Leisure and Hospitality	165	201	203	217	16	8.0	6.1%	7.3%	9.8%	8.6%
Other Services	71	na	45	59	na	na	2.6%	na	2.2%	na
Public Administration	191	185	207	177	-8	-4.3	7.1%	6.7%	10.0%	7.0%
Totals	2,704	2,755	2,066	2,534	-221	-8.0				

Source: Minnesota Workforce Center, Maxfield Research and Consulting LLC

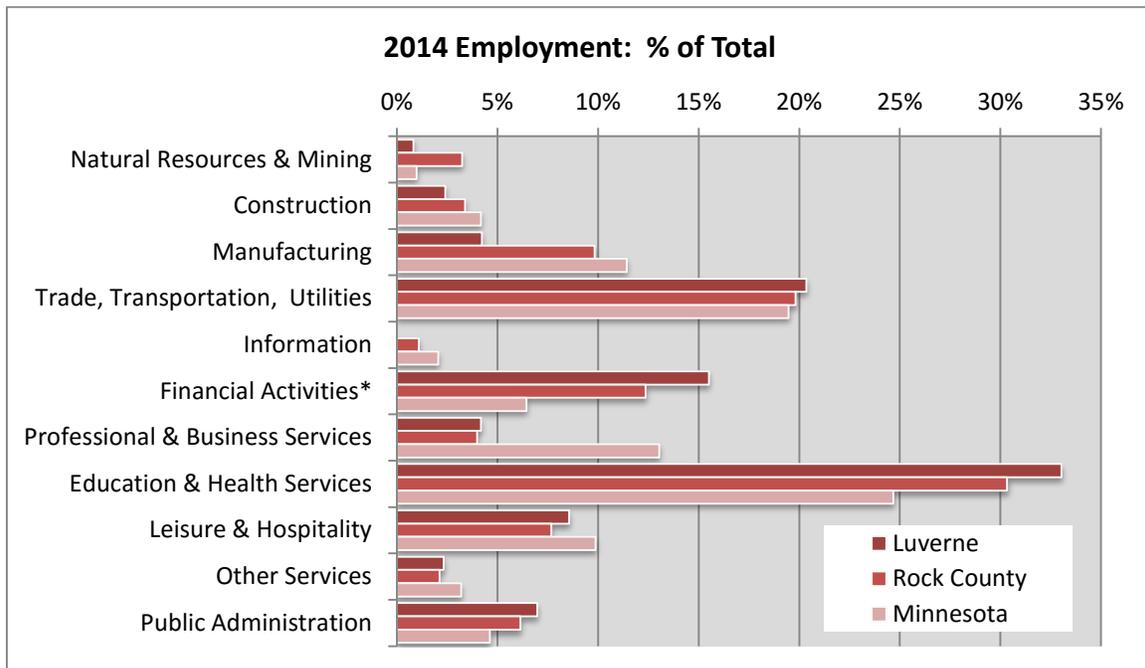
Employment and Wages

Table E-4 displays information on employment and wages in the City of Luverne, Rock County and Minnesota. The Quarterly Census of Employment and Wages (QCEW) data is sourced from Minnesota DEED for 2013 and 2014, 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.

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- In 2014, the Manufacturing industry reported the highest weekly wage in Luverne of \$1,158 (\$60,200). This industry reported a 5.2% increase in weekly wages from 2013 to 2014.
- The Manufacturing industry also experienced the greatest growth in employment, rising by 10.3%.
- Education and Health Services reported the largest employment of 837. This industry has a weekly wage of \$684 (\$35,565 annually).
- The Education and Health Services industry was the largest employer in Rock County, with an employment of 1,058 people. The industry reported a weekly wage of \$629.
- The highest weekly wage in Rock County was \$1,044 in the Financial Activities sector.
- Manufacturing reported the most growth in employment between 2013 and 2014 in Rock County, increasing by 6.5%.
- As seen in the Average Weekly Wage figure, wages in all industries were higher in Minnesota than the City of Luverne and Rock County. The Average Weekly Wage for all industries in Minnesota was \$992 in 2014, which is 29% higher than the average weekly wage in Luverne (\$704) and 33% than the average weekly wage in Rock County (\$663).



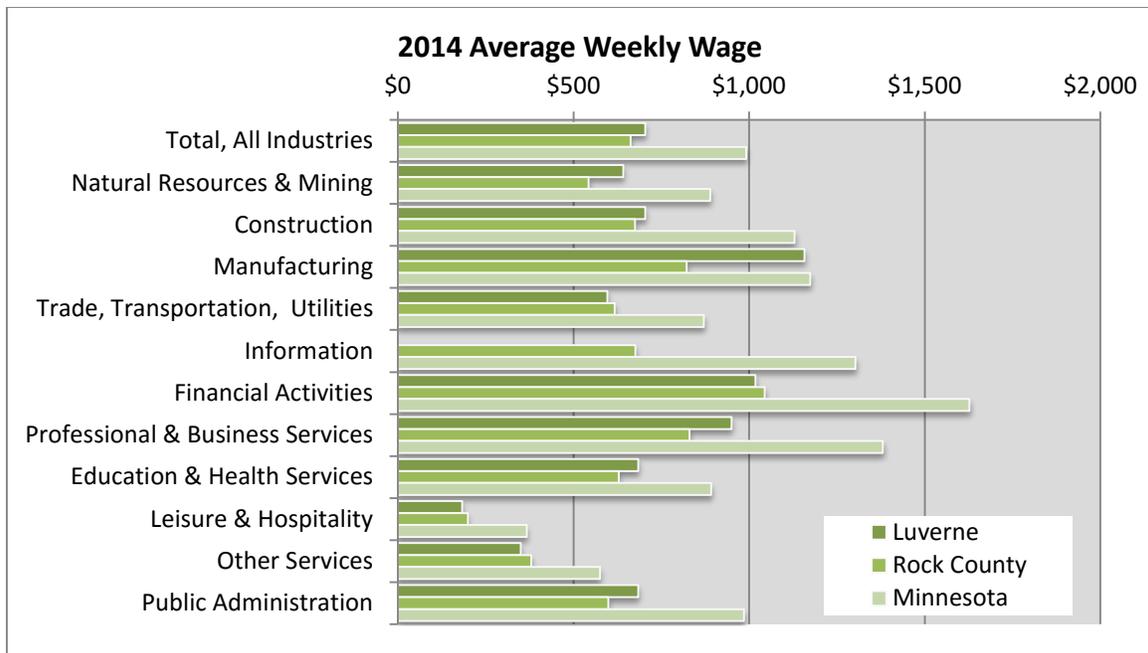
EMPLOYMENT

**TABLE E-4
QUARTERLY CENSUS OF EMPLOYMENT AND WAGES
CITY OF LUVERNE, ROCK COUNTY, MINNESOTA**

Industry	2013			2014			Change 2013 - 2014			
	Establish-ments	Employ-ment	Weekly Wage	Establish-ments	Employ-ment	Weekly Wage	Employment #	Employment %	Wage #	Wage %
CITY OF LUVERNE										
Total, All Industries	195	2,516	\$670	187	2,534	\$704	18	0.7%	\$34	5.1%
Natural Resources & Mining	5	21	\$735	4	21	\$642	0	0.0%	(\$93)	-12.7%
Construction	18	63	\$672	16	61	\$704	-2	-3.2%	\$32	4.8%
Manufacturing	7	97	\$1,101	8	107	\$1,158	10	10.3%	\$57	5.2%
Trade, Transportation, Utilities	46	516	\$573	46	516	\$596	0	0.0%	\$23	4.0%
Information	0	0	\$0	0	0	\$0	0	0	0	0
Financial Activities*	31	381	\$1,011	28	393	\$1,018	12	3.1%	\$7	0.7%
Professional & Business Services	20	105	\$945	20	106	\$950	1	1.0%	\$5	0.5%
Education & Health Services	22	841	\$655	22	837	\$684	-4	-0.5%	\$29	4.4%
Leisure & Hospitality	20	235	\$165	19	217	\$183	-18	-7.7%	\$18	10.9%
Other Services	14	56	\$369	16	59	\$350	3	5.4%	(\$19)	-5.1%
Public Administration	8	167	\$659	5	177	\$684	10	6.0%	\$25	3.8%
ROCK COUNTY										
Total, All Industries	307	3,449	\$635	299	3,488	\$663	39	1.1%	\$28	4.4%
Natural Resources & Mining	27	110	\$542	27	113	\$543	3	2.7%	\$1	0.2%
Construction	32	114	\$645	30	118	\$675	4	3.5%	\$30	4.7%
Manufacturing	14	322	\$826	14	343	\$822	21	6.5%	(\$4)	-0.5%
Trade, Transportation, Utilities	76	684	\$593	77	691	\$617	7	1.0%	\$24	4.0%
Information	8	41	\$614	6	38	\$676	-3	-7.3%	\$62	10.1%
Financial Activities	37	411	\$1,003	34	431	\$1,044	20	4.9%	\$41	4.1%
Professional & Business Services	27	140	\$805	26	139	\$830	-1	-0.7%	\$25	3.1%
Education & Health Services	26	1,061	\$606	26	1,058	\$629	-3	-0.3%	\$23	3.8%
Leisure & Hospitality	24	289	\$176	23	268	\$199	-21	-7.3%	\$23	13.1%
Other Services	19	70	\$385	22	74	\$380	4	5.7%	(\$5)	-1.3%
Public Administration	19	206	\$568	15	214	\$599	8	3.9%	\$31	5.5%
MINNESOTA										
Total, All Industries	163,077	2,692,170	\$964	163,937	2,729,374	\$992	37,204	1.4%	\$28	2.9%
Natural Resources & Mining	2,718	26,828	\$851	2,810	26,961	\$889	133	0.5%	\$38	4.5%
Construction	15,954	107,364	\$1,098	16,091	114,261	\$1,130	6,897	6.4%	\$32	2.9%
Manufacturing	7,937	307,224	\$1,145	7,906	311,818	\$1,174	4,594	1.5%	\$29	2.5%
Trade, Transportation, Utilities	38,240	525,239	\$849	38,278	531,508	\$871	6,269	1.2%	\$22	2.6%
Information	3,397	57,033	\$1,253	3,476	56,347	\$1,303	-686	-1.2%	\$50	4.0%
Financial Activities	15,475	179,665	\$1,561	15,172	176,006	\$1,627	-3,659	-2.0%	\$66	4.2%
Professional & Business Services	28,310	348,399	\$1,331	28,991	355,901	\$1,381	7,502	2.2%	\$50	3.8%
Education & Health Services	18,007	665,168	\$869	18,007	673,426	\$892	8,258	1.2%	\$23	2.6%
Leisure & Hospitality	14,262	265,991	\$356	14,294	269,420	\$367	3,429	1.3%	\$11	3.1%
Other Services	14,968	85,433	\$556	15,617	87,394	\$576	1,961	2.3%	\$20	3.6%
Public Administration	3,810	123,822	\$961	3,296	126,330	\$985	2,508	2.0%	\$24	2.5%

*Estimate average, no data was reported for Q1 on 2014

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 accounts for a large proportion of households’ budgets. Table E-5 highlights the commuting patterns of workers in the Market Area in 2014 (the most recent data available), based on Employer-Household Dynamics data from the U.S. Census Bureau. Likewise, Table E-6 highlights commuting patterns of City of Luverne workers.

- As shown in Table E-5, nearly 20% of workers in the PMA live in Luverne. Luverne was the popular place of residence for workers in the PMA. Adrian was the place of residence for 10.5% of the PMA’s workers.
- Luverne was the place of work for 21% of workers who live in the PMA, accounting for the largest place of residence of workers in the PMA. Together Luverne, Sioux Falls and Worthington accounted for the place of work of 46.5% of the PMA’s residents.
- When looking only at the City of Luverne, the proportion of workers who work and live in Luverne is 36.8%. No other home location for workers in Luverne was above 5%.
- Among people who live in Luverne, 34.3% were employed in Luverne and 14.9% were employed in Sioux Falls. All other locations for work among people who live in Luverne were reported below 3%.

**TABLE E-5
COMMUTING PATTERNS
PMA
2014**

Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Luverne city, MN	315	19.8%	Luverne city, MN	665	21.0%
Adrian city, MN	166	10.5%	Sioux Falls city, SD	481	15.2%
Hills city, MN	50	3.1%	Worthington city, MN	326	10.3%
Wilmont city, MN	44	2.8%	Adrian city, MN	200	6.3%
Worthington city, MN	42	2.6%	Pipestone city, MN	96	3.0%
Edgerton city, MN	31	2.0%	Brandon city, SD	66	2.1%
Sioux Falls city, SD	30	1.9%	Hills city, MN	62	2.0%
Lismore city, MN	29	1.8%	Edgerton city, MN	45	1.4%
Leota CDP, MN	26	1.6%	Slayton city, MN	30	0.9%
Brandon city, SD	25	1.6%	Leota CDP, MN	29	0.9%
All Other Locations	830	52.3%	All Other Locations	1,160	36.7%
Total All Jobs	1,588		Total All Jobs	3,160	

Home Destination = Where workers live who are employed in PMA

Work Destination = Where workers are employed who live in PMA

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

**TABLE E-6
COMMUTING PATTERNS
City of Luverne
2014**

Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Luverne city, MN	806	36.8%	Luverne city, MN	806	34.3%
Hills city, MN	104	4.7%	Sioux Falls city, SD	349	14.9%
Sioux Falls city, SD	70	3.2%	Worthington city, MN	55	2.3%
Brandon city, SD	52	2.4%	Brandon city, SD	54	2.3%
Adrian city, MN	49	2.2%	Pipestone city, MN	50	2.1%
Beaver Creek city, MN	35	1.6%	Hardwick city, MN	47	2.0%
Pipestone city, MN	34	1.6%	Lakefield city, MN	47	2.0%
Hardwick city, MN	24	1.1%	Hills city, MN	43	1.8%
Worthington city, MN	23	1.0%	Wells city, MN	37	1.6%
Rock Rapids city, IA	22	1.0%	Alexandria city, MN	29	1.2%
All Other Locations	972	44.4%	All Other Locations	831	35.4%
Total All Jobs	2,191		Total All Jobs	2,348	

Home Destination = Where workers live who are employed in the Luverne

Work Destination = Where workers are employed who live in the Luverne

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

Inflow/Outflow

Table E-7 provides a summary of the inflow and outflow of workers in the City of Luverne and the Remainder of the PMA. Outflow reflects the number of workers living in the City of Luverne, or the Remainder of the Market Area, but employed outside of the city while inflow measures the number of workers that are employed in the City of Luverne, or the Remainder of the Market Area, but live outside. Interior flow reflects the number of workers that both live and work in the City of Luverne.

- Of those employed in Luverne, 63.2% live outside of Luverne. With many workers commuting into Luverne each day, there could be an opportunity for the city to attract new residents wishing to reduce their commuting times and expenses.

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- At the same time, 65.7% of those living in Luverne are employed outside of the city. Given the number of workers commuting to Luverne and the number of Luverne residents commuting to jobs outside the city, there could be a mismatch in the availability or type of housing or employment options that would meet the needs of those choosing to commute.
- The proportion of residents living in the Remainder of the Market Area but employed outside is 81.8%, while only 18.2% of those living in the Remainder of the PMA also work in the area. Of those employed in the Remainder of the Market Area, 63.7% live outside the area.

TABLE E-7 COMMUTING INFLOW/OUTFLOW PRIMARY MARKET AREA 2014		
	CITY OF LUVERNE	
	Num.	Pct.
Employed in the Selection Area	2,191	100%
Employed in the Selection Area but Living Outside	1,385	63.2%
Employed and Living in the Selection Area	806	36.8%
Living in the Selection Area	2,348	100%
Living in the Selection Area but Employed Outside	1,542	65.7%
Living and Employed in the Selection Area	806	34.3%
	REMAINDER OF PMA	
	Num.	Pct.
Employed in the Selection Area	1,588	100%
Employed in the Selection Area but Living Outside	1,012	63.7%
Employed and Living in the Selection Area	576	36.3%
Living in the Selection Area	3,160	100%
Living in the Selection Area but Employed Outside	2,584	81.8%
Living and Employed in the Selection Area	576	18.2%
Sources: US Census On the Map; Maxfield Research and Consulting LLC		

Tables E-8 and E-9 provides a summary of the characteristics of the inflow and outflow of workers in the City of Luverne and the Remainder of the PMA.

- In the City of Luverne, inflow workers are slightly older. Only 19.8% of inflow workers are age 29 or younger, compared to 24.3% of outflow workers and 21.5% of interior flow workers.

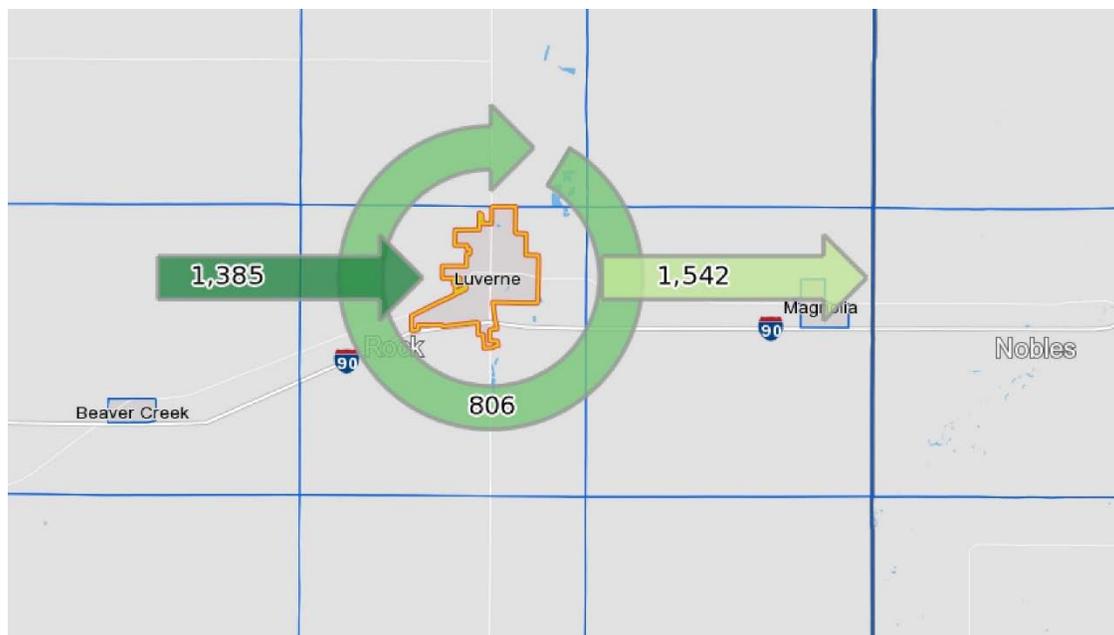
EMPLOYMENT

- Inflow workers also earn slightly more per month in the City of Luverne. Of inflow workers, 40.1% earn more than \$3,333 per month, compared to 38% of outflow workers and 33.6% of interior workers.

	Outflow		Inflow		Interior Flow	
City Total	1,542	100.0%	1,385	100.0%	806	100.0%
By Age						
Workers Aged 29 or younger	375	24.3%	274	19.8%	173	21.5%
Workers Aged 30 to 54	796	51.6%	685	49.5%	355	44.0%
Workers Aged 55 or older	371	24.1%	426	30.8%	278	34.5%
By Monthly Wage						
Workers Earning \$1,250 per month or less	380	24.6%	305	22.0%	240	29.8%
Workers Earning \$1,251 to \$3,333 per month	576	37.4%	524	37.8%	295	36.6%
Workers Earning More than \$3,333 per month	586	38.0%	556	40.1%	271	33.6%
By Industry						
"Goods Producing"	335	21.7%	83	6.0%	44	5.5%
"Trade, Transportation, and Utilities"	323	20.9%	237	17.1%	176	21.8%
"All Other Services"	884	57.3%	1,065	76.9%	586	72.7%

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

Inflow/Outflow of Workers, City of Luverne



- In the Remainder of the Market Area, inflow and outflow workers share similar characteristics. Approximately half of inflow and outflow workers are aged 30 to 54, compared to 42.4% of interior workers.

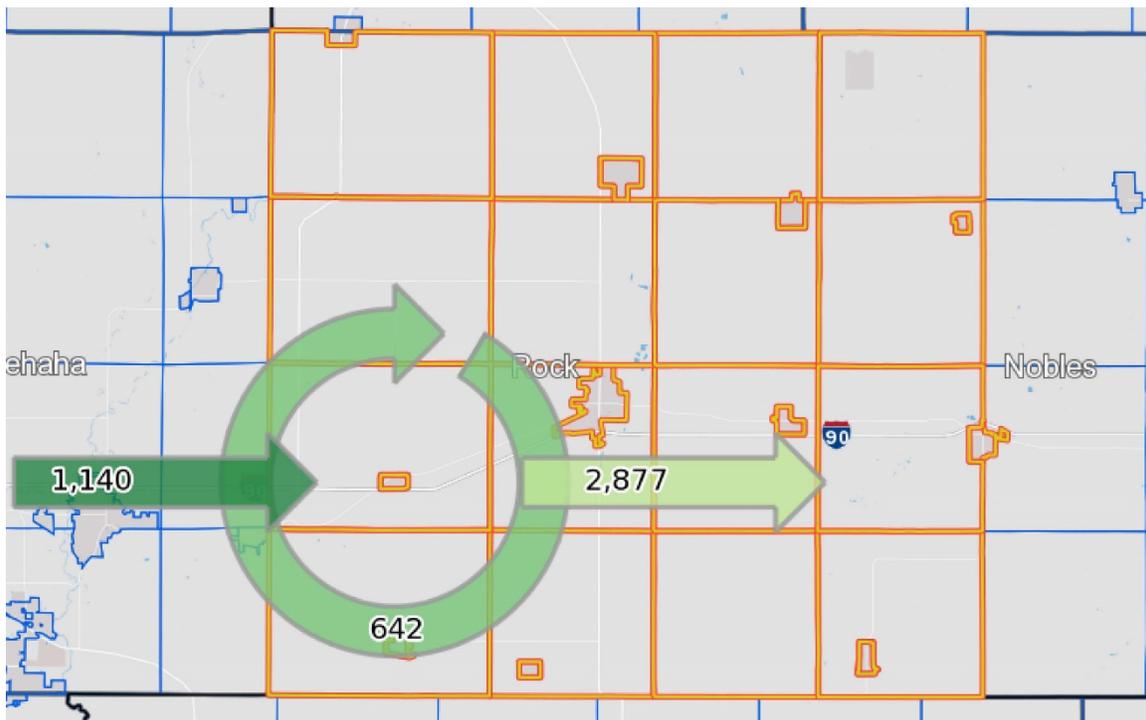
EMPLOYMENT

- Additionally, inflow and outflow workers are most likely to earn between \$1,251 and \$3,333 per month (40.6% and 41.6%). At the same time these workers are less likely to earn less than \$1,251 per month (23.5% and 26% respectively) compared to interior flow workers (35.6%).

	Outflow		Inflow		Interior Flow	
Total	2,584	100.0%	1,012	100.0%	576	100.0%
By Age						
Workers Aged 29 or younger	642	24.8%	221	21.8%	156	27.1%
Workers Aged 30 to 54	1,265	49.0%	518	51.2%	244	42.4%
Workers Aged 55 or older	677	26.2%	273	27.0%	176	30.6%
By Monthly Wage						
Workers Earning \$1,250 per month or less	606	23.5%	263	26.0%	205	35.6%
Workers Earning \$1,251 to \$3,333 per month	1,048	40.6%	421	41.6%	208	36.1%
Workers Earning More than \$3,333 per month	930	36.0%	328	32.4%	163	28.3%
By Industry						
"Goods Producing"	543	21.0%	235	23.2%	137	23.8%
"Trade, Transportation, and Utilities"	617	23.9%	235	23.2%	154	26.7%
"All Other Services"	1,424	55.1%	542	53.6%	285	49.5%

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

Inflow/Outflow of Workers, Remainder of PMA



Major Employers

Table E-8 shows the major employers in Luverne based on data provided by the City of Luverne. Please note that the table is not a comprehensive list of all employers and presents a selected list of employers and their employees as identified by the City of Luverne. The following are key points from the major employers table.

- The largest employer in Luverne was Sanford Hospital and Clinic, with 258 employees, followed closely by Gold ‘N Plump with 240 employees.

Name	Industry/Product/Service	Approximate Employee Size
City of Waseca		
Sanford Hospital - Luverne	General Medical & Surgical Hospitals	258
Gold 'N Plump	Fresh & Frozen Chicken Products	240
Independent School District No. 2184	Teachers, Administrative Staff, Management	195
Minnesota Veterans Homes	Nursing Care, Retirement Facilities	180
Rock County	Executive, County, & Other Gen. Govt. Support	111
Mary Jane Brown Good Samaritan Home	Nursing Care Facilities	103
Total Card Inc.	Credit Card Debt Processing	89
City of Luverne	Executive, City, & Other Gen. Govt. Support	83
Continental Western Group	Insurance Carriers	41
Papik Motors	Car Dealership & Service Center	50

Source: City of Luverne; Maxfield Research and Consulting LLC

- Sanford Hospital, Minnesota Veterans Homes and Mary Jane Brown Good Samaritan Home account for 40% of the employees within the major employers. Each of these employers provide health services.
- Public sector employment, through Rock County, City of Luverne and ISD 2184, accounted for 29% of the employment.

Employer Survey

Maxfield Research and Consulting LLC interviewed representatives from major employers in the Luverne Market Area during June 2016. Interview questions covered topics such as recent trends in job growth, employee turnover, and projected job growth. In addition, representatives were asked their opinion about issues related to housing in the area. Interviews with these employer representatives will not only provide useful job growth data, but also unveil opinions regarding housing demand in the Market Area. The following summarizes key points derived from the interviews.

