

A Comprehensive Housing Needs Analysis for the City of Luverne, Minnesota

Prepared for:

Luverne Economic Development Authority
Luverne, MN

September 2019



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Maxfield
Research & Consulting

September 20, 2019

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

Dear Ms. Sammons:

Attached is the analysis titled, "A Comprehensive Housing Needs Analysis for the City of Luverne, Minnesota." The Needs Analysis examines current housing market conditions and determines the market potential for developing different types of owned and rented housing to 2030 in the City. This is an update to a study previously completed in August 2016.

The scope of this study includes: an analysis of the demographic and economic characteristics of the City and surrounding area; a review of existing housing stock characteristics; an analysis of the for-sale housing market; an evaluation of rental market conditions in the City; a senior housing supply and demand analysis; and an assessment of housing affordability in Luverne. Recommendations on the number and types of housing products that should be considered in the City are also supplied.

Please contact us if you have questions or require additional information.

Sincerely,

MAXFIELD RESEARCH AND CONSULTING, LLC

Joe Hollman
Senior Analyst

Attachment

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Purpose and Scope of Study

Maxfield Research and Consulting, LLC was engaged by the City of Luverne, Minnesota to prepare a Comprehensive Housing Needs Analysis for the City. The Housing Needs Analysis provides recommendations on the amount and types of housing that may be developed to meet the needs of current and future households residing in the City. This is an update to a study previously completed in August 2016.

The scope of this study includes: an analysis of the demographic and economic characteristics of the City and surrounding area; a review of existing housing stock characteristics; an analysis of the for-sale housing market; an evaluation of rental market conditions in the City; a senior housing supply and demand analysis; and an assessment of housing affordability in Luverne. Detailed recommendations are provided for the housing types identified as being needed in Luverne to 2030. An assessment of challenges and opportunities associated with housing development in the City is also provided.

Demographic Analysis

- Luverne's population increased 2.8% from 2000 to 2010 (128 people) against household growth of 4.1% (80). Current estimates suggest that the population in Luverne contracted -0.4% (-19 people) against a -0.5% decline in households (-10 households) between 2010 and 2019.
- The City of Luverne is expected to experience modest contraction between 2019 and 2024, declining by -19 people (-0.4%) and -10 households (-0.5%). We anticipate that Luverne will experience 3.5% population growth (163 people) against 3.5% growth in households (70 households) between 2024 and 2030.
- In 2019, the largest adult cohort by age in Luverne is 75 and older, totaling an estimated 635 people (13.4% of the population), followed by the 55 to 64 age group with an estimated 620 people (13.1%).
- The most rapid growth is expected to occur among older adults in the Market Area. As the baby boom population ages, the 65 and older age cohorts are expected to experience increases in the next several years, particularly the 65 to 74 age group. Modest growth in the 45 to 54 age group is also anticipated between 2019 and 2024, as the leading edge of the "echo boom" moves into this cohort.
- In 2019, the median household income is estimated to be \$53,090 in Luverne (-31% lower than \$69,559 in Minnesota) and \$57,816 in the PMA.
- Typically, as income increases, so does the rate of homeownership. This can be seen in Luverne, where the homeownership rate increases from 31% of households with incomes below \$15,000 to 80% of households with incomes above \$100,000.

EXECUTIVE SUMMARY

- In Luverne, 35.6% of all households rented in 2017, giving it a rental rate that was higher than Minnesota (28.6% of households rented), while 16.1% of all households in the Remainder of the PMA rented. The total number of renter households residing in the PMA grew by an estimated 171 households between 2010 and 2017, an increase of 16.4%, while the number of owner-occupied households contracted -2.2% (-87 households).
- In Luverne, single-person households were the most common household type in 2017 (34.6% of all households), followed by married couples without children (25.9%). Married couples without children were the most common household type in the Remainder of the PMA (39.8%), followed by single-person households (24.5%).
- As of 2019, “White Alone” comprised the largest proportion of the PMA population, at an estimated 94.5% compared to 82.2% in Minnesota. Approximately 77% of “White Alone” households in the PMA own their housing while the remaining 24% rent. The home ownership rate drops to 55% for all other races in the PMA.

Employment Analysis

- In 2018, Rock County had a labor force of 5,726 with 5,594 employed residents, which equates to a 2.3% unemployment rate. By comparison, 2018 unemployment rates were at 3.1% in Southwest Minnesota and 2.9% in Minnesota.
- Rock County’s labor force increased at an average annual rate of 0.3% from 2000 through 2010, increasing to a rate of 0.8% per year since 2010, from 5,377 in 2010 to 5,726 in 2018. However, the labor force has contracted since peaking at 5,927 in 2016. Resident employment growth was flat in the County from 2000 through 2010 but has since expanded at an average annual rate of 1.2%. Similar to the labor force, resident employment in the County declined in 2017 and 2018 after peaking in 2016.
- Overall, Luverne is an importer of workers as a higher number of nonresidents commute into the City for work than residents leave the City for work. Approximately 1,643 workers come into Luverne for employment (inflow) daily, while 1,016 resident workers commute out of the City (outflow). An estimated 864 people both live and work in the City (interior flow).
- With 1,643 workers commuting into the City of Luverne for employment daily, many coming from over 50 miles, there appears to be an opportunity to provide housing options for a portion of these workers.
- Modest job growth is expected in Luverne, climbing 3.2% between 2018 and 2024 and 3.5% between 2024 and 2030. The pace of job growth is expected to be restrained as the region will experience potential labor force shortages and a surge in retirements.

EXECUTIVE SUMMARY

- Education and Health Services is the largest employment sector in Luverne providing 924 jobs (36.3% of total jobs), while Trade, Transportation, and Utilities is the largest employment sector in the Remainder of the PMA with 226 jobs (14.2%%).
- Average weekly wages in Luverne (\$806) are 25% higher than the Remainder of the PMA (\$648) and very similar to Southwest Minnesota (\$802).
- A household earning the average weekly wage in the PMA (\$745) would be able to afford an apartment renting for approximately \$968 per month to not exceed 30% of its monthly income on housing costs, significantly higher than the average rent for existing market rate rental properties in the PMA (\$605).
- Assuming that a potential home buyer has good credit and makes a 10% down payment, a household earning the average weekly wage in the PMA would be able to afford to purchase a home priced at approximately \$155,750 or lower to not be cost-burdened (paying more than 30% of their income for housing). By comparison, the median sale price for single-family home resales in Luverne in 2018 was \$105,000.

Housing Characteristics

- Roughly 28% of the housing units in Luverne were built prior to 1940, compared to 35% in the Remainder of the PMA and 17% of all homes in Minnesota. Aside from the number of homes built prior to 1940, the 1950s was the most active decade in Luverne (17% of all housing units) in terms of residential building activity, followed by the 1960s (15%).
- Residential construction activity dropped off in the City when the “housing bubble” burst in 2006. An average of 14 new housing units were permitted annually in the City from 2000 through 2005. Permitting activity declined to an annual average of eight units from 2006 through 2010 and four units from 2011 to 2015. Residential construction activity has accelerated since 2015, averaging 12 new units per year from 2016 through 2018.
- Approximately 49% of all residential units permitted in Luverne between 2000 and August 5, 2019 were detached single-family (93 units). The remaining 51% were multifamily (97 units) which includes townhomes and twinhomes.
- As of the 2013-2017 ACS, approximately 92.4% of the housing units in Luverne were occupied and 7.6% were vacant. By comparison, the Remainder of the PMA had an estimated vacancy rate of 7.4% and Minnesota had a 10.5% vacancy rate.
- The estimated 2019 median owner-occupied home value is \$143,475 in the City of Luverne, roughly 6.3% higher than the median of \$135,000 in the Remainder of the PMA but -40% lower than the State of Minnesota (\$240,868). The median contract rent in Luverne was \$495 during the 2013-2017 ACS, roughly -39% lower than the statewide median of \$816.

For-Sale Housing Market Analysis

- The 2018 median resale price for single-family homes in Luverne was \$105,000, substantially higher than the median sales price of \$58,000 in the Remainder of Rock County. The multifamily median sale price in Luverne was \$115,000 in 2018. There were no multifamily sales in the Remainder of the County in 2018.
- Multifamily housing represents a small share of Luverne's for-sale housing market, comprising 5% of all closed resales from 2014 through June 19, 2019. The remaining 95% were detached single-family home resales. By comparison, less than 1% of all closed resale transactions in the Remainder of Rock County were multifamily sales during that same time period (one sale).
- Since 2017, the City of Luverne has averaged 8.3 home sales per month. Based on the current supply of available for-sale housing in the City, there is a 4.6-month supply of homes available for sale on the market. Equilibrium in the for-sale housing market is generally considered to be a six-month supply of homes on the market. As such, it appears that the current inventory of available for-sale housing in Luverne is slightly undersupplied.
- There are five newer subdivisions with available vacant lots in the City of Luverne. Combined, these five subdivisions contain 27 vacant residential lots, all of which are single-family lots. There are also 18 new lots pending in Luverne.

Rental Housing Market Analysis

- Maxfield Research compiled detailed information for rental housing properties with eight or more units in Luverne and the surrounding area, including one affordable Low Income Housing Tax Credit (LIHTC) project, one Section 515 (United States Department of Agriculture Rural Development) property targeting family households, one publicly-owned subsidized property, two project-based Section 8 properties, and nine general occupancy market rate apartment properties. These properties represent 145 affordable rental housing units and 130 market rate units.
- The inventory of rental properties in the PMA was 2.9% vacant as of August 2019, including a 2.8% vacancy rate among the affordable/subsidized properties and a 3.1% vacancy rate in the market rate properties. The equilibrium vacancy rate for rental housing is considered to be 5.0%, which allows for normal turnover and an adequate supply of alternatives for prospective renters.
- The average rental rate across all market rate general occupancy properties is \$605 per month, including; one-bedroom unit rents average \$499 per month, two-bedroom units average \$591 per month, and three-bedroom units average \$796 per month. On a per square-foot basis, these general occupancy market rate rental properties have an average rent of \$0.64 per square foot,

Senior Housing Market Analysis

- Maxfield Research identified eight senior housing properties in the PMA. Combined, these projects contain a total of 180 senior housing units. Seven of the senior housing facilities, with 126 units, are market rate, and there is one affordable senior housing project with 54 units. Of the 180 units, 65% provide service-enhanced senior housing, for a total of 117 units (28 independent living with services available, 79 assisted living units, and ten memory care units).
- At the time of our survey, 23 units were vacant, representing a 12.8% vacancy rate. There was one independent living vacancy (3.6% vacancy), 19 assisted living vacancies (24.1%) and memory care was fully-occupied. The active adult units were 4.8% vacant (three vacancies). Senior housing facilities in the City of Luverne were 4.7% vacant (five vacancies), while the facilities in the Remainder of the PMA were 24.3% vacant (18 vacant units).
- A 93% occupancy rate is generally considered equilibrium in assisted living and memory care senior housing, while 95% occupancy is considered equilibrium in independent living and active adult. As such, the current supply of active adult, independent living, and memory care appear to be undersupplied, while the assisted living market appears to be oversupplied.

Housing Affordability

- Approximately 14% of all owner households in Luverne are considered to be cost burdened (paying 30% or more of their gross incomes for housing), while 35% of the existing renter households in the City are considered cost burdened. By comparison, 20% of owner households and 44% of renter households are cost burdened in Minnesota.
- Based on current home prices, roughly 83% of existing owner households in the PMA could afford to purchase a single-family home sold at the median sale price in Luverne (\$105,000 in 2018), although the proportion drops to 69% that could afford a move-up home priced at \$175,000.
- Roughly 72% of existing renter householders could afford to rent a one-bedroom unit at a market rate rental project in Luverne at an average rent of \$499 per month; however, only 47% could afford monthly rents for a one-bedroom unit priced at \$900 per month in a new rental development.

Housing Demand Analysis

- Based on our calculations, general occupancy for-sale housing demand exists in Luverne for **90 detached single-family units and 49 multifamily units** (i.e. townhomes, twinhomes, condos) between 2019 and 2030.

EXECUTIVE SUMMARY

RECOMMENDED RENTAL HOUSING DEVELOPMENT CITY OF LUVERNE			
	Monthly Rent Range¹	No. of Units	Development Timing
Market Rate Rental Housing			
Apartment-style	\$850/1BR - \$1,000/2BR	24 - 30	2019+
or - Townhomes	\$1,100/2BR - \$1,300/3BR	14 - 16	2019+
Affordable Rental Housing			
Apartment- or Townhome-style	Moderate Income ²	24 - 26	2019+

¹ Pricing in 2019 dollars. Pricing can be adjusted to account for inflation.

² Affordability subject to income guidelines per US Department of Housing and Urban Development (HUD)

Note - Recommended development concepts represent a hypothetical potential project and do not necessarily reflect total calculated demand

RECOMMENDED SENIOR RENTAL HOUSING DEVELOPMENT CITY OF LUVERNE			
	Monthly Rent Range¹	No. of Units	Development Timing
Senior Housing (i.e. Age Restricted)			
Active Adult Market Rate Rental ²	\$850/1BR - \$1,100/2BR	20 - 24	2019+
Active Adult Shallow-Sub. Rental ²	Moderate Income	28 - 30	2019+
Service-Enhanced Senior Housing			
Catered Living ³	\$1,600 - \$4,000	40 - 45	2022+
Memory Care ⁴	\$4,500 - \$5,500	16 - 20	2022+
Total		104 - 119	

¹ Pricing in 2019 dollars. Pricing can be adjusted to account for inflation.

² Alternative development concept is to combine active adult affordable and market rate active adult into mixed-income senior community

³ Catered living is a hybrid concept of independent and assisted living service levels.

⁴ Memory care housing could be a component of an assisted-living or service-intensive building.

Note - Recommended development concepts represent a hypothetical potential project and do not necessarily reflect total calculated demand

Purpose and Scope of Study

Maxfield Research and Consulting, LLC was engaged by the City of Luverne, Minnesota to prepare a Comprehensive Housing Needs Analysis for the City. The Housing Needs Analysis provides recommendations on the amount and types of housing that may be developed to meet the needs of current and future households residing in the City. This is an update to a study previously completed in August 2016.

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Detailed recommendations are provided for the housing types identified as being needed in Luverne to 2030. An assessment of challenges and opportunities associated with housing development in the City is also provided.

Introduction

Demographic characteristics and trends are important factors when evaluating housing needs in any given market. This section of the report begins by delineating the draw area for housing products in the City of Luverne, Minnesota and examines the demographic and economic characteristics of this draw area. A review of these characteristics provides insight into the demand for various types and styles of housing in Luverne.

Market Area Definition

The draw area or “Market Area” for housing products in Luverne was determined based on geographic and man-made boundaries, commuting patterns, community orientation, and places of employment. We also reviewed boundaries for the Luverne Public School District.

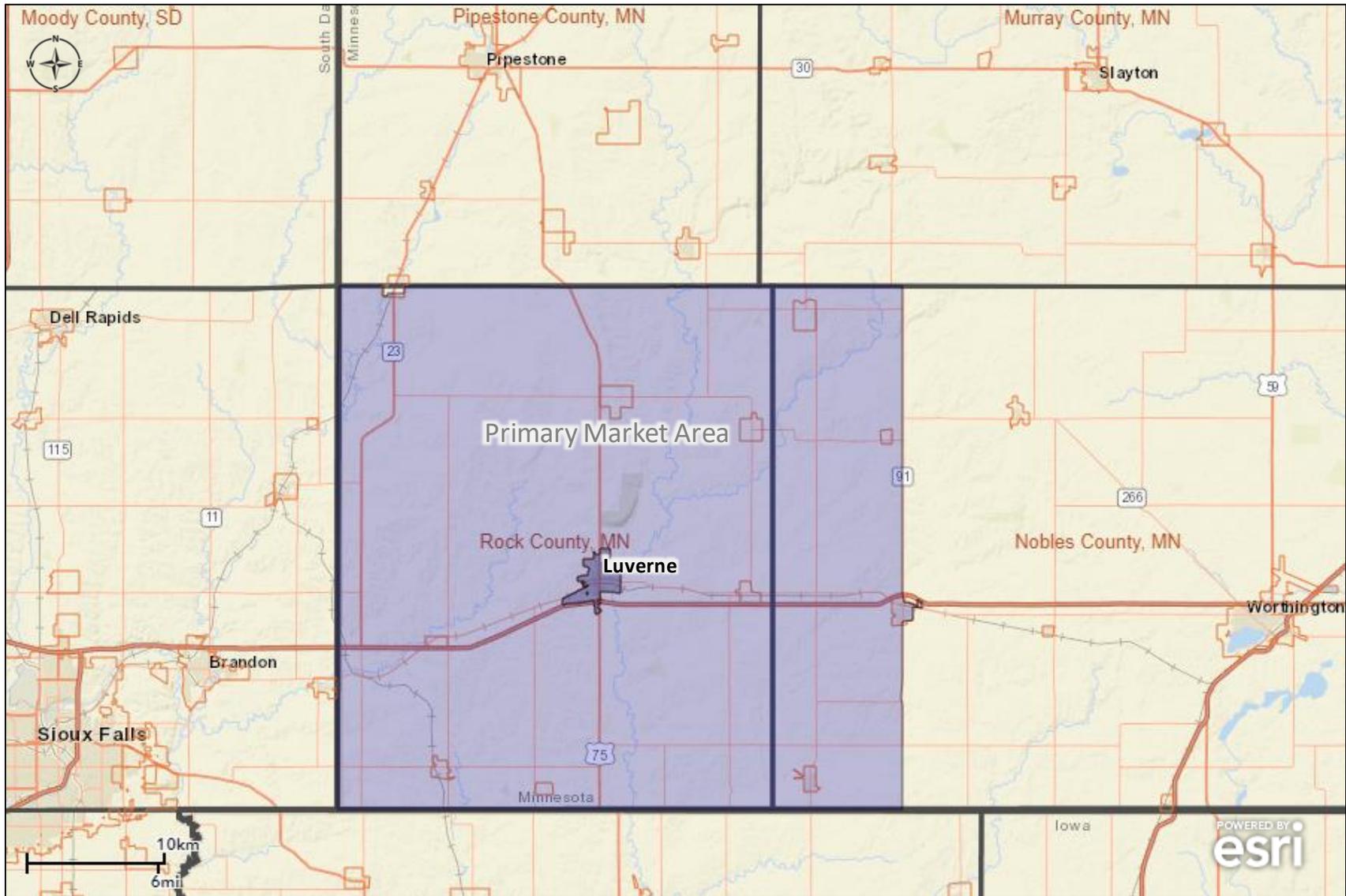
Based on these factors, we delineated a Primary Market Area (PMA) consisting of all of Rock County, Minnesota, excluding the City of Jasper, along with the western portion of Nobles County, Minnesota. The PMA is unchanged from the August 2016 study. In total the PMA is comprised of the following 26 county subdivisions.