EMPLOYMENT

- Employees tend to be largely owners in single family homes.
- New employees generally desire rentals in single family homes, but new employees may struggle to find available single family rentals.
- Many employees commute from outside of the City of Luverne, including Brandon, Sioux Falls, Pipestone, Hills, Edgerton and Adrian.
- Employers noted that some employees prefer to commute from areas such as Sioux Falls because these cities offer more retail and recreational opportunities.
- Some employers had an established employee base and low turnover. These employees are established in their homes and therefore employers did not receive feedback on housing issues or needs.
- Employers suggested a need for a newer rental development and rentals that offer short term leases for new and temporary employees.
- Employers did not report discussions or feedback concerning a lack of housing or non-affordable housing prices.

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 Luverne and the Market Area by reviewing data on the age of the existing housing supply; examining residential building trends since 2000; and reviewing housing data from the American Community Survey that relates to the Luverne area.

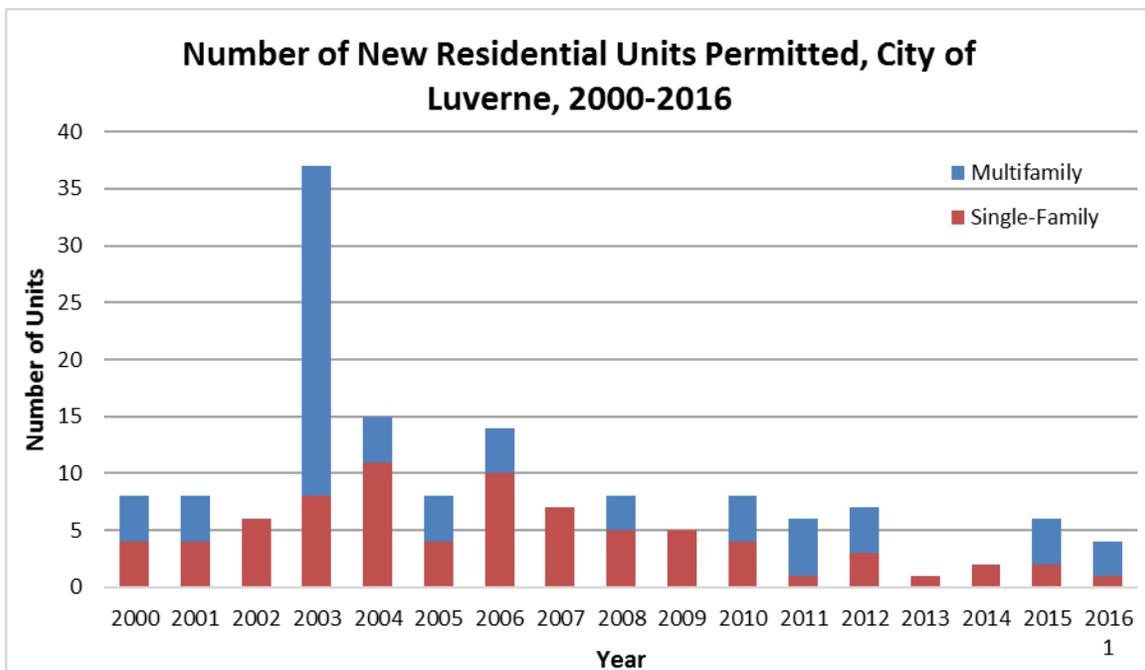
Residential Construction Trends 2000 to Present

Maxfield Research obtained data from the City of Luverne on the number of building permits issued for new housing units in Luverne from 2000 to April 2016. Table HC-1 displays permits issued for single-family and multifamily dwellings. Multifamily units usually include both for-sale (condominium, townhomes, and townhomes) and rental projects. The following are key points about housing development since 2000.

- The City of Luverne permitted 78 single-family units and 72 multi-family units between 2000 and April 2016.
- In 2003, the number of residential units permitted reached its high at 37, spurred by the addition of 29 multi-family units. In 2004, 15 residential units were permitted and in 2006, 14 new residential units received permits. Following 2006, no year has seen more than eight residential units permitted.
- In 2007, the number of housing permits declined in most U.S. cities due to the effects of the economic recession. After 2006, building permits in Luverne also experienced a decline. No year since 2006 has reported more than 10 new residential permits.
- The City of Luverne averaged approximately three new single family permit per year from 2007-2015.

HOUSING CHARACTERISTICS

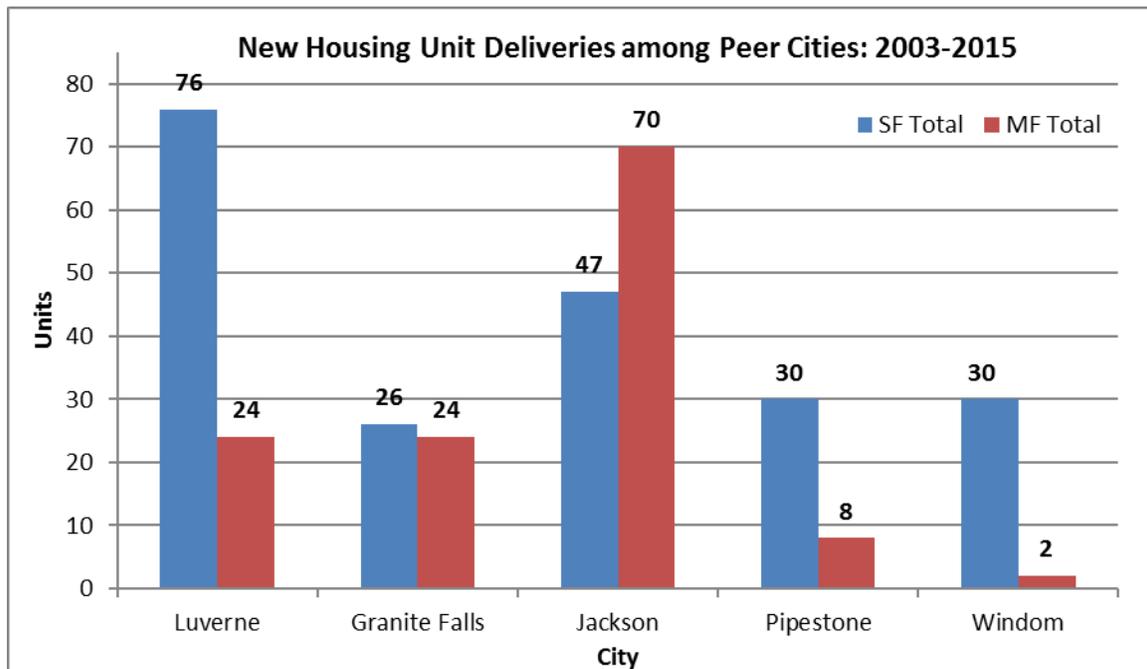
HC-1 RESIDENTIAL CONSTRUCTION BUILDING PERMITS ISSUED CITY OF LUVERNE 2000 TO APRIL 2016				
Year	Units Permitted			Total New Residential Building Permits
	Single-Family	Multifamily	Total Units	
2000	4	4	8	6
2001	4	4	8	6
2002	6	0	6	6
2003	8	29	37	10
2004	11	4	15	13
2005	4	4	8	6
2006	10	4	14	12
2007	7	0	7	7
2008	5	3	8	7
2009	5	0	5	5
2010	4	4	8	6
2011	1	5	6	4
2012	3	4	7	5
2013	1	0	1	1
2014	2	0	2	2
2015	2	4	6	4
2016 ¹	1	3	4	2
Total	78	72	150	102
¹ Through April 2016				
Sources: City of Luverne; Maxfield Research and Consulting LLC				



HOUSING CHARACTERISTICS

The following points summarize building permit trends for Waseca and peer cities. Data is sourced from the U.S. Census Bureau. Table HC-2 illustrates single family and multifamily totals from 2003 to 2015.

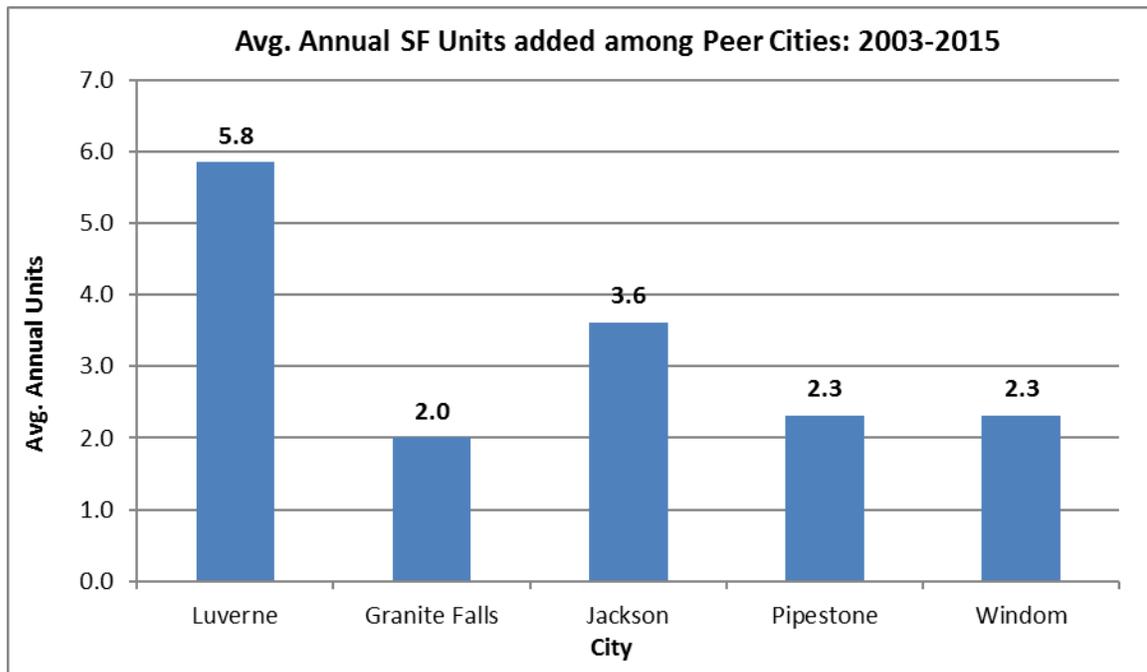
- From 2003 to 2015 the City of Jackson reported the most units permitted (117). Jackson's unit permit totals were bolstered by a few years of multifamily development, which totaled 70 units permitted from 2003 to 2015. This was more than double the number of multifamily permits reported by any other per city.
- The City of Luverne closely followed Jackson with building permits for 100 units. Unlike Jackson, most of Luverne's permitted units were single family units. Luverne reported the most single family permits between 2003 and 2015.
- Single family units permitted among all peer cities began to fall in 2007, likely reflecting the effects of the recession. Permitted units fell below double digits in 2009 and have remained there through 2015. The average number units permitted between 2003 and 2008 was 23.3 units in all peer cities. Between 2009 and 2015, the number units permitted in peer cities was 7.9 single family units.
- On average Luverne permitted 7.7 multifamily and single family units per year from 2003 to 2015. During the same time, Jackson averaged 9 permitted units per year. The average number of units permitted per year in the remaining peer cities were significantly lower, per year, Granite Falls averaged 3.8 units, Pipestone averaged 2.9 units and Windom averaged 2.5 units.



HOUSING CHARACTERISTICS

HC-2 RESIDENTIAL CONSTRUCTION BUILDING PERMITS ISSUED LUVERNE & PEER CITIES 2003 to 2015																
Year	Luverne Units			Granite Falls Units			Jackson Units			Pipestone Units			Windom Units			
	SF	MF	Total	SF	MF	Total	SF	MF	Total	SF	MF	Total	SF	MF	Total	
2003	6	0	6	14	24	38	2	2	4	1	2	3	6	0	6	
2004	13	4	17	5	0	5	7	0	7	3	4	7	7	0	7	
2005	12	2	14	3	0	3	7	0	7	7	0	7	4	0	4	
2006	10	2	12	1	0	1	5	0	5	7	0	7	5	0	5	
2007	8	2	10	1	0	1	4	0	4	2	0	2	2	0	2	
2008	6	2	8	0	0	0	3	2	5	2	0	2	1	0	1	
2009	5	0	5	0	0	0	2	24	26	1	0	1	1	2	3	
2010	4	4	8	0	0	0	3	0	3	1	0	1	0	0	0	
2011	2	4	6	0	0	0	3	0	3	2	0	2	1	0	1	
2012	3	4	7	2	0	2	1	0	1	2	0	2	0	0	0	
2013	1	0	1	0	0	0	3	0	3	2	2	4	0	0	0	
2014	2	0	2	0	0	0	4	0	4	0	0	0	3	0	3	
2015	4	0	4	0	0	0	3	42	45	0	0	0	0	0	0	
Total	76	24	100	26	24	50	47	70	117	30	8	38	30	2	32	
Summary																
2003-2006	41	8	49	23	24	47	21	2	23	18	6	24	22	0	22	
2007-2010	23	8	31	1	0	1	12	26	38	6	0	6	4	2	6	
2011-2015	12	8	20	2	0	2	14	42	56	6	2	8	4	0	4	

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



American Community Survey

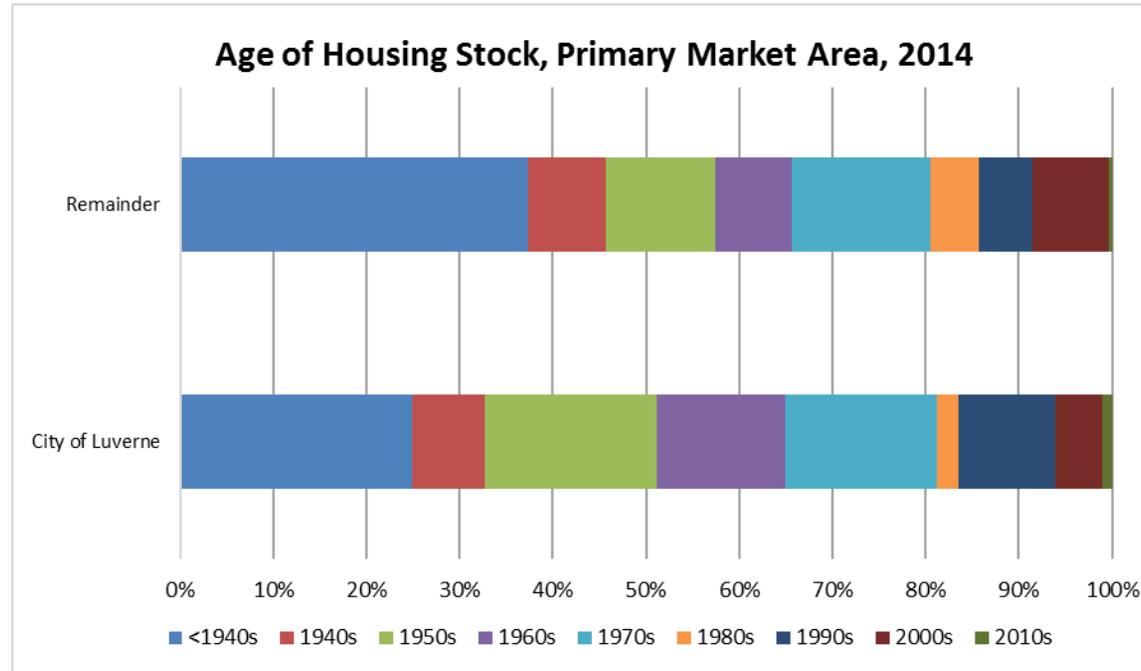
The American Community Survey (“ACS”) is an ongoing statistical survey administered by the U.S. Census Bureau that is sent to approximately 3 million addresses annually. The survey gathers data previously contained only in the long form of the decennial census. As a result, the survey is ongoing and provides a more “up-to-date” portrait of demographic, economic, social, and household characteristics every year, not just every ten years. The most recent ACS highlights data collected between 2010 and 2014. Tables HC-3 to HC-7 show key data for Luverne and the Market Area.

Age of Housing Stock

The graph on the following page shows the age distribution of the housing stock in 2014 based on data from the U.S. Census Bureau American Community Survey (5-Year). Table HC-3 includes the number of housing units built in the Market Area, prior to 1940 and during each decade since.

- In total, the Market Area is estimated to have 5,078 housing units, of which 78% are owner-occupied and 22% are renter-occupied.
- The largest proportion of housing was built before 1940. In the Market Area, 32.2% of the housing stock was built before 1940. The proportion was lower in the Luverne at 24.9%, but it still accounted for the largest proportion of the housing stock.
- In Luverne, 6% of the housing stock was built in 2000 or later and 9% of the housing stock in the Remainder of the Market Area was built after 2000. Between 2010 and 2014 no additions to rental housing stock were reported in the Market Area.
- The 1980’s accounted for the lowest proportion of housing stock (other than the five-year period from 2010-2014) in the Market Area. Only 2.4% of housing in Luverne was built in the 1980s and 5.3% in the Remainder of the Market Area. The 1990s reported an uptick in the number of units constructed, which comprises 10.3% of the housing stock.

HOUSING CHARACTERISTICS



**TABLE HC-3
AGE OF HOUSING STOCK
LUVERNE MARKET AREA
2014**

	Total Units	Med. Yr. Built	Year Unit Built																	
			<1940		1940s		1950s		1960s		1970s		1980s		1990s		2000s		2010 - 2014	
			No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
CITY OF LUVERNE																				
Owner-Occupied	1,394	1952	393	28.2	108	7.7	290	20.8	153	11.0	257	18.4	10	0.7	98	7.0	62	4.4	23	1.6
Renter-Occupied	708	1960	130	18.4	56	7.9	97	13.7	137	19.4	85	12.0	40	5.6	119	16.8	44	6.2	0	0.0
Total	2,102	1961	523	24.9	164	7.8	387	18.4	290	13.8	342	16.3	50	2.4	217	10.3	106	5.0	23	1.1
REMAINDER OF MARKET AREA																				
Owner-Occupied	2,566	1952	990	38.6	204	8.0	310	12.1	208	8.1	341	13.3	130	5.1	152	5.9	220	8.6	11	0.4
Renter-Occupied	410	1960	123	30.0	44	10.7	37	9.0	37	9.0	101	24.6	27	6.6	19	4.6	22	5.4	0	0.0
Total	2,976	1953	1,113	37.4	248	8.3	347	11.7	245	8.2	442	14.9	157	5.3	171	5.7	242	8.1	11	0.4
MARKET AREA TOTAL																				
Owner-Occupied	3,960	1955	1,383	34.9	312	7.9	600	15.2	361	9.1	598	15.1	140	3.5	250	6.3	282	7.1	34	0.9
Renter-Occupied	1,118	1959	253	22.6	100	8.9	134	12.0	174	15.6	186	16.6	67	6.0	138	12.3	66	5.9	0	0.0
Total	5,078	1956	1,636	32.2	412	8.1	734	14.5	535	10.5	784	15.4	207	4.1	388	7.6	348	6.9	34	0.7

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

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

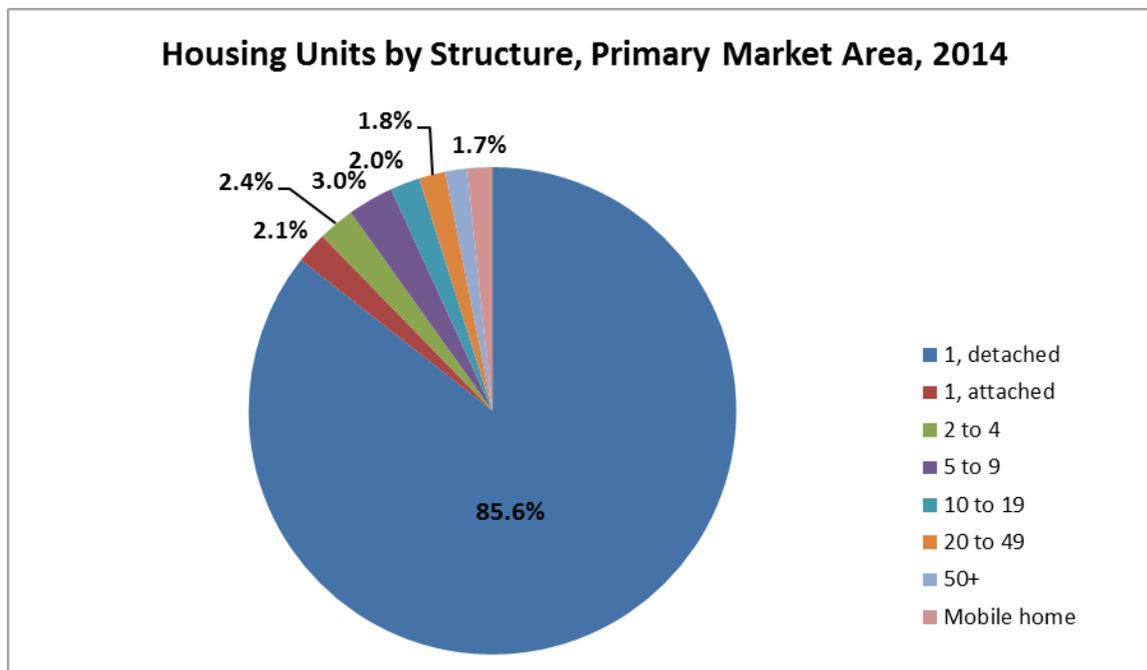
Table HC-4 shows the housing stock in the Market Area by type of structure and tenure as of 2014.

- The dominant housing type in the Market Area is the single-family detached home, representing an estimated 96.4% of all owner-occupied housing units and 47.5% of renter-occupied housing units as of 2014.
- In the Remainder of the Market Area, 98.1% of owner-occupied housing and 67% of renter-occupied housing is single family detached homes. The proportion of single-family detached units is slightly lower in Luverne, where 93.2% of owner-occupied units and 36% of renter-occupied units.
- In the Market Area, 85.6% of units (owner- and renter-occupied units) were single-family detached homes.
- In the Remainder of the Market Area, housing with 10-19 units made up 13% of renter-occupied housing, followed by structures with 5 to 9 units, which made up 9% of the renter-occupied households.
- One and two unit structures account for approximately half of the renter occupied structures in Luverne.
- An additional 16.5% of renter-occupied housing in Luverne was in structures of 5 to 9 units. Luverne also had a greater number of structures with 20 or more units compared to the Remainder of the Market Area. Structures with 20 to 49 units accounted for 11.6% of renter-occupied units in Luverne and only 2% in the Remainder of the Market Area. In addition, structures with 50 units accounted for 10% of renter-occupied units in Luverne and only .5% of units in the Remainder of the Market Area.
- The Market Area proportion of owner-occupied units in one-unit detached structures was 96.4%, compared to 85.1% in the state of Minnesota. The proportion of renter-occupied in one and two unit structures is lower in Minnesota (20.7%) compared to the Market Area (47.5%).

HOUSING CHARACTERISTICS

Units in Structure	LIVERNE				REMAINDER				MARKET AREA TOTAL				State of MN	
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied %	Renter-Occupied %
1, detached	1,299	93.2%	255	36.0%	2,518	98.1%	276	67%	3,817	96.4%	531	47.5%	85.1%	20.7%
1, attached	54	3.9%	31	4.4%	13	0.5%	8	2%	67	1.7%	39	3.5%	7.7%	8.3%
2	5	0.4%	70	9.9%	2	0.1%	3	1%	7	0.2%	73	6.5%	0.7%	6.5%
3 to 4	6	0.4%	23	3.2%	0	0.0%	14	3%	6	0.2%	37	3.3%	0.5%	6.1%
5 to 9	0	0.0%	117	16.5%	0	0.0%	37	9%	0	0.0%	154	13.8%	0.4%	6.9%
10 to 19	23	1.6%	25	3.5%	0	0.0%	52	13%	23	0.6%	77	6.9%	0.3%	11.8%
20 to 49	0	0.0%	82	11.6%	0	0.0%	7	2%	0	0.0%	89	8.0%	0.6%	16.8%
50 or more	0	0.0%	71	10.0%	0	0.0%	2	0%	0	0.0%	73	6.5%	1.3%	21.2%
Mobile home	7	0.5%	34	4.8%	33	1.3%	11	3%	40	1.0%	45	4.0%	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%	0.1%
Total	1,394	100%	708	100%	2,566	100%	410	100%	3,960	100%	1,118	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 and average values from the American Community Survey for 2014 (5-Year). Mortgage status provides information on the cost of homeownership when analyzed in conjunction with mortgage payment data. A mortgage refers to all forms of debt where the property is pledged as security for repayment of debt. A first mortgage has priority claim over any other mortgage or if it's the only mortgage. A second (and sometimes third) mortgage is called a "junior mortgage," a home equity line of credit (HELOC) would also fall into this category. Finally, a housing unit without a mortgage is owned free and clear and is debt free.

HOUSING CHARACTERISTICS

- In Luverne, 44.7% of housing units do not have a mortgage. The proportion is even higher in the Remainder of Market Area, where 64.2% of housing units do not have a mortgage. In both cases, the proportion of units without a mortgage is higher than the proportion in the state of Minnesota (31.2%).
- Housing units with no second mortgage or equity loan accounted for 46.8% of the housing units in Luverne and 30.9% in the Remainder of the Market Area.
- In the Market Area, housing units with a mortgage had a median value of \$132,129 and housing units without a mortgage had a median value of \$116,524. Housing units with a mortgage are likely to be newer homes, which accounts for the higher median value.

Mortgage Status	LUVERNE		REMAINDER		MARKET AREA		STATE OF MN
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Housing units without a mortgage	623	44.7	52	64.2	675	45.8	31.2
Housing units with a mortgage/debt	771	55.3	29	35.8	800	54.2	68.8
<i>Second mortgage only</i>	35	2.5	0	0.0	35	2.4	4.3
<i>Home equity loan only</i>	84	6.0	4	4.9	88	6.0	11.4
<i>Both second mortgage and equity loan</i>	0	0.0	0	0.0	0	0.0	0.6
<i>No second mortgage or equity loan</i>	652	46.8	25	30.9	677	45.9	52.5
Total	1,394	100.0	81	100.0	1,475	100.0	100.0
Median Value by Mortgage Status							
Housing units with a mortgage	\$106,800		\$125,133		\$132,129		\$193,400
Housing units without a mortgage	\$123,000		\$113,367		\$116,524		\$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.