Primary Market Area - County Subdivisions			
Rock County Cities & Townships		Nobles County Cities & Townships	
Luverne city	Battle Plain township	Adrian city	Grand Prairie township
Beaver Creek city	Beaver Creek township	Ellsworth city	Leota township
Hardwick city	Clinton township	Lismore city	Lismore township
Hills city	Denver township		Westside township
Kenneth city	Kanaranzi township		
Magnolia city	Luverne township		
Steen city	Magnolia township		
	Martin township		
	Mound township		
	Rose Dell township		
	Springwater township		
	Vienna township		

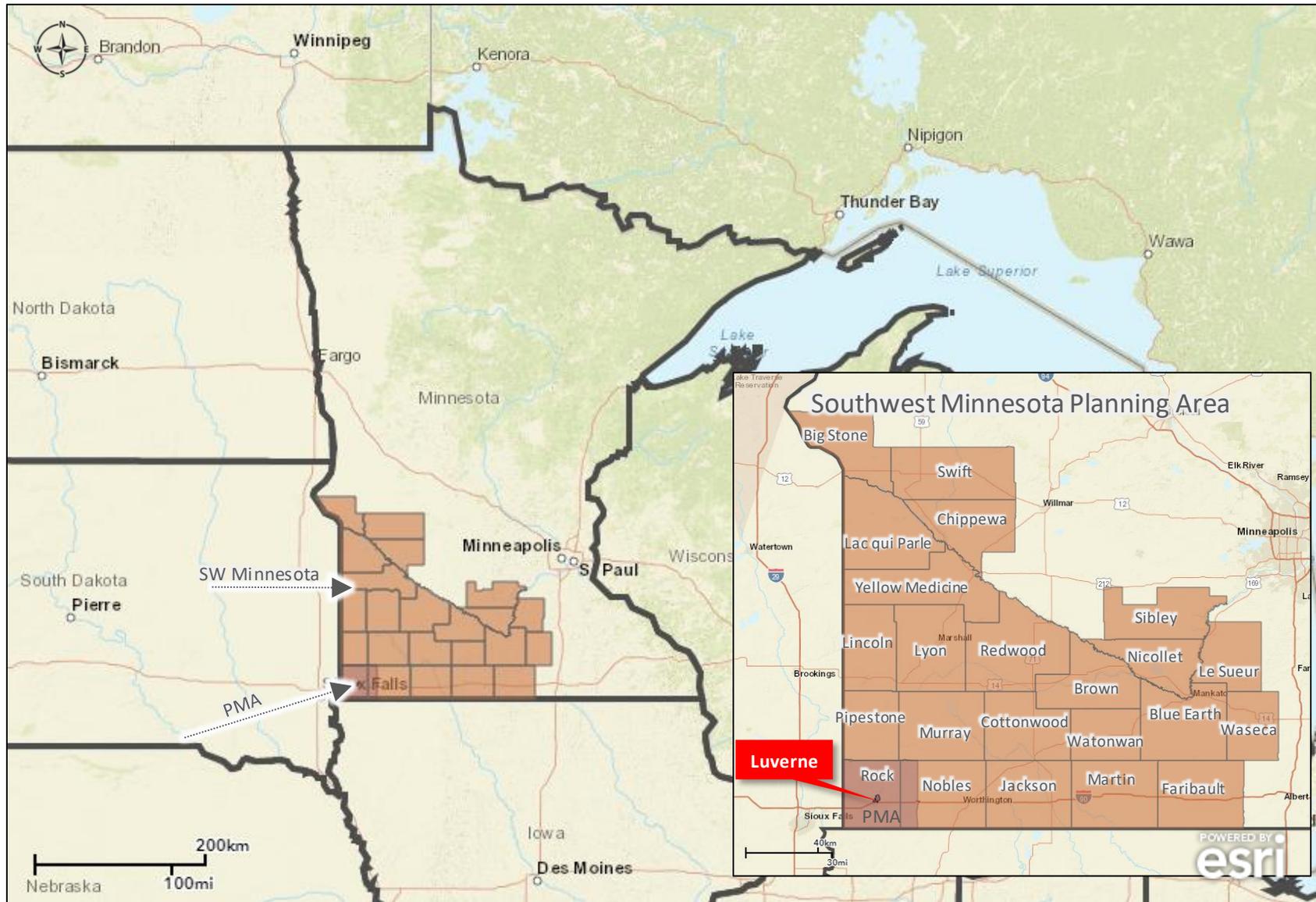
Housing demand in the City of Luverne will be generated by household growth and turnover of existing households within the PMA. Additional demand for housing will come from households moving into the City from outside the area.

Comparisons are made to Minnesota and the 23-County Southwest Minnesota Planning Area. The maps on the following pages illustrate the location of the City of Luverne in the PMA as well as the surrounding region.

Primary Market Area



Regional Location



Population and Household Growth Trends

Demographic Analysis Table 1 on the following page presents population and household growth trends in the Market Area from 2000 to 2030. The 2000 and 2010 figures are from the U.S. Census while data for 2019 and 2024 are based on estimates and projections provided by ESRI (a nationally recognized demographics firm).

We arrived at the population forecast for 2030 based on employment projections for the Market Area which are presented in the Employment Trends section of this Study. Maxfield Research based the projections for Luverne and the PMA on the employment to population ratio in the Market Area. Based on the 2024 employment and population forecasts, there will be approximately 3.07 people for every job in the PMA and 1.79 people per job in Luverne in 2024. Our population projections for 2030 assume these ratios hold steady. Household projections for 2030 are based on changes to household sizes from 1990 to 2024.

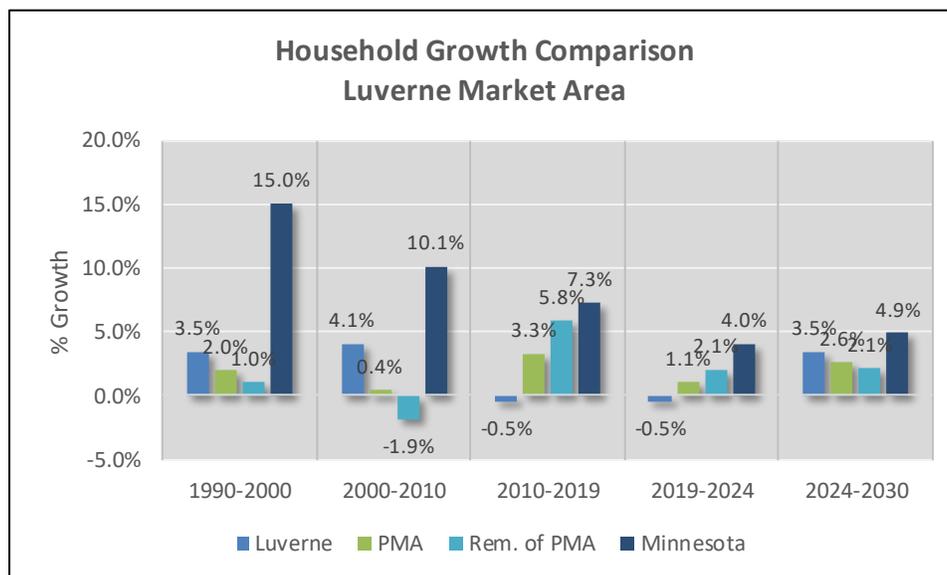
- From 1990 to 2000, the population residing in Luverne expanded 5.4% with the addition of 235 people and 66 households (3.5%). The Remainder of the Primary Market Area experienced a -4.8% reduction in population (-411) against household growth of 1.0% (32 households) between 1990 and 2000.
- As of 2010, the Primary Market Area contained 12,515 people and 5,084 households. Between 2000 and 2010, the population declined by -323 people (-2.5%) while the number of households expanded 0.4% (21 households).
- The proportional loss in population was high relative to households suggesting a trend toward shrinking household sizes in the PMA, as the average household size decreased from 2.54 in 2000 to 2.46 in 2010.
- The trend toward declining household sizes indicated an aging household base and also reflected a general shift in demographic factors that favor smaller households, such as a declining proportion of married couple households with children.
- Luverne's population increased 2.8% from 2000 to 2010 (128 people) against household growth of 4.1% (80). As of 2010, the average household size in the City of Luverne was 2.32, down from 2.35 in 2000.
- Based on population and household estimates provided by ESRI, we estimate that the PMA population expanded 3.4% between 2010 and 2019 to 12,939, while the number of households increased 3.3% to 5,251.
- Current estimates from ESRI suggest that the population in Luverne contracted -0.4% (-19 people) against a -0.5% decline in households (-10 households) between 2010 and 2019.

DEMOGRAPHIC ANALYSIS

DEMOGRAPHIC ANALYSIS TABLE 1 POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS LUVERNE MARKET AREA 2000 to 2030								
Population								
		City of Luverne	Primary Market Area	Remainder of PMA	Minnesota			
1990		4,382	13,014	8,632	4,375,665			
2000		4,617	12,838	8,221	4,919,492			
2010		4,745	12,515	7,770	5,303,925			
2019 Estimate		4,726	12,939	8,213	5,715,341			
2024 Forecast		4,707	13,076	8,369	5,956,951			
2030 Forecast		4,870	13,419	8,549	6,128,724			
Change	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
1990 - 2000	235	5.4%	-176	-1.4%	-411	-4.8%	543,827	12.4%
2000 - 2010	128	2.8%	-323	-2.5%	-451	-5.5%	384,433	7.8%
2010 - 2019	-19	-0.4%	424	3.4%	443	5.7%	411,416	7.8%
2019 - 2024	-19	-0.4%	137	1.1%	156	1.9%	241,610	4.2%
2024 - 2030	163	3.5%	343	2.6%	180	2.2%	171,773	2.9%
Households								
		City of Luverne	Primary Market Area	Remainder of PMA	Minnesota			
1990		1,902	4,965	3,063	1,647,974			
2000		1,968	5,063	3,095	1,895,127			
2010		2,048	5,084	3,036	2,087,227			
2019 Estimate		2,038	5,251	3,213	2,239,335			
2024 Forecast		2,028	5,307	3,279	2,330,022			
2030 Forecast		2,098	5,446	3,348	2,443,951			
Change	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
1990 - 2000	66	3.5%	98	2.0%	32	1.0%	247,153	15.0%
2000 - 2010	80	4.1%	21	0.4%	-59	-1.9%	192,100	10.1%
2010 - 2019	-10	-0.5%	167	3.3%	177	5.8%	152,108	7.3%
2019 - 2024	-10	-0.5%	56	1.1%	66	2.1%	90,687	4.0%
2024 - 2030	70	3.5%	139	2.6%	69	2.1%	113,929	4.9%
Sources: US Census; ESRI; MN State Demographic Center; Maxfield Research & Consulting, LLC								

DEMOGRAPHIC ANALYSIS

- Between 2019 and 2024, the PMA is projected to add 137 people (1.1% growth) and 56 households (1.1%).
- The City of Luverne is expected to experience modest contraction between 2019 and 2024, declining by -19 people (-0.4%) and -10 households (-0.5%). The population in the Remainder of the PMA is forecast to increase 1.9% (156 people) against household growth of 2.1% (66 households).
- The pace of growth is projected to accelerate between 2024 and 2030. The PMA is expected to add 343 people (2.6% growth) and 139 households (2.6%) by 2030.
- We anticipate that Luverne will experience 3.5% population growth (163 people) against 3.5% growth in households (70 households) between 2024 and 2030, while the Remainder of the PMA experiences 2.2% population growth (180) and 2.1% household growth (69).
- The rate of growth in the PMA is expected to slightly trail growth in Minnesota, which is projected to experience 2.9% population growth and 4.9% household growth between 2024 and 2030.



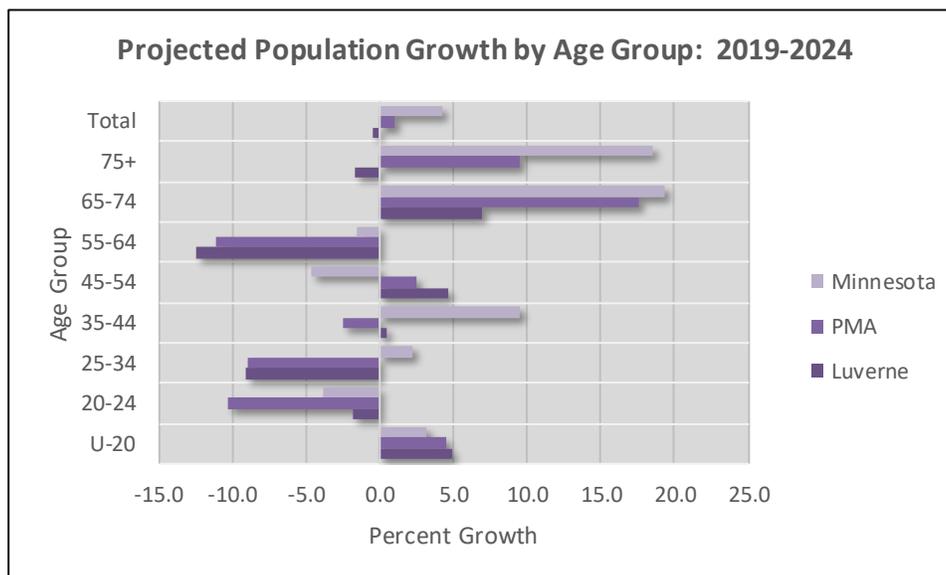
- Growth in Luverne and the Remainder of the PMA will be determined, in large part, by increased or decreased hiring by area employers. Additionally, population and household growth in Luverne will be highly dependent on the availability of suitable housing options in the City.

Age Distribution

The age distribution of a community’s population helps in assessing the type of housing needed. For example, younger and older people are more attracted to higher-density housing located near urban services and entertainment while middle-aged people (particularly those with children) traditionally prefer lower-density single-family homes.

Demographic Analysis Table 2 presents the age distribution of the Market Area population from 2000 to 2024. Information from 2000 and 2010 is sourced from the U.S. Census. The 2019 estimates and projections for 2024 were provided by the Minnesota State Demographic Center and ESRI, with adjustments made by Maxfield Research to reflect current year data.

- In 2019, the largest adult cohort by age in Luverne is 75 and older, totaling an estimated 635 people (13.4% of the population), followed by the 55 to 64 age group with an estimated 620 people (13.1%).
- The 55 to 64 cohort is the largest age group in the Remainder of the PMA with 1,306 people (15.9% of the population), followed by 45 to 54 cohort with 989 people (12.0%). By comparison, the 25 to 34 cohort is the largest age group in Minnesota representing 13.6% of the population, followed closely by the 55 to 64 cohort (13.5%).
- The most rapid growth is expected to occur among older adults in the Market Area. Aging of baby boomers led to an increase of 494 people (44%) in the 55 to 64 population in the PMA between 2010 and 2019. As this group ages, the 65 and older age cohorts are expected to experience increases in the next several years, particularly the 65 to 74 age group which is projected to grow 18% in the PMA, adding 258 people while the 75 and older age group expands 10% (125 people).