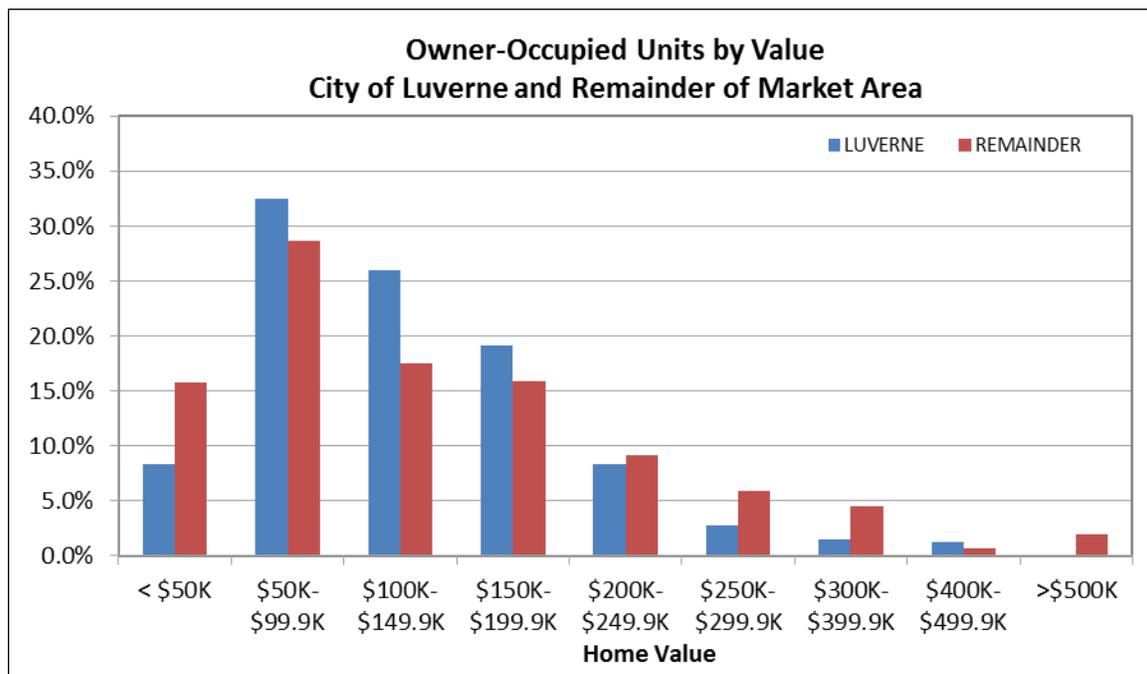
- Homes with values \$50,000 to \$99,999 accounted for 32.5% of owner-occupied units in Luverne and 28.6% in the Remainder of the Market Area. Homes valued \$100,000 to \$149,999 were 26% of owner-occupied units in Luverne and 17.5% in the Remainder of the Market Area.
- The median home value in Luverne was \$114,800, it was slightly higher in the Remainder of the Market Area at \$119,504.

HOUSING CHARACTERISTICS

- The chart on the following pages show that Luverne has a higher proportion of owner-occupied units in the middle ranges of home values, \$50,000 to \$199,999. While the Remainder of the Market Area had a higher proportion of homes on the high and low end of home values, less than \$50,000 and greater than \$200,000.

Home Value	LUVERNE		REMAINDER		MARKET AREA		STATE OF MN
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Less than \$50,000	116	8.3	405	15.8	521	13.2	6.4
\$50,000-\$99,999	453	32.5	735	28.6	1,188	30.0	10.6
\$100,000-\$149,999	362	26.0	449	17.5	811	20.5	17.2
\$150,000-\$199,999	267	19.2	408	15.9	675	17.0	21.2
\$200,000-\$249,999	116	8.3	236	9.2	352	8.9	14.6
\$250,000-\$299,999	39	2.8	150	5.8	189	4.8	9.7
\$300,000-\$399,999	21	1.5	116	4.5	137	3.5	10.3
\$400,000-\$499,999	18	1.3	17	0.7	35	0.9	4.4
Greater than \$500,000	2	0.1	50	1.9	52	1.3	5.6
Total	1,394	100.0	2,566	100.0	3,960	100.0	100.00
Median Home Value	\$114,800		\$119,504		\$117,848		\$185,200

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



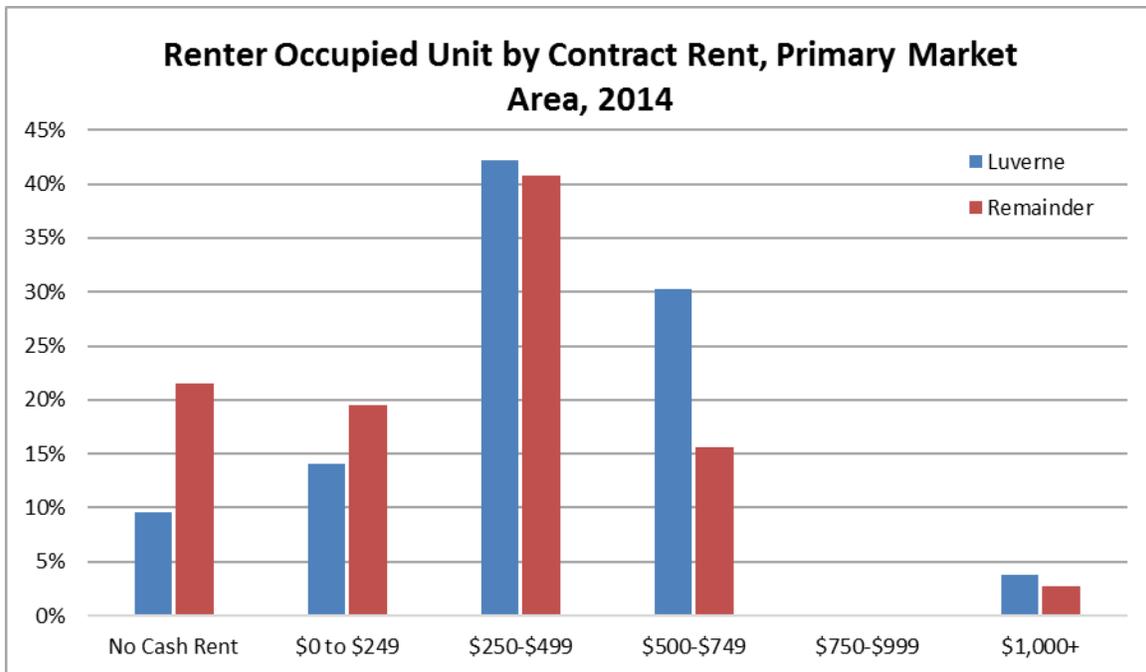
Renter-Occupied Units by Contract Rent

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.

- The median contract rent in Luverne and the Remainder of the Market Area was \$461 and \$349, respectively. Based on a 30% allocation of income to housing, a household in Luverne would need an income of about \$18,440 to afford an average monthly rent of \$461.
- Approximately 42% of renter-occupied units have a contract rent of \$250 to \$499 in Luverne, with 30% of contract rents falling between \$500 and \$749.
- No contract rents were reported between \$750 and \$999 in the Market Area, but 3.4% of contract rents were reported above \$1,000.
- The Remainder of the Market Area reported 21.5% of renter-occupied units without a contract rent, significantly higher than the 9.6% of units without contract rent in Luverne and the 4.7% of the units with no contract rent in the state of Minnesota.

TABLE HC-7 RENTER-OCCUPIED UNITS BY CONTRACT RENT LUVERNE MARKET AREA 2014							
Contract Rent	LUVERNE		REMAINDER		MARKET AREA		STATE OF MN
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
No Cash Rent	68	9.6	88	21.5	156	14.0	4.7
Cash Rent	640	90.4	322	78.5	962	86.0	95.3
\$0 to \$249	100	14.1	80	19.5	180	16.1	7.7
\$250-\$499	299	42.2	167	40.7	466	41.7	11.3
\$500-\$749	214	30.2	64	15.6	278	24.9	28.2
\$750-\$999	0	0.0	0	0.0	0	0.0	24.8
\$1,000+	27	3.8	11	2.7	38	3.4	24.8
Total	708	100.0	410	100.0	1,118	100.0	100.0
Median Contract Rent	\$461		\$349		\$424		\$747

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



Planned and Proposed Housing Projects

- Construction is in progress for the Barck Ave Twin Homes in Luverne. Three blighted properties were removed and a Tax Increment Finance district was created to facilitate redevelopment. One twin home and two triplex units with a total of eight living units are planned for the site. Construction of the duplex is complete, with both units sold. One triplex unit is complete with two of three sold. The final triplex unit is scheduled for construction in the summer of 2016. The Barck Ave duplex is about 1,600 square feet and the units sold for between \$225,000 to \$235,000. The triplex units are approximately 1,400 square feet and those that have been purchased sold for between \$210,000 to \$230,000.
- The Blue Ridge duplex development in Luverne is developing eight lots, with a total of 16 living units. Ten units have been built and sold as of June 2016 for approximately \$250,000 to \$260,000, with some selling for over \$300,000. One additional lot is under construction, and both units on the lot have already been sold. Price differences are due to the choices buyers make in the type of flooring, cabinets, windows and other optional preferences
- The City of Adrian is seeking bids for the development of the Sudekamp Addition. There are a total of 36 lots available for development, with the first phase expected to develop 15 of the lots.
- The City of Hills is beginning to develop a twin home project. The project is in the initial stages and the number of units has not yet been decided.

Introduction

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

For the 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 the Luverne Market Area. 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. Please note that the ACS data includes all rental units, regardless of household type.

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 the Luverne Market Area and provides a 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.

- The Luverne Market Area reported a median rent of \$612 compared to the median rent in the state of Minnesota reported at \$835.
- Two-bedroom units are the most common rental unit type in the City of Luverne, with 42% of the rental housing units reported as two-bedroom units. In the Remainder of the Market Area, three-bedroom units are the most common rental type, accounting for 40% of rental units. The difference is likely the presence of more apartment rentals within Luverne and a higher proportion of single-family rentals, with more bedrooms, in the rural areas of the Primary Market Area.

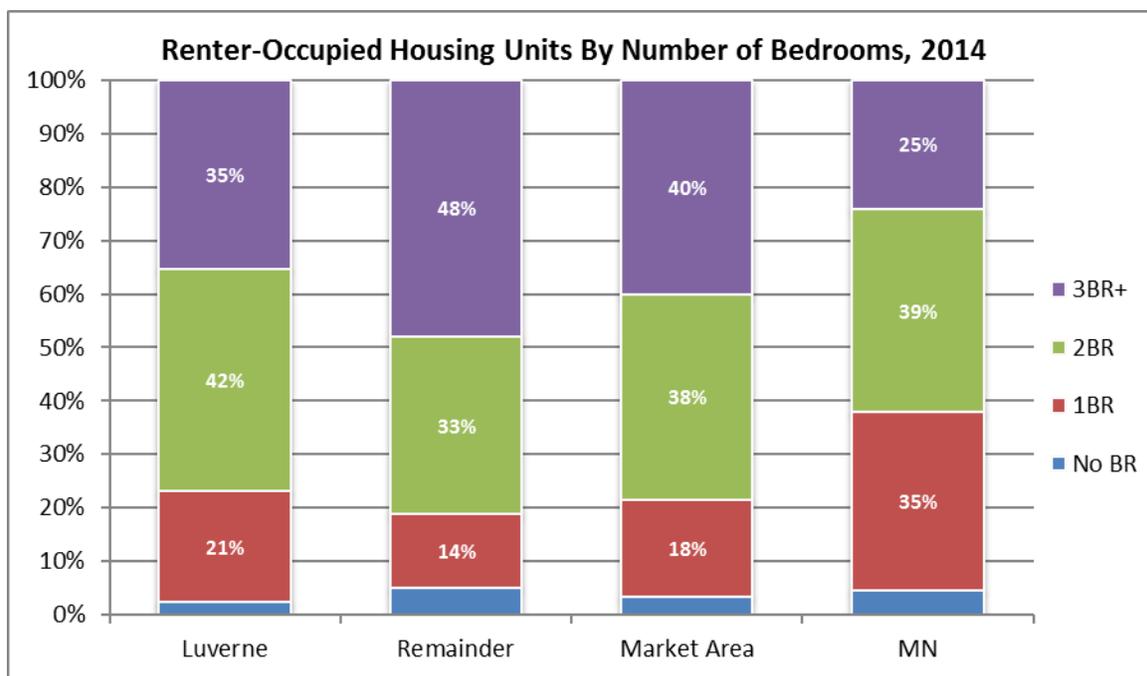
**TABLE R-1
BEDROOMS BY GROSS RENT, RENTER-OCCUPIED HOUSING UNITS
LUVERNE MARKET AREA
2014**

	Luverne		Remainder		Market Area		MN
	#	% of Total	#	% of Total	#	% of Total	% of Total
Total:	708	100%	410	100%	1,118	100%	100%
Median Gross Rent	\$660		\$519		\$612		\$835
No Bedroom	17	2%	21	5%	38	3%	5%
Less than \$200	0	0%	0	0%	0	0%	0%
\$200 to \$299	8	1%	8	2%	16	1%	0%
\$300 to \$499	0	0%	4	1%	4	0%	1%
\$500 to \$749	9	1%	0	0%	9	1%	2%
\$750 to \$999	0	0%	0	0%	0	0%	1%
\$1,000 or more	0	0%	0	0%	0	0%	1%
No cash rent	0	0%	9	2%	9	1%	0%
1 Bedroom	146	21%	56	14%	202	18%	35%
Less than \$200	0	0%	3	1%	3	0%	1%
\$200 to \$299	39	6%	9	2%	48	4%	3%
\$300 to \$499	60	8%	23	6%	83	7%	5%
\$500 to \$749	24	3%	17	4%	41	4%	11%
\$750 to \$999	0	0%	0	0%	0	0%	10%
\$1,000 or more	23	3%	4	1%	27	2%	5%
No cash rent	0	0%	0	0%	0	0%	0%
2 Bedrooms	294	42%	136	33%	430	38%	39%
Less than \$200	13	2%	0	0%	13	1%	1%
\$200 to \$299	34	5%	14	3%	48	4%	1%
\$300 to \$499	42	6%	60	15%	102	9%	2%
\$500 to \$749	118	17%	35	9%	153	14%	8%
\$750 to \$999	66	9%	9	2%	75	7%	13%
\$1,000 or more	0	0%	5	1%	5	0%	14%
No cash rent	21	3%	13	3%	34	3%	1%
3 or More Bedrooms	251	35%	197	48%	448	40%	25%
Less than \$200	0	0%	8	2%	8	1%	0%
\$200 to \$299	21	3%	4	1%	25	2%	0%
\$300 to \$499	12	2%	16	4%	28	3%	1%
\$500 to \$749	71	10%	42	10%	113	10%	3%
\$750 to \$999	59	8%	37	9%	96	9%	4%
\$1,000 or more	41	6%	24	6%	65	6%	13%
No cash rent	47	7%	66	16%	113	10%	3%

Sources: 2010-2014 American Community Survey; Maxfield Research and Consulting LLC

RENTAL MARKET ANALYSIS

- In Luverne, 17% of rents were between \$500 and \$749 dollars for a two-bedroom unit. Ten percent of three-bedroom units also rented for between \$500 and \$749.
- In the Remainder of the Market Area, 15% of rents were \$300 to \$499 for two-bedroom rentals. Further, 16% of the rental units with three or more bedrooms received no cash rent. This is the only instance in the Market Area where no cash rentals rise above 10%.
- The proportion of one-bedroom rentals in the Luverne Market Area, 18%, is much lower than the statewide proportion of 35%.
- In the Market Area, 19.4% of rental units are asking \$300 to \$499 in rent and 28.3% are asking \$500 to \$749 in rent. This accounts for nearly half of all rental units.



General-Occupancy Rental Projects

Our research of Luverne's general occupancy rental market included a survey of seven market rate, one affordable and five subsidized apartment properties (eight units and larger) in June 2016. These projects represent a combined total of 246 units, including 96 market rate units, 24 affordable units and 126 subsidized units.

Although we were able to contact and obtain up-to-date information on the majority of rental properties, there are projects in the Luverne Market Area that are less than eight units. In these circumstances, those properties are not included in our average rent or vacancy rate calculations. Many of those properties are single family or duplex units that have had less than eight

RENTAL MARKET ANALYSIS

rooms converted into apartments per ACS. As seen in Table HC-4 There are approximately 379 rental units in Luverne within houses, duplexes, or multi-use structures with less than four units and an additional 117 rental units in structures with five to nine units.

At the time of our survey, two market rate units, two affordable units, and 10 subsidized units were vacant, resulting in an overall vacancy rates of 2.1% for market rate units, 8.3% for affordable units, and 7.9% for subsidized units. The combined overall vacancy rate across all property types was 6%.

Table R-2 summarizes information on market rate, affordable, and subsidized general occupancy projects. Table R-3 summarizes unit features and common area amenities among all general-occupancy housing developments.

Market Rate

- More than 75% of the market rate rental projects surveyed are two-bedroom units. The breakout by unit type is summarized below.
 - Efficiency units: 0%
 - One-bedroom units: 20%
 - Two-bedroom units: 76%
 - Three-bedroom units: 4%
 - Four-bedroom units: 0%
- The following is the monthly rent ranges and average rent for one and two-bedroom market rate units:
 - One-bedroom units: \$365 to \$605, \$483 average
 - Two-bedroom units: \$400 to \$655, \$514 average
 - Three-bedroom units: \$495 to \$650, \$573 average
- Vacancy rates were highest for one-bedroom units at 5.3% while there were no vacancies among three-bedrooms units.
- Most property managers reported that it was common for them to be full, and at least occasionally, they keep a waiting list. As a result, any current vacancies are likely to be filled quickly.
- The only property with vacancies, Damax Apartments, is a mixed income property, where many of the units are subsidized.
- There is also a multiple site rental project, Luverne Townhome Rental, that was not included in our comparable properties table because we were not able to reach the property to obtain property details.

Affordable/Subsidized

- There are six income-restricted projects in Luverne 150 units. One of project offers affordable housing and five projects offer subsidized housing. Combined, 12 units were vacant as of May 2016, posting a vacancy rate of 8%. Typically, subsidized and affordable rental properties should be able to maintain vacancy rates of 3% or less in most housing markets.
- The vacancy rate for affordable units (8.3%) is due to two vacancies at the time of the survey. However, this property reported that the units are typically full and they often keep a waiting list. Therefore, the two vacant units are likely to be filled quickly.
- Rock Creek Townhomes offered affordable housing of 22 three-bedrooms and two four-bedrooms. These units include water, sewer, trash and garages in the rent. The property also has air conditioning, hook-ups for a washer and dryer and a playground.
- Subsidized properties were 83% one-bedroom units and 17% two-bedrooms. These properties all included water, sewer and trash in the rent. They commonly offered air conditioning and common laundry facilities.
- The Blue Mound Tower reported that in previous years they had regular vacancies. However, when the Minnesota West campus opened, the property began accepting students and now remains regularly full.
- The Fernwood Apartments, which offers eight subsidized rental units, is currently for sale. This project will be leaving the subsidized program in November and units will be offered at market rate.

RENTAL MARKET ANALYSIS

TABLE R-2 SELECTED NEWER MARKET-RATE GENERAL OCCUPANCY RENTAL PROJECTS LUVERNE MARKET AREA June 2016												
Project Name/Location	Units	Total Vacant	Unit Mix	Vacant	Unit Size		Monthly Rent		Avg Rent	Rent Per Sq Ft.		Amenities/Comments
					Min	Max	Min	Max		Min	Max	
MARKET RATE RENTAL PROJECTS												
Century Apartments 415 E. Lincoln St Luverne	8	0	1 - 1BR 7 - 2BR	0 0	600 800		\$365 - \$375 \$500	\$370 \$500		\$0.61 - \$0.63 \$0.63		Additional rent for double occupancy rooms
City Centre Apartments 109 E Luverne Luverne	37	0	11 - 1BR 22 - 2BR 4 - 3BR	0 0 0			\$500 - \$545 \$475 - \$595 \$495 - \$650	\$523 \$535 \$573		N/A N/A N/A		Former grade school remodeled into apartments renovated in 2000; close to downtown; on-site maintenance; pet friendly
Country View Apartments 900 & 903 E Dodge Luverne	12	0	1 - 1BR 11 - 2BR	0 0	600 700 - 750		\$375 - \$425 \$400 - \$450	\$400 \$425		\$0.63 - \$0.71 \$0.57		Garages available for \$30 per month
The Village Apartments 417 N. Oakley St Luverne	12	0	3 - 1BR 9 - 2BR	0 0	600 700 - 750		\$375 - \$425 \$400 - \$450	\$400 \$425		\$0.63 - \$0.63 \$0.57 - \$0.60		Garages available for \$30 per month
Riverview Apartments 801 E Dodge Luverne	16	0	16 - 2BR	0	1,200		600	\$600		\$0.50		
Summerview Apartments 415 E Luverne Luverne	8	0	1 - 1BR 7 - 2BR	0 0	600 800		\$365 - \$375 \$500	\$370 \$500		\$0.61 - \$0.63 \$0.63		Additional rent for double occupancy rooms
Damax Apartments 602 E Warren St Luverne	3	2	2 - 1BR 1 - 2BR	1 1	N/A N/A		\$490 - \$605 \$577 - \$655	\$548 \$616		N/A N/A		Patio, across the street from the park
AFFORDABLE RENTAL PROJECTS												
Rock Creek Townhomes 300-323 Oak Dr Luverne	24	2	22 - 3BR 2 - 4BR	2 0	1,420 1,500		\$600 \$625	\$600 \$625		\$0.42 \$0.42		Smoke free; On-site caretakers; Garage included in rent.

Continued

RENTAL MARKET ANALYSIS

TABLE R-2 <i>Continued</i>							
SELECTED NEWER MARKET-RATE GENERAL OCCUPANCY RENTAL PROJECTS							
LUVERNE MARKET AREA							
June 2016							
SUBSIDIZED RENTAL PROJECTS							
Blue Mound Tower	70	0	68 - 1BR	0	360 - 480	30% of Income	Must be elderly, disabled, working 20 hours per week, full-time student or perform 8 hours community service per month. If there are vacancies can accept those over the income limits with a max rent of \$389 for a 1BR and \$521 for a 2BR. Community room, library, pool table. Extra fee for cable and AC in the summer. 3 handicap accessible units. Secure building.
216 N McKenzie			2 - 2BR	0	655	30% of Income	
<i>Luverne</i>							
Damax Apartments	13	0	8 1BR	0		30% of Income	Patio, across the street from the park
602 E Warren St			5 2BR	0		30% of Income	
<i>Luverne</i>							
Oakwood Apartments	12	10	12 1BR	10		30% of Income	Grocery store, post office, hardware store and school within walking distance. Snow removal and lawn care. Recently renovated community room, main floor laundry room.
401 Oak St							
<i>Ellsworth</i>							
Stone Creek Townhomes	23	0	15 1BR	0	1,060	30% of Income	Renovated in 2009; Courtyard; Private entrances; Smoke free; Garages available; Visitor Parking; Community grill; One handicap two bedroom unit.
503 W Hatting St			8 2BR	0	1,260	30% of Income	
<i>Luverne</i>							
Fernwood Apartments	8	0	1 1BR	0	750	30% of Income	Property is currently Rural development, but will be leaving the program in November and becoming market rate.
106 E 4th St			7 2BR	0	900	30% of Income	
<i>Hardwick</i>							
Total	246	14	6% vacant				

Sources: Maxfield Research and Consulting, LLC

RENTAL MARKET ANALYSIS

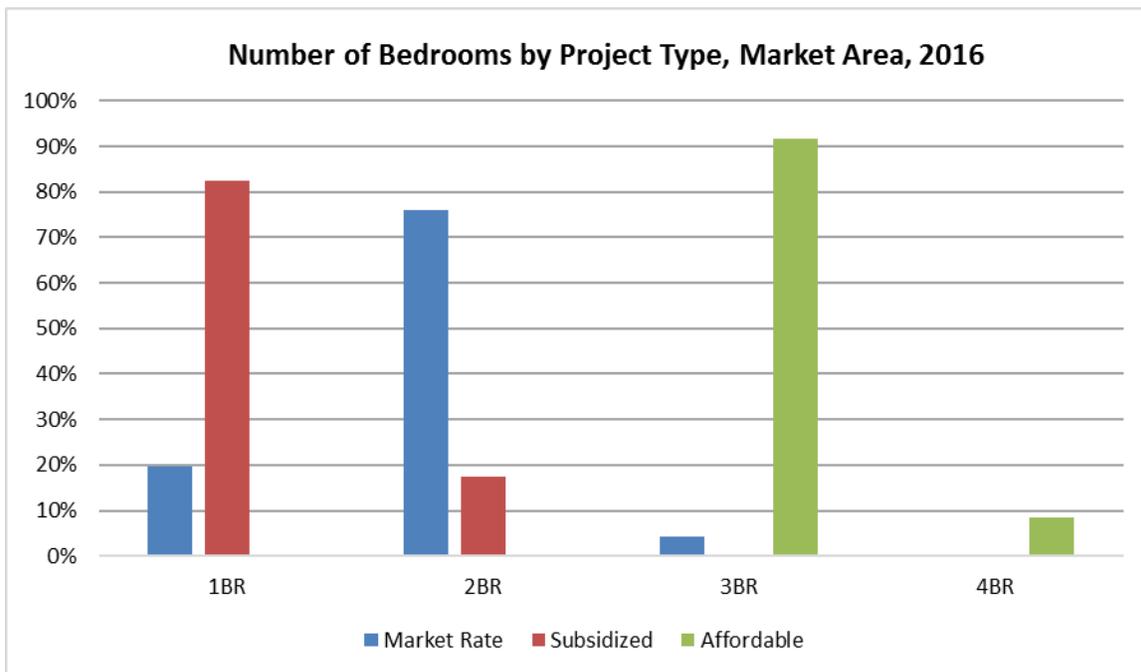
**TABLE R-3
UNIT TYPE SUMMARY
GENERAL OCCUPANCY RENTAL DEVELOPMENTS
June 2016**

Market Rate						Monthly Rents		
Unit Type	Total Units	% of Total	Vacant Units	% Vacant	Avg. Size	Range Low - High	Avg. Rent	Avg. Rent/ Sq. Ft.
1BR	19	20%	1	5.3%	600	\$365 - \$605	\$483	\$0.65
2BR	73	76%	1	1.4%	898	\$400 - \$655	\$514	\$0.56
3BR	4	4%	0	0.0%	N/A	\$495 - \$650	\$573	N/A
Total:	96	100%	2	2.1%	866	\$365 - \$655	\$510	\$1.50