DEMOGRAPHIC ANALYSIS

DEMOGRAPHIC ANALYSIS TABLE 2								
AGE DISTRIBUTION								
LUVERNE MARKET AREA								
2000 - 2024								
Age	Census		Estimate	Projection	Change			
	2000	2010	2019	2024	2010-2019		2019-2024	
					No.	Pct.	No.	Pct.
City of Luverne								
Under-20	1,219	1,253	1,177	1,234	-76	-6.1	57	4.9
20 to 24	197	208	232	228	24	11.5	-4	-1.8
25 to 34	456	524	520	473	-4	-0.8	-47	-9.1
35 to 44	575	516	521	524	5	1.0	3	0.5
45 to 54	565	562	488	511	-74	-13.2	23	4.7
55 to 64	386	590	620	543	30	5.1	-77	-12.5
65 to 74	460	405	533	570	128	31.6	37	6.9
75+	759	687	635	625	-52	-7.6	-10	-1.6
Total	4,617	4,745	4,726	4,707	-19	-0.4	-19	-0.4
Remainder of PMA								
Under-20	2,494	2,191	2,149	2,240	-303	-12.1	92	4.3
20 to 24	347	285	346	291	-62	-17.9	-55	-15.9
25 to 34	836	807	840	766	-29	-3.5	-74	-8.9
35 to 44	1,251	876	964	924	-375	-30.0	-41	-4.2
45 to 54	1,101	1,262	989	1,004	161	14.6	14	1.5
55 to 64	747	1,037	1,306	1,170	290	38.8	-137	-10.5
65 to 74	694	631	930	1,152	-63	-9.1	221	23.8
75+	751	681	687	823	-70	-9.3	136	19.7
Subtotal	8,221	7,770	8,213	8,369	-451	-5.5	156	1.9
Primary Market Area								
Under-20	3,713	3,444	3,326	3,475	-269	-7.2	149	4.5
20 to 24	544	493	578	519	-51	-9.4	-59	-10.3
25 to 34	1,292	1,331	1,360	1,239	39	3.0	-122	-8.9
35 to 44	1,826	1,392	1,485	1,448	-434	-23.8	-38	-2.5
45 to 54	1,666	1,824	1,477	1,515	158	9.5	37	2.5
55 to 64	1,133	1,627	1,926	1,712	494	43.6	-214	-11.1
65 to 74	1,154	1,036	1,463	1,721	-118	-10.2	258	17.6
75+	1,510	1,368	1,322	1,448	-142	-9.4	125	9.5
Subtotal	12,838	12,515	12,939	13,076	-323	-2.5	137	1.1
Minnesota								
Under-20	1,434,845	1,431,211	1,431,561	1,480,616	350	0.0	49,055	3.4
20 to 24	322,483	355,651	371,515	365,047	15,864	4.5	-6,468	-1.7
25 to 34	673,138	715,586	775,837	788,106	60,251	8.4	12,269	1.6
35 to 44	824,182	681,094	722,223	784,782	41,129	6.0	62,559	8.7
45 to 54	665,696	807,898	711,535	691,747	-96,363	-11.9	-19,788	-2.8
55 to 64	404,869	629,364	773,595	744,222	144,231	22.9	-29,373	-3.8
65 to 74	295,825	354,427	540,542	633,980	186,115	52.5	93,438	17.3
75+	298,441	328,694	388,533	468,451	59,839	18.2	79,918	20.6
Subtotal	4,919,479	5,303,925	5,715,341	5,956,951	411,416	7.8	241,610	4.2
Sources: U.S. Census Bureau; ESRI; MN State Demographic Center; Maxfield Research & Consulting, LLC								

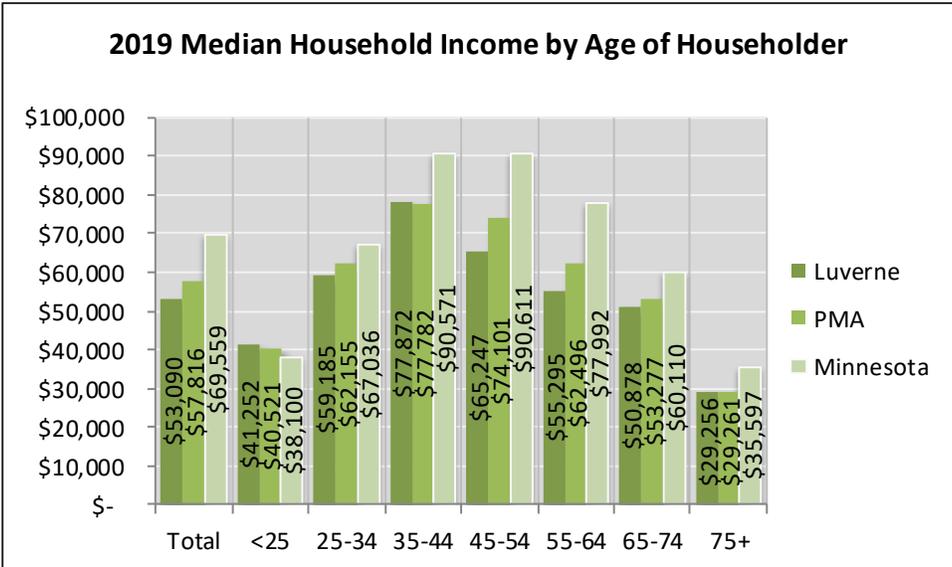
DEMOGRAPHIC ANALYSIS

- The PMA is also expected to experience modest growth in the 45 to 54 age group, expanding 2.5%, adding 37 people between 2019 and 2024, as the leading edge of the “echo boom” moves into this cohort.
- Luverne and the Remainder of the PMA are expected to experience declines in the 55 to 64 age group between 2019 and 2024, which is projected to contract -12.5% (-77 people) in Luverne and -10.5% (-137 people) in the Remainder of the PMA.
- The loss projected for this age cohort is a result of the comparatively small number of people who will move into this age group between 2019 and 2024, a phenomenon known as the “baby bust.” The “baby bust” is often referred to the generation of children born between 1965 and 1980, an era when the United States birthrate dropped sharply.
- Contraction is forecast for the younger adult age groups in the PMA between 2019 and 2024, as the 20 to 24 cohort is projected to decline -10.3% (-59 people) and the 25 to 34 age group is expected to decrease -8.9% (-122). Minnesota is projected to experience modest growth (1.6%) in the 25 to 34 age group and -1.7% contraction in the 20 to 24 cohort.
- Over the next five years, the adult age groups (age 20 to 64) are expected to experience declining population in Luverne and the Remainder of PMA, declining -4.3% and -6.6%, respectively.
- The senior (age 65+) population is projected to experience solid growth between 2019 and 2024, particularly in the Remainder of the PMA. The senior population is expected to increase 2.3% (26 people) in the City of Luverne while expanding 22.1% (357 people) in the Remainder of the PMA.
- Based on age distribution projections for Luverne and the PMA, there appears to be growing demand for housing catering to the senior population as well as move-up ownership housing. Demand for other housing products will likely be generated by turnover as opposed to household growth.
- Typical housing products sought by households in various age groups include:
 - Rental housing targeting the young adult (25 to 34) age group;
 - Maintenance-free, single-level housing (ownership or rental) targeting the empty nester population (55 to 74 age group);
 - Entry-level ownership housing for first-time home buyers (age 25 to 34);
 - Move-up ownership housing for family households (age 35 to 54); and,
 - Age-restricted active adult or service-enhanced (i.e. assisted living) housing for seniors.

Household Income

Household income data helps ascertain the demand for different types of owned and rented housing based on the size of the market at specific cost levels. In general, housing costs of up to 30% of income are considered affordable by the Department of Housing and Urban Development (HUD). Demographic Analysis Tables 3 and 4 present data on household income by age of householder for Luverne as well as the PMA in 2019 and 2024. The information is estimated by ESRI.

- In 2019, the median household income is estimated to be \$53,090 in Luverne (-31% lower than \$69,559 in Minnesota) and \$57,816 in the PMA.
- By 2024, the median household income is projected to climb 5.6% to \$56,075 in Luverne, compared to 13% growth in Minnesota. The average annual increase of 1.1% in Luverne will trail the historical annual inflation rate of 1.6% over the past ten years.
- As households age through the lifecycle, their household incomes tend to peak in their mid-40s to mid-50s. This trend is evident in the Market Area as the age 35 to 44 cohort has the highest estimated income at \$77,872 in Luverne and \$77,782 in the PMA, while the 45 to 54 age group has the highest estimated income in Minnesota at \$90,611.



- HUD defines affordable housing cost as less than 30% of a household’s adjusted gross income. Generally, housing that is income-restricted to households earning at or below 80% of Area Median Income (AMI) is considered affordable. However, individual properties may have income restrictions set anywhere from 30% to 80% of AMI. For example, a 30% rent limit generally applies to public housing or project-based Section 8 housing, while most tax credit properties are restricted to households earning 50% to 60% AMI.

DEMOGRAPHIC ANALYSIS

- Rental housing often targets younger renter households. The median household income in Luverne is \$41,252 for the under-25 age group and \$59,185 for the 25 to 34 age group. Households earning the median income for these age groups could afford monthly housing costs estimated at \$1,031 and \$1,480, respectively. Households in the 35 to 44 age group that may delay buying a home could afford a \$1,947 monthly rent, based on the median household income of \$77,872.
- Based on the median contract rent of \$495 for renter-occupied housing units in Luverne, a household would need to have an annual income of \$19,800 or greater to not exceed 30% of its monthly income on rental housing costs. In 2019, an estimated 1,694 households in the City (83% of the total) are estimated to have incomes of at least \$19,800.
- New rental housing will likely have to be priced higher than the existing stock of rental housing. If a new apartment unit was priced at \$850 per month, a household would need to have an annual income of roughly \$34,000 or greater to not exceed 30% of its monthly income on rental housing costs. In 2019, an estimated 1,424 households in Luverne (70% of the total) are estimated to have incomes of at least \$34,000.
- The median sale price for a single-family home in Luverne was \$105,000 in 2018. Assuming that a potential home buyer has good credit and makes a 10% down payment, a household would need to have a minimum annual income of roughly \$26,101 to be income-qualified for a home purchased at the 2018 median price in Luverne. In 2019, an estimated 76% of Luverne households (1,552) have incomes of \$26,101 or higher.
- The data indicates that the existing housing stock in Luverne is relatively affordable proportionate to household incomes in the City.
- There appears to be growing demand for housing from age 65 and older households as well as age 45 to 54 households in the PMA. While the younger age cohorts are not expected to experience significant growth over the next five years, housing demand could be generated by existing households seeking alternatives to their current housing situation (i.e. young family households looking to move to a larger home, renters seeking to purchase a home, empty-nesters that want to downsize).
- A migration of households out of the Sioux Falls area could also stimulate housing demand in the PMA. Several factors could drive this trend, including a housing shortage in Sioux Falls, affordability, school district and/or lifestyle preferences.

DEMOGRAPHIC ANALYSIS

**DEMOGRAPHIC ANALYSIS TABLE 3
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
CITY OF LUVERNE
2019 & 2024**

	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
2019								
Less than \$15,000	230	19	23	16	26	55	27	64
\$15,000 to \$24,999	239	11	18	13	12	28	45	112
\$25,000 to \$34,999	162	10	18	12	16	22	31	53
\$35,000 to \$49,999	303	25	42	32	36	53	52	63
\$50,000 to \$74,999	463	18	78	64	70	78	101	55
\$75,000 to \$99,999	207	7	30	46	42	36	26	20
\$100,000 to \$199,999	377	13	60	97	69	75	30	34
\$200,000 or more	58	3	9	8	8	15	11	4
Total	2,038	106	278	288	279	361	323	404
Median Income	\$53,090	\$41,252	\$59,185	\$77,872	\$65,247	\$55,295	\$50,878	\$29,256
2024								
Less than \$15,000	199	20	19	15	22	41	25	57
\$15,000 to \$24,999	221	10	15	12	13	22	44	105
\$25,000 to \$34,999	145	8	14	10	15	17	31	50
\$35,000 to \$49,999	297	26	40	31	37	45	55	63
\$50,000 to \$74,999	456	18	69	62	69	68	111	59
\$75,000 to \$99,999	209	7	28	44	45	35	29	21
\$100,000 to \$199,999	434	16	65	109	84	79	38	43
\$200,000 or more	68	3	9	10	10	16	15	5
Total	2,028	108	259	293	295	323	348	403
Median Income	\$56,075	\$42,721	\$62,188	\$82,688	\$70,653	\$60,849	\$52,516	\$32,392
Change 2019 - 2024								
Less than \$15,000	-31	1	-4	-1	-4	-14	-2	-7
\$15,000 to \$24,999	-18	-1	-3	-1	1	-6	-1	-7
\$25,000 to \$34,999	-17	-2	-4	-2	-1	-5	0	-3
\$35,000 to \$49,999	-6	1	-2	-1	1	-8	3	0
\$50,000 to \$74,999	-8	0	-9	-2	-1	-10	10	4
\$75,000 to \$99,999	2	0	-2	-2	3	-1	3	1
\$100,000 to \$199,999	56	3	5	12	15	4	8	9
\$200,000 or more	10	0	0	2	2	1	4	1
Total	-10	2	-19	5	16	-39	25	-2
Median Income	\$2,985	\$1,469	\$3,003	\$4,816	\$5,406	\$5,554	\$1,638	\$3,136

Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC

DEMOGRAPHIC ANALYSIS

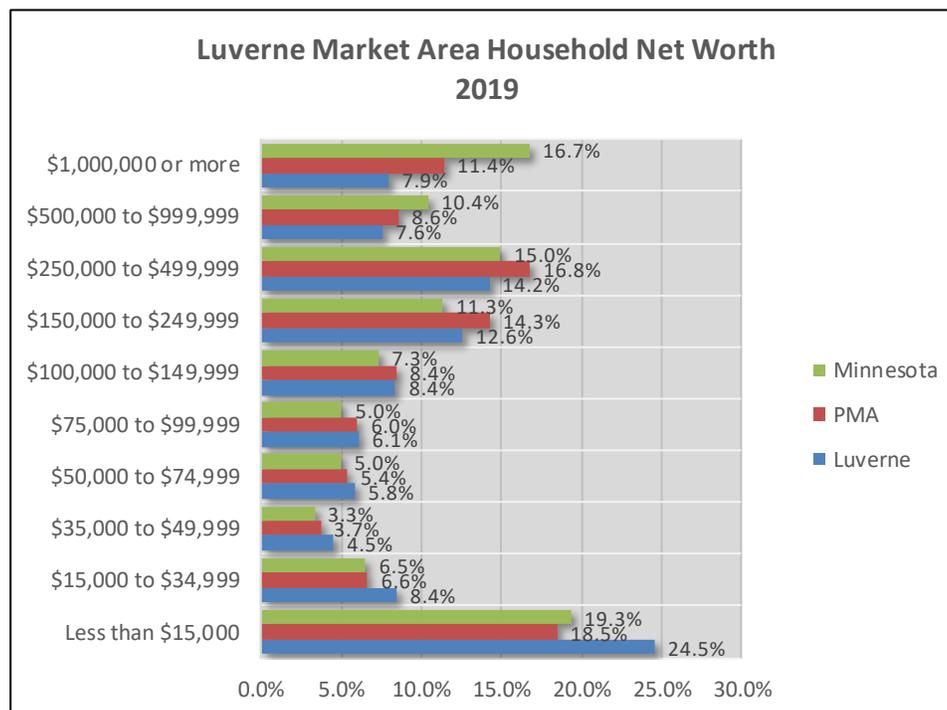
DEMOGRAPHIC ANALYSIS TABLE 4								
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER								
PRIMARY MARKET AREA								
2019 & 2024								
Total	Age of Householder							
	<25	25-34	35-44	45-54	55-64	65 -74	75+	
2019								
Less than \$15,000	466	29	50	32	51	108	64	132
\$15,000 to \$24,999	514	19	37	35	32	81	86	222
\$25,000 to \$34,999	407	14	51	37	32	57	94	121
\$35,000 to \$49,999	724	43	86	82	81	139	150	142
\$50,000 to \$74,999	1,227	30	183	188	209	269	245	103
\$75,000 to \$99,999	708	9	92	149	151	163	96	47
\$100,000 to \$199,999	999	18	151	232	202	216	122	58
\$200,000 or more	206	3	19	39	43	64	32	5
Total	5,251	166	670	795	802	1,098	891	829
Median Income	\$57,816	\$40,521	\$62,155	\$77,782	\$74,101	\$62,496	\$53,277	\$29,261
2024								
Less than \$15,000	398	31	38	26	39	76	57	130
\$15,000 to \$24,999	450	17	24	25	29	56	82	216
\$25,000 to \$34,999	343	11	34	23	23	35	92	124
\$35,000 to \$49,999	692	43	80	71	70	108	157	163
\$50,000 to \$74,999	1,206	30	159	171	200	230	286	129
\$75,000 to \$99,999	723	9	85	143	158	148	120	59
\$100,000 to \$199,999	1,250	22	170	268	251	246	194	99
\$200,000 or more	245	3	19	42	49	69	51	11
Total	5,307	167	610	770	820	968	1,040	932
Median Income	\$63,114	\$41,746	\$68,265	\$84,927	\$80,972	\$71,701	\$58,557	\$34,572
Change 2019 - 2024								
Less than \$15,000	-68	2	-12	-6	-12	-32	-7	-2
\$15,000 to \$24,999	-64	-2	-13	-10	-3	-25	-5	-6
\$25,000 to \$34,999	-64	-3	-17	-14	-9	-22	-3	3
\$35,000 to \$49,999	-32	0	-7	-12	-12	-31	8	22
\$50,000 to \$74,999	-21	0	-24	-17	-9	-39	41	27
\$75,000 to \$99,999	15	0	-8	-6	8	-15	23	12
\$100,000 to \$199,999	251	4	20	36	49	30	72	41
\$200,000 or more	39	0	0	3	6	4	19	6
Total	56	2	-60	-25	18	-130	149	102
Median Income	\$5,298	\$1,225	\$6,110	\$7,145	\$6,871	\$9,205	\$5,280	\$5,311
Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC								

DEMOGRAPHIC ANALYSIS

Net Worth

Demographic Analysis Table 5 shows the estimated net worth by age of household in Luverne and the PMA compared to Minnesota in 2019. Household net worth data was estimated by ESRI based on the Federal Reserve Board "Survey of Consumer Finances".

- In 2019, the median net worth for households in Luverne is estimated to be \$103,310 compared to \$154,498 in the PMA and \$173,414 in Minnesota.
- In Luverne, median net worth was highest for households in the age 65 to 74 cohort at \$213,784, followed by the 75 and older age group at \$193,447.
- The net worth distribution of households in Luverne shows concentrations of net worth at the low and high ends of the spectrum. The largest concentration (30%) of households has an estimated net worth of \$250,000 or more, while 25% of households have a net worth of less than \$15,000.
- By comparison 37% of households in the PMA and 42% of households in Minnesota have a net worth of \$250,000 or more, while 19% in the PMA as well as Minnesota have an estimated net worth of less than \$15,000.
- The following graph depicts the household net worth distribution in Luverne and the PMA compared to Minnesota.



DEMOGRAPHIC ANALYSIS

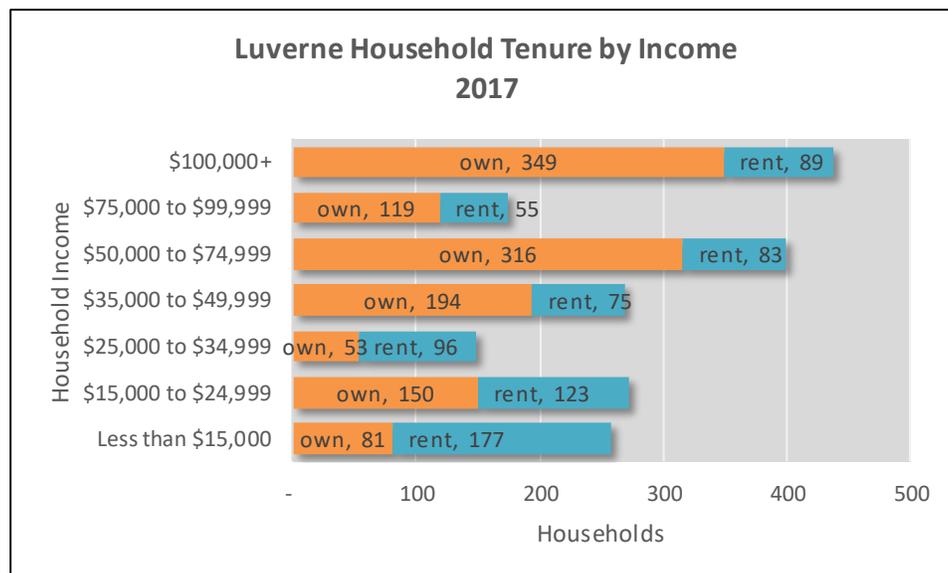
DEMOGRAPHIC ANALYSIS TABLE 5									
ESTIMATED NET WORTH BY AGE OF HOUSEHOLDER									
LIVERNE MARKET AREA									
2019									
	Total	% of Total	Age of Householder						
			<25	25-34	35-44	45-54	55-64	65-74	75+
CITY OF LIVERNE									
Less than \$15,000	500	24.5%	67	107	71	75	88	38	54
\$15,000 to \$34,999	172	8.4%	15	34	34	26	21	20	22
\$35,000 to \$49,999	92	4.5%	6	12	18	14	19	10	13
\$50,000 to \$74,999	119	5.8%	4	28	20	12	14	14	27
\$75,000 to \$99,999	124	6.1%	4	30	21	16	14	19	20
\$100,000 to \$149,999	171	8.4%	4	26	27	19	25	31	39
\$150,000 to \$249,999	256	12.6%	6	22	43	43	52	39	51
\$250,000 to \$499,999	290	14.2%	0	12	44	41	54	71	68
\$500,000 to \$999,999	154	7.6%	0	6	7	21	39	37	44
\$1,000,000 or more	162	7.9%	0	1	4	13	37	41	66
Total	2,038	100%	106	278	289	280	363	320	404
Median Net Worth	\$103,310		\$11,866	\$33,114	\$76,449	\$94,515	\$150,628	\$213,784	\$193,447
PRIMARY MARKET AREA									
Less than \$15,000	969	18.5%	110	216	158	147	171	78	89
\$15,000 to \$34,999	349	6.6%	29	78	71	52	45	40	34
\$35,000 to \$49,999	194	3.7%	9	34	48	26	39	20	18
\$50,000 to \$74,999	282	5.4%	7	66	50	32	35	38	54
\$75,000 to \$99,999	316	6.0%	7	82	57	48	43	39	40
\$100,000 to \$149,999	442	8.4%	7	78	85	51	77	64	80
\$150,000 to \$249,999	749	14.3%	6	61	154	143	146	125	114
\$250,000 to \$499,999	881	16.8%	0	36	118	169	208	187	163
\$500,000 to \$999,999	449	8.6%	0	9	20	69	128	125	98
\$1,000,000 or more	599	11.4%	0	1	36	66	195	158	143
Total	5,251	100%	175	661	797	803	1,087	874	833
Median Net Worth	\$154,498		\$11,932	\$50,696	\$106,491	\$172,928	\$238,062	\$276,147	\$234,824
MINNESOTA									
Less than \$15,000	432,927	19.3%	61,895	127,801	78,038	56,111	53,049	31,039	24,994
\$15,000 to \$34,999	146,027	6.5%	12,643	38,606	30,410	24,018	17,229	14,031	9,090
\$35,000 to \$49,999	74,445	3.3%	4,303	17,246	16,301	11,083	12,713	7,908	4,891
\$50,000 to \$74,999	111,427	5.0%	3,219	33,249	22,746	13,222	12,240	12,136	14,615
\$75,000 to \$99,999	112,839	5.0%	4,178	30,759	23,588	19,210	13,511	10,755	10,838
\$100,000 to \$149,999	163,639	7.3%	2,935	35,521	34,141	24,887	29,726	20,024	16,405
\$150,000 to \$249,999	253,954	11.3%	2,077	32,105	51,318	53,767	47,595	37,939	29,153
\$250,000 to \$499,999	335,147	15.0%	551	26,889	63,007	70,086	71,934	54,944	47,736
\$500,000 to \$999,999	233,938	10.4%	722	10,053	27,487	51,845	59,439	51,802	32,590
\$1,000,000 or more	374,983	16.7%	0	4,005	32,850	66,280	123,830	83,317	64,701
Total	2,239,335	100%	92,523	356,234	379,886	390,509	441,266	323,895	255,013
Median Net Worth	\$173,414		\$11,211	\$44,424	\$123,985	\$232,008	\$339,061	\$346,080	\$312,627
Data Note: Net Worth is total household wealth minus debt, secured and unsecured. Net worth includes home equity, equity in pension plans, net equity in vehicles, IRAs and Keogh accounts, business equity, interest-earning assets and mutual fund shares, stocks, etc. Examples of secured debt include home mortgages and vehicle loans; examples of unsecured debt include credit card debt, certain bank loans, and other outstanding bills. Forecasts of net worth are based on the Survey of Consumer Finances, Federal Reserve Board. Detail may not sum to totals due to rounding.									
Sources: ESRI; Maxfield Research & Consulting, LLC									

Household Tenure by Income

Demographic Analysis Table 6 shows estimated household tenure by income in the Market Area in 2017. Data is based on an estimate from the 2013-2017 American Community Survey, the most recent data available. As stated earlier, the Department of Housing and Urban Development determines affordable housing as not exceeding 30% of the household’s income.

The higher the income, the lower the 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 on housing, while middle-aged households in their prime earning years typically allocate 20% to 25% of their income to housing.

- Typically, as income increases, so does the rate of homeownership. This can be seen in Luverne, where the homeownership rate increases from 31% of households with incomes below \$15,000 to 80% of households with incomes above \$100,000.
- In the Remainder of the PMA, 95% of households with incomes above \$100,000 were home-owners, compared to 91% in Minnesota.



- Among owner households in the PMA, the highest proportion had incomes between \$50,000 and \$75,000 (25% of all owner households), followed by households with incomes of \$100,000 or more (23%).
- In Minnesota, 38% of all owner households had incomes of \$100,000 or higher, while 19% of the owner households had incomes in the \$50,000 to \$74,999 range.
- The highest proportion of renter households had incomes of less than \$15,000, at 20% of all renter households in the PMA as well as Minnesota.

DEMOGRAPHIC ANALYSIS

- A portion of renter households that are referred to as lifestyle renters (those who are financially able to own but choose to rent) often have household incomes of \$50,000 or higher and rent newer apartments, although lifestyle renters could also have lower incomes and be living in older apartments.
- An estimated 33% of renter households in Luverne had incomes of \$50,000 or more compared to 35% of households in Minnesota. In the Remainder of the PMA, 40% of renter households had incomes of \$50,000 or higher.
- An estimated 177 renter households have incomes less than \$15,000, which represents roughly 25% of all renter households in Luverne compared to 20% in Minnesota.

DEMOGRAPHIC ANALYSIS TABLE 6								
TENURE BY HOUSEHOLD INCOME								
LUVERNE MARKET AREA								
2017								
	Luverne		Rem. of PMA		PMA		Minnesota	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Owner Households								
Less than \$15,000	81	31.4	181	74.8	262	52.4	65,468	34.8
\$15,000 to \$24,999	150	54.9	248	75.2	398	66.0	84,350	47.0
\$25,000 to \$34,999	53	35.6	209	69.4	262	58.2	101,192	56.0
\$35,000 to \$49,999	194	72.1	362	83.4	556	79.1	169,302	63.4
\$50,000 to \$74,999	316	79.2	665	86.5	981	84.0	292,099	73.4
\$75,000 to \$99,999	119	68.4	456	85.7	575	81.4	247,390	82.1
\$100,000+	349	79.7	572	95.3	921	88.7	582,240	91.2
<i>Subtotal:</i>	<i>1,262</i>	<i>64.4</i>	<i>2,693</i>	<i>83.9</i>	<i>3,955</i>	<i>76.5</i>	<i>1,542,041</i>	<i>71.6</i>
Renter Households								
Less than \$15,000	177	68.6	61	25.2	238	47.6	122,738	65.2
\$15,000 to \$24,999	123	45.1	82	24.8	205	34.0	95,113	53.0
\$25,000 to \$34,999	96	64.4	92	30.6	188	41.8	79,632	44.0
\$35,000 to \$49,999	75	27.9	72	16.6	147	20.9	97,899	36.6
\$50,000 to \$74,999	83	20.8	104	13.5	187	16.0	105,675	26.6
\$75,000 to \$99,999	55	31.6	76	14.3	131	18.6	53,880	17.9
\$100,000+	89	20.3	28	4.7	117	11.3	56,224	8.8
<i>Subtotal:</i>	<i>698</i>	<i>35.6</i>	<i>515</i>	<i>16.1</i>	<i>1,213</i>	<i>23.5</i>	<i>611,161</i>	<i>28.4</i>
Total Households	1,960	100	3,208	100	5,168	100	2,153,202	100

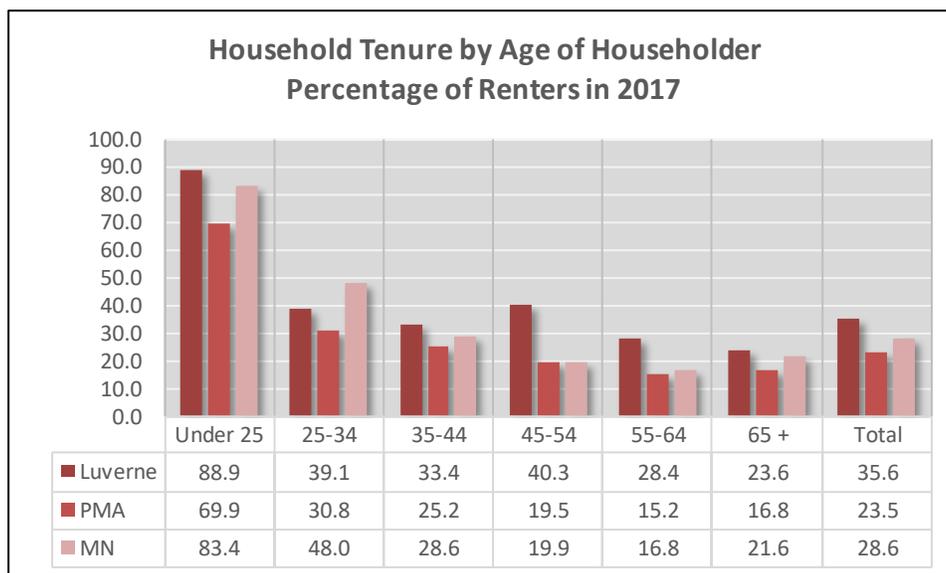
Sources: U.S. Census Bureau; American Community Survey; Maxfield Research & Consulting, LLC

Household Tenure by Age

Demographic Analysis Table 7 shows household tenure by age of householder for the Market Area in 2010 and 2017. Data for 2010 is obtained from the Decennial Census, while the 2017 data is an estimate from the 2013-2017 American Community Survey. The table shows the number and percent of renter- and owner-occupied housing units in the Market Area. All data excludes unoccupied units and group quarters such as dormitories and nursing homes.

Household tenure information is important in understanding households’ preferences to rent or own their housing. In addition to preferences, factors that contribute to these proportions include mortgage interest rates, household age, and lifestyle considerations, among others.

- In Luverne, 35.6% of all households rented in 2017, giving it a rental rate that was higher than Minnesota (28.6% of households rented), while 16.1% of all households in the Remainder of the PMA rented.
- Within the prime ownership years (35 to 64), 66% of households in Luverne owned in 2017, notably lower than the 79% home ownership rate in Minnesota.
- Typically, the youngest and oldest households rent their housing in greater proportions than middle-age households. This pattern is apparent among the younger Market Area households as 57% of the population under the age of 35 rents in Luverne compared to 55% of Minnesota householders under the age of 35.



- Roughly 89% of households under age 25 rented in Luverne in 2017, higher than Minnesota (83%) and the Remainder of the PMA (53%). An estimated 39% of Luverne households age 25 to 34 rented, compared to 48% in Minnesota and 25% in the Remainder of the PMA.

DEMOGRAPHIC ANALYSIS

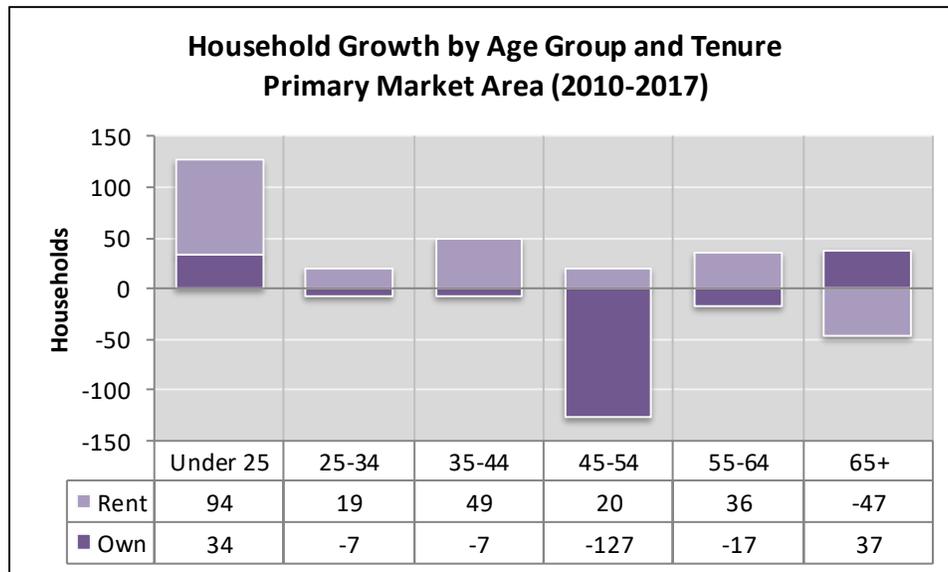
**DEMOGRAPHIC ANALYSIS TABLE 7
TENURE BY AGE OF HOUSEHOLDER
LIVERNE MARKET AREA
2010 & 2017**

Age		City of Luverne				Remainder of PMA				Primary Market Area				Minnesota			
		2010		2017		2010		2017		2010		2017		2010		2017	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 25	Own	20	17.4	17	11.1	45	52.3	82	46.6	65	32.3	99	30.1	19,639	19.8	15,361	16.6
	Rent	95	82.6	136	88.9	41	47.7	94	53.4	136	67.7	230	69.9	79,588	80.2	77,105	83.4
	Total	115	100.0	153	100.0	86	100.0	176	100.0	201	100.0	329	100.0	99,227	100.0	92,466	100.0
25-34	Own	180	65.7	171	60.9	291	75.6	293	75.1	471	71.5	464	69.2	192,401	56.1	183,113	52.0
	Rent	94	34.3	110	39.1	94	24.4	97	24.9	188	28.5	207	30.8	150,477	43.9	168,719	48.0
	Total	274	100.0	281	100.0	385	100.0	390	100.0	659	100.0	671	100.0	342,878	100.0	351,832	100.0
35-44	Own	206	71.3	199	66.6	399	85.3	399	79.8	605	79.9	598	74.8	276,241	75.0	258,018	71.4
	Rent	83	28.7	100	33.4	69	14.7	101	20.2	152	20.1	201	25.2	91,851	25.0	103,500	28.6
	Total	289	100.0	299	100.0	468	100.0	500	100.0	757	100.0	799	100.0	368,092	100.0	361,518	100.0
45-54	Own	243	74.8	163	59.7	607	89.3	560	89.6	850	84.6	723	80.5	374,959	81.7	340,949	80.1
	Rent	82	25.2	110	40.3	73	10.7	65	10.4	155	15.4	175	19.5	83,878	18.3	84,761	19.9
	Total	325	100.0	273	100.0	680	100.0	625	100.0	1,005	100.0	898	100.0	458,837	100.0	425,710	100.0
55-64	Own	294	83.3	250	71.6	543	91.3	570	92.2	837	88.3	820	84.8	317,264	84.7	344,276	83.2
	Rent	59	16.7	99	28.4	52	8.7	48	7.8	111	11.7	147	15.2	57,304	15.3	69,645	16.8
	Total	353	100.0	349	100.0	595	100.0	618	100.0	948	100.0	967	100.0	374,568	100.0	413,921	100.0
65 +	Own	487	70.4	462	76.4	727	88.4	789	87.8	1,214	80.2	1,251	83.2	343,355	77.4	383,894	78.4
	Rent	205	29.6	143	23.6	95	11.6	110	12.2	300	19.8	253	16.8	100,270	22.6	105,969	21.6
	Total	692	100.0	605	100.0	822	100.0	899	100.0	1,514	100.0	1,504	100.0	443,625	100.0	489,863	100.0
TOTAL	Own	1,430	69.8	1,262	64.4	2,612	86.0	2,693	83.9	4,042	79.5	3,955	76.5	1,523,859	73.0	1,525,611	71.4
	Rent	618	30.2	698	35.6	424	14.0	515	16.1	1,042	20.5	1,213	23.5	563,368	27.0	609,699	28.6
	Total	2,048	100.0	1,960	100.0	3,036	100.0	3,208	100.0	5,084	100.0	5,168	100.0	2,087,227	100.0	2,135,310	100.0

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

DEMOGRAPHIC ANALYSIS

- The total number of renter households residing in the PMA grew by an estimated 171 households between 2010 and 2017, an increase of 16.4%, while the number of owner-occupied households contracted -2.2% (-87 households).
- As depicted in the following chart, the largest overall increases occurred in the under 25 age group in the PMA between 2010 and 2017, as 94 renter households and 34 owner households were added.