Affordable						Monthly Rents		
Unit Type	Total Units	% of Total	Vacant Units	% Vacant	Avg. Size	Range Low - High	Avg. Rent	Avg. Rent/ Sq. Ft.
3BR	22	92%	2	9.1%	1,420	\$600	\$600	\$0.42
4BR	2	8%	0	0.0%	1,500	\$625	\$625	\$0.42
Total:	24	100%	2	8.3%	1,427	\$600 - \$625	\$602	\$0.42

Subsidized								
Unit Type	Total Units	% of Total	Vacant Units	% Vacant	Avg. Size			
1BR	104	83%	10	9.6%	538			
2BR	22	17%	0	0.0%	1,041			
Total:	126	100%	10	7.9%	623			

Source: Maxfield Research and Consulting, LLC



Select General Occupancy Rental Housing Properties



City Centre Apartments



Blue Mound Tower



Country View Apartments

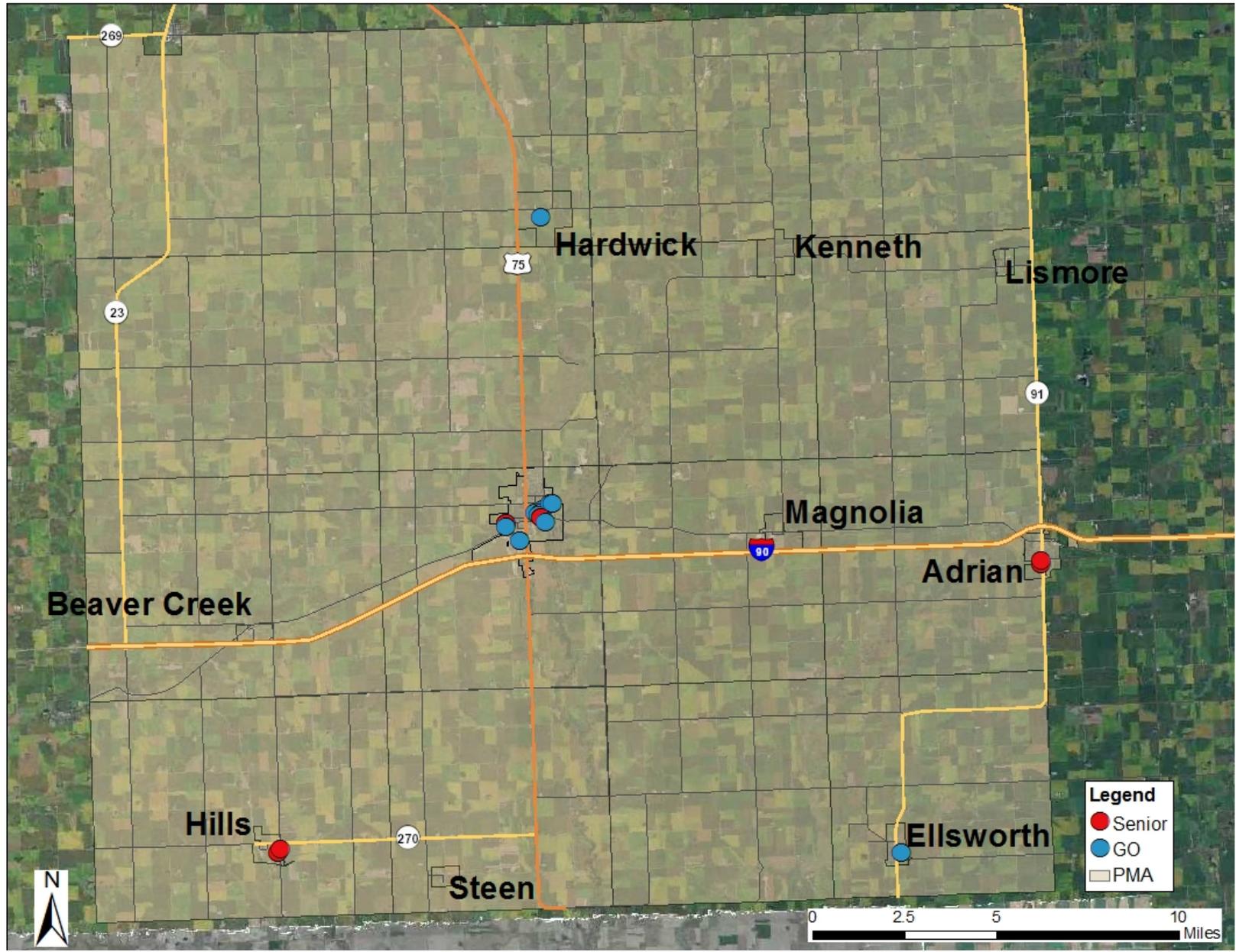


Riverview Apartments

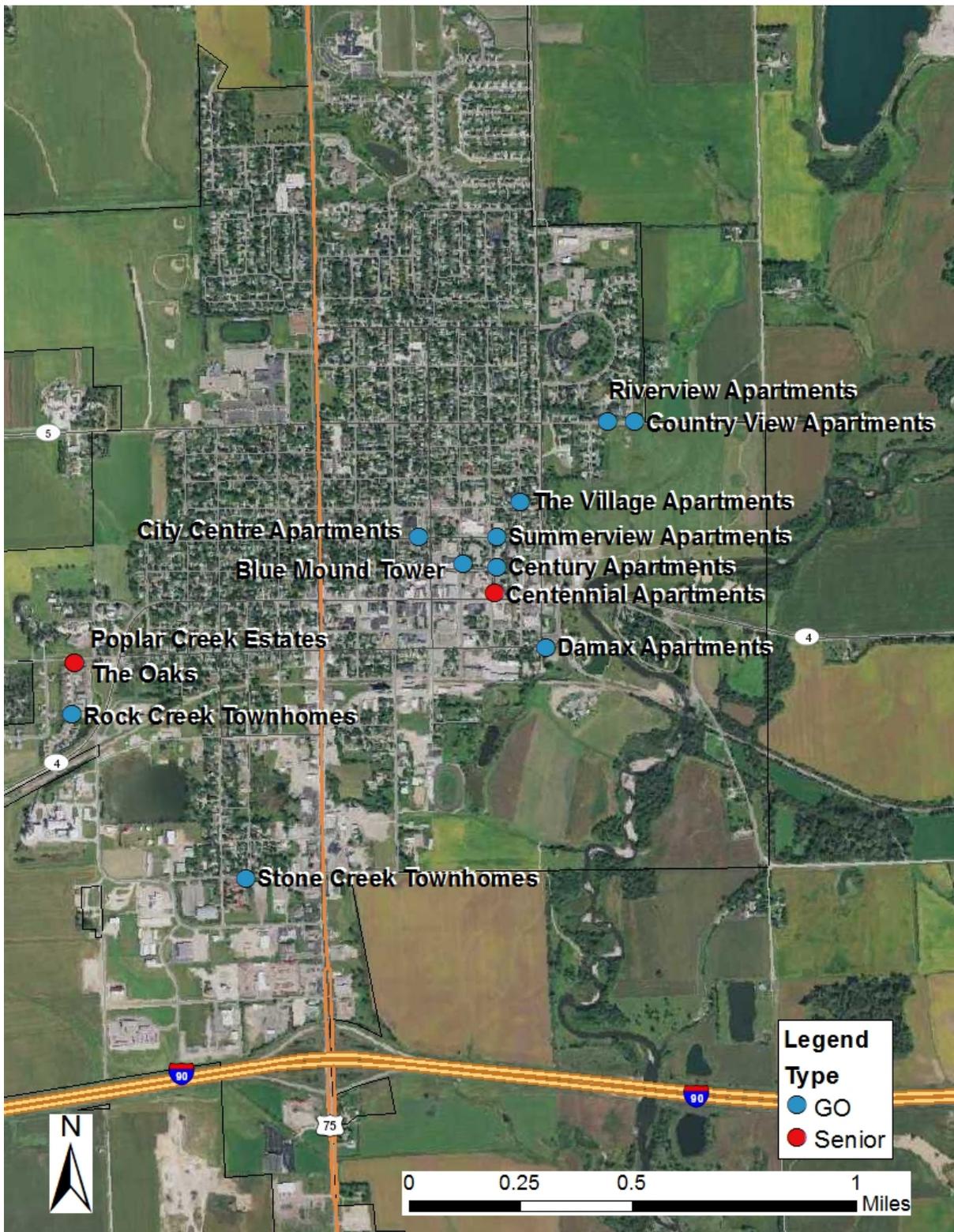


Century Apartments

Market Area Comparable Properties, GO and Senior Projects



City of Luverne, GO and Senior Comparable Properties



Senior Housing Defined

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

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

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

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

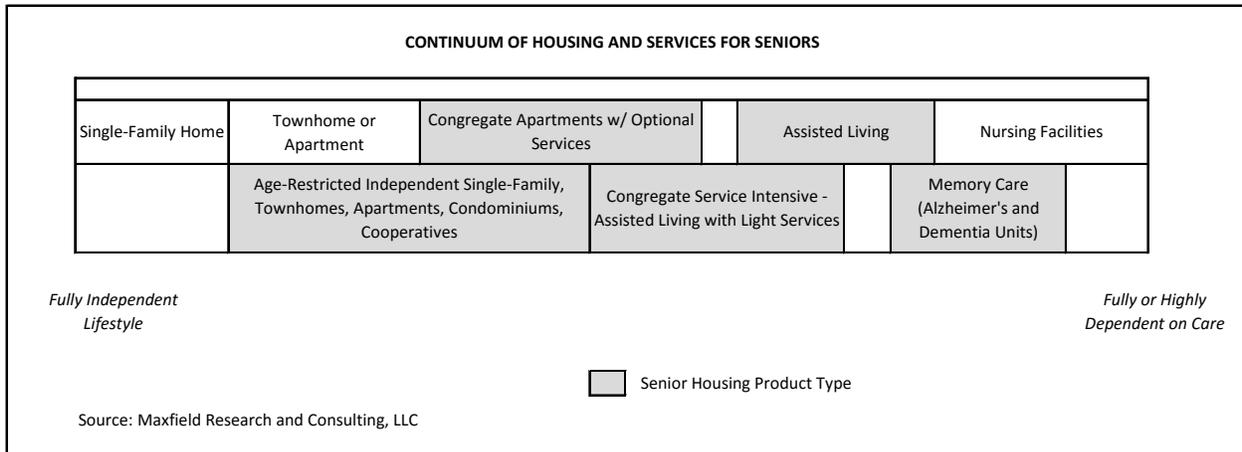
Assisted Living; where two or three daily meals as well as basic support services such as transportation, housekeeping and/or linen changes are included in the fees. Personal care services such as assistance with bathing, grooming and dressing is included in the fees or is available either for an additional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

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

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

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

SENIOR HOUSING ANALYSIS



Senior Housing in Luverne and the Market Area

As of June 2016, Maxfield Research identified seven senior housing developments of varying service levels in the Market Area. Combined, these projects contain a total of 173 units with 12 vacancies resulting in an overall vacancy rate of 7%. Generally, the equilibrium for senior housing ranges from a 5% to 7% vacancy rate.

Table S-1 provides information on the senior occupancy projects in the Market Area. Information in the table number of units, unit mix, number of vacant units, rents, and general comments about each project where available.

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

Subsidized Active Adult

- The Centennial Apartments in Luverne offer 54 units of subsidized senior living where rents are restricted to 30% of the resident's income. There is currently one vacancy at the Centennial Apartments. Residents have access to scheduled activities in the building's community room.

Market Rate Active Adult

- The Tuff Apartments in Hills offer nine one and two-bedroom active adult apartments with an average rent of \$459 for one bedrooms and \$511 for two bedrooms. There are no active adult rental properties in Luverne.
- Residents of Tuff Apartments have access to extra storage and gardening areas, meals can also be provided for an extra fee.

- There is one age restricted for sale community in Luverne, the Camelot Condominium Homes with 10 units. This development is advertised as restricted to ages 45 and over. The condos have an average market value of \$38,463 according to the records from the Rock County Assessor. According to local realtors this property is not in a high demand from seniors as it lacks an elevator in the building making second floor access difficult. This property was not included in our senior housing demand calculations because the age restriction begins at 45 years of age.

Market Rate Independent Living – Congregate

- The Oaks in Luverne offers 28 one and two-bedroom congregate living apartments. The rents range from \$1,474 for a one-bedroom to \$1,937 for a two-bedroom. There were no vacancies in The Oaks.
- The basic monthly fee at The Oaks includes once weekly housekeeping, linens laundered once per week, noon meal every day, scheduled transportation, utilities (except cable TV and telephone).

Market Rate Independent Living – Assisted Living

- There are four facilities in the Market Area offering market rate independent living congregate support services with a total of 72 units available. Of the four assisted living properties in the Market Area, only one is located in Luverne, Poplar Creek Estates with 24 units.
- Three of the properties, Poplar Creek, Tuff Village and Country Living Cottages accounted for 69 of the assisted living units in the Market Area and had no vacancies. Each of the assisted living facilities maintains a waiting list.
- Sunrise View is a remodel project of a former skilled nursing facility. This facility is currently transitioning from a relationship with the Country Living Cottages and continuing to undergo renovation. This transition largely accounts for the number of vacancies at the property. When the renovation is complete, an additional 13 units will be added to the Sunrise View facility. Excluding this facility from our vacancy calculations, results in no vacancies among the assisted living facilities.

Memory Care

- The Country Living Cottages in Adrian provides 10 units of memory care and is the only memory care project in the Market Area. There are no vacancies for memory care and there is a waiting list for units.

Skilled Nursing

- There are four skilled nursing facilities in the Market Area with a total of 183 beds, offering a mix of private and shared rooms.

SENIOR HOUSING ANALYSIS

- The Minnesota Veterans homes offers a pricing structure based on the Veteran's service connection and their asset base.
- The Tuff Memorial Home has an average rate of \$170 per day. Residents funds must fall below \$3,000 for single or \$6,000 married.
- All the facilities have 24-hour nursing care. Additional services can include recreation and activity programs, as well as, transportation services.

SENIOR HOUSING ANALYSIS

S-1 SENIOR OCCUPANCY RENTAL HOUSING LUVERNE MARKET AREA JUNE 2016											
Project Name/Location	Units	Vacant	Unit Mix	Unit Size		Monthly Rent		Avg Rent	Rent Per Sq Ft.		Amenities/Comments
				Min	Max	Min	Max		Min	Max	
SUBSIDIZED ACTIVE ADULT											
Centennial Apartments 120 N Spring Luverne	54	1	50 - 1BR 4 - 2BR	680 905		30% of Income 30% of Income		N/A N/A	N/A N/A		50+ or disabled. Smoke free, across the street from the Senior Center, garden, courtyard, maximum of two adults per unit.
MARKET RATE ACTIVE ADULT											
Tuff Apartments 406 & 413 S Elizabeth Ave Hills	9	1	5 - 1BR 4 - 2BR	N/A N/A		\$446 - \$472 \$500 - \$522		\$459 \$511	N/A N/A		50+, ambulatory, capable of self-care. Meals provided for an extra fee, electricity and heat paid, small gardening areas, storage area provided, individually controlled heating.
MARKET RATE CONGREGATE											
The Oaks Good Samaritan Society 203 Oak Dr Luverne	28	0	8 - 1BR 10 - 1 BR Dlx 10 - 2 BR	565 630 889		\$1,474 \$1,632 \$1,937		\$1,474 \$1,632 \$1,937	\$2.61 \$2.59 \$2.18		Individual temperature control, appliances and window treatments, utilities included, step-in shower with seat and grab bars, emergency pull cord for assistance. Housekeeping once a week, linens laundered once a week, lunch daily
MARKET RATE ASSISTED LIVING											
Poplar Creek Estates Good Samaritan Society 201 Oak Dr Luverne	24	0	20 - 1BR 4 - 2BR	465 - 485 665		\$2,586 \$3,054		\$2,586 \$3,054	\$5.33 - \$5.56 \$4.59 -		Basic utilities, 24-hour staff, housekeeping, laundry service, activities, 3 meals per day, senior companions. Additional service available for a fee - home healthcare, salon and barbershop, meals for guests, guest room.
Tuff Village 301 County Road 6 Hills	25	0	18 - 1BR 7 - 2BR	N/A N/A		\$1,490 - \$2,250 \$1,770 - \$2,560		\$1,870 \$2,165	N/A N/A		Appliances included, utilities paid, weekly housekeeping, weekly laundry service, use of wellness area, medication management, care available 24 hours a day. Additional services for a fee - bathing/grooming assistance, transportation, medical assistance. Second occupant, \$615/month
Country Living Cottages 200 W 7th st Adrian	10	0	10 - 1BR	N/A		\$2,700		\$2,700	N/A		Meals included, planned activities, staffed 24-hours a day, laundry and housekeeping, on-site beauty salon, transportation, studio units with bathroom/walk-in shower, shared living room, kitchen, dining room and activity room
Sunrise View 603 Louisiana Ave Adrian	13	10	13 - EFF	N/A		Service Based		N/A	N/A		Remodeled from a skilled nursing facility, 13 more units are under renovation.
MEMORY CARE											
Country Living Cottages 200 W 7th st Adrian	10	0	10 - 1BR	N/A		3,200		\$3,200	N/A		Staffed and secured 24-hours a day, meals included, planned activities, laundry and housekeeping, on-site beauty salon, transportation, studio units with bathroom/walk-in shower, shared living room, kitchen, dining room and activity room
Total	173	12	7% Vacancy Rate								

Sources: Maxfield Research and Consulting, LLC

SENIOR HOUSING ANALYSIS

Table S-2 provides information on the amenities available at senior projects in the Market Area where available.

- As seen in the table, as the service level increases, the number of amenities and services increase. The Active Adult projects offer few services, if any services, or residents can add-on services such as meals. However, if residents choose congregate living, or a higher service level, they are likely to receive services such as meals, schedule activities, housekeeping and laundry services.
- The most common building amenity was a common room, followed by a dining room.
- Most projects were air conditioned and provided residents with a common washer and dryer.

SENIOR HOUSING ANALYSIS

**TABLE SH-2
UNIT FEATURES/BUILDING AMENITIES/SERVICES
EXISTING SENIOR HOUSING
LIVERNE MARKET AREA
JUNE 2016**

	Unit Features					Building Amenities								Services					Utilities			
	A/C	Dishwasher	Microwave Oven	W/D	Walk-in Closet	Balcony/Patio	Community Rm.	Dining Rm.	Craft/Hobby Rm.	Library	Computer Ctr.	Storage Lockers	Exercise Rm.	Garage Parking	Guest Suite	Transportation	Activities	Laundry		Housekeeping	Meals	
ACTIVE ADULT																						
Centennial Apartments	Y	N	N	Y	N	N	Y	N	N	N	N	N	N	N	N	N	N	Y	N	N	N	Electric, heat, sewer, water, trash paid
	Wall			Common																		
Tuff Apartments	Y	N	N	Y	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	N	Y		Electric & heat paid
	Wall			Common																For fee		Gardening areas
CONGREGATE																						
The Oaks	Y	Y	N	Y	N	N	Y	Y	Y	Y	N	N	Y	Y	Y	N	Y	N	Y	Y		Basic utilities included
	Wall			Common										DG						1/wk	1/day	
ASSISTED LIVING																						
Tuff Village	N	Y	N	N	N	Y	Y	N	N	N	N	N	Y	Y	N	Y	N	Y	Y	Y		Utilities paid, except phone
														DG						1/wk	1/wk	
Poplar Creek	Y	N	Y	N	S	Y	Y	Y	N	N	N	N	N	N	Y	N	Y	Y	Y	Y		Tenant pays phone
	Cent.																			3/day		
Country Living Cottages	Y	N	Y	Y	Y	N	Y	Y	N	N	N	N	N	N	N	Y	Y	Y	Y	Y		
	Cent.			Common																1/wk	1/wk	3/day
Sunrise View	Y	N	N	Y	N	N	Y	Y	N	N	N	N	N	N	N	Y	Y	Y	Y	Y		
	Cent.			Common																		
MEMORY CARE																						
Country Living Cottages	Y	N	Y	N	Y	N	Y	Y	N	N	N	N	N	N	N	Y	Y	Y	Y	Y		
	Cent																			1/wk	1/wk	3/day
Y = Yes; N = No; S = Some; O = Optional, A = Attached Garage; DG = Detached Garage; U = Underground Parking																						
Source: Maxfield Research & Consulting, LLC																						

SENIOR HOUSING ANALYSIS

Table S-3 provides a summary of the senior housing products by type.

- As shown in the table, assisted living has the most number of units in the Market Area, accounting for 42% of all senior housing units. While memory care only makes up 6% of the senior housing units in the Market Area.
- There are 63 active adult units in the Market Area, comprising 36% of the senior housing units. However, 54 of the active adult units are contained in a single subsidized project.

TABLE S-3 SENIOR HOUSING UNITS BY TYPE PRIMARY MARKET AREA JUNE 2016					
Active Adult/Few Services					
<u>Ownership</u>	<u>MR Rental</u>	<u>AFF/Sub. Rental</u>	<u>Congregate</u>	<u>Assisted Living</u>	<u>Memory Care</u>
0	9	54	28	72	10

Source: Maxfield Research & Consulting, LLC

Select Senior Properties



Poplar Creek Estates, Good Samaritan Society



The Oaks, Good Samaritan Society



Mary Jane Brown Homes, Good Samaritan Society



Minnesota Veterans Home



Centennial Apartments

Introduction

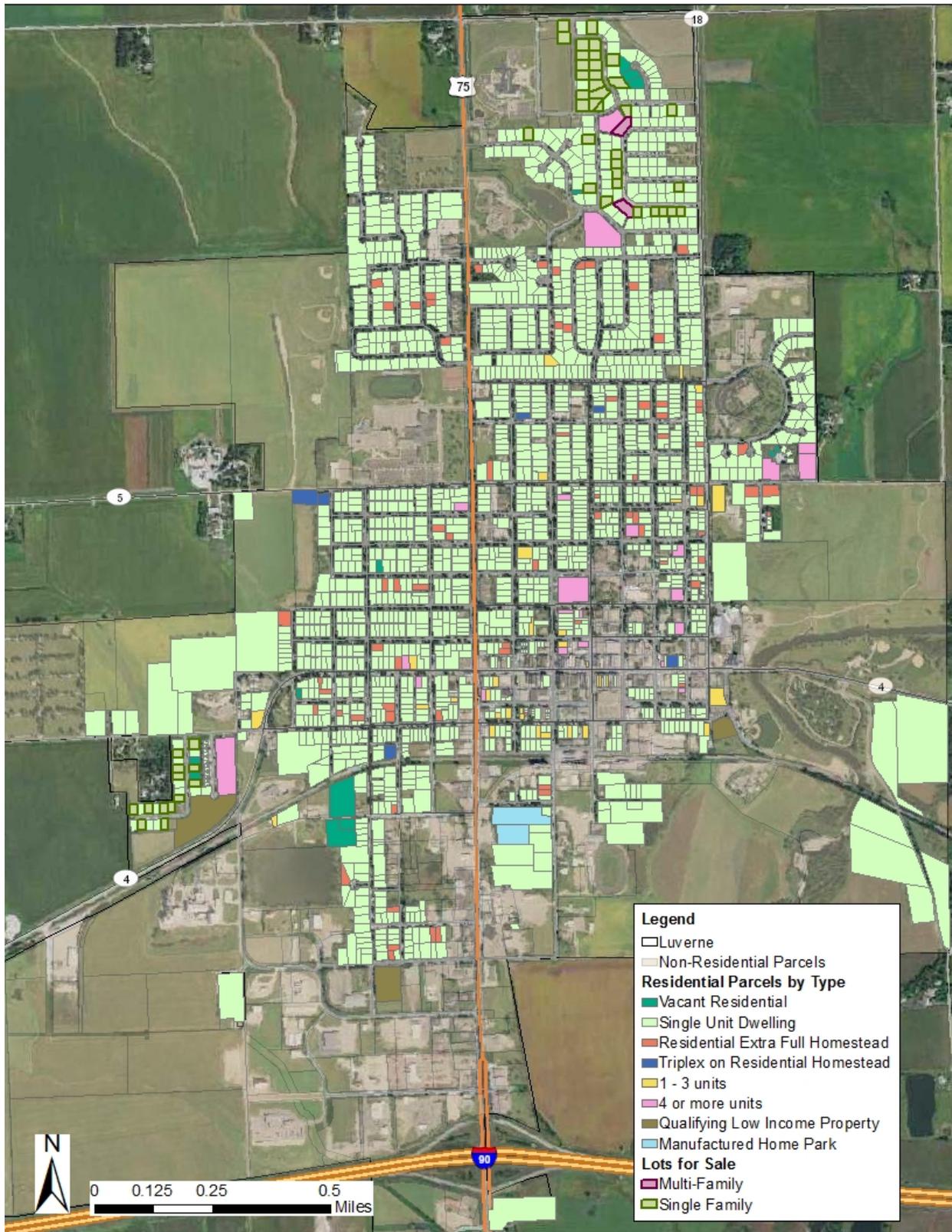
Maxfield Research and Consulting LLC analyzed the for-sale housing market in Luverne by analyzing data on single-family and multifamily home sales and active listings, identifying active subdivisions and pending for-sale developments; and conducting interviews with local real estate professionals, builders,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

Overview of Existing Residential Housing Conditions

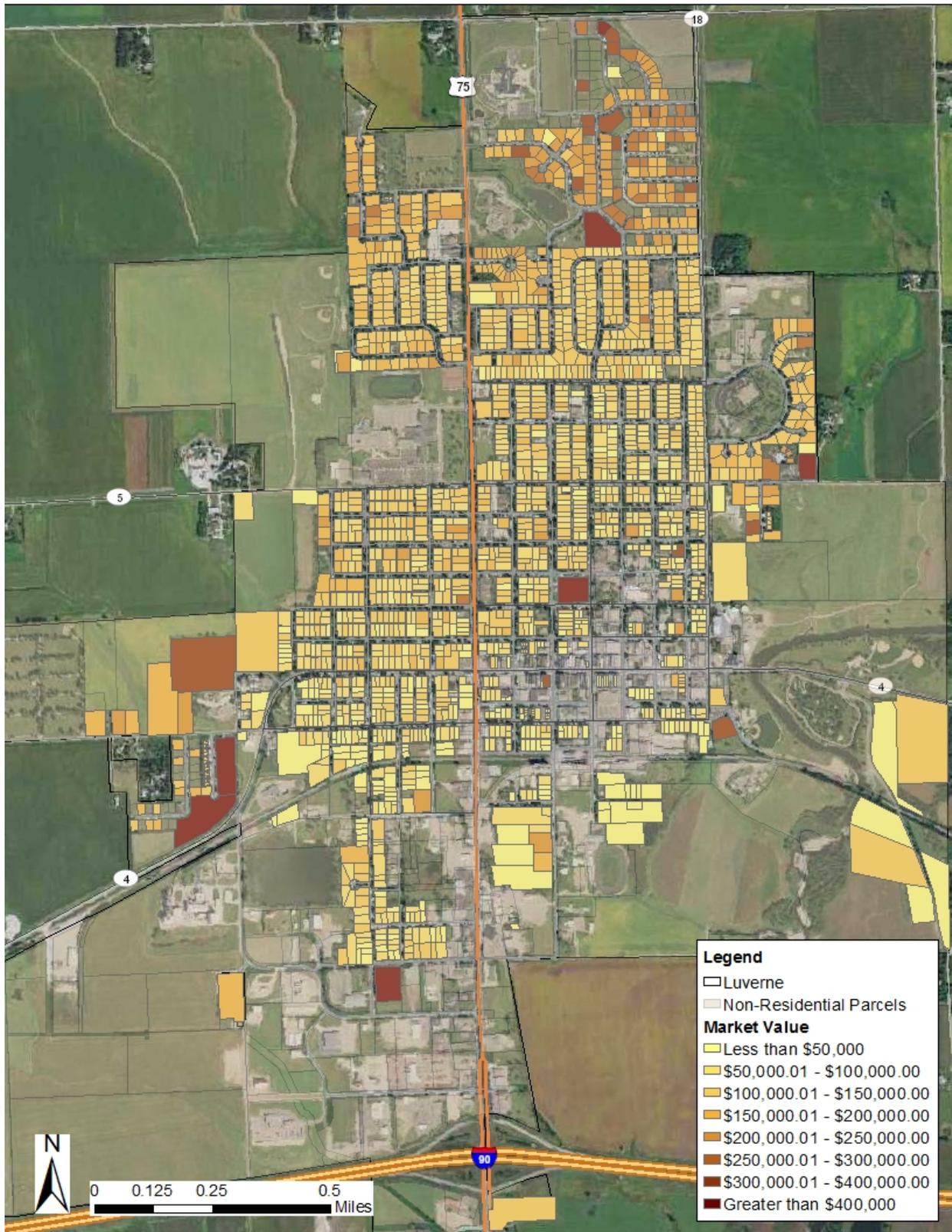
The following maps provide information on the type of housing stock available in Luverne and the value of residential properties.

- The Residential Property by Type map shows that the majority of residential parcels in Luverne are single family housing units. There are several multi-family properties mixed within the single family homes.
- Residential development is most pronounced north of Main Street, with new development occurring in on the northern and western edges of the city, as indicated by the lots currently for sale.
- The Market Value of residential properties shows that many of the residential properties have a market value below \$150,000.
- In the north is a cluster of higher valued residential development, with a recorded market value between \$200,000 and \$400,000.

Residential Properties by Type, Luverne, Minnesota



Residential Properties by Market Value, Luverne, Minnesota



Overview of For-Sale Housing Market Conditions

Table FS-1 presents home resale data on residential sales containing less than four units in Rock County from 2005 through April 2016 data shows annual number of sales and median and average pricing. The following are key points observed from our analysis of this data.

- The total number of sales per year has hovered near 100 each year from 2005 to 2015. Sales reached a low point in 2008, numbering 88, likely reflecting the impact of the Great Recession. Between 2008 and 2015 sales have risen each year, peaking in 2015 at 153. Again, this is evidence of the larger trend of an improving economy and housing market.

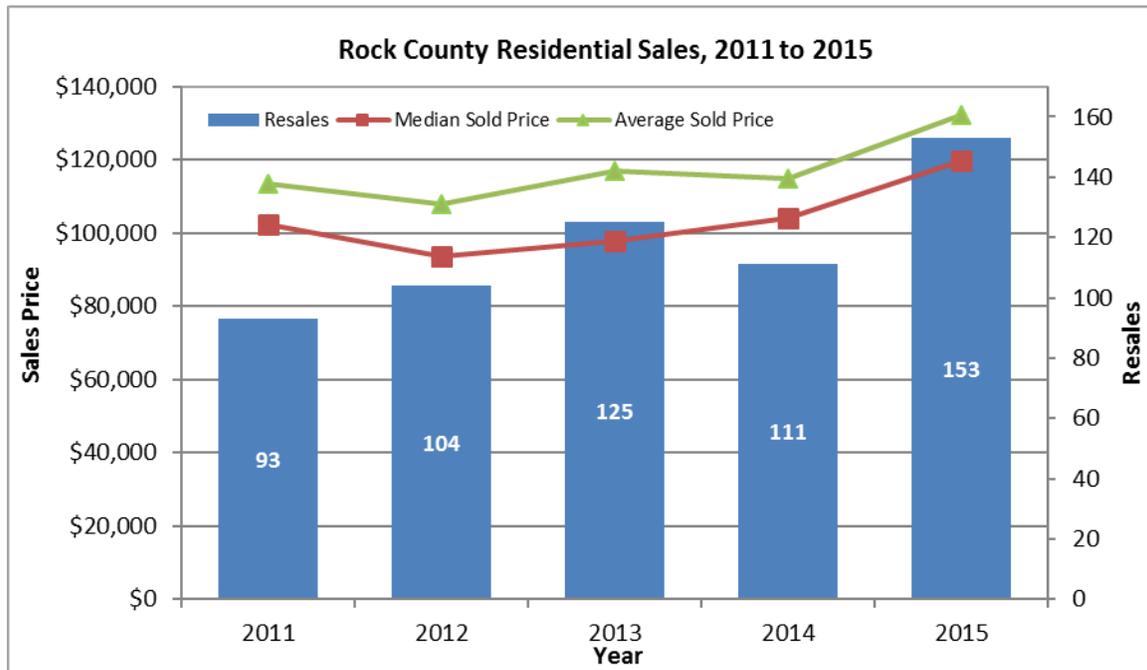
TABLE FS-1 RESIDENTIAL REALES ROCK COUNTY 2010 through 2016 ¹					
Year	Number of Sales	Median Sales Price	% Chg.	Average Sales Price	% Chg.
Rock County					
Residential Sales Less than 4 Units					
2005	125	\$79,900		\$89,864	
2006	95	\$80,000	0.1%	\$93,572	4.1%
2007	110	\$85,900	7.4%	\$91,669	-2.0%
2008	88	\$94,000	9.4%	\$101,890	11.2%
2009	98	\$82,250	-12.5%	\$103,646	1.7%
2010	89	\$88,950	8.1%	\$101,852	-1.7%
2011	93	\$102,500	15.2%	\$113,398	11.3%
2012	104	\$93,625	-8.7%	\$107,812	-4.9%
2013	125	\$98,000	4.7%	\$116,865	8.4%
2014	111	\$104,000	6.1%	\$114,763	-1.8%
2015	153	\$119,900	15.3%	\$132,126	15.1%
2016 ¹	18	\$127,950		\$124,858	
11' - 15'					
Pct. Change		17.0%		16.5%	
Average		117	\$103,605	\$116,993	
¹ Through April 2016					
Source: Rock County ; Maxfield Research and Consulting LLC					

- The median and average single family sales prices were lowest in 2005, median resales earned \$79,900 and the average sales price was \$89,864. Since 2005, sales prices have risen, reaching their highest point in 2015 with a median sales price of \$119,900 and an average of \$132,126.
- Resale prices experienced their biggest decline from 2008 to 2009 when the median sales price fell by 12.5%. However, resale prices recovered quickly, exceeding the 2009 median

FOR SALE MARKET ANALYSIS

sales price by 2011 when the median price reach \$102,500. Prices have continued to fluctuate but have remained above the 2009 median price.

- From 2011 to 2015 median and average sale prices have experienced year to year fluctuations, but as the chart below shows, prices have trended upward over the last five years. Median sales price has risen 17% and average the sales price rose 16.5% from 2011 to 2015.



Current Supply of Homes on the Market

To more closely examine the current market for available owner-occupied housing in the Luverne Market Area, we reviewed the current supply of homes on the market (listed for sale). Table FS-2 shows homes currently listed for sale in the Luverne PMA in eight price ranges. The data was provided by the is based on active listings in May 2016. Table FS-2 shows listings by property type and pricing.

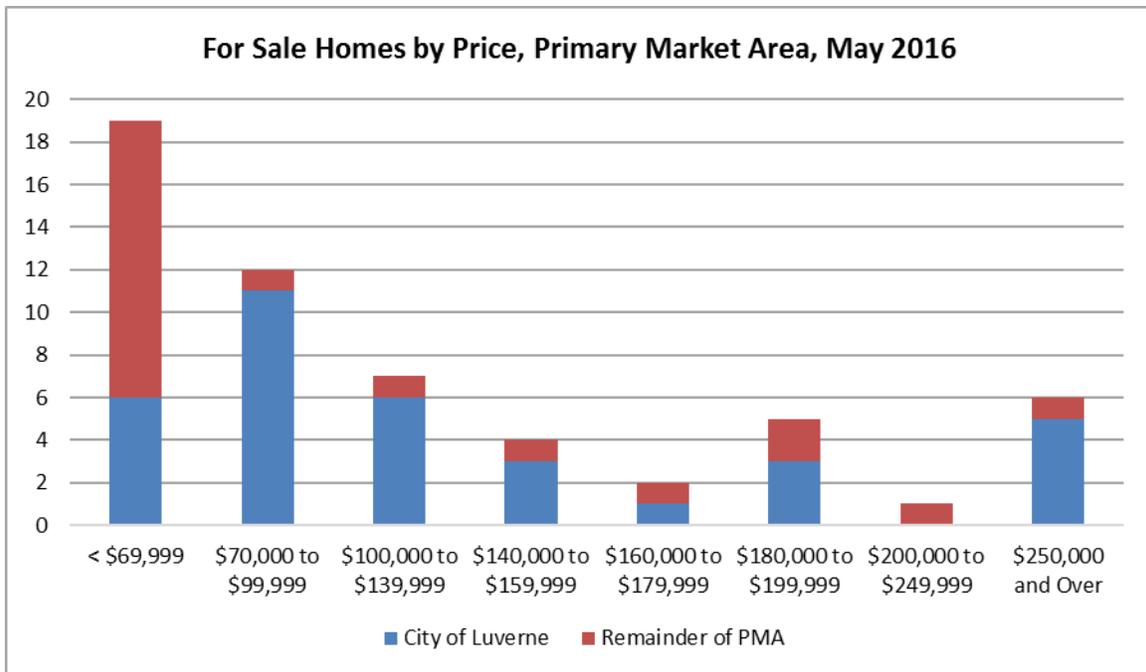
- As of May 2016, there were 35 homes listed for sale in Luverne and 21 homes listed in the Remainder of the Market Area.
- The median list price in Luverne for a single-family home is \$114,900 and \$62,900 in the Remainder of the Marker Area. The median sale price is generally a more accurate indicator 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

- Based on a median list price of \$114,900, the income required to afford a home at this price would be about \$32,829 to \$38,300, 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 63% of Luverne households have annual incomes at or above \$35,000.
- About 66% of homes for sale in the City of Luverne are priced under \$140,000; and 48.6% are priced under \$100,000. There were only five homes, 14.3%, for sale in Luverne with an asking price over \$250,000.
- In the Remainder of the Market Area, about 62% of homes were listed under \$70,000. These lower priced homes accounted for a significantly higher share of for-sale homes in the Remainder of the Market Area compared to the City of Luverne.

Price Range	City of Luverne		Remainder of PMA		Market Area Total	
	Single-Family		Single-Family		Single-Family	
	No.	Pct.	No.	Pct.	No.	Pct.
< \$69,999	6	17.1%	13	61.9%	19	33.9%
\$70,000 to \$99,999	11	31.4%	1	4.8%	12	21.4%
\$100,000 to \$139,999	6	17.1%	1	4.8%	7	12.5%
\$140,000 to \$159,999	3	8.6%	1	4.8%	4	7.1%
\$160,000 to \$179,999	1	2.9%	1	4.8%	2	3.6%
\$180,000 to \$199,999	3	8.6%	2	9.5%	5	8.9%
\$200,000 to \$249,999	0	0.0%	1	4.8%	1	1.8%
\$250,000 and Over	5	14.3%	1	4.8%	6	10.7%
Total	35	100%	21	100%	56	100%
Median	\$114,900		\$62,900		\$99,900	
Average	\$134,529		\$114,800		\$127,130	

Sources: Realtor Association of the Sioux Empire, Inc; Maxfield Research and Consulting LLC



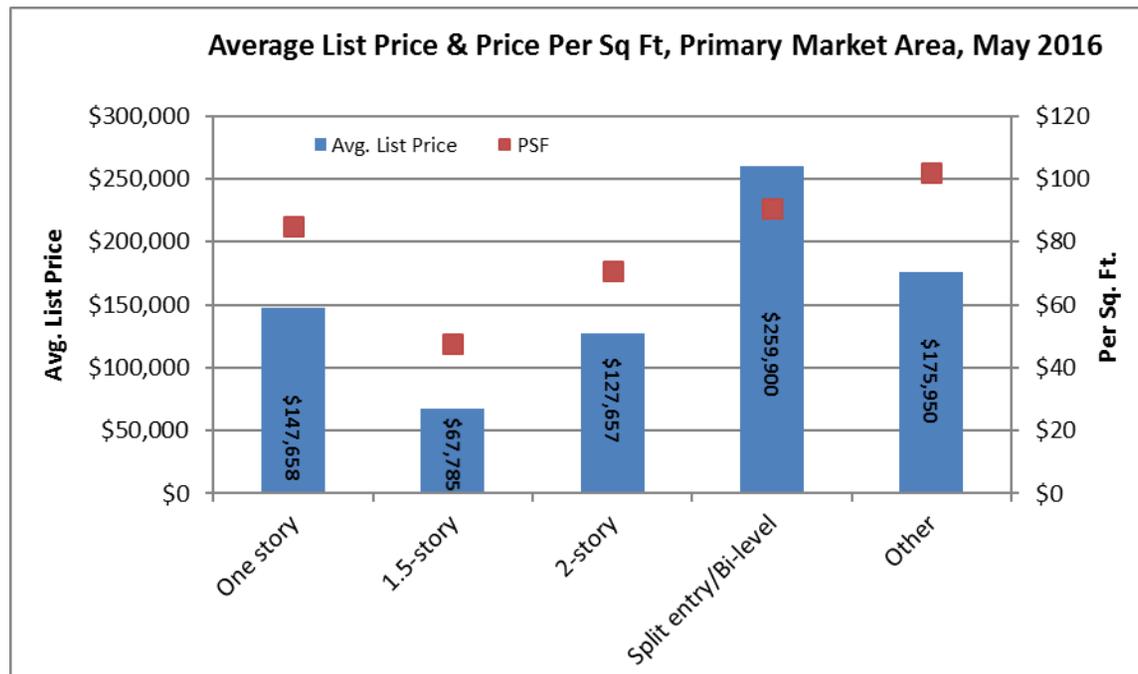
- One story homes accounted for 46.4% of the active single-family listings in the City of Luverne with an average list price of \$147,658, and an average age of 1961. One story homes are often categorized as ramblers or ranch style housing.
- Two story and 1.5 story homes were the next most common listing in the Market Area, representing 25% and 23.2% of the Market Area respectively. These homes as a much older average age, 1.5-story homes had an average age of 1916 and two-story homes had an average of 1918. Both property types also advertised a lower asking price. Two-story homes had an average list price of \$127,657, while 1.5-story homes averaged \$67,785.

FOR-SALE MARKET ANALYSIS

**TABLE FS-3
ACTIVE LISTINGS BY HOUSING TYPE
May 2016**

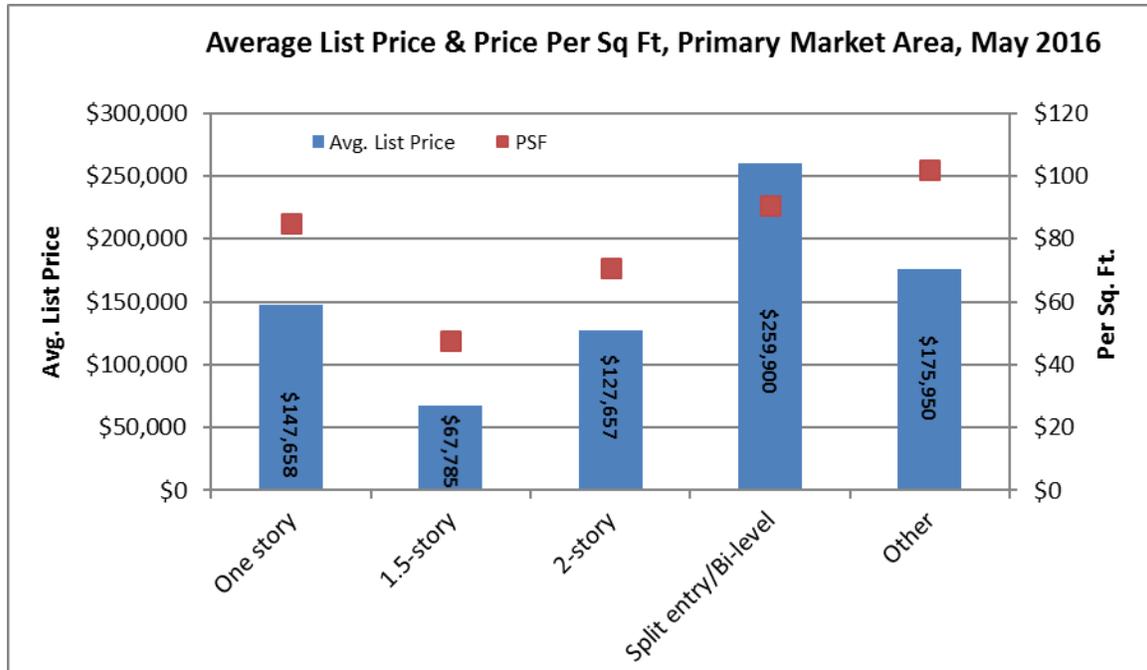
Property Type	Listings	Pct.	Avg. List Price	Avg. Size (Sq. Ft.)	Avg. List Price Per Sq. Ft.	Avg. Bedrooms	Avg. Bathrooms	Avg. Age of Home
Single-Family								
One story	26	46.4%	\$147,658	1,742	\$85	2.8	2.0	1961
1.5-story	13	23.2%	\$67,785	1,423	\$48	3.1	1.2	1916
2-story	14	25.0%	\$127,657	1,799	\$71	3.6	2.2	1918
Split entry/Bi-level	1	1.8%	\$259,900	2,872	\$90	4.0	2.0	1974
Other	2	3.6%	\$175,950	1,725	\$102	2.5	2.5	1961
Total	56	100.0%	\$127,130	1,701	\$75	3.1	1.9	1940

Sources: Realtor Association of the Sioux Empire, Inc; Maxfield Research and Consulting LLC



FOR-SALE MARKET ANALYSIS

- The price per square foot was highest for other properties (\$102) and Split Entry/Bi-Level homes (\$90). However, the limited number of listings in these categories limit the ability to compare this information. For those properties with more listings, one-story homes list the highest price per square foot at \$85.



Lot Supply

Maxfield Research identified six newer subdivisions in Luverne with lots available. Please note; this does not include scattered, infill lots.

- There are 42 vacant lots combined within the Luverne subdivisions available for new construction, 41 are single family lots and there is one multifamily lot within the Evergreen Second Addition subdivision.
- The lots are marketed by the City of Luverne with an average cost ranging from \$5,000 within the Sybesma Subdivision to \$34,333 for the Manfred Heights Subdivision for single family lots. The multi-family lots are marketed for \$34,500.
- The average size of marketing single family lots ranges from .21 acres in the Evergreen Subdivision to .50 acres in the Manfred Heights Additions. There are a total of 15.8 acres available for residential development in the six newer subdivisions.
- The average market value of homes in the actively marketing subdivision begins at \$167,817 within the Sybesma Subdivision. The markets values in the Evergreen, Evergreen Second

FOR-SALE MARKET ANALYSIS

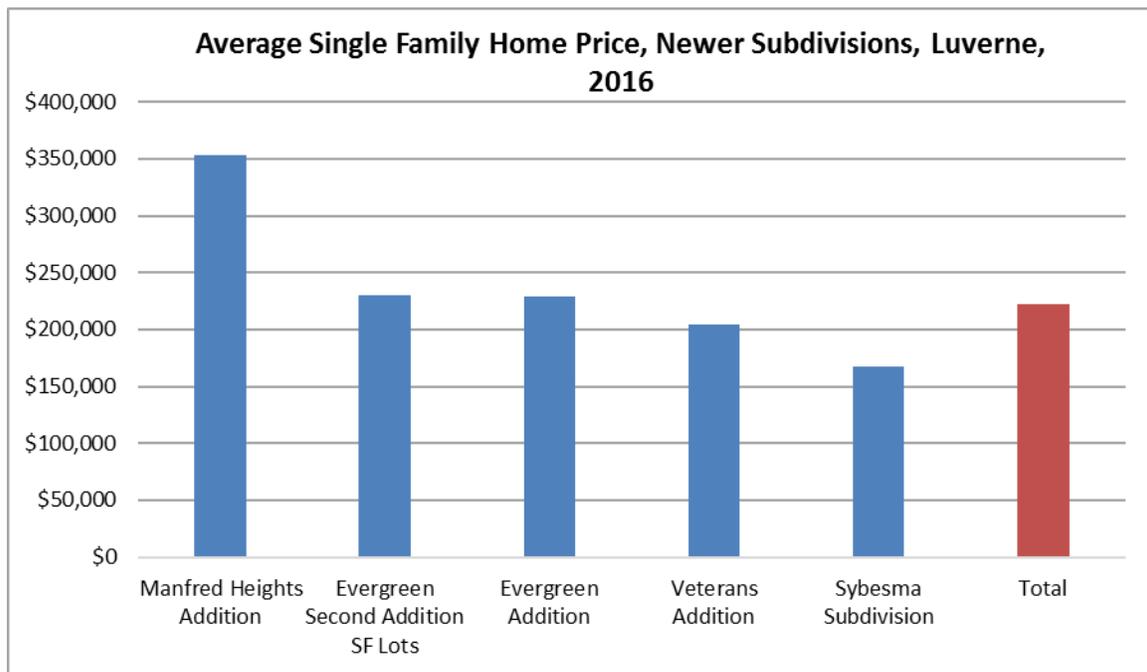
and Veterans subdivisions are relatively comparable, ranging from about \$205,000 to \$230,000. The Manfred Subdivision experiences a considerable jump in market values, with an average of \$353,640.

- The city offers a \$2,500 credit per person on the price of the lot (except the Manfred Heights Addition) through the Residential Lot Incentive Program, with a maximum credit of \$12,500 per household (\$5,000 in Sybesma).

**TABLE FS-4
LOT SUPPLY WITHIN NEWER SUBDIVISIONS IN LUVERNE
As of August 2016**

Subdivision/location	No. of Lots	Vacant Lots	Average Lot Size (Acres)	Lot Size Range	Lot Costs (Avg.)		Home Price (Avg.)
					Assessed	Marketing	Assessed
Manfred Heights Addition	29	18	0.39	0.28 - 0.50	\$32,533	\$34,333	\$353,640
Evergreen Second Addition SF Lots	55	10	0.25	0.24 - 0.28	\$13,080	\$24,000	\$230,473
Evergreen Second Addition MF Lots	2	1	0.58	0.57 - 0.58	\$19,850	\$34,500	\$0
Evergreen Addition	53	3	0.29	0.21 - 0.34	\$14,600	\$15,750	\$229,245
Veterans Addition	33	1	0.32	0.32 - 0.32	\$13,100	\$10,000	\$204,293
Sybesma Subdivision	28	9	0.24	0.22 - 0.32	\$8,692	\$5,000	\$167,817
Total	204	42	0.32	0.21 - 0.58	\$19,396	\$22,188	\$222,147

Source: City of Luverne, Rock County, Maxfield Research and Consulting LLC



Lots for Sale, Luverne, June 2016



Mobile Home Parks

Maxfield Research identified one mobile home park within the city; Maple Aire Acres.

- There are 29 units in Maple Aire Acres, some of the units are owner occupied, while others are owned by the property owner and rented to tenants.
- Owner occupied units pay \$140 to \$180 per month for the site. Renters pay \$350 to \$475 a month for their units.
- Maple Aire Acres has no vacancies. The property owner regularly receives calls from prospective tenants, but is almost always at capacity.