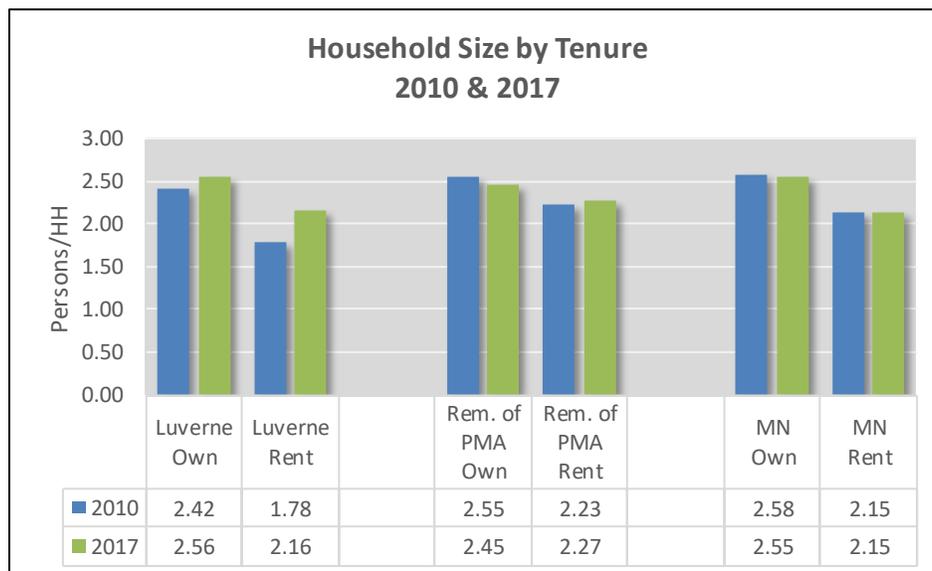
- Renter household growth occurred in all age groups (except age 65 and older), while owner households contracted in most age groups. The under-25 and 65 and older age groups experienced growth in owner households.
- Similar trends occurred in the City of Luverne, with the addition of 80 renter households (13% increase) between 2010 and 2017 against a -12% decline (-168 households) in owner households.
- Renter household growth occurred in most age groups in Luverne (except 65 and older) while owner households contracted in all age groups.
- In Luverne, the largest change occurred in the number of under 25 households, expanding by 38 households (33%) with the addition of 41 renter-occupied households (43% growth) against a -15% decline in owner-occupied households (-3 households).

Tenure by Household Size

Demographic Analysis Table 8 shows household tenure by size of household in the Market Area during 2010 and 2017 from the U.S. Census and American Community Survey. The tables show the number and percent of renter- and owner-occupied housing units. All data excludes unoccupied units and group quarters such as nursing homes.

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 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, the average renter household in Luverne contained 1.78 persons, while the average owner household included 2.42 persons. By 2017, average owner household sizes increased slightly to 2.56 persons while average renter household sizes increased to 2.16.
- As depicted in the following chart, average owner household sizes in Luverne are slightly larger than the Remainder of the PMA and comparable to Minnesota. Similarly, average renter household sizes in Luverne are smaller than the Remainder of the PMA but comparable to Minnesota.



- In 2017, 35% of households in Luverne were single-person households while 29% were comprised of two persons. Roughly 12% were three-person households, another 14% of the households consisted of four persons and 7% were five-person households. Six- and seven-person households represented 3% and 1% of all households in the City.
- The Remainder of the PMA had a substantially larger proportion of two-person households (43%) and a lower proportion of one-person households (24%).

DEMOGRAPHIC ANALYSIS

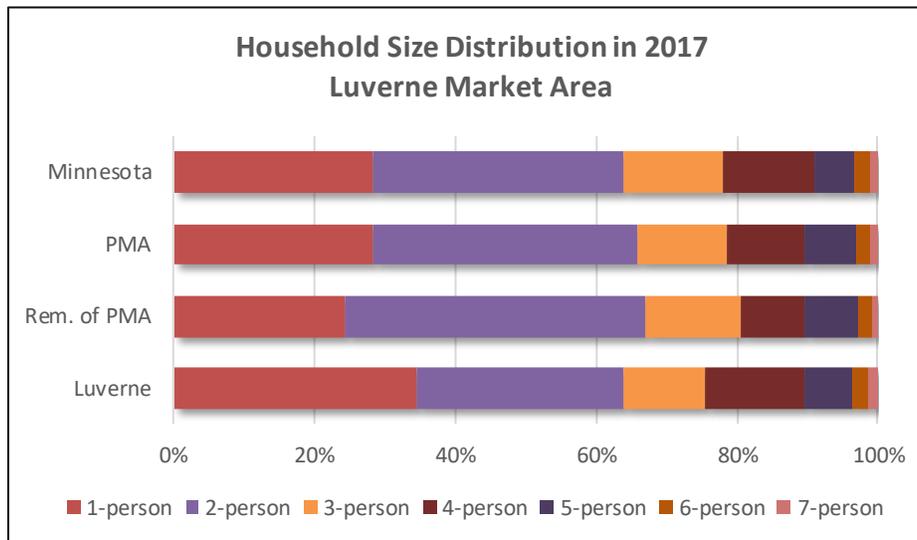
**DEMOGRAPHIC ANALYSIS TABLE 8
TENURE BY HOUSEHOLD SIZE
LIVERNE MARKET AREA
2010 & 2017**

HH Size		City of Luverne				Remainder of PMA				Primary Market Area				Minnesota			
		2010		2017		2010		2017		2010		2017		2010		2017	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
1-Person	Own	373	50.9	307	45.2	535	73.9	593	75.5	908	62.3	900	61.5	329,955	56.5	338,999	55.6
	Rent	360	49.1	372	54.8	189	26.1	192	24.5	549	37.7	564	38.5	254,053	43.5	270,358	44.4
	Total	733	100	679	100	724	100	785	100	1,457	100	1,464	100	584,008	100	609,357	100
2-Person	Own	587	80.7	489	85.6	1,138	92.0	1,200	88.0	1,725	87.8	1,689	87.3	581,481	80.3	605,977	79.0
	Rent	140	19.3	82	14.4	99	8.0	164	12.0	239	12.2	246	12.7	142,905	19.7	161,099	21.0
	Total	727	100	571	100	1,237	100	1,364	100	1,964	100	1,935	100	724,386	100	767,076	100
3-Person	Own	148	74.0	151	66.2	322	87.3	375	85.6	470	82.6	526	79.0	236,596	76.9	229,099	75.0
	Rent	52	26.0	77	33.8	47	12.7	63	14.4	99	17.4	140	21.0	71,198	23.1	76,188	25.0
	Total	200	100	228	100	369	100	438	100	569	100	666	100	307,794	100	305,287	100
4-Person	Own	186	83.8	155	56.0	325	86.4	247	86.7	511	85.5	402	71.5	224,564	81.8	221,079	79.9
	Rent	36	16.2	122	44.0	51	13.6	38	13.3	87	14.5	160	28.5	50,057	18.2	55,711	20.1
	Total	222	100	277	100	376	100	285	100	598	100	562	100	274,621	100	276,790	100
5-Person	Own	101	84.2	111	84.7	196	90.7	206	83.1	297	88.4	317	83.6	98,018	79.7	96,221	78.0
	Rent	19	15.8	20	15.3	20	9.3	42	16.9	39	11.6	62	16.4	24,984	20.3	27,208	22.0
	Total	120	100	131	100	216	100	248	100	336	100	379	100	123,002	100	123,429	100
6-Person	Own	25	71.4	24	49.0	64	83.1	44	75.9	89	79.5	68	63.6	33,229	75.1	32,230	72.3
	Rent	10	28.6	25	51.0	13	16.9	14	24.1	23	20.5	39	36.4	11,029	24.9	12,330	27.7
	Total	35	100	49	100	77	100	58	100	112	100	107	100	44,258	100	44,560	100
7-Person	Own	10	90.9	25	0.0	32	86.5	28	93.3	42	87.5	53	96.4	20,016	68.6	18,436	69.0
	Rent	1	9.1	0	0.0	5	13.5	2	6.7	6	12.5	2	3.6	9,142	31.4	8,267	31.0
	Total	11	100	25	0	37	100	30	100	48	100	55	100	29,158	100	26,703	100
TOTAL	Own	1,430	69.8	1,262	64.4	2,612	86.0	2,693	83.9	4,042	79.5	3,955	76.5	1,523,859	73.0	1,542,041	71.6
	Rent	618	30.2	698	35.6	424	14.0	515	16.1	1,042	20.5	1,213	23.5	563,368	27.0	611,161	28.4
	Total	2,048	100	1,960	100	3,036	100	3,208	100	5,084	100	5,168	100	2,087,227	100	2,153,202	100
Avg. HH Size	Own	2.42		2.56		2.55		2.45		2.50		2.48		2.58		2.55	
	Rent	1.78		2.16		2.23		2.27		1.96		2.20		2.15		2.15	

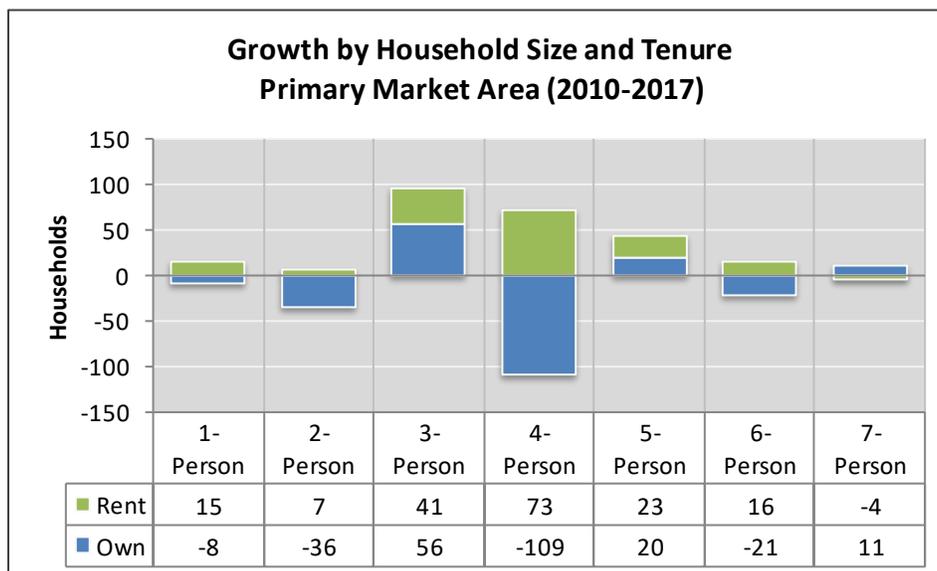
Sources: U.S. Census Bureau; Maxfield Research & Consulting, LLC

DEMOGRAPHIC ANALYSIS

- As depicted in the following chart, one-person households were the most common household size in Luverne, while two-person households were the most common in the Remainder of the PMA and in Minnesota.



- Between 2010 and 2017, the largest increase occurred in the number of three-person households in the PMA, climbing 17% with the addition of 97 households. Five-person households increased 13% (43). These gains were partially offset by a -2% decline in two-person households (-29) and a -6% decline in four-person households (-36).



- Smaller households comprised the greatest proportion of renter households in the PMA in 2017 as 46% of the renter households were single-person households and 20% were two-person households. A similar pattern occurred in Minnesota, as the proportion of one-person households was 44% and two-person households comprised 26% of renter households.

DEMOGRAPHIC ANALYSIS

Household Type

Demographic Analysis Table 9 shows household type trends in Luverne and the PMA compared to Minnesota in 2010 and 2017. Data for 2010 is obtained from the Decennial Census, while the 2017 data is an estimate from the 2013-2017 American Community Survey. Shifting household types can stimulate demand for a variety of housing products.

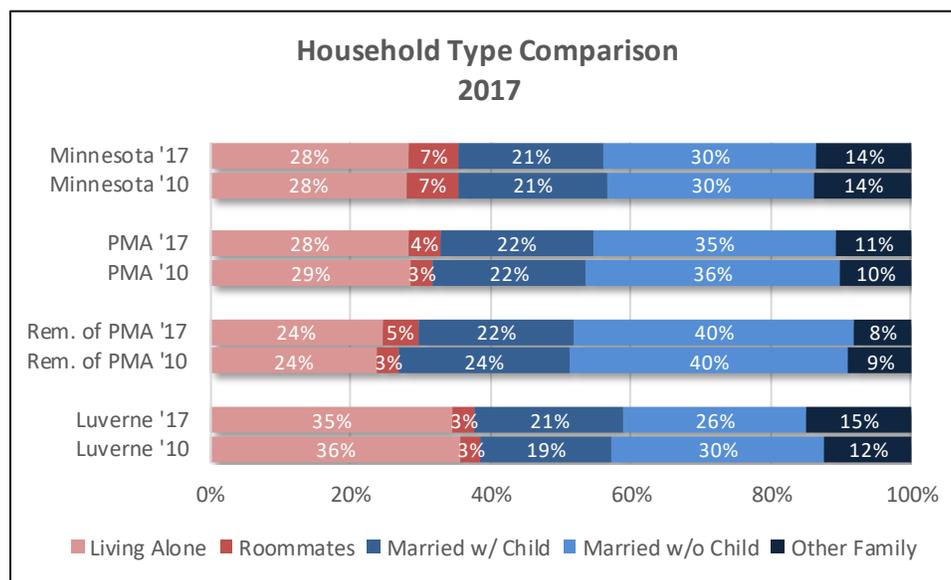
Married couple families typically generate demand for single-family detached ownership housing, while married couples without children often desire multifamily housing for convenience reasons. Married couple families without children are generally made up of younger couples that have not had children (and may not have children) and older couples with adult children that have moved out of the home. Other family households, defined as a male or female householder with no spouse present (typically single-parent households), often require affordable housing. Changes in non-family households (households living alone and households composed of unrelated roommates) will drive demand for rental housing.

DEMOGRAPHIC ANALYSIS TABLE 9								
HOUSEHOLD TYPE								
LUVERNE MARKET AREA								
2010 & 2017								
	Luverne		Rem. of PMA		PMA		Minnesota	
	2010	2017	2010	2017	2010	2017	2010	2017
Total Households	2,048	1,960	3,036	3,208	5,084	5,168	2,087,227	2,153,202
Non-Family Households	791	739	819	951	1,610	1,690	738,212	763,021
Living Alone	733	679	724	785	1,457	1,464	584,008	609,357
Other (Roommates)	58	60	95	166	153	226	154,204	153,664
Family Households	1,257	1,221	2,217	2,257	3,474	3,478	1,349,015	1,390,181
Married w/ Children	379	418	733	715	1,112	1,133	443,212	444,036
Married w/o Children	624	507	1,213	1,276	1,837	1,783	617,297	654,966
Other Family	254	296	271	266	525	562	288,506	291,179
Change (2010-2017)								
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Total Households	-88	-4.3%	172	5.7%	84	1.7%	65,975	3.2%
Non-Family Households	-52	-6.6%	132	16.1%	80	5.0%	24,809	3.4%
Living Alone	-54	-7.4%	61	8.4%	7	0.5%	25,349	4.3%
Other (Roommates)	2	3.4%	71	74.7%	73	47.7%	-540	-0.4%
Family Households	-36	-2.9%	40	1.8%	4	0.1%	41,166	3.1%
Married w/ Children	39	10.3%	-18	-2.5%	21	1.9%	824	0.2%
Married w/o Children	-117	-18.8%	63	5.2%	-54	-2.9%	37,669	6.1%
Other Family	42	16.5%	-5	-1.8%	37	7.0%	2673	0.9%

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

DEMOGRAPHIC ANALYSIS

- In 2017, family households comprised 62.3% of all households in Luverne and 70.4% in the Remainder of the PMA compared to 64.6% in Minnesota. Family households experienced flat growth between 2010 and 2017 in the PMA, increasing 0.1% (four households), while the presence of family households increased 3.1% in the State.
- The PMA experienced a 1.9% increase in the number of married couples with children after adding 21 households between 2010 and 2017, while the number of married couples without children contracted -2.9% (-54 households). Other family households expanded 7.0% (37 households).
- Between 2010 and 2017, non-family households increased 5.0% (80 households) in the PMA, compared to 3.4% growth in Minnesota. The number of single-person households increased 0.5% (seven households) in the PMA between 2010 and 2017, while the number of roommate households expanded 47.7%, adding 73 households.
- In Luverne, single-person households were the most common household type in 2017 (34.6% of all households), followed by married couples without children (25.9%).
- Married couples without children were the most common household type in the Remainder of the PMA (39.8%), followed by single-person households (24.5%).
- Married couples without children were the most common household type in Minnesota (30.4%), followed closely by single-person households (28.3%).

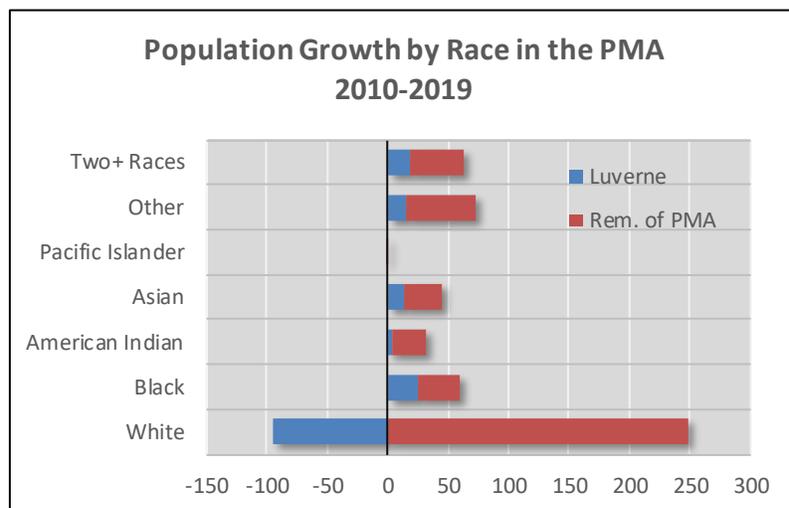


Race and Ethnicity

Demographic Analysis Table 10 on the following pages displays the breakdown of the Market Area population by race and ethnicity. This data is useful in that it illustrates shifts in the demographic characteristics of the Market Area population from 2010 to 2019. Data for 2010 is obtained from the Decennial Census, while the 2019 estimate is sourced from ESRI.

Federal standards mandate that race and ethnicity are separate and distinct identities and Census results are based on self-identification. A person may be categorized as one of two ethnic categories; “Hispanic or Latino” origin or “Not Hispanic or Latino.” In addition, a person can self-identify as having one or more racial identity, including; “White,” “Black or African American,” “American Indian or Alaska Native,” “Asian,” and “Native Hawaiian or Other Pacific Islander.” Respondents could also identify as being “Some Other Race.”