Real Estate Agent/Builder Interviews

Maxfield Research and Consulting LLC interviewed real estate agents, home builders, and other professionals familiar with Luverne's owner-occupied market to solicit their impressions of the for-sale housing market in the community. Key points are summarized by topic as follows.

Market Overview

- Overall the for-sale market in the city was described as strong, with housing prices remaining in line with market values. In general, the housing inventory consists of an older housing stock with prices ranging from \$140,000 to \$180,00.
- The Luverne housing market can generally be described as follows:
 - Entry-level: less than \$125,000
 - Move-Up: \$125,00 to \$250,00
 - Executive: \$250,00 and up
- In the last year, the average sales price of listed homes was \$123,871. These homes were on the market for an average of 151 days. In the last six months, homes have been selling in 60 to 120 days.
- Sellers are putting their homes on the market for a variety of reasons, including downsizing, moving out of the area and moving to a larger home for a growing family.
- Realtors reported a need for additional association maintained housing, such as twin homes or duplexes, targeted to seniors and empty nesters. Seniors are looking to downsize or move into town from a farm, but have a hard time finding the right product.

FOR-SALE MARKET ANALYSIS

- Some younger buyers are also looking for townhomes or condominiums to purchase. They prefer newer building and units, but there is no supply of this product type in Luverne.
- Buyers in the single family market are generally looking for three bedrooms, a main floor laundry and a two or three stall garage.
- Buyers tend to target the northeast section of the city where homes are newer and neighborhoods close to the school.
- Realtors reported very little new construction activity of single family homes in Luverne.

New Construction

- Developers in Luverne find that there is growing demand for duplex/triplex/twinhomes. These homes are association maintained, offering a maintenance free lifestyle. Buyers in these development tend to be empty nester or retirees.
- Over the next five years, developers expect the market for duplexes to grow. Developers also believe that the proximity to Sioux Falls will encourage residential growth. This growth could come from retirees who desire to leave Sioux Falls, which could encourage growth in the duplex and other maintenance free living options. Additional growth in the single family market is possible as families choose Luverne over Sioux Falls.
- New construction is difficult to develop for under \$200,000. However, price is effected by the optional choices buyer make on the quality of flooring, cabinets, windows and other features.
- The average price per square feet for new construction begins at \$1.50 and rise from there.

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: Rock County 4-person AMI = \$60,400 (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.

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 are 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.

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 Rock 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 & DEVELOPMENT COSTS

**TABLE HA-1
MHFA/HUD INCOME AND RENT LIMITS
ROCK 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	\$13,410	\$15,330	\$17,250	\$19,140	\$20,700	\$22,230	\$23,760	\$25,290
50% of median	\$22,350	\$25,550	\$28,750	\$31,900	\$34,500	\$37,050	\$39,600	\$42,150
60% of median	\$26,820	\$30,660	\$34,500	\$38,280	\$41,400	\$44,460	\$47,520	\$50,580
80% of median	\$35,760	\$40,880	\$46,000	\$51,040	\$55,200	\$59,280	\$63,360	\$67,440
100% of median	\$44,700	\$51,100	\$57,500	\$63,800	\$69,000	\$74,100	\$79,200	\$84,300
120% of median	\$53,640	\$61,320	\$69,000	\$76,560	\$82,800	\$88,920	\$95,040	\$101,160
Maximum Gross Rent								
	EFF	1BR	2BR	3BR	4BR			
30% of median	\$335	\$383	\$431	\$478	\$517			
50% of median	\$558	\$638	\$718	\$797	\$862			
60% of median	\$670	\$766	\$862	\$957	\$1,035			
80% of median	\$894	\$1,022	\$1,150	\$1,276	\$1,380			
100% of median	\$1,117	\$1,277	\$1,437	\$1,595	\$1,725			
120% of median	\$1,341	\$1,533	\$1,725	\$1,914	\$2,070			
Fair Market Rent								
	EFF	1BR	2BR	3BR	4BR			
Fair Market Rent	\$418	\$492	\$658	\$944	\$961			

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

HOUSING AFFORDABILITY & DEVELOPMENT COSTS

**TABLE HA-2
MAXIMUM RENT BASED ON HOUSEHOLD SIZE AND AREA MEDIAN INCOME
ROCK 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	\$335	- \$335	\$559	- \$559	\$671	- \$671	\$894	- \$894	\$1,118	- \$1,118	\$1,341	- \$1,341
1BR	1	2	\$335	- \$383	\$559	- \$639	\$671	- \$767	\$894	- \$1,022	\$1,118	- \$1,278	\$1,341	- \$1,533
2BR	2	4	\$383	- \$479	\$639	- \$798	\$767	- \$957	\$1,022	- \$1,276	\$1,278	- \$1,595	\$1,533	- \$1,914
3BR	3	6	\$431	- \$556	\$719	- \$926	\$863	- \$1,112	\$1,150	- \$1,482	\$1,438	- \$1,853	\$1,725	- \$2,223
4BR	4	8	\$479	- \$632	\$798	- \$1,054	\$957	- \$1,265	\$1,276	- \$1,686	\$1,595	- \$2,108	\$1,914	- \$2,529

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 Rock County AMI is \$60,400 (2016)

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

Housing Cost Burden

Table HA-3 shows the number and percentage of owner and renter households in the Market Area that pay 30% or more of their gross income for housing, with a comparison to Peer Cities and Minnesota. 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.

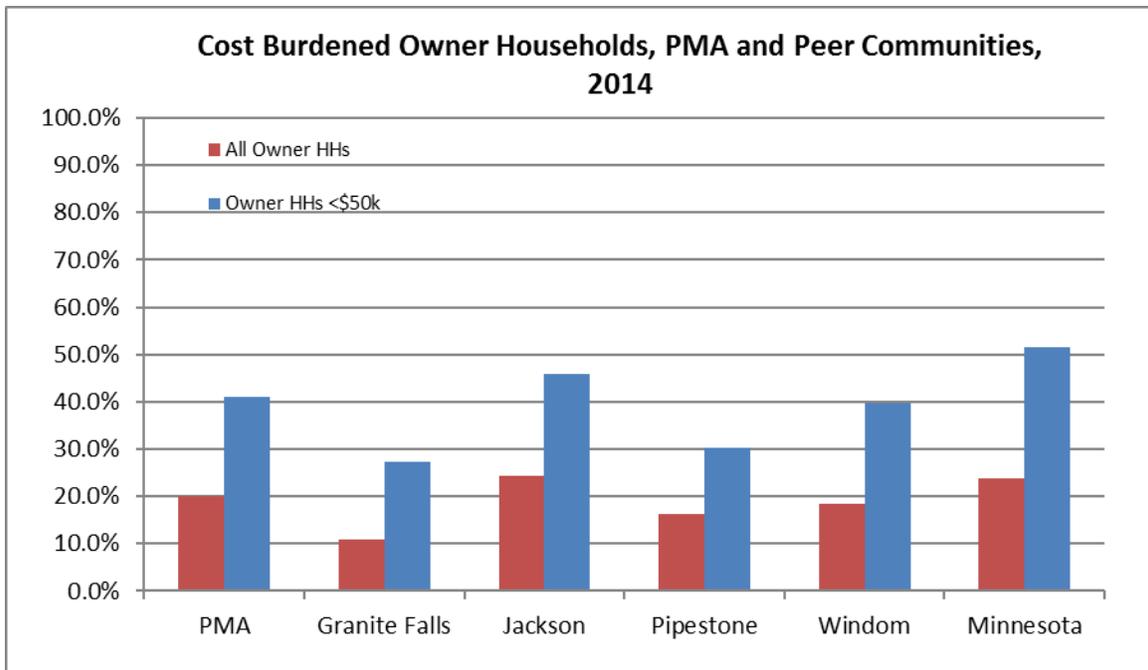
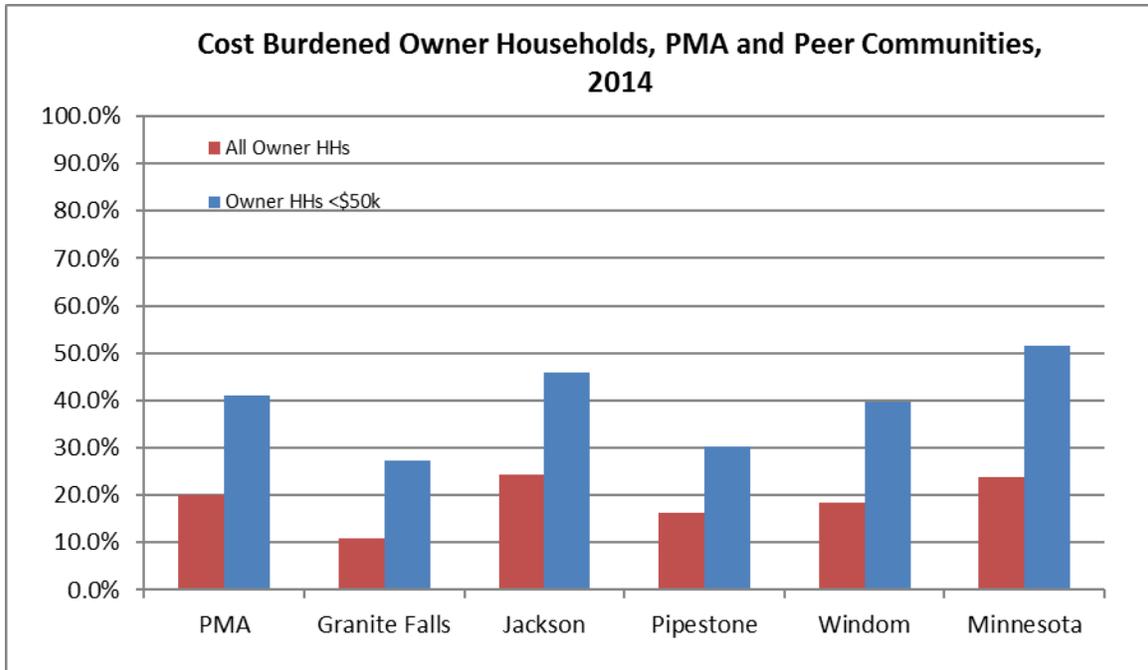
Key findings from Table HA-3 follow.

- Among all owner households, 20.1% of owner households in the PMA are cost burdened compared to 45.2% of all renter households. The proportion of cost burdened households in the Market is lower than the proportion statewide where 23.7% of owner households and 49.1% of renter households are considered cost burdened.
- The number of cost burdened households increases when the population is limited to households with lower incomes. Among owner households with incomes less than \$50,000, 41.1% of households are considered costs burdened, while 69.4% of renter households with incomes below \$35,000 are costs burdened.
- The proportion of cost burdened households in the Market Area falls in the middle of comparable peer cities, where the proportion cost burdened owner households range from 10.9% in Granite Falls to 24.2% in Jackson and the proportion of cost burdened renter households ranges from 41.1% in Pipestone to 64.9% in Windom.

HOUSING AFFORDABILITY & DEVELOPMENT COSTS

TABLE HA-3
HOUSING COST BURDEN
PRIMARY MARKET AREA AND PEER CITIES
2014

Community	PMA		Granite Falls		Jackson		Pipestone		Windom		Minnesota	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Owner Households												
All Owner Households	3,960		782		1,011		1,145		1,417		1,525,201	
Cost Burden 30% or greater	790	20.1%	85	10.9%	242	24.2%	185	16.2%	261	18.4%	360,187	23.7%
Owner Households w/ incomes <\$50,000	1,711		290		510		532		658		459,805	
Cost Burden 30% or greater	692	41.1%	79	27.2%	228	45.8%	159	30.2%	261	39.7%	233,629	51.6%
Renter Households												
All Renter Households	1,118		390		538		713		607		590,136	
Cost Burden 30% or greater	434	45.2%	181	46.9%	203	42.9%	272	41.1%	379	64.9%	272,161	49.1%
Renter Households w/ incomes <\$35,000	673		246		339		486		528		319,421	
Cost Burden 30% or greater	409	69.4%	181	74.8%	203	67.4%	266	61.1%	361	69.3%	230,234	77.7%
Median Contract Rent ¹	\$424		\$504		\$443		\$442		\$444		\$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

There are no Section 8 properties in the City of Luverne. The HRA considered the Section 8 program, but found that there was not a need for Section 8 housing in the city.

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 the Luverne Market Area. The table estimates the percentage of Luverne Market Area householders that can afford rental and for-sale housing based on a 30% allocation of income to housing. Housing costs are based on averages in Luverne.

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 3.75% 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.

- About 80% of Luverne PMA households could afford to buy an entry-level home (\$80,000). The move-up market in Luverne, with houses offered at \$150,00, is affordable to 66.5% of PMA households. Executive level homes (\$250,000) are affordable to 43.5% of the households in the PMA.
- Narrowing the population to owner households increases the proportion of the population who are able to afford single family homes. The move up market is affordable to 72% of existing homeowners and the executive market is affordable to 50.2% of homeowners.
- The for sale townhomes/twinhomes/condos can provide ownership opportunities to a greater proportion of households. Entry level townhomes are affordable to 87.7% of all households and executive level townhomes are affordable to 48.7% of all households.

HOUSING AFFORDABILITY & DEVELOPMENT COSTS

- Based on Relator and builder interviews, the for sale twinhomes market is in demand by empty nest and senior households in the market for maintenance-free living. These households are likely to be current homeowners. Entry level twinhomes are affordable to 93.1% of current owner households, while the executive level twinhomes market is affordable to 55.6% of owner households.
- The existing rental market, with one, two and three-bedroom units, is affordable to over 80% of households in the Market Area and more than 55% of existing renter households.
- New rental development would be more expensive, reducing the proportion of households who are able to afford the proposed rents. Among all households, one bedroom new rentals would be able affordable to 74.1% of households and three-bedrooms would be available to 57.4% of households.
- However, when the population is limited to current renter households, one-bedroom units become affordable to just 48.2% of renter households and three-bedroom units are affordable to only 29.6% of renter households.
- The minimum income requirements to afford existing rental housing is between \$19,331 to \$22,900, which is more than the minimum income of \$18,805 required to enter the for-sale market with an entry level home priced at \$80,000. This provides the opportunity for many households in Luverne to be owner households. However, credit score and down payment requirements will limit the ability of some renters to enter the for-sale market.

HOUSING AFFORDABILITY & DEVELOPMENT COSTS

TABLE HA-4 LIVERNE 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	\$80,000	\$150,000	\$250,000	\$50,000	N/A	\$220,000
Pct. Down Payment	10.0%	10.0%	10.0%	10.0%	N/A	10.0%
Total Down Payment Amt.	\$8,000	\$15,000	\$25,000	\$5,000	N/A	\$22,000
Estimated Closing Costs (rolled into mortgage)	\$2,400	\$4,500	\$7,500	\$1,500	N/A	\$6,600
Cost of Loan	\$74,400	\$139,500	\$232,500	\$46,500	N/A	\$204,600
Interest Rate	3.750%	3.750%	3.750%	3.750%	N/A	3.750%
Number of Pmts.	360	360	360	360	N/A	360
Monthly Payment (P & I)	-\$345	-\$646	-\$1,077	-\$215	N/A	-\$948
(plus) Prop. Tax	-\$67	-\$125	-\$208	-\$42	N/A	-\$183
(plus) HO Insurance/Assoc. Fee for TH	-\$27	-\$50	-\$83	-\$100	N/A	-\$100
(plus) PMI/MIP (less than 20%)	-\$32	-\$60	-\$101	-\$20	N/A	-\$89
Subtotal monthly costs	-\$470	-\$881	-\$1,469	-\$377	N/A	-\$1,320
Housing Costs as % of Income	30%	30%	30%	30%	N/A	30%
Minimum Income Required	\$18,805	\$35,260	\$58,766	\$15,087	N/A	\$52,781
Pct. of ALL Luverne HHDS who can afford¹	78.9%	66.5%	43.5%	87.7%	N/A	48.7%
No. of Luverne HHDS who can afford¹	6,358	5,357	3,505	7,067	N/A	3,925
Pct. of Luverne owner HHDS who can afford²	89.2%	72.0%	50.2%	93.1%	N/A	55.6%
No. of Luverne owner HHDS who can afford²	5,820	4,698	3,273	6,074	N/A	3,630
No. of Luverne owner HHDS who cannot afford²	706	1,828	3,253	452	N/A	2,896
Rental (Market Rate)						
	Existing Rental			New Rental		
	1BR	2BR	3BR	1BR	2BR	3BR
Monthly Rent	\$483	\$514	\$573	\$650	\$900	\$1,100
Annual Rent	\$5,799	\$6,162	\$6,870	\$7,800	\$10,800	\$13,200
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$19,331.58	\$20,540	\$22,900	\$26,000	\$36,000	\$44,000
Pct. of ALL Luverne HHDS who can afford¹	84.0%	82.9%	80.8%	74.1%	65.7%	57.4%
No. of Luverne HHDS who can afford¹	6,764	6,678	6,505	5,965	5,293	4,623
Pct. of Luverne renter HHDS who can afford²	62.2%	60.3%	56.6%	48.2%	39.4%	29.6%
No. of Luverne renter HHDS who can afford²	951	922	864	737	601	452
No. of Luverne renter HHDS who cannot afford²	577	606	664	791	927	1,076

¹ Based on 2015 household income for ALL households
² Based on 2014 ACS household income by tenure (i.e. owner and renter incomes. Owner incomes = \$57,708 vs. renter incomes = \$26,223)
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 the Luverne Market Area. This section of the report presents our estimates of housing demand in Luverne 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.

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

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

Housing Demand Overview

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

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

Demographics

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

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

Source: Maxfield Research & Consulting, LLC

RECOMMENDATIONS AND CONCLUSIONS

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

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

Source: Maxfield Research & Consulting, LLC

Economy & Job Growth

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

RECOMMENDATIONS AND CONCLUSIONS

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.

In the wake of the Great Recession, lending tightened forcing some potential buyers to remain on the sidelines. As a result, demand for rental housing increased. However, a loosening of the mortgage requirements is now occurring, enabling more people to enter the home buyer market and take advantage of low interest rates.

Mobility

It is important to note that demand is somewhat fluid between other Southwest Minnesota communities, as well as, communities in South Dakota and Iowa. Demand may be impacted by strong development activity in Sioux Falls.

RECOMMENDATIONS AND CONCLUSIONS

Estimated Demand for For-Sale Housing

Table HD-1 presents our demand calculations for general occupancy for-sale housing in Luverne between 2016 and 2025.

The 65 and older cohort is typically not a target market for new general occupancy for-sale housing, therefore, we limit demand from household growth to only those households under the age of 65. According to our projections, Luverne is not expected to experience an increase in households under the age of 65 between 2016 and 2025.

TABLE HD-1 FOR-SALE HOUSING DEMAND LUVERNE MARKET AREA 2016 to 2025			
Demand from Projected Household Growth			
Projected HH growth under age 65 in the Luverne Market Area 2016 to 2025 ¹		0	
(times) % propensity to own ²	x	75.8%	
(equals) Projected demand from new HH growth	=	0.0	
Demand from Existing Owner Households			
Number of owner households (age 64 and younger) in Luverne Market Area (2016) ³		2,648	
(times) Estimated percent of owner turnover ⁴	x	41%	
(equals) Total existing households projected to turnover	=	1,086	
(times) Estimated percent desiring new housing	x	10%	
(equals) Demand from existing households	=	109	
(equals) Total demand from HH growth and existing HHs 2016 to 2025	=	109	
(times) Demand from outside Luverne Market Area		25%	
(equals) Total demand potential for ownership housing, 2016 to 2025		145	
		Single Family	Multi- family*
(times) Percent desiring for-sale single-family vs. multifamily ⁵	x	75%	25%
(equals) Total demand potential for new single-family & multifamily for-sale housing	=	109	36
(minus) Units marketing or approved platted lots (undeveloped and developed lots) ⁶	-	56	8
(equals) Excess demand for new general occupancy for-sale housing	=	53	28
(times) Percent of Market Area demand capturable by Luverne	x	65%	90%
(equals) number of units supportable by Luverne		34	25
¹ Estimated household growth based on data from Table D-1 as adjusted by Maxfield Research Inc.			
² Pct. of owner households under the age of 65 (U.S. Census - 2010, ESRI, Maxfield Research Inc.). Adjusted by Maxfield Research to account for shift in tenure			
³ Estimate based on 2010 owner households and new owner household growth 2010 to 2015 (under age 65)			
⁴ Based on on turnover from 2010 American Community Survey for households moving over 10-year period.			
⁵ Based on preference for housing type and land availability			
⁶ Approved platted lot data does not account for the scattered lot supply which includes individual lots and lots in older non-marketing subdivisions.			
* Multi-family demand includes demand for townhomes, twinhomes, and condominium units.			
Source: Maxfield Research & Consulting, LLC.			

RECOMMENDATIONS AND CONCLUSIONS

Demand is also forecast to emerge from existing Market Area householders through turnover. An estimated 2,648 owner-occupied households under age 65 are located in the Luverne Market Area in 2016. Based on mobility data from the Census Bureau, an estimated 41% of owner households will turnover in a nine-year period, resulting in 1,086 existing households projected to turnover. Finally, we estimate 10% of the existing owner households will seek new for-sale housing, resulting in demand for 109 for-sale units through 2025 from existing Market Area households.

Next, we estimate that 25% of the total demand for new for-sale units in the Luverne Market Area will come from people currently living outside of the Market Area. Adding demand from outside the Luverne Market Area to the existing demand potential, results in a total estimated demand for 145 for-sale housing units by 2025.

Based on land available, building trends, and demographic shifts (increasing older adult population), we project 75% of the for-sale owners will prefer traditional single-family product types while the remaining 25% will prefer a maintenance-free multi-family product (i.e. twin homes, townhomes, or condominiums).

We then subtract the current identified platted lots that are under construction or approved. This includes 41 single family lots in Luverne and 15 single family lots scheduled to be developed in the first phase of the Sudekampe Addition in Adrian. We also subtract the one multi-family lots for sale in Luverne, the four units to be developed in in the Blue Ridge Twin Home development and the three units of the final triplex in the Barck Ave Twin Home development.

After subtracting the current lot supply in subdivisions we find excess demand through 2025 for 53 single-family lots and 28 multifamily lots. **Based on the ability of Luverne to capture a portion of the excess demand, we estimate the number of unit supportable in Luverne as 34 single-family units and 25 multi-family units.**

Estimated Demand for General-Occupancy Rental Housing

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

The 65 and older cohort is typically not a target market for new general occupancy rental housing, therefore, we limit demand from household growth to only those households under the age of 65. According to our projections, the Luverne Market Area is not expected to see an increase in households under the age of 65 between 2016 and 2025.

Demand is also forecast to emerge from existing Market Area householders through turnover. An estimated 847 renter-occupied households under age 65 existed in the Luverne Market Area

RECOMMENDATIONS AND CONCLUSIONS

in 2016. Based on mobility data from the Census Bureau, we estimate 45% turnover among renter households in a nine-year period, resulting in existing households projected to turnover of 381 through 2025. Finally, we estimate the percentage of the existing renter households that will desire new rental housing (20%), resulting in demand for 76 rental units from existing households in the Luverne Market Area through 2025.

TABLE HD-2 RENTAL HOUSING DEMAND LUVERNE MARKET AREA 2016 to 2025			
Demand from Projected Household Growth			
Projected HH growth under age 65 in the Luverne Market Area 2016 to 2025 ¹			0
(times) Estimated % to be renting their housing ²	x	24.2%	
(equals) Projected demand from new HH growth	=		0
Demand from Existing Renter Households			
Number of renter HHs (age 64 and younger) in Luverne Market Area (2016) ³			847
(times) Estimated percent of renter turnover ⁴	x	45.0%	
(equals) Total existing households projected to turnover	=		381
(times) Estimated percent desiring new rental housing	x	20%	
(equals) Demand from existing households			76
(equals) Total demand from HH growth and existing HHs 2016 to 2025	=		76
(times) Demand from outside Luverne Market Area			25%
(equals) Total demand potential for rental housing, 2016 to 2025			102
		Subsidized	Affordable
(times) Percent of rental demand by product type ⁵	x	31%	16%
(equals) Total demand potential for general-occupancy rental housing units	=	31	16
(minus) Units under construction or pending ⁶	-	0	0
(equals) Excess demand for new general occupancy rental housing	=	31	16
(times) Percent of Market Area demand capturable by Luverne	x	85%	85%
(equals) number of units supportable by Luverne		27	14
		40	
¹ Estimated household growth based on data from Table D-1 as adjusted by Maxfield Research Inc.			
² Pct. of renter households under the age of 65 (U.S. Census - 2010, ESRI, Maxfield Research Inc.). Adjusted by Maxfield Research to account for tenure shift			
³ Estimate based on 2014 renter households and new renter household growth 2014 to 2016 (under age 65)			
⁴ Based on turnover from 2010 American Community Survey for households moving over 10-year period.			
⁵ Based on the combination of current rental product and household incomes of area renters (non-senior households)			
⁶ Pending/proposed/under construction at 95% occupancy.			
Source: Maxfield Research & Consulting, LLC.			

Next, we estimate that 25% of the total demand for new rental units in the Luverne Market Area will come from people currently living outside of the Market Area. This will create a total demand for rental housing of 102 units.

We then estimate the number of rental units each product type could capture in Luverne. This capture rate is estimated based on the current products and product pricing within in the Market Area along with household incomes for current renters. We find that there is demand for 31 subsidized housing units, 16 affordable rental units, and 54 market rate units.

RECOMMENDATIONS AND CONCLUSIONS

From the total demand for general occupancy units, we subtract any development under construction or proposed at market equilibrium (95% occupancy) to find the remaining excess demand. At the time of this study there were no planned rental developments. As a result, we find demand for 31 subsidized units, 16 affordable units and 54 market rate units. **We estimate that 85% of the demand for subsidized and affordable rentals and 75% of the demand for market rate rentals can be captured in Luverne, resulting in demand for 27 subsidized units, 14 affordable units and 40 market rate units in Luverne.**

Estimated Demand for Independent/Few Service Senior Housing

Table HD-3 presents our demand calculations for market rate independent senior housing in the Luverne Market Area in 2016 and 2021.