- As of 2019, “White Alone” comprised the largest proportion of the PMA population, at an estimated 94.5% compared to 81.5% in Minnesota. In the PMA, people identified as Two or More Races or Some Other Race were the second and third most populous groups with 229 people (1.8%) and 154 people (1.2%), respectively.
- Based on 2013-2017 American Community Survey estimates, approximately 77% of White households in the PMA own their housing while the remaining 24% rent. The home ownership rate drops to 55% for all other races in the PMA.
- Based on ESRI’s estimates, with the exception of Pacific Islander, all other races experienced population growth between 2010 and 2019 in the PMA, although the White population contracted -2% in Luverne (-95 people).
- A similar trend occurred across Minnesota, as population growth occurred among all races.
- The number of people self-identifying as being of Hispanic or Latino origin expanded in the PMA between 2010 and 2019, adding 209 people (75% growth), compared to 28% growth in Minnesota.



DEMOGRAPHIC ANALYSIS

DEMOGRAPHIC ANALYSIS TABLE 10							
POPULATION DISTRIBUTION BY RACE & ETHNICITY							
LUVERNE MARKET AREA							
	2010		2019		Change ('10 - '19)		
	No.	Pct.	No.	Pct.	No.	Pct.	
City of Luverne	Population by Race	4,745	100.0%	4,726	100.0%	-19	-0.4%
	White Alone	4,570	96.3%	4,475	94.7%	-95	-2.1%
	Black Alone	39	0.8%	64	1.4%	25	64.1%
	American Indian Alone	9	0.2%	13	0.3%	4	44.5%
	Asian Alone	30	0.6%	44	0.9%	14	46.7%
	Pacific Islander Alone	0	0.0%	0	0.0%	0	--
	Some Other Race Alone	20	0.4%	35	0.7%	15	75.0%
	Two or More Races	77	1.6%	95	2.0%	18	23.4%
	Population by Ethnicity	4,745	100.0%	4,726	100.0%	-19	-0.4%
	Hispanic or Latino	126	2.7%	196	4.1%	70	55.6%
Not Hispanic or Latino	4,619	97.3%	4,530	95.9%	-89	-1.9%	
Remainder of PMA	Population by Race	7,770	100.0%	8,213	100.0%	443	5.7%
	White Alone	7,506	96.6%	7,755	94.4%	249	3.3%
	Black Alone	37	0.5%	71	0.9%	34	92.1%
	American Indian Alone	31	0.4%	59	0.7%	28	90.5%
	Asian Alone	44	0.6%	74	0.9%	30	68.3%
	Pacific Islander Alone	2	0.0%	1	0.0%	-1	-50.0%
	Some Other Race Alone	61	0.8%	119	1.4%	58	95.2%
	Two or More Races	89	1.1%	134	1.6%	45	50.7%
	Population by Ethnicity	7,770	100.0%	8,213	100.0%	443	5.7%
	Hispanic or Latino	152	2.0%	291	3.5%	139	91.6%
Not Hispanic or Latino	7,618	98.0%	7,922	96.5%	304	4.0%	
Primary Market Area	Population by Race	12,515	100.0%	12,939	100.0%	424	3.4%
	White Alone	12,076	96.5%	12,230	94.5%	154	1.3%
	Black Alone	76	0.6%	135	1.0%	59	77.7%
	American Indian Alone	40	0.3%	72	0.6%	32	80.1%
	Asian Alone	74	0.6%	118	0.9%	44	59.6%
	Pacific Islander Alone	2	0.0%	1	0.0%	-1	-50.0%
	Some Other Race Alone	81	0.6%	154	1.2%	73	90.2%
	Two or More Races	166	1.3%	229	1.8%	63	38.0%
	Population by Ethnicity	12,515	100.0%	12,939	100.0%	424	3.4%
	Hispanic or Latino	278	2.2%	487	3.8%	209	75.3%
Not Hispanic or Latino	12,237	97.8%	12,452	96.2%	215	1.8%	
Minnesota	Population by Race	5,303,925	100.0%	5,715,341	100.0%	411,416	7.8%
	White Alone	4,524,062	85.3%	4,657,461	81.5%	133,399	2.9%
	Black Alone	274,412	5.2%	388,669	6.8%	114,257	41.6%
	American Indian Alone	60,916	1.1%	69,043	1.2%	8,127	13.3%
	Asian Alone	214,234	4.0%	299,826	5.2%	85,592	40.0%
	Pacific Islander Alone	2,156	0.0%	3,227	0.1%	1,071	49.7%
	Some Other Race Alone	103,000	1.9%	130,019	2.3%	27,019	26.2%
	Two or More Races	125,145	2.4%	167,096	2.9%	41,951	33.5%
	Population by Ethnicity	5,303,925	100.0%	5,715,341	100.0%	411,416	7.8%
	Hispanic or Latino	250,258	4.7%	321,362	5.6%	71,104	28.4%
Not Hispanic or Latino	5,053,667	95.3%	5,393,979	94.4%	340,312	6.7%	

Sources: US Census Bureau; ESRI; Maxfield Research & Consulting, LLC

Introduction

Employment characteristics are an important component in assessing housing needs in any given market area. These trends are important to consider since employment growth generally fuels household growth. Typically, households prefer to live near work for convenience, which is a primary factor in choosing a housing location. Many households commute greater distances to work provided their housing is affordable enough to offset the additional transportation costs. Often, in less densely-populated areas, people will choose to live further from their place of work because they prefer a rural lifestyle (i.e. they want to live on a wooded lot or be near a body of water) or suitable housing may not be available in their employer’s community.

Resident Employment

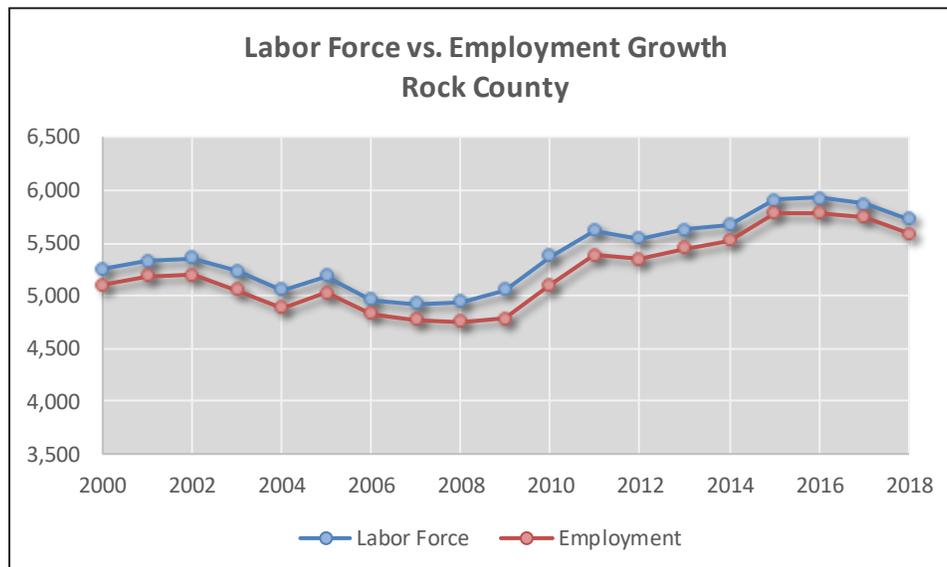
Employment Trends Table 1 shows information on the resident labor force and employment in Rock County compared to Southwest Minnesota and State of Minnesota. The data is sourced from the Minnesota Department of Employment and Economic Development. Resident employment data reveals the workforce and number of employed people living in the area. It is important to note that not all of these individuals necessarily work in the area.

EMPLOYMENT TRENDS TABLE 1 LABOR FORCE AND RESIDENT EMPLOYMENT TRENDS LUVERNE MARKET AREA 2000 - 2018									
Year	Rock County			Southwest Minnesota			Minnesota		
	Labor Force	Employed Residents	UE Rate	Labor Force	Employed Residents	UE Rate	Labor Force	Employed Residents	UE Rate
2018	5,726	5,594	2.3%	220,318	213,562	3.1%	3,070,223	2,980,884	2.9%
2017	5,873	5,752	2.1%	220,486	212,861	3.5%	3,057,014	2,952,960	3.4%
2016	5,927	5,790	2.3%	222,551	213,731	4.0%	3,033,406	2,916,353	3.9%
2015	5,908	5,783	2.1%	222,898	214,642	3.7%	2,997,748	2,887,132	3.7%
2014	5,672	5,528	2.5%	218,153	209,113	4.1%	2,972,800	2,848,787	4.2%
2013	5,626	5,446	3.2%	219,054	208,564	4.8%	2,958,595	2,811,761	5.0%
2012	5,546	5,344	3.6%	222,173	210,624	5.2%	2,946,355	2,781,140	5.6%
2011	5,617	5,380	4.2%	224,961	211,593	5.9%	2,946,278	2,755,263	6.5%
2010	5,377	5,105	5.1%	225,280	210,072	6.8%	2,938,795	2,721,194	7.4%
2009	5,052	4,784	5.3%	225,616	209,955	6.9%	2,941,976	2,713,426	7.8%
2008	4,945	4,754	3.9%	221,454	210,112	5.1%	2,925,088	2,766,342	5.4%
2007	4,925	4,769	3.2%	218,371	208,937	4.3%	2,906,389	2,773,704	4.6%
2006	4,964	4,825	2.8%	218,953	210,553	3.8%	2,887,831	2,772,114	4.0%
2005	5,184	5,027	3.0%	218,428	209,928	3.9%	2,879,759	2,762,732	4.1%
2004	5,055	4,883	3.4%	219,463	209,692	4.5%	2,880,427	2,745,614	4.7%
2003	5,237	5,055	3.5%	222,403	212,227	4.6%	2,874,663	2,734,287	4.9%
2002	5,357	5,194	3.0%	224,164	215,026	4.1%	2,859,601	2,731,080	4.5%
2001	5,324	5,187	2.6%	224,268	215,886	3.7%	2,845,202	2,737,960	3.8%
2000	5,250	5,106	2.7%	220,267	212,800	3.4%	2,812,947	2,724,117	3.2%

Sources: Minnesota DEED; Maxfield Research & Consulting, LLC

EMPLOYMENT TRENDS

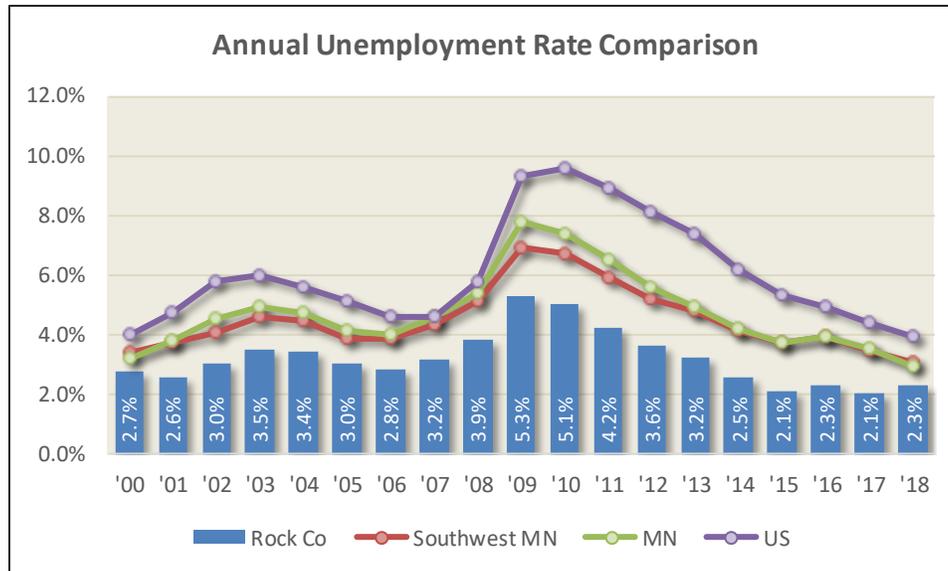
- In 2018, Rock County had a labor force of 5,726 with 5,594 employed residents, which equates to a 2.3% unemployment rate. By comparison, 2018 unemployment rates were at 3.1% in Southwest Minnesota and 2.9% in Minnesota.
- Rock County's labor force expanded 9.1% between 2000 and 2018 (476), while resident employment increased 9.6% (488). By comparison, Southwest Minnesota experienced flat labor force growth against resident employment growth of 0.4% between 2000 and 2018.
- Rock County's labor force increased at an average annual rate of 0.3% from 2000 through 2010, increasing to a rate of 0.8% per year since 2010, from 5,377 in 2010 to 5,726 in 2018. However, the labor force has contracted since peaking at 5,927 in 2016.
- Resident employment growth was flat in the County from 2000 through 2010 but has since expanded at an average annual rate of 1.2%. Similar to the labor force, resident employment in the County declined in 2017 and 2018 after peaking in 2016.



- Since 2010, the labor force in Southwest Minnesota contracted -0.3% annually, while resident employment increased at a 0.2% average annual rate. Due to increased hiring, the region's unemployment rate dropped from 6.8% in 2010 to 3.1% in 2018.
- Minnesota's labor force has increased steadily since 2010, peaking at 3.07 million in 2018. Resident employment in the State also peaked in 2018, climbing to 2.98 million.
- Because resident employment growth has outpaced labor force growth, unemployment rates have been steadily declining in the Market Area since 2010.

EMPLOYMENT TRENDS

- The following chart illustrates how unemployment in the Market Area has mirrored national trends but has remained well below the national rate throughout much of the past decade. The Rock County unemployment rate has tracked consistently lower than unemployment trends in the State of Minnesota and Southwest Minnesota.



Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live, particularly for younger and lower income households since transportation costs often account for a greater proportion of their budgets.

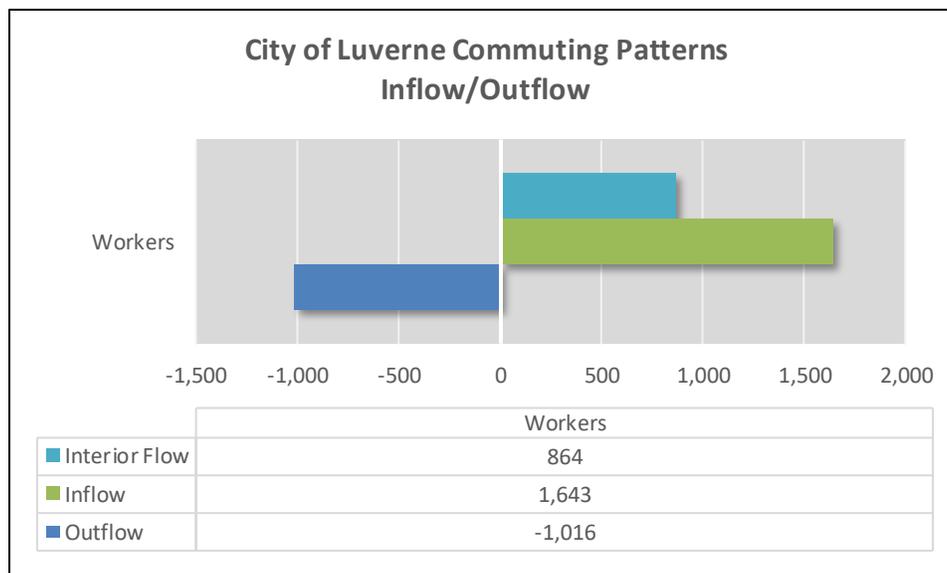
For this analysis, we reviewed commuting patterns in the City of Luverne. Employment Trends Table 2 on the following pages provides a summary of the inflow and outflow characteristics of the workers in the City. Outflow reflects the number of workers living in the area but employed outside the City, while inflow measures the number of workers that are employed in the City but live outside the area. Interior flow reflects the number of workers that live and work in Luverne.

- Roughly 66% of the jobs in Luverne are filled by workers commuting into the City. The highest proportion of workers coming into the City are aged 30 to 54 and earn more than \$3,333 per month (\$40,000 per year). The "All Other Services" sector brings in most of the employees (76%).
- With 1,643 workers commuting into the City of Luverne for employment daily, many coming from over 50 miles, there appears to be an opportunity to provide housing options for a portion of these workers.

EMPLOYMENT TRENDS

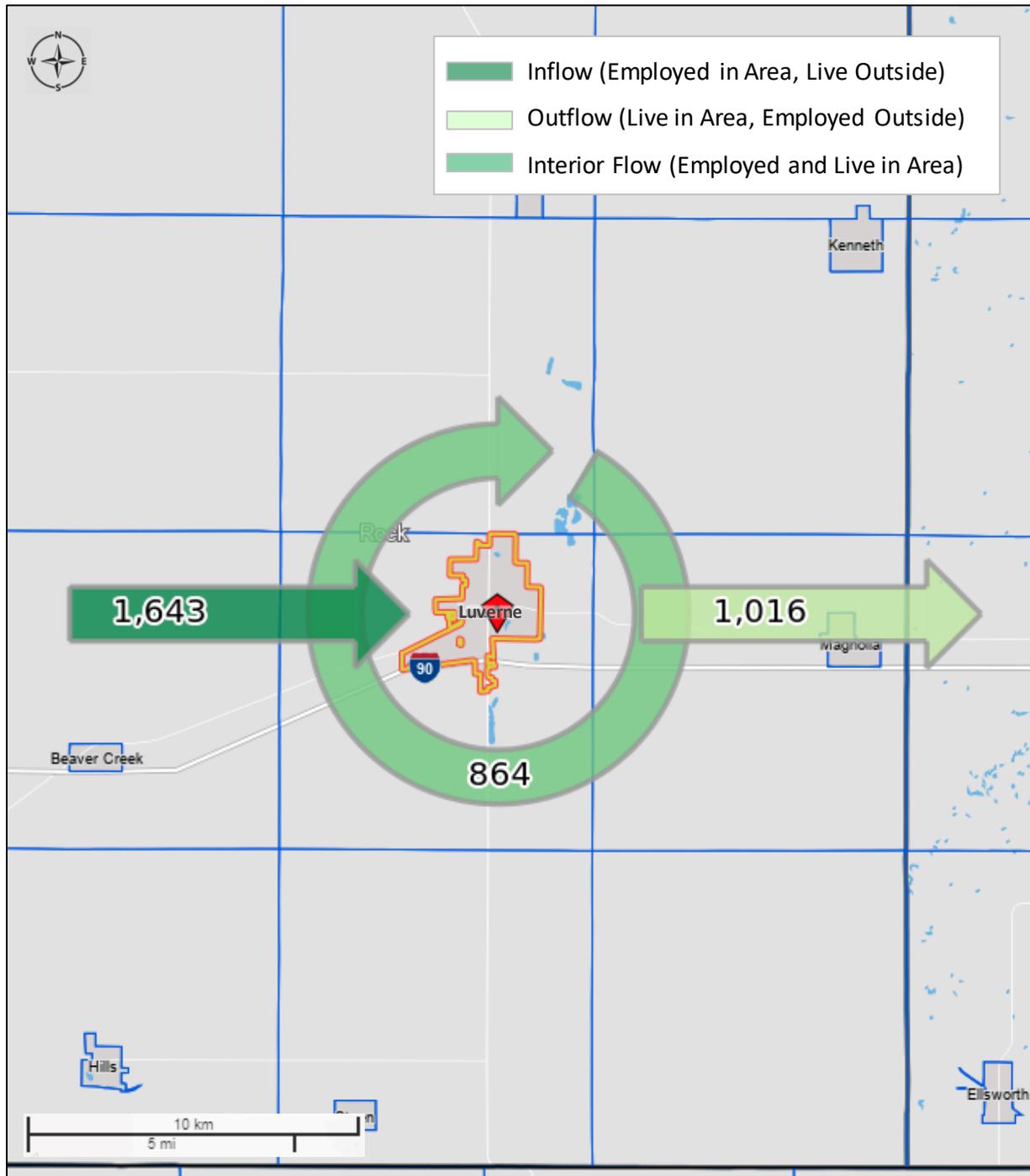
EMPLOYMENT TRENDS TABLE 2 COMMUTING INFLOW/OUTFLOW CHARACTERISTICS CITY OF LUVERNE 2017						
	Outflow		Inflow		Interior Flow	
Primary Jobs	1,016	100.0%	1,643	100.0%	864	100.0%
By Age						
Workers Aged 29 or younger	260	25.6%	346	21.1%	185	21.4%
Workers Aged 30 to 54	490	48.2%	826	50.3%	392	45.4%
Workers Aged 55 or older	266	26.2%	471	28.7%	287	33.2%
By Monthly Wage						
Workers Earning \$1,250 per month or less	261	25.7%	338	20.6%	220	25.5%
Workers Earning \$1,251 to \$3,333 per month	346	34.1%	567	34.5%	321	37.2%
Workers Earning More than \$3,333 per month	409	40.3%	738	44.9%	323	37.4%
By Industry						
"Goods Producing"	262	25.8%	82	5.0%	42	4.9%
"Trade, Transportation, and Utilities"	223	21.9%	305	18.6%	183	21.2%
"All Other Services"*	531	52.3%	1,256	76.4%	639	74.0%
*includes the following sectors: Information, Financial Activities, Professional & Business Services, Education & Health Services, Leisure & Hospitality, Other Services, and Public Administration						
Sources: US Census Bureau Local Employment Dynamics; Maxfield Research & Consulting, LLC						

- Overall, Luverne is an importer of workers as a higher number of nonresidents commute into the City for work than residents leave the City for work.



- Approximately 1,643 workers come into Luverne for employment (inflow) daily, while 1,016 resident workers commute out of the City (outflow). An estimated 864 people both live and work in the City (interior flow).

2017 Commuting Pattern
City of Luverne



EMPLOYMENT TRENDS

Employment Trends Table 3 highlights the commuting patterns, including distance and destination, of workers in Luverne based on data from the U.S. Census Bureau Local Employment Dynamics data for 2017, the most recent data available. Home Destination summarizes where workers live who are employed in the City, while Work Destination represents where workers are employed who live in the City.

- As the table illustrates, about 66% of the workers employed in Luverne reside outside the City, while 35% (864) reside in the City. The largest proportion of workers commuting into Luverne come from Sioux Falls (3.9%), Hills (3.4%), Adrian (1.7%), Beaver Creek (1.6%), and Worthington (1.6%).
- Approximately 49% of the workers in Luverne reside within ten miles of their place of employment while 23% travel from 10 to 24 miles. Roughly 12% of the workers commute from a distance of 25 to 50 miles and another 17% come from more than 50 miles away.

EMPLOYMENT TRENDS TABLE 3 COMMUTING PATTERNS CITY OF LUVERNE 2017					
Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Luverne city, MN	864	34.5%	Luverne city, MN	864	46.0%
Sioux Falls city, SD	98	3.9%	Worthington city, MN	74	3.9%
Hills city, MN	84	3.4%	Lakefield city, MN	46	2.4%
Adrian city, MN	43	1.7%	Pipestone city, MN	43	2.3%
Beaver Creek city, MN	40	1.6%	Hills city, MN	42	2.2%
Worthington city, MN	39	1.6%	Hardwick city, MN	40	2.1%
Brandon city, SD	37	1.5%	Rock Rapids city, IA	20	1.1%
Magnolia city, MN	32	1.3%	Adrian city, MN	20	1.1%
Edgerton city, MN	26	1.0%	Jasper city, MN	17	0.9%
Minneapolis city, MN	26	1.0%	Magnolia city, MN	17	0.9%
All Other Locations	1,218	48.6%	All Other Locations	697	37.1%
Distance Traveled			Distance Traveled		
Total Jobs	2,507	100.0%	Total Jobs	1,880	100.0%
Less than 10 miles	1,215	48.5%	Less than 10 miles	1,074	57.1%
10 to 24 miles	566	22.6%	10 to 24 miles	236	12.6%
25 to 50 miles	307	12.2%	25 to 50 miles	139	7.4%
Greater than 50 miles	419	16.7%	Greater than 50 miles	431	22.9%

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

- Roughly 46% of the workers living in Luverne also have jobs in the City. The remaining 54% commute to other communities, most notably to Worthington (3.9%), Lakefield (2.4%), Pipestone (2.3%), Hills (2.2%), and Hardwick (2.1%). Over 57% of the resident workers in Luverne travel less than ten miles for their jobs, while 13% have a commute distance from 10 to 24 miles. Approximately 7% commute between 25 and 50 miles while 23% commute more than 50 miles for employment.

Employment Growth Trends

Employment Trends Table 4 on the following page shows employment growth trends and projections from 2000 to 2030 based on the most recent information available from the Minnesota Department of Employment and Economic Development (DEED). Data for 2000, 2005, 2010, and 2018 represents the annual average employment for that year.

Information is sourced from the Quarterly Census of Employment and Wages (QCEW). All establishments covered under the Unemployment Insurance Program are required to report wage and employment statistics quarterly to the DEED. Federal government establishments are also covered by the QCEW program. The Unemployment Insurance Program covers roughly 97% of Minnesota employment. Workers and jobs excluded from these statistics include the self-employed, family farm workers, and those who work only on a commission basis.

Employment projections for 2024 and 2030 are based on 2016-2026 industry projections published for Southwest Minnesota, the most recent forecast available from DEED. Maxfield Research applied the projected annual rate of growth to the 2018 employment data to arrive at the employment forecast for Southwest Minnesota. Employment projections for the PMA were based on a review of changes to the proportion of the Region's growth that occurred in the area between 2010 and 2018. We then projected population growth for Luverne based on a review of recent changes to the proportion of the PMA's growth that has occurred in the City.

- In 2000, there were 2,704 jobs in Luverne and 1,358 jobs in the Remainder of the PMA. Due, in part, to the economic recession, City employment contracted -23.6% (-638 jobs) by 2010, while employment in the Remainder of the PMA contracted -13.0% (-176 jobs).
- By comparison, employment in Southwest Minnesota declined -1.9% while employment in the State of Minnesota contracted -1.7%.
- Data from the Quarterly Census of Employment and Wages indicates that employment in Luverne expanded 23.0% (476 jobs) between 2010 and 2018, while the Remainder of the PMA experienced 35.1% job growth (415 jobs).
- Southwest Minnesota experienced 3.4% job growth during that time period, while the number of jobs in Minnesota increased 12.4%.
- Modest job growth is expected in the Market Area between 2018 and 2024, as Southwest Minnesota is projected to experience a 0.5% gain, adding 957 jobs.
- The proportion of Southwest Minnesota's jobs located in the PMA declined from 2.3% in 2000 to 1.9% in 2010. However, the proportion climbed steadily after 2010, reaching 2.5% in 2017 and 2.3% in 2018.

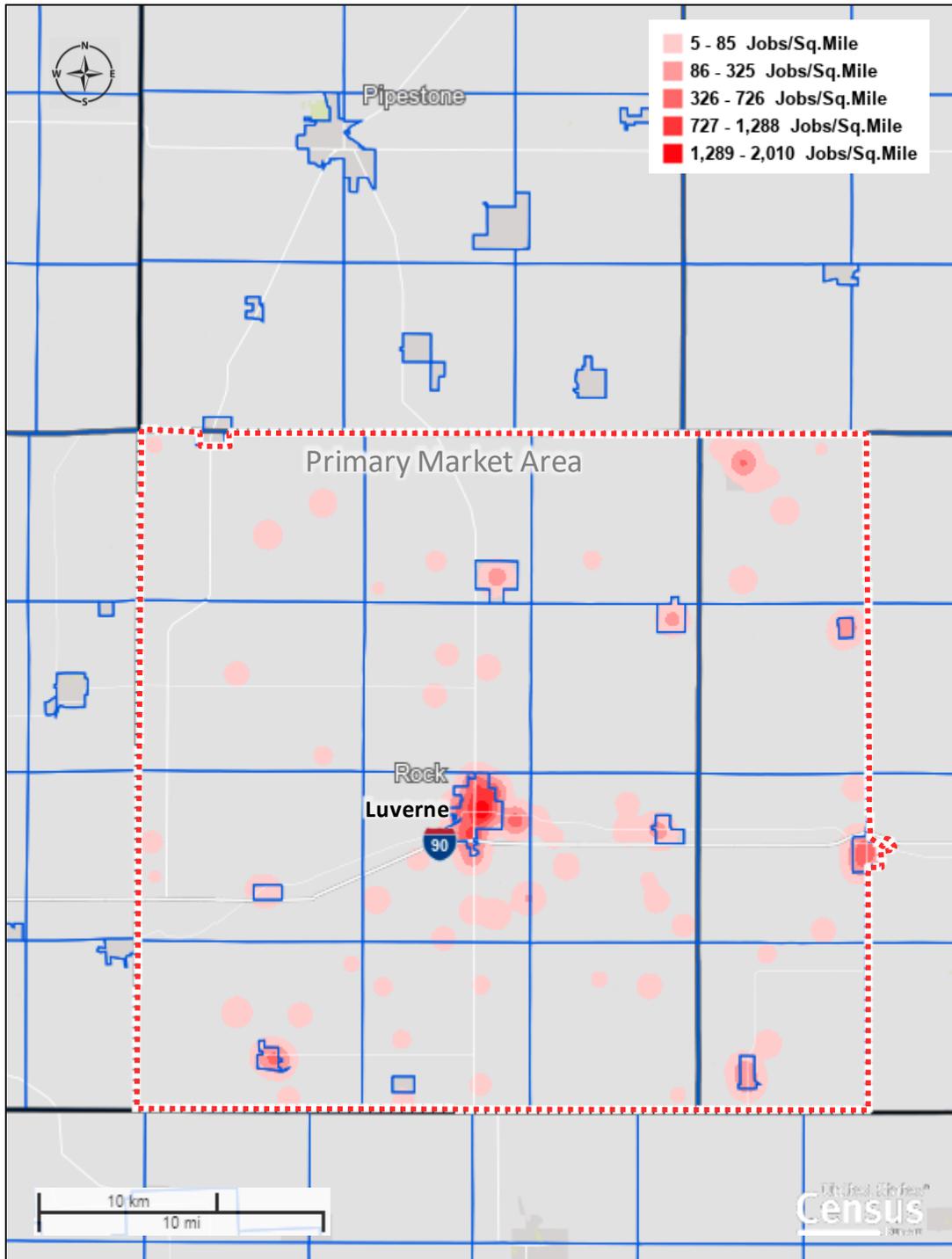
EMPLOYMENT TRENDS

- Luverne contained 66.6% of the PMA’s jobs in 2000, declining to 63.6% in 2010. The proportion of PMA jobs located in Luverne decreased to 57.7% in 2017, before increasing to 61.4% in 2018.
- Based on recent trends, we expect the proportion of Southwest Minnesota jobs located in the PMA to climb to 2.40% in 2024, while the proportion of PMA jobs located in Luverne expands to 61.5%.
- Based on these projections, we anticipate that employment in the PMA will expand 3.1%, adding 127 jobs between 2018 and 2024, while the City of Luverne adds 82 jobs (3.2% growth).
- Southwest Minnesota employment is projected to expand another 0.5% between 2024 and 2030. We project that the PMA will add 112 jobs (2.6%) during this time period, including 91 jobs in Luverne (3.5%).
- The pace of job growth is expected to be restrained as the region will experience potential labor force shortages and a surge in retirements.
- Within the PMA, job growth will likely be focused along the major transportation corridors where there are concentrations of existing businesses, convenient highway access, and close proximity to available labor.

EMPLOYMENT TRENDS TABLE 4 EMPLOYMENT GROWTH TRENDS AND PROJECTIONS LUVERNE MARKET AREA 2000 to 2030										
Annual Employment	City of Luverne		Primary Market Area		Remainder of PMA		Southwest Minnesota		Minnesota	
2000	2,704		4,062		1,358		174,321		2,608,844	
2005	2,755		4,070		1,315		175,989		2,637,323	
2010	2,066		3,248		1,182		171,042		2,563,391	
2018	2,542		4,139		1,597		176,790		2,881,172	
2024 Forecast	2,624		4,266		1,642		177,747		2,984,682	
2030 Forecast	2,715		4,378		1,664		178,709		3,091,910	
Change	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
2000 - 2010	-638	-23.6%	-814	-20.0%	-176	-13.0%	-3,279	-1.9%	-45,453	-1.7%
2010 - 2018	476	23.0%	891	27.4%	415	35.1%	5,748	3.4%	317,781	12.4%
2018 - 2024	82	3.2%	127	3.1%	45	2.8%	957	0.5%	103,510	3.6%
2024 - 2030	91	3.5%	112	2.6%	21	1.3%	962	0.5%	107,228	3.6%

Sources: MN DEED; Maxfield Research & Consulting, LLC

Employment Concentrations in the PMA

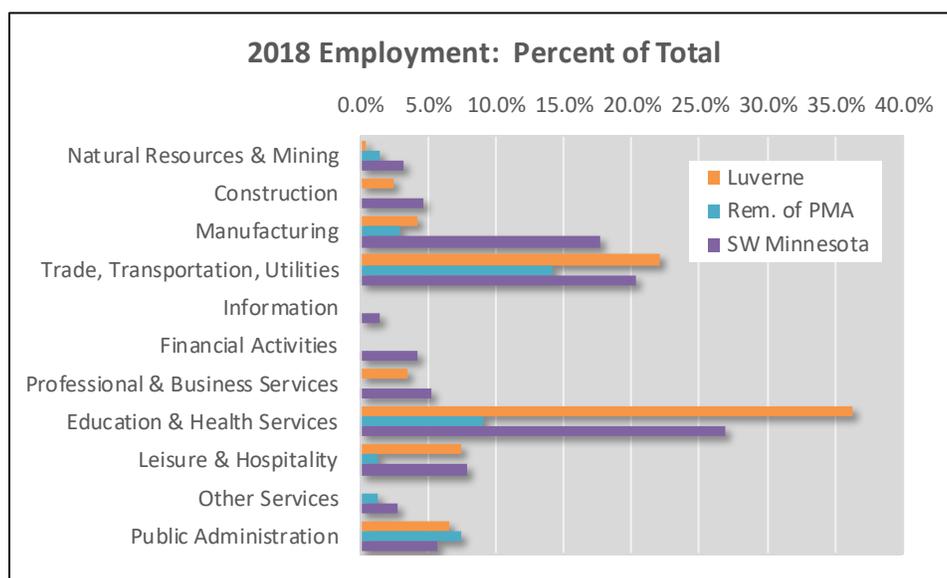


Industry Employment and Wage Data

Employment Trends Table 5 on the following page displays information on the employment and wage situation in Luverne and the PMA compared to Southwest Minnesota. The Quarterly Census of Employment and Wages (QCEW) data is sourced from DEED and represents annual data for 2017 compared to 2018, the most recent data available.

All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics to DEED quarterly. 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.

- The City of Luverne experienced modest (0.9%) job growth between the 2017 and 2018. Education and Health Services and Trade, Transportation, and Utilities experienced notable gains, adding 27 jobs (3.0%) and 29 jobs (5.5%), respectively. These gains were partially offset by contraction in the Manufacturing sector which declined -8.5% (-10 jobs).
- The Remainder of the PMA experienced a -13.7% decline in jobs (-253). This reported loss was likely due to the closing of Pilgrim’s Pride in Luverne Township.
- Education and Health Services is the largest employment sector in Luverne providing 924 jobs (36.3% of total jobs), while Trade, Transportation, and Utilities is the largest employment sector in the Remainder of the PMA with 226 jobs (14.2%%). Education and Health Services is the largest employment sector in Southwest Minnesota (26.9% of total employment).