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

We calculate that the minimum income needed to afford monthly rents is \$35,000, since seniors with this income could afford a monthly rent of \$1,165 based on spending 40% of their income, which is much higher than the rents of \$459 to \$522 for two-bedroom units at Tuff Apartments in Hills. It is important to note that a new senior development would garner the higher rents, further rents are likely to be in higher in Luverne than in the less populous Hills. In addition, we add homeowner households with incomes between \$25,000 and \$34,999 who would be able to supplement their incomes with the proceeds from a home sale. We estimate the number of age/income-qualified senior households in the Luverne Market Area in 2016 to be 1,910 households.

Adjusting to include appropriate long-term capture rates for each age cohort (0.5% of households age 55 to 64, about 5.0% of households age 65 to 74, and 15.0% of households age 75 and over) results in a market rate demand potential for about 110 independent senior rental units in 2016.

We estimate that 25% of the long-term demand for independent senior housing will be generated by seniors currently residing outside the Market Area. This demand will consist primarily of parents of adult children living in Luverne, individuals who live just outside of the Market Area and have an orientation to the area, as well as former residents who desire to return. Together, the demand from Market Area seniors and demand from seniors who would relocate results in a total demand potential for 135 active adult units in 2016 and 141 units in 2021.

Independent demand in Luverne is split into housing that offers ownership housing and rental housing. Based on the current product available, we project that 45% of demand will be for adult ownership housing (61 units) and 55% will be for rental housing (74 units).

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Next, we subtract existing competitive market rate units (minus a vacancy factor of 5% to allow for sufficient consumer choice and turnover) from the owner and rental demand. Subtracting the existing competitive market rate units results in total demand potential for 61 adult owner-occupied units and 23 adult rental units in 2016. **Finally, we estimate that 55% of the demand for independent units could be captured in Luverne, resulting in total demand for 33 owner occupied units and 13 renter occupied units in 2016.**

Adjusting for inflation, we have estimated that households with incomes of \$40,000 or more and homeowners with incomes of \$30,000 to \$39,999 would income qualify for market rate independent senior housing in 2020. **It is projected that there will be demand for 35 adult owner-occupied units and 14 adult rental units in the City of Luverne by 2021.**

TABLE HD-3 MARKET RATE ACTIVE ADULT HOUSING DEMAND LUVERNE MARKET AREA 2016 & 2021						
	2016			2021		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of >\$35,000 ¹	747	481	299	776	563	335
# of Households w/ Incomes of \$25,000 to \$34,999 ¹	118	135	168	92	120	128
(times) Homeownership Rate	x 86%	x 89%	x 77%	x 86%	x 89%	x 77%
(equals) Total Potential Market Base	= 849	= 601	= 429	= 855	= 669	= 434
(times) Potential Capture Rate	x 0.5%	x 5.5%	x 16.5%	x 0.5%	x 5.5%	x 16.5%
(equals) Demand Potential	= 4	= 33	= 71	= 4	= 37	= 72
Potential Demand from Luverne Residents	= 108			= 113		
(plus) Demand from Outside Luverne MA (20%)	+ 27			+ 28		
(equals) Total Demand Potential	= 135			= 141		
	Owner-Occupied		Renter-Occupied	Owner-Occupied		Renter-Occupied
(times) % by Product Type	x 45%		x 55%	x 45%		x 55%
(equals) Demand Potential by Product Type	= 61		= 74	= 63		= 77
(minus) Existing and Pending MR Active Adult Units ²	- 0		- 51	- 0		- 51
(equals) Excess Demand for MR Active Adult Units	= 61		= 23	= 63		= 26
(times) Percent that could be captured in Luverne	x 55%			x 55%		
(equals) Excess market rate active adult demand in Luverne	= 33		= 13	= 35		= 14

¹ 2021 calculations define income-qualified households as all households with incomes greater than \$40,000 and homeowner households with incomes between \$30,000 and \$39,999.
² Existing and pending are deducted at market equilibrium (95% occupancy).

Source: Maxfield Research & Consulting, LLC

Estimated Demand for Subsidized/Affordable Independent Senior Housing

Table HD-4 presents our demand calculations for subsidized and affordable senior housing for households in the Luverne Market Area. In order to arrive at the potential age and income-qualified base for low-income and affordable housing, we include all senior (65+) households earning less than \$35,000, while excluding homeowner earning \$25,000 to \$34,999.

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Adjusting to include appropriate long-term capture rates for each age cohort (2.0% of households age 55 to 64, about 10.0% of households age 65 to 74, and 20.0% of households age 75 and over) results in a market rate demand potential for 102 independent senior rental units in 2016 from Luverne Residents.

TABLE HD-4 SUBSIDIZED/AFFORDABLE INDEPENDENT HOUSING DEMAND LUVERNE MARKET AREA 2016 & 2021						
	2016			2021		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of <\$35,000	325	293	530	265	330	557
Less Households w/ Incomes of \$25,000 to \$34,999 ¹	- 118	135	168	- 92	120	128
(times) Homeownership Rate	x 86%	89%	77%	x 86%	89%	77%
(equals) Total Potential Market Base	= 223	173	401	= 185	223	458
(times) Potential Capture Rate	x 2.0%	10.0%	20.0%	x 2.0%	10.0%	20.0%
(equals) Demand Potential	= 4	17	80	= 4	22	92
(equals) Potential Demand from Luverne Residents	=	102			118	
(plus) Demand from Outside Luverne MA (25%)		+ 34			+ 39	
(equals) Total Demand Potential		= 136			= 157	
(times) % by Product Type	x <u>34%</u>		x <u>66%</u>	x <u>33%</u>		x <u>67%</u>
(equals) Demand Potential by Product Type	= 46		= 90	= 52		= 105
(minus) Existing and Pending Independent Units ²	- 52		- 0	- 52		- 0
(equals) Excess Demand for Aff/Sub Units	= 0		= 90	= 0		= 105
(times) Percent that could be captured in Luverne	x	85%		x	85%	
(equals) Excess sub/aff independent demand in Luverne	= 0		77	= 0		89

¹ 2020 calculations define income-qualified households as all households with incomes less than \$40,000. Homeowner households with incomes between \$30,000 and \$39,999 are excluded from the market potential for financially-assisted housing.
² Existing units are deducted at market equilibrium, or 97% occupancy.

Source: Maxfield Research & Consulting, LLC

We then estimate that seniors currently residing outside of the Luverne Market Area would generate 25% of the demand for subsidized and affordable senior housing. Together, demand from Market Area seniors and demand from seniors who would relocate to Luverne total an estimated 136 affordable units in 2016.

We estimate that 34% of the demand will be for subsidized rentals and 66% for affordable rentals. This results in demand for 46 subsidized units and 90 affordable units in 2016. There is one existing subsidized housing project in the Market area with 54 units. The total units are adjusted to reflect market equilibrium (97% occupancy), therefore we subtract 52 units from the potential demand for subsidized units. There are no affordable senior projects in the market area. This results in no excess demand for subsidized senior units. However, there is demand for an additional 85 affordable senior units.

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We estimate that a site in Luverne could capture 85% of the demand in 2016. There remains no demand for subsidized senior units in Luverne in 2016. There is demand for 77 affordable senior units in Luverne in 2016.

Following the same methodology, we project that **excess demand capturable in Luverne in 2021 is calculated to be zero subsidized units and 89 affordable units.**

Estimated Demand for Congregate Senior Housing

Table HD-5 presents our demand calculations for congregate housing in the Luverne Market Area in 2016 and 2021.

The potential age- and income-qualified base for congregate senior housing includes all senior (65+) households with incomes of \$35,000 as well as homeowner households with incomes between \$30,000 and \$35,000 who would qualify with the proceeds from the sales of their homes. The proportion of eligible homeowners is based on the homeownership rates of area seniors, as identified in the demographics section of this study. The number of age, income, and asset-qualified households in Luverne is estimated to be 971 households in 2016.

Adjusting to include appropriate capture rates for each age cohort (1.5% of households age 65 to 74 and 13.0% of households age 75 and older) results in a local demand potential for 55 congregate units in 2016.

We estimate that seniors currently residing outside of the Luverne Market Area will generate 20% of the demand for congregate senior housing. This demand will consist primarily of parents of adult children living in Luverne, individuals who live just outside Luverne and have an orientation to the area, and former residents who desire to return upon retirement. Together, the demand from Luverne seniors and demand from seniors who are willing to relocate totals 69 units of congregate senior housing in 2016.

We subtract nine units to account for existing units at 95% occupancy. This results in total demand for congregate units of 61 units. Accounting for a capture rate of 75%, **demand is calculated for 46 congregate units in Luverne in 2016.**

Adjusting for inflation, we estimate that households with incomes of \$40,000 or more and senior homeowners with incomes between \$35,000 and \$39,999 would qualify for congregate housing in 2021. Following the same methodology, **demand is calculated to be 47 units through 2021 in Luverne.**

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TABLE HD-5 MARKET RATE CONGREGATE RENTAL HOUSING DEMAND LUVERNE MARKET AREA 2016 & 2021				
	2016		2021	
	Age of Householder		Age of Householder	
	65-74	75+	65-74	75+
# of Households w/ Incomes of >\$35,000 ¹	481	299	563	335
# of Households w/ Incomes of \$30,000 to \$34,999 ¹	+ 67	84	+ 55	47
(times) Homeownership Rate	x 89%	77%	x 89%	77%
(equals) Total Potential Market Base	= 541	364	= 611	371
(times) Potential Capture Rate ²	x 1.5%	13.0%	x 1.5%	13.0%
(equals) Potential Demand	= 8	+ 47	= 9	+ 48
Potential Demand from PMA Residents	=	55	=	57
(plus) Demand from Outside Market Area (20%)	+ 14		+ 14	
(equals) Total Demand Potential	=	69	=	72
(minus) Existing and Pending Congregate Units ³	- 9		- 9	
(equals) Total Congregate Demand Potential	=	61	=	63
(times) Percent that could be captured in Luverne	x 75%		x 75%	
(equals) Excess market rate assisted living demand in Luverne	=	46	=	47

¹ 2021 calculations define income-qualified households as all households with incomes greater than \$40,000 and homeowner households with incomes between \$35,000 and \$39,999.

² The potential capture rate is derived from data from the Summary Health Statistics for the U.S. Population: National Health Interview Survey, 2008 by the U.S. Department of Health and Human Services. The capture rate used is the percentage of seniors needing assistance with IADLs, but not ADLs (seniors needing assistance with ADLs typically need assistance with multiple IADLs and are primary candidates for service-intensive assisted living).

³ Competitive units include congregate units at 95% occupancy (market equilibrium).

Source: Maxfield Research & Consulting, LLC

Demand Estimate for Assisted Living Housing

Table HD-6 presents our demand calculations for assisted living senior housing in the Luverne Market Area in 2016 and 2021. This analysis focuses on the potential *private pay/market rate* demand for assisted living units.

The availability of more intensive support services such as meals, housekeeping and personal care at assisted living facilities usually attracts older, frailer seniors. According to the 2009 Overview of Assisted Living (which is a collaborative research project by the American Association of Homes and Services for the Aging, the American Seniors Housing Association, National Center for Assisted Living, and National Investment Center for the Seniors Housing and Care Industry), the average age of residents in freestanding assisted living facilities was 87 years in 2008. Hence, the age-qualified market for assisted living is defined as seniors ages 75 and over. In 2010, there were 1,307 seniors age 75 and older in the PMA.

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Demand for assisted living housing is need-driven, which reduces the qualified market to only the portion of seniors who need assistance. According to a study completed by the U. S. Census Bureau (2008 panels of the Survey of Income and Program Participation (SIPP) files), 30% of seniors needed assistance with everyday activities (from 25.5% of 75-to-79-year-olds, to 33.6% of 80-to-84-year-olds and 51.6% of 85+ year olds). Applying these percentages to the senior population yields a potential assisted living market of 497 seniors in the PMA.

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

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

For each age group, we estimate the income-qualified percentage to be all seniors in households with incomes above \$40,000 (who could afford monthly rents of \$3,000+ per month) plus 40% of the estimated seniors in homeowner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing). As a result, 52% of residents are income qualified in 2016, resulting in a total market potential of 259 people.

Because the vast majority of assisted living residents are single (88% according to the 2009 Overview of Assisted Living), our demand methodology multiplies the total potential market by the percentage of seniors age 75+ in the PMA living alone. Based on 2010 Census data, 57% of age 75+ households in the PMA lived alone. Applying this percentage results in a total base of 147 age/income-qualified singles. The 2009 Overview of Assisted Living found that 12% of residents in assisted living were couples. Adding the proportion of demand likely to be generated by couples results in a total of 167 age/income-qualified seniors needing assistance in the PMA including both couples and singles.

We estimate that roughly 60% of the qualified market needing significant assistance with ADLs would either remain in their homes or less service-intensive senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility. The remaining 40% could be served by assisted living housing. Applying this potential market penetration rate of 40% results in demand for 67 assisted living units in 2016.

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TABLE HD-6 MARKET RATE ASSISTED LIVING DEMAND LUVERNE MARKET AREA 2016 & 2021						
Age group	2016			2021		
	People	Percent Needing Assistance ¹	Number Needing Assistance ¹	People	Percent Needing Assistance ¹	Number Needing Assistance ¹
75 - 79	434	25.5%	111	529	25.5%	135
80 - 84	355	33.6%	119	353	33.6%	118
85+	518	51.6%	267	520	51.6%	268
Total	1,307		497	1,401		521
Percent Income-Qualified²			52%			53%
Total potential market			259			277
(times) Percent living alone		x	57%			57%
(equals) Age/income-qualified singles needing assistance		=	147			157
(plus) Proportion of demand from couples (12%) ³		+	20			21
(equals) Total age/income-qualified market needing assistance		=	167			179
(times) Potential penetration rate ⁴		x	40%			40%
(equals) Potential demand from PMA residents		=	67			71
(plus) Proportion from outside the PMA (20%)		+	17			18
(equals) Total potential assisted living demand		=	84			89
(minus) Existing market rate assisted living units ⁵		-	54			54
(equals) Total excess market rate assisted living demand		=	30			36
(times) Percent that could be captured in Luverne		x	85%			85%
(equals) Excess market rate assisted living demand in Luverne		=	26			30

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, conducted by the Centers for Disease Control and Prevention and the National Center for Health Statistics.

² Includes households with incomes of \$40,000 (\$45,00 for 2021) or more (who could afford monthly rents of \$2,800+ per month) plus 40% of estimated owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living).

³ The 2009 Overview of Assisted Living (a collaborative project of AAHSA, ASHA, ALFA, NCAL & NIC) found that 12% of assisted living residents are couples.

⁴ We estimate that 60% of the qualified market needing assistance with ADLs could either remain in their homes or reside at less advanced senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility.

⁵ Existing and pending units at 93% occupancy. We exclude 20% of units to account for seniors utilizing public subsidy.

Source: Maxfield Research & Consulting, LLC

We estimate that a portion of demand for assisted living units in the PMA (20%) will come from outside the PMA. Applying this figure results in total potential demand for 84 market rate assisted living units in the PMA.

Next, existing assisted living units are subtracted from overall demand. We have adjusted the competitive number of units based on an estimated 20% of units that are occupied by lower-income seniors using the Elderly Waiver program, to pay for their services in an assisted living environment. Overall, we subtract 54 competitive units (after accounting for a 7% vacancy rate) from the demand potential, resulting in 30 units of excess demand for assisted living housing in the PMA. The percent of demand that could be captured in Luverne is estimated to be 85%. This results in a total potential demand of 26 assisted living units in 2016.

By 2021, total excess demand for market rate assisted living units in Luverne is projected to be 30 units.

Estimated Demand for Memory Care Housing

Table HD-7 presents our demand calculations for market rate memory care senior housing in the Luverne Market Area in 2016 and 2021.

Demand is calculated by starting with the estimated Market Area senior (age 65+) population in 2016 and multiplying by the incidence rate of Alzheimer's/dementia among this population's age cohorts. According to the Alzheimer's Association (Alzheimer's Disease Facts and Figures, 2007), 2% of seniors ages 65 to 74, 19% of seniors ages 75 to 84, and 42% of seniors ages 85+ are afflicted with Alzheimer's Disease. This yields a potential market of 393 seniors in the Market Area.

Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing are at least \$4,000 and range upwards of \$5,000 when including service packages. Based on our review of senior household incomes in Luverne, homeownership rates and home sale data, we estimate that 37% of seniors in the Luverne Market Area would have incomes and/or assets to sufficiently cover the costs of memory care housing. This figure takes into account married couple households where one spouse may have memory care needs and allows for a sufficient income for the other spouse to live independently. Multiplying the number of seniors with Alzheimer's/dementia (393 seniors) by the income-qualified percentage results in a total of 146 age/income-qualified seniors in the Luverne Market Area in 2016.

According to data from the National Institute of Aging, about 25% of all individuals with memory care impairments comprise the market for memory care housing units. This figure considers that seniors in the early stages of dementia will be able to live independently with the care of a spouse or other family member, while those in the later stages of dementia will require intensive medical care that would only be available in skilled care facilities. Applying this figure to the estimated population with memory impairments yields a potential market of about 36 seniors in Luverne.

We estimate that 20% of the overall demand for memory care housing in Luverne would come from outside of the Luverne Market Area. Demand from both inside and outside of Luverne totals 46 memory care units in 2016.

We reduce the demand potential by the 10 existing competitive units (less a 93% occupancy rate). Subtracting these competitive units decreases the excess memory care demand to 36 units in 2016.

Accounting for an 85% capture rate, demand is calculated for 30 memory care units in the City of Luverne in 2016. Following the same methodology, demand is calculated to increase to **48 memory care units through 2021.**

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TABLE HD-7 MARKET RATE MEMORY CARE DEMAND LUVERNE MARKET AREA 2016 & 2021		
	2016	2020
65 to 74 Population	1,254	1,467
(times) Dementia Incidence Rate ¹	x <u>2%</u>	x <u>2%</u>
(equals) Estimated Age 65 to 74 Pop. with Dementia	= 25	= 29
75 to 84 Population	790	881
(times) Dementia Incidence Rate ¹	x <u>19%</u>	x <u>19%</u>
(equals) Estimated Age 75 to 84 Pop. with Dementia	= 150	= 167
85+ Population	518	520
(times) Dementia Incidence Rate ¹	x <u>42%</u>	x <u>42%</u>
(equals) Estimated Age 85+ Pop. with Dementia	= 217	= 218
(equals) Total Senior Population with Dementia	= 393	= 415
(times) Percent Income/Asset-Qualified ²	x <u>37%</u>	x <u>42%</u>
(equals) Total Income-Qualified Market Base	= 146	= 173
(times) Percent Needing Specialized Memory Care Assistance	x <u>25%</u>	x <u>25%</u>
(equals) Total Need for Dementia Care	= 36	= 43
(plus) Demand from Outside the PMA (20%)	+ <u>9</u>	+ <u>11</u>
Total Demand for Memory Care Units	= 46	= 54
(minus) Existing and Pending Memory Care Units ³	- <u>10</u>	- <u>10</u>
(equals) Excess PMA Demand Potential	= 36	= 44
(times) Estimated Percent Capturable in Luverne	x 85%	85%
(equals) Memory Care Demand Capturable in Luverne	= 30	= 38
¹ Alzheimer's Association: Alzheimer's Disease Facts & Figures (2007) ² Includes seniors with income at \$60,000 or above (\$65,000 in 2020) plus 20% of homeowners with incomes below this threshold (who will spend down assets, including home-equity, in order to live in memory care housing). ³ Existing memory care units at 7% vacancy rate. We exclude 20% of units to account for seniors utilizing public subsidy. Source: Maxfield Research & Consulting, LLC		

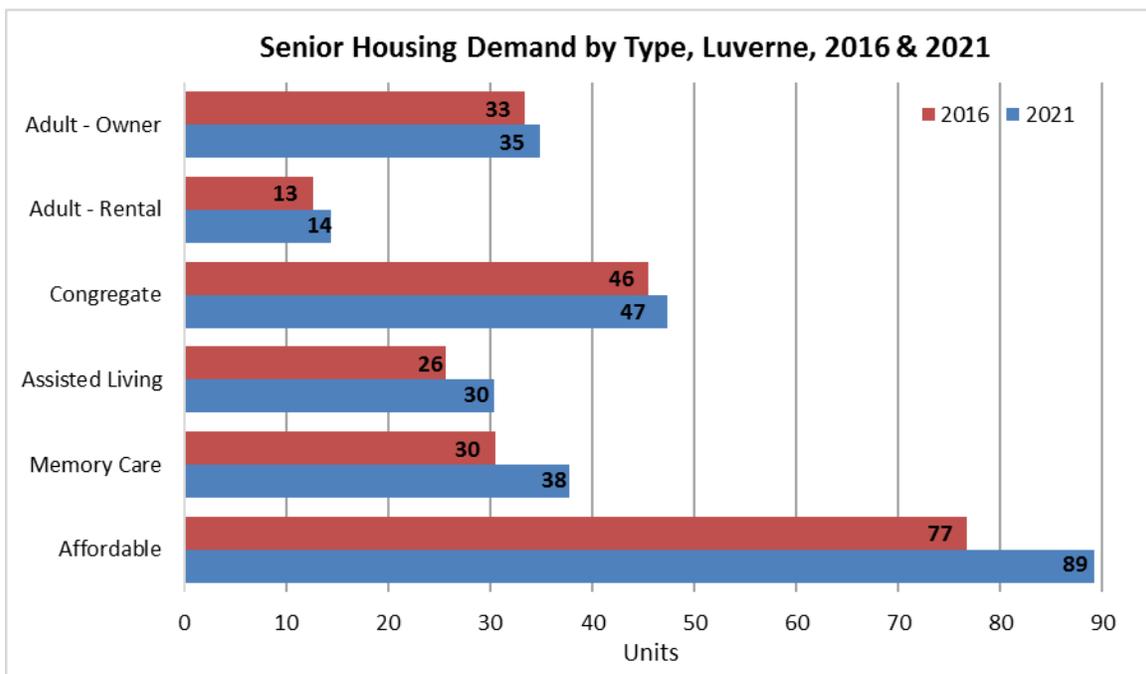
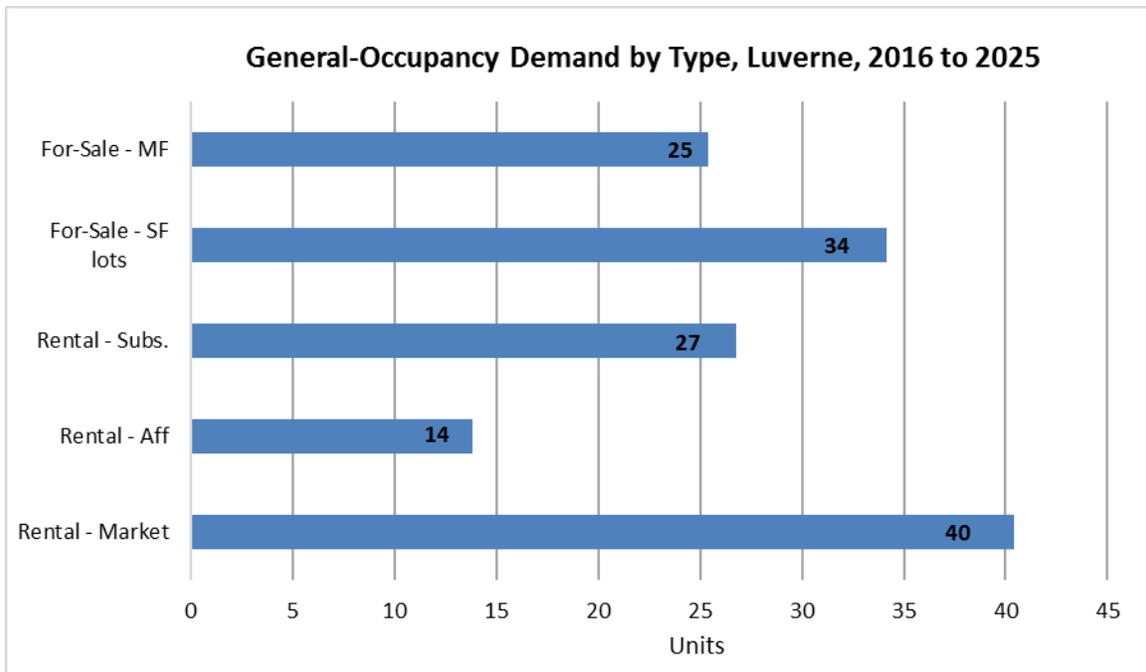
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Introduction/Overall Housing Recommendations

This section summarizes demand calculated for specific housing products in Luverne and recommends development concepts to meet the housing needs forecast for the City. All recommendations are based on findings of the *Comprehensive Housing Needs Assessment*. The following table and charts illustrate calculated demand by product type. It is important to recognize that housing demand is highly contingent on projected household growth; household growth could be higher if a strong economy leads to increased job growth, Luverne begins to or attract commuters and retirees from Sioux Falls.

Type of Use	Demand in Market Area		Demand in Luverne	
	2016-2025		2016-2025	
General-Occupancy				
Rental Units - Market Rate	54		40	
Rental Units - Affordable	16		14	
Rental Units - Subsidized	31		27	
For-Sale Lots - Single-family	53		34	
For-Sale Units - Multifamily	28		25	
Total General Occupancy Supportable	182		141	
	Demand in Market Area		Demand in Luverne	
	2016	2021	2016	2021
Age-Restricted (Senior)				
Market Rate				
Adult Few Services (Active Adult)	135		141	
<i>Ownership</i>	61		63	
<i>Rental</i>	74		77	
Congregate	61		63	
Assisted Living	30		36	
Memory Care	36		44	
Total Market Rate Senior Supportable	262		284	
Affordable/Subsidized				
Active Adult - Subsidized	0		0	
Active Adult - Affordable	90		105	
Total Affordable Senior Supportable	90		105	
Note: Demand subtracts projects under construction or planned projects. In addition, all vacant single-family lots in newer subdivisions are subtracted.				
Source: Maxfield Research & Consulting, LLC.				

RECOMMENDATIONS AND CONCLUSIONS



Based on the finding of our analysis and demand calculations, Table CR-2 provides a summary of the recommended development concepts by product type for the City of Luverne. 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 Luverne. The

RECOMMENDATIONS AND CONCLUSIONS

recommended development types do not directly coincide with total demand as illustrated in Table CR-1.

TABLE CR-2 RECOMMENDED HOUSING DEVELOPMENT CITY OF LUVERNE 2016 to 2025				
	Purchase Price/ Monthly Rent Range ¹	No. of Units	Pct. of Total	Development Timing
Owner-Occupied Homes				
Single Family²				
Entry-level	>\$125,000	8 - 10	27%	2018+
Move-up	\$125,00 - \$250,000	10 - 12	33%	2018+
Executive	\$250,000+	12 - 14	39%	2019+
Total		30 - 36	100%	
Townhomes/Detached Townhomes/Twinhomes²				
Entry-level	>\$225,000	8 - 10	41%	2016+
Move-up	\$225,000+	12 - 14	59%	2016+
Total		20 - 24	100%	
Total Owner-Occupied		50 - 60		
General Occupancy Rental Housing				
Market Rate Rental Housing				
Apartment-style	\$700/1BR - \$1100/3BR	20 - 24	55%	2017+
Townhomes	\$1,100/2BR - \$1,400/3BR	16 - 20	45%	2017+
Total		36 - 44	100%	
Affordable Rental Housing				
Townhomes	Moderate Income ³	12 - 14	100%	2019+
Total		12 - 14	100%	
Total Renter-Occupied		48 - 58		
Senior Housing (i.e. Age Restricted)				
Active Adult Senior Coop	\$50,000+ (plus monthly fee)	24 - 30	15%	2016+
Active Adult Affordable Rental	Moderate Income ³	40 - 50	25%	2016+
Active Adult Market Rate Rental ⁴	\$750/1BR - \$900/2BR+	30 - 36	18%	2017+
Independent Living (Congregate)	\$1,500/1BR - \$2000/2BR	30 - 34	18%	2018+
Assisted Living	\$2500/EFF - \$3,400/2BR	20 - 22	12%	2017+
Memory Care	\$3,000/EFF - \$5,000/2BR	20 - 24	12%	2017+
Total		164 - 196	100%	
Total - All Units		262 - 314		
¹ Pricing in 2016 dollars. Pricing can be adjusted to account for inflation.				
² Recommendations include the absorption of some existing previously platted lots.				
³ Affordability subject to income guidelines per MHFA. See Table HA-1 for Rock County Income limits.				
⁴ In order to develop an Market Rate Active Adult housing, it will need to combined with Active Adult Affordable Rentals in a mixed-income senior community				
Note - Recommended development does not coincide with total demand. Luverne may not be able to accommodate all recommended housing types based on a variety of factors (i.e. development constraints, land availability, etc.)				
Source: Maxfield Research & Consulting, LLC				

Recommended Housing Product Types

For-Sale Housing

Single-Family Housing

Table HD-1 identified demand for about 145 single-family housing units in Luverne through 2025. However, after accounting for the existing 56 vacant single-family lots in newer subdivisions (see Table FS-4), which includes 41 in Luverne and 15 lots to be developed in Adrian, and the proportion of demand able to be captured in Luverne, demand is reduced to 34 new lots in Luverne through 2025. This translates to the construction of three to four new homes per year. This benchmark is higher than past construction trends in Luverne, where no more than five homes have been built in year since 2009.

Due to the age and price of the existing housing stock in Luverne, most of the existing older housing stock appeals to entry-level buyers. Demand for entry-level homes, which we generally classify as homes priced under \$125,000, will be mainly satisfied by turnover of existing single-family homes as the current owners move into newer housing products built, such as move-up single-family homes, twinhomes, rental housing and senior housing.

A move-up buyer or step-up buyer is typically one who is selling one house and purchasing another one, usually a larger and more expensive home. The move is generally desired because of a lifestyle change, such as a new job or a growing family. Based on our interviews with Luverne Realtors, move-up homes are generally priced from \$125,000 to \$250,000.

Executive-level homes are loosely defined as those homes priced above \$250,000. Most of executive-level homes would be build-to-suit new construction in one of the city's newer subdivisions or are on larger acreages located outside the city proper. Realtors and builders reported that due to construction costs and owner preferences it is difficult to build new homes for under \$250,000. Some move-up home buys may be able to enter the new construction market if they were to make economical choices in finishes, such as lower quality floors and cabinets, and in features, such as lower cost windows. The cost of new construction can be further offset through the City's Residential Lots Incentive Program which allows a \$2,500 per person credit on the cost of lot up. However, Realtors reported little new construction of single family homes occurring in Luverne.

Given that historic pace of single family construction and the price point of new construction homes, the current supply of 41 single family lots should be able to meet the near term demand. Demand could rise if Sioux Falls residents begin to relocate to Luverne for better schools, a quieter community or those looking for larger homes but who become priced out of the Sioux Falls market.

For-Sale Multifamily Housing

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

Based on the changing demographics and the need for alternative housing types, demand was calculated for 25 new multifamily for-sale units in Luverne through 2025. Given the aging of the population and the high growth rate in the 55+ population (especially 65-74 age cohorts), Luverne would benefit from a more diversified housing stock. Further, Realtors reported strong interest in the twinhome and duplex market.

Blue Ridge Circle Townhomes and Barck Ave Twinhomes are currently under development in Luverne by Cleveringa Construction. These projects offer attached twinhomes and two triplex units with a total of 24 units and nine units remaining to be completed. The units have a price point beginning at \$210,000 for a triplex unit to \$260,000 for a duplex unit. Some units have sold for over \$300,00 due to the inclusion of upgraded finishes, such as floors and cabinets.

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

Traditionally most twin home developments have been designed with the garage being the prominent feature of the home; however, today's newer twin homes have much more architectural detail. Many higher-end twin home developments feature designs where one garage faces the street and the other to the side yard. This design helps reduce the prominence of the garage domination with two separate entrances. Housing products designed to meet the needs of aging Luverne residents, many of whom desire to stay in their current

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community if housing is available to meet their needs, will be needed into the foreseeable future.

Twinhomes are also a preferred for-sale product by builders in today's market as units can be developed as demand warrants. Because twinhomes bring higher density and economies of scale to the construction process, the price point can be lower than stand-alone single-family housing. As previously mentioned, there are two new twinhome developments under construction in Luverne; however twin homes will continue to be in demand as many older adults and seniors will move to this housing product with substantial equity in their existing single-family home and will be willing to purchase a maintenance-free home that is priced similar to their existing single-family home.

Twinhome Examples



Standard Twinhome – garage on end



Standard Twinhome – garage in middle



Triplex – Single level living



Executive-style Twinhome – front facing garage

- *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

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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.

Triplex or Quadplex developments offer single level and maintenance free living with the affordability associated with a higher density of development. This type of development is recommended in Luverne to meet the growing demand from seniors seeking to leave their current homes.

General Occupancy Rental Housing

Our competitive inventory identified that the vacancy rates for all types of general occupancy rental product is below market equilibrium indicating pent-up demand for rental housing. Due to the age and positioning of the existing rental supply a 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, some employers reported a desire for newer rental properties among new employees with additional and updated amenities that are not offered in older developments.

Maxfield Research and Consulting LLC calculated demand for 40 market rate, 14 affordable and 27 subsidized rental housing units in Luverne through 2025. Due to the economies of scale when constructing multifamily rental housing, new construction can be difficult to achieve in smaller, rural communities given development costs and potential rents.

Market Rate Rental – We recommend 20 to 24 new market rate units, which could be developed in one new residential development. We recommend new middle-market market rental project(s) with that attract a diverse resident profile; including young to mid-age professionals as well as singles and couples across all ages. To appeal to wide target market, we suggest a market rate apartment project with a unit mix consisting of one-bedroom units, one-bedroom plus den units, two-bedroom units, and a few two-bedroom plus den or three-bedroom units.

Monthly rents (in 2016 dollars) should range from \$700 for a one-bedroom unit to \$1,100 for a three-bedroom unit. Monthly rents can be trended up by 2.0% annually prior to occupancy to account for inflation depending on overall market conditions. New market rate rental units should be designed with contemporary amenities that include open floor plans, higher ceilings, in-unit washer and dryer, full appliance package, central air-conditioning, and garage parking.

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- Market Rate General Occupancy Rental Townhomes– In addition to the recommended traditional multi-story apartment projects, we find demand exists for townhome rental units. These units maybe a popular alternative to apartments for those unable to afford owner-occupied housing and those families and young professionals relocating to Luverne who need to rent until they find a home for purchase. An additional 16 to 20 rental townhome units could be supported in Luverne over this decade. We recommend a project with rents starting at approximately \$1,100 for two-bedroom units to \$1,400 for three-bedroom units. Units should feature contemporary amenities (i.e. in-unit washer/dryer, high ceilings, etc.) and an attached two car garage.
- Affordable General Occupancy Rental Townhomes– Rental townhomes affordable to moderate-income households would be in demand in Luverne. There is currently one income based townhome development in the City, Rock Creek Townhomes with 24 units. This development is generally full and when vacancies arise they are filled quickly. Affordable rental townhomes have been found to very popular throughout many communities. These projects would have income-restrictions established by HUD and would likely target households with incomes between 50% to 80% of area median income; however, some could be workforce units with affordability up to 120% AMI. We recommend a project with two- and three-bedroom units and a project of 12 to 14 units. Units should feature central air conditioning, full appliance package, in-unit washer/dryer, an attached one/two car garage. Such developments are popular with families that cannot afford housing options in the for-sale market or market rate rentals. Economies of scale and a lack of funding limit the ability to build new affordable housing.
- Subsidized Rental Housing– 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 27 subsidized rental housing units through 2025, this housing is very difficult to develop financially as federal funding has shifted to tax credit rentals.

Senior Housing

As illustrated in Table CR-1, demand exists for almost all types of senior housing product types in Luverne. There is demand for about 165 new market rate senior units and 89 new subsidized senior units in Luverne through 2021. The development of additional senior housing serves a two-fold purpose in meeting the housing needs in Luverne: older adult and senior residents are able to relocate to new age-restricted housing in Luverne, 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

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neglected; it simply means that a greater percentage of housing need is satisfied by housing unit turnover. The types of housing products needed to accommodate the aging population base are discussed individually in the following section.

- Active Adult Senior Cooperative –Maxfield Research and Consulting, LLC projected demand for 35 active adult ownership units through 2025. Construction of a new 24 to 30-unit stand-alone cooperative facility would satisfy adult ownership demand through 2025. Maxfield Research & Consulting, LLC recommends a cooperative development with a share costs starting around \$50,000. 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. Maxfield Research & Consulting, LLC has found the cooperative model to be very well-accepted in rural communities across the Midwest.
- Active Adult Rental – Demand was projected for 14 market rate active adult rental units in Luverne through 2021. Currently, there are no market rate active adult rental projects in the City and only one in the Market Area. There may be seniors who are currently residing in general-occupancy housing that would consider relocating to a newer active adult product.

We recommend a new project of 30 to 36 units later this decade. The project should offer modest rents with base monthly rents starting at \$750 per month for one-bedroom units to \$900 or more for two-bedroom units. The project should offer transportation, activities, and optional services for housekeeping, etc.

We recommend that a mixed income active adult housing project be pursued. In order to achieve the economies of scale, the number of active adult units would need to exceed the projected demand of 14 market rate units. Pursuing a development with 30 to 36 market rate active adult units and including subsidized and affordable units would make the project more financially feasible.

However, even with significant demand, active adult developments can be difficult to develop in small communities. The projects are not need based and therefore seniors may choose to remain in their homes or downsize to alternative housing options like a twin home rather than choose an active adult community where rents may be higher than other housing alternatives.

- Affordable and Subsidized Senior Few Services Rental – Luverne demand for affordable/subsidized senior housing is approximately 90 units in 2021. Although there is a high demand for this product; it will be difficult to develop given the economies of scale needed and financing challenges. Affordable senior housing will likely be a low-income tax credit project through the Minnesota Housing Finance Agency

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(MHFA). MHFA recently started to consider affordable senior housing projects under the tax credit program and is slowly starting to expand financing for this product type. As a result, the product type may be difficult to develop in the near term.

- Independent Living/Congregate – Demand was calculated for 34 congregate units over the next five years. Based on this demand, we recommend approximately 30 congregate units with a mix of one-bedroom, one-bedroom plus den, and two-bedroom units. Monthly rents should range from \$1,500 for one-bedroom units to \$2,000 for two-bedroom units. The monthly fees should include all utilities (except telephone and basic cable/satellite television) and the following services:
 - I'm OK program;
 - Daily noon meal;
 - Regularly scheduled van transportation;
 - Social, health, wellness and educational programs;
 - 24-hour emergency call system; and
 - Complimentary use of laundry facilities.

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

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

- Assisted Living and Memory Care Senior Housing – Based on our analysis, we project demand to support an additional 30 assisted living units and 38 memory care units in Luverne through 2021.

We recommend assisted living units include a mix of studio, and one-bedroom, and a few two-bedroom units with base monthly rents ranging from \$2,500 to \$3,400. There are four assisted living options in the Market Area, but only one in Luverne with 24 units. Additional assisted living units in Luverne would allow more seniors to remain Luverne when choosing to relocate to a senior living facility.

There are no memory care housing options in Luverne and only one housing option in the Market Area with ten units. We found demand for 38 memory care units in Luverne through 2021. We recommend the development of a memory care facility with 20 to 24 units. Memory care unit mix should be mostly studios and one-bedroom units with a few two-bedroom units for couples with base monthly rents ranging from \$3,000 to \$5,000. Memory care units should be located in a secured, self-

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contained wing located on the first floor of a building and should feature its own dining and common area amenities including a secured outdoor patio and wandering area.

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

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

Similar to the assisted living facility, the memory care facility could be developed in conjunction with an existing senior living facility or developed as a standalone project.

Challenges and Opportunities

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

- **Affordability.** Based on current home prices, about 56% of Luverne householders could afford to purchase an entry-level home given today's pricing (see Table HA-4). Likewise, most householders (68%) can also afford the average market rate rent at a one-bedroom rental project in Luverne. Because of this condition, some householders who would not consider purchasing may do so earlier since the cost to own an entry-level home is on-par with rental housing costs. As seen in Table HA-4, the minimum income required to purchase an entry level house is \$20,351, while the minimum income required to rent a one-bedroom apart is \$19,332. We do note, however, that not all householders will have the credit scores and down payment that would qualify them to purchase for-sale housing.
- **Capturing Commuters.** Only one-third of employees live and work in Luverne. With preferences trending toward a desire to reduce commuting times Luverne may be able to capture those commuting into the city with the right housing product at the right price. Of the 1,385 people who commute to Luverne, 40% earn more the \$3,333 per month, totaling an annual salary of nearly \$40,000 or more. In addition, nearly half of these commuters are age 30 to 45. Given the salaries and age of inflow commuters, Luverne may be able to attract commuters with move-up housing stock offerings targeted to families.
- **City Branding.** The City image is a benefit to Luverne, with a signage campaign and well-kept downtown that highlights the unique character of the City. The development of the Luverne Loop will contribute further the branding and character of the City. The trail improves recreational opportunities in the City, connects the city to Blue Mound State Park and seven existing local parks. The development and marketing of the trail also has the ability to attract people in other regional locations with Luverne or draw tourists from Blue Mounds State park to the city.

A final piece of branding that may attract new residents and businesses to the city is the development of a county wide fiber network for delivery of high-speed internet and high definition cable television. A \$14.5 million project to install fiber cable in the county is underway, this includes a \$1 million invest by Rock County and a \$5 million grant from the Minnesota Department of Employment and Economic Development. The project will help connect rural businesses, especially farms, to high speed internet. The completion of this project will make it possible for people to live and work throughout the county, while staying connected to the internet for both work and personal needs.

- **Housing Resources & Programs.** Many communities and local Housing and Redevelopment Authorities (HRAs) offer programs to promote and preserve the existing housing stock. In

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addition, there are various regional and state organizations that assist local communities enhance their housing stock. The following bullet points outline a variety of resources available:

State Resources:

Greater Minnesota Housing Fund – The Greater Minnesota Housing Fund (“GMHF”) supports, preserves, and creates affordable housing in the 80 counties outside the core Twin Cities Metro Area. The GMHF provides numerous programs, financing mechanisms, technical support, and research to support production of affordable housing across Greater Minnesota.

<http://www.gmhf.com/>

Minnesota Housing Finance Agency (“Minnesota Housing”) – Minnesota Housing is a housing finance agency whose mission is to finance affordable housing for low- and moderate-income households across Minnesota. Minnesota Housing partners with for-profit, non-profit, and governmental sectors to help develop and preserve affordable housing. The organization provides numerous products and services for both the single-family and multi-family housing sectors. The organization’s five strategic priorities are as follows:

- Preserve federally-subsidized rental housing;
- Promote and support successful homeownership;
- Address specific and critical needs in rental housing markets;
- Prevent and end homelessness, and;
- Prevent foreclosure and support community recover.

<http://www.mnhousing.gov/>

Local/Regional Resources and Programs:

Small Cities Development Program: The City of Luverne was awarded a Small Cities Development Grant for the rehabilitation of homes located in the residential target area. The program provides low and moderate income families 0% deferred loans for up to 70% of eligible home repair cost, up to \$25,000. Eligible repairs target health, safety, energy efficiency, lead hazards and accessibility issues. The loan carries no interest and no payment are required during the 10 year deferred loan term. Ten percent would be forgiven each year if the property ownership does not change. Income guidelines apply to the program. The City of Luverne also provides an additional grant worth \$2,750 per household to help offset the 30% of repair costs required to be paid by the homeowner.

Rental properties are also eligible for the Small Cities Development Grant. A 0% deferred loan for 70% of the repair costs is available to the landlord, with a maximum award amount of \$12,500 per unit for a two-unit or larger building. Each year, 20% of the loan will be forgiven if the owner maintains rent and income requirements. After five years, the loan may

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be forgiven. To be eligible for the loan, 51% of rental units must be restricted to families with income less than 80% AMI.

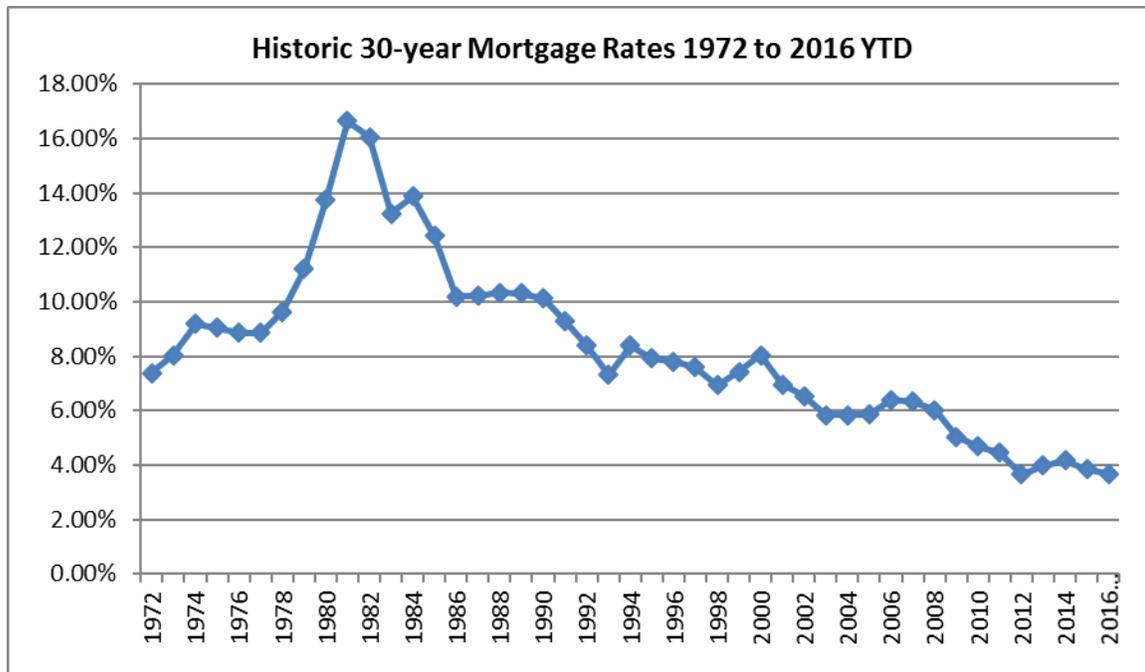
Residential Lot Incentive Program: The city offers a \$2,500 credit per person on the price of the lot (except the Manfred Heights Addition) with a maximum credit of \$12,500 per household (\$5,000 in Sybesma). A person qualified for the credit if they are listed as a spouse or dependent on the applicants Federal Tax return.

Nobles Home Initiative: The program provides tax abatement on the construction of a new single family home, duplex, or multi-family complex. Construction must occur between April 1, 2014 and December 31, 2017. Tax abatement applies to 100% of the County's share of real estate taxes on the new construction structure for five years, taxes are collected on the land and any additional structures on the lot.

Southwest Minnesota Housing Partnership: SWMHP offers support with a wide range of development processes. Cities, counties and townships can access community development planning. Other Partnership services include access to low interest mortgages and closing costs assistance, rehabilitation assistance, construction management services

- **Lot Supply.** Table FS-4 inventoried active subdivisions with available lots. Based on our research there are 41 vacant single-family lots, not included scattered lots throughout the city. Based on this lot supply and the recent construction activity over the past few years, the current lot inventory is sufficient to meet projected demand.
- **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 recently raised the Federal Funds Rate in December 2015 by a quarter of a point. Although interest rates were anticipated to see another increase in the summer of 2016, some are now predicting another increase will not occur until the end of 2016 due to slower than predicted economic growth. The anticipated increases are projected to be small; although affordability will be affected, most economists do not anticipate a major change in the short-term. Low mortgage rates have been critical for the housing recovery. 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%.



- Proximity to Sioux Falls.** Luverne is located approximately 30 miles from Sioux Falls, which had a population of 138,192 in 2014. The Sioux Falls Metro Area (defined as Lincoln, McCook, Minnehaha and Turner Counties) had a population of 238,294 in 2014. Luverne is accessible to Sioux Falls via Interstate 90. With a growing population and easy access by interstate, Sioux Falls can have an impact on the growth of Luverne. Families seeking small town life, better schools or less expensive real estate may elect to relocate Luverne and continue commuting to Sioux Falls. An additional opportunity may arise from retirees seeking to leave Sioux Falls for a quieter environment and less expensive housing.
- Rental Housing.** The Luverne rental housing stock is well-maintained. The City also provides a comprehensive rental guide with the name, address, contact and features of the rental property. This would enable new residents to easily contact and find apartment vacancies. However, the rental housing in Luverne is lacking in amenities common in newer rental housing development, such as in unit washers and dryers, community rooms, fitness centers and pools.

During conversations with property managers and employers, many noted that rental housing is typically full. Low vacancy rates limit renter choice and could make relocation difficult for new residents and employees. In addition, people relocating to the City often seek out single-family rental homes during their transition. However, employers commented that there are few single family rentals, and those that do exist are consistently full.

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 the only services available at these properties. Because of the lack of services, active adult properties typically do not command the rent premiums of more service-enriched senior housing.

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

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

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

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

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

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

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

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

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

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

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

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

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

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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 – Rock County 2016

	Fair Market Rent				
	EFF	1BR	2BR	3BR	4BR
Fair Market Rent	\$418	\$492	\$658	\$944	\$961

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

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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 Rock County in 2016 are as follows:

Gross Rent Rock County – 2016

	Maximum Gross Rent				
	EFF	1BR	2BR	3BR	4BR
30% of median	\$335	\$383	\$431	\$478	\$517
50% of median	\$558	\$638	\$718	\$797	\$862
60% of median	\$670	\$766	\$862	\$957	\$1,035
80% of median	\$894	\$1,022	\$1,150	\$1,276	\$1,380
100% of median	\$1,117	\$1,277	\$1,437	\$1,595	\$1,725
120% of median	\$1,341	\$1,533	\$1,725	\$1,914	\$2,070

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.

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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.

MAXIMUM RENT BASED ON HOUSEHOLD SIZE AND AREA MEDIAN INCOME														
ROCK 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	\$335	-\$335	\$559	-\$559	\$671	-\$671	\$894	-\$894	\$1,118	-\$1,118	\$1,341	-\$1,341
1BR	1	2	\$335	-\$383	\$559	-\$639	\$671	-\$767	\$894	-\$1,022	\$1,118	-\$1,278	\$1,341	-\$1,533
2BR	2	4	\$383	-\$479	\$639	-\$798	\$767	-\$957	\$1,022	-\$1,276	\$1,278	-\$1,595	\$1,533	-\$1,914
3BR	3	6	\$431	-\$556	\$719	-\$926	\$863	-\$1,112	\$1,150	-\$1,482	\$1,438	-\$1,853	\$1,725	-\$2,223
4BR	4	8	\$479	-\$632	\$798	-\$1,054	\$957	-\$1,265	\$1,276	-\$1,686	\$1,595	-\$2,108	\$1,914	-\$2,529

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 Rock County AMI is \$60,400 (2016)

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

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

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

Low-Income Housing Tax Credit – A program aimed to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code. The program requires that a certain percentage of units built be restricted for occupancy to households earning 60% or less of Area Median Income, and rents on these units be restricted accordingly.

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

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

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

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

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

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

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

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

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

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

APPENDIX - DEFINITIONS

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.

APPENDIX - DEFINITIONS

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

APPENDIX - DEFINITIONS

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