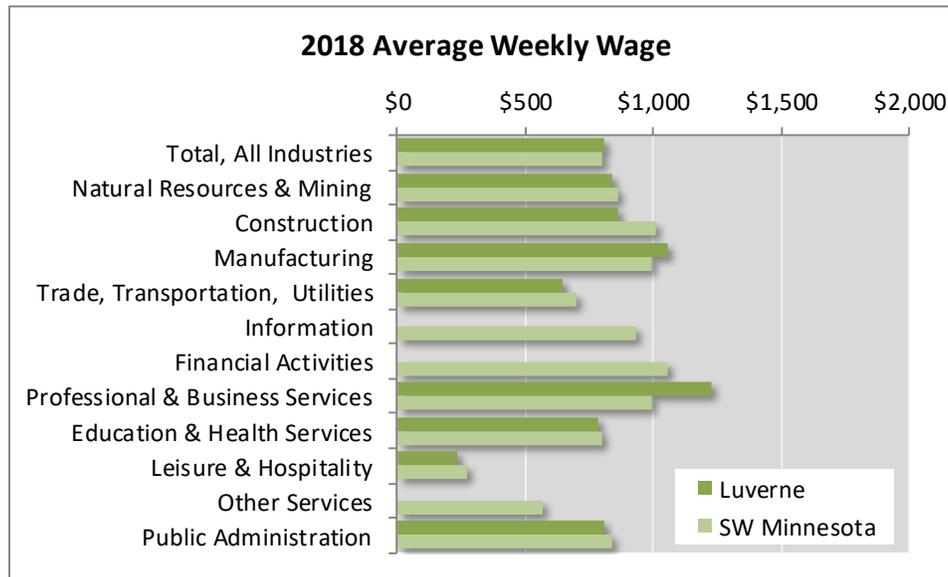
EMPLOYMENT TRENDS

EMPLOYMENT TRENDS TABLE 5										
QUARTERLY CENSUS OF EMPLOYMENT AND WAGES										
CITY OF LUVERNE MARKET AREA										
Industry	2017			2018			Change 2017 - 2018			
	Establish-ments	Employ-ment	Weekly Wage	Establish-ments	Employ-ment	Weekly Wage	Employment		Wage	
							#	%	#	%
CITY OF LUVERNE										
Total, All Industries	179	2,520	\$795	185	2,542	\$806	22	0.9%	\$11	1.4%
Natural Resources & Mining	5	13	\$847	5	11	\$839	-2	-15.4%	(\$8)	-0.9%
Construction	15	65	\$809	14	64	\$866	-1	-1.5%	\$57	7.0%
Manufacturing	8	118	\$1,190	8	108	\$1,058	-10	-8.5%	(\$132)	-11.1%
Trade, Transportation, Utilities	44	532	\$634	44	561	\$648	29	5.5%	\$14	2.2%
Information	--	--	--	--	--	--	--	--	--	--
Financial Activities	--	--	--	--	--	--	--	--	--	--
Professional & Business Services	19	94	\$1,099	19	89	\$1,227	-5	-5.3%	\$128	11.6%
Education & Health Services	21	897	\$741	23	924	\$787	27	3.0%	\$46	6.2%
Leisure & Hospitality	18	182	\$210	20	190	\$233	8	4.4%	\$23	11.0%
Other Services	--	--	--	--	--	--	--	--	--	--
Public Administration	5	168	\$774	5	168	\$808	0	0.0%	\$34	4.4%
REMAINDER OF PRIMARY MARKET AREA										
Total, All Industries	213	1,850	\$613	216	1,597	\$648	-253	-13.7%	\$35	5.6%
Natural Resources & Mining	12	53	\$726	7	23	\$441	-30	-56.6%	(\$285)	-39.3%
Construction	3	21	\$717	--	--	--	--	--	--	--
Manufacturing	3	232	\$686	3	47	\$1,212	-185	-79.7%	\$526	76.7%
Trade, Transportation, Utilities	42	244	\$637	41	226	\$673	-18	-7.4%	\$37	5.8%
Information	--	--	--	--	--	--	--	--	--	--
Financial Activities	3	24	\$783	--	--	--	--	--	--	--
Professional & Business Services	--	--	--	--	--	--	--	--	--	--
Education & Health Services	3	133	\$517	3	144	\$515	11	8.3%	(\$2)	-0.3%
Leisure & Hospitality	5	22	\$470	5	21	\$488	-1	-4.5%	\$18	3.8%
Other Services	8	13	\$418	10	20	\$348	7	53.8%	(\$70)	-16.7%
Public Administration	16	119	\$446	16	119	\$465	0	0.0%	\$20	4.4%
PRIMARY MARKET AREA TOTAL										
Total, All Industries	392	4,370	\$718	401	4,139	\$745	-231	-5.3%	\$27	3.7%
Natural Resources & Mining	17	66	\$750	12	34	\$570	-32	-48.5%	(\$180)	-24.0%
Construction	18	86	\$787	14	64	\$866	-22	-25.6%	\$79	10.1%
Manufacturing	11	350	\$856	11	155	\$1,105	-195	-55.7%	\$249	29.1%
Trade, Transportation, Utilities	86	776	\$635	85	787	\$655	11	1.4%	\$20	3.2%
Information	--	--	--	--	--	--	--	--	--	--
Financial Activities	3	24	\$783	--	--	--	--	--	--	--
Professional & Business Services	19	94	\$1,099	19	89	\$1,227	-5	-5.3%	\$128	11.6%
Education & Health Services	24	1,030	\$712	26	1,068	\$750	38	3.7%	\$38	5.4%
Leisure & Hospitality	23	204	\$238	25	211	\$258	7	3.4%	\$20	8.6%
Other Services	8	13	\$418	10	20	\$348	7	53.8%	(\$70)	-16.7%
Public Administration	21	287	\$638	21	287	\$666	0	0.0%	\$28	4.4%
SOUTHWEST MINNESOTA										
Total, All Industries	11,997	177,399	\$778	12,308	176,790	\$802	-609	-0.3%	\$24	3.1%
Natural Resources & Mining	678	5,916	\$873	683	5,663	\$860	-253	-4.3%	(\$13)	-1.5%
Construction	1,472	8,260	\$969	1,530	8,181	\$1,008	-79	-1.0%	\$39	4.0%
Manufacturing	608	31,591	\$972	602	31,135	\$995	-456	-1.4%	\$23	2.4%
Trade, Transportation, Utilities	2,971	35,887	\$672	3,000	35,881	\$702	-6	0.0%	\$30	4.5%
Information	211	2,775	\$893	214	2,624	\$935	-151	-5.4%	\$42	4.7%
Financial Activities	1,021	7,329	\$1,020	1,005	7,433	\$1,060	104	1.4%	\$40	3.9%
Professional & Business Services	1,004	9,458	\$991	1,035	9,299	\$991	-159	-1.7%	\$0	0.0%
Education & Health Services	1,365	47,227	\$770	1,512	47,583	\$800	356	0.8%	\$30	3.9%
Leisure & Hospitality	1,055	14,156	\$278	1,103	14,035	\$271	-121	-0.9%	(\$7)	-2.5%
Other Services	1,027	4,832	\$504	1,039	4,919	\$564	87	1.8%	\$60	11.9%
Public Administration	587	9,966	\$807	588	10,036	\$840	70	0.7%	\$33	4.1%

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

EMPLOYMENT TRENDS

- Average weekly wages in Luverne (\$806) are 25% higher than the Remainder of the PMA (\$648) and very similar to Southwest Minnesota (\$802).
- Highest average wages in Luverne are found in the Professional and Business Services (\$1,227) and Manufacturing (\$1,058) sectors.



- A household earning the average weekly wage in the PMA (\$745) would be able to afford an apartment renting for approximately \$968 per month to not exceed 30% of its monthly income on housing costs, significantly higher than the average rent for existing market rate rental properties in the PMA (\$605).
- Assuming that a potential home buyer has good credit and makes a 10% down payment, a household earning the average weekly wage in the PMA would be able to afford to purchase a home priced at approximately \$155,750 or lower to not be cost-burdened (paying more than 30% of their income for housing). By comparison, the median sale price for single-family home resales in Luverne in 2018 was \$105,000.
- The data indicates the existing housing stock in Luverne is relatively affordable proportionate to average wages in the PMA and the City.

Major Employers

The following list provides a summary of the major employers in the City of Luverne. This data is sourced from the City of Luverne and is based on year-end 2018 information.

EMPLOYMENT TRENDS TABLE 6 MAJOR EMPLOYERS CITY OF LUVERNE 2018		
Company	Industry	Employees
Independent School District 2184	Educational Services	226
Sanford Hospital	Health Care and Social Assistance	218
Minnesota Veterans Home	Health Care and Social Assistance	193
Mary J Brown Good Samaritan Home	Health Care and Social Assistance	101
Rock County	Public Administration	100
City of Luverne	Public Administration	96
Papik Motors	Retail Trade	55
Continental Western Group	Finance and Insurance	46
Total Card Inc.	Finance and Insurance	41
Berkley	Finance and Insurance	40
GEVO (Agri-Energy)	Manufacturing	30
Midwest Fire	Wholesale Trade	26
Great Plains Processing	Manufacturing	20
CHS	Wholesale Trade	16
Express AG	Manufacturing	10

Sources: City of Luverne; Maxfield Research & Consulting, LLC

- Independent School District 2184, Sanford Hospital, and Minnesota Veterans Home are the largest employers in the City.
- Based on the industry sector composition of the major employers, it appears that the City of Luverne has a fairly diverse employment base.
- These major employers represent seven different industry sectors, including: three in Health Care and Social Assistance, Manufacturing, and Finance and Insurance; two in Public Administration and Wholesale Trade; and one in Retail Trade as well as Educational Services.
- Combined, these 15 major employers employed an estimated 1,218 workers in 2018, representing approximately 48% of all the jobs in the City of Luverne.

Employer Survey

Maxfield Research surveyed representatives from a select group of the largest employers in Luverne. Employers were asked their opinion regarding housing-related issues in the area, specifically whether the supply of suitable housing meets the needs of their workforce.

The following points summarize our findings.

- Housing availability is a significant issue in Luverne and the housing market seems to be very tight.
- New employees moving to town will seek a variety of housing types, depending on pay grade and family status.
- Younger, single employees often seek apartments, young families typically look for starter homes to purchase, and more established families desire move-up housing.
- Many new families have trouble finding quality, yet affordable, housing in Luverne.
- Move-up housing, in particular, for families seems to be in very short supply in Luverne.
- Housing needs range from apartments to higher-priced “executive” single-family homes, and the market can be challenging, particularly finding affordable housing.
- There seems to be limited availability of quality rental options.
- Generally, the employers surveyed expect their employment base to hold steady over the next few years.
- While it may be challenging to find housing in Luverne, housing availability has not necessarily negatively impacted the ability of employers to hire. Employees will typically find housing in another community, or relocate to another community to upgrade their housing, if they can’t find suitable housing in Luverne and commute to work.

Introduction

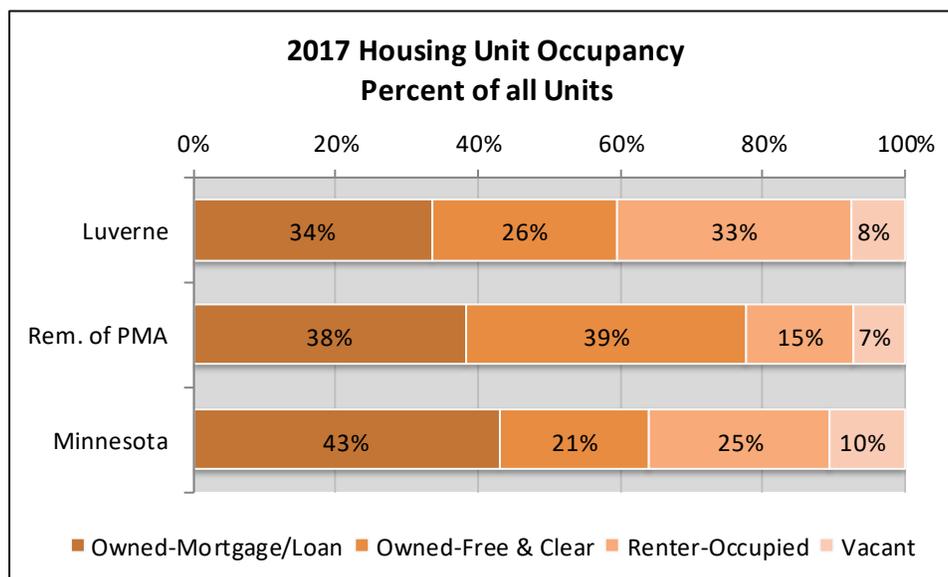
The variety and condition of the housing stock in a community provides the basis for an attractive living environment. We examined the housing market in Luverne and the Remainder of the Primary Market Area in comparison to Minnesota by reviewing data on the total number of housing units by occupancy status, housing types, age of the housing supply, and residential construction trends. Housing unit is defined as a house, an apartment, a group of rooms, or a single room occupied or intended for occupancy as separate living quarters. Householder refers to the person in whose name the housing unit is owned or rented.

Housing Unit Occupancy

Housing unit occupancy is a key variable used to assess neighborhood stability. Housing Characteristics Table 1 on the following pages shows the total number of housing units, as well as the occupancy status in 2010 and 2017. This data is sourced from the U.S. Census (2010) and the 2013-2017 American Community Survey (2017).

The Census’ definition of a vacant housing unit includes: units that were listed for sale or for rent at the time of the Census survey; units that have been rented or sold but were not yet occupied; seasonal housing (vacation or second homes); and, “other” vacant housing. Other vacant housing units include housing for migratory workers, housing units held for occupancy of a caretaker, and units in the foreclosure process.

- As of 2017, the Primary Market Area contained an estimated 5,584 housing units, approximately 38% of which were located in the City of Luverne. In Luverne, approximately 92.4% of the housing units were occupied (1,960 units) and 7.6% were vacant (161 units).



HOUSING CHARACTERISTICS

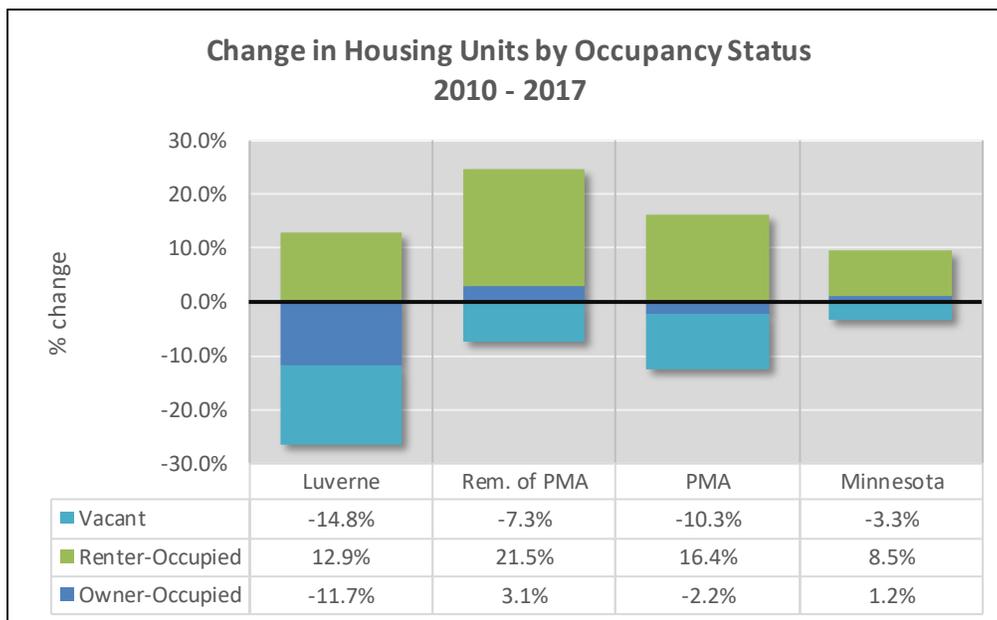
- By comparison, the Remainder of the PMA had an estimated occupancy rate of 92.6% and the occupancy rate in Minnesota was 89.5% (10.5% vacancy rate) in 2017.
- Approximately 60% of Luverne’s housing units were owner-occupied in 2017, 33% were renter-occupied, and the remaining 8% were vacant. By comparison, 64% of the housing units in Minnesota were owner-occupied, 25% were renter-occupied, and 11% were vacant.
- Of the owner-occupied housing units in Luverne, approximately 56% were owned with a mortgage or loan (34% of all housing units) and 44% were owned free and clear (26% of all housing units). In Minnesota, 67% of the owner-occupied units were owned with a mortgage or loan and 33% were owned free and clear.

HOUSING CHARACTERISTICS TABLE 1							
HOUSING UNIT OCCUPANCY							
LUVERNE MARKET AREA							
	Luverne		Rem. of PMA		PMA		Minnesota
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
2017	Total Housing Units	2,121	100%	3,463	100%	5,584	100%
	Occupied Units	1,960	92.4%	3,208	92.6%	5,168	92.6%
	Owner-Occupied	1,262	59.5%	2,693	77.8%	3,955	70.8%
	mortgage or loan	713	33.6%	1,328	38.3%	2,041	36.6%
	free and clear	549	25.9%	1,365	39.4%	1,914	34.3%
	Renter-Occupied	698	32.9%	515	14.9%	1,213	21.7%
	Vacant Units	161	7.6%	255	7.4%	416	7.4%
	For Rent	52	2.5%	22	0.6%	74	1.3%
	For Sale Only	23	1.1%	40	1.2%	63	1.1%
	Seasonal/Recreational	31	1.5%	23	0.7%	54	1.0%
Rented/Sold, Not Occupied	0	0.0%	19	0.5%	19	0.3%	
Other	55	2.6%	151	4.4%	206	3.7%	
2010	Total Housing Units	2,237	100%	3,311	100%	5,548	100%
	Occupied Units	2,048	91.6%	3,036	91.7%	5,084	91.6%
	Owner-Occupied	1,430	63.9%	2,612	78.9%	4,042	72.9%
	mortgage or loan	858	38.4%	1,406	42.5%	2,264	40.8%
	free and clear	572	25.6%	1,206	36.4%	1,778	32.0%
	Renter-Occupied	618	27.6%	424	12.8%	1,042	18.8%
	Vacant Units	189	8.4%	275	8.3%	464	8.4%
	For Rent	77	3.4%	24	0.7%	101	1.8%
	For Sale Only	39	1.7%	41	1.2%	80	1.4%
	Seasonal/Recreational	11	0.5%	23	0.7%	34	0.6%
Rented/Sold, Not Occupied	7	0.3%	17	0.5%	24	0.4%	
Other	55	2.5%	170	5.1%	225	4.1%	

Sources: US Census; 2013-2017 American Community Survey; Maxfield Research & Consulting, LLC

HOUSING CHARACTERISTICS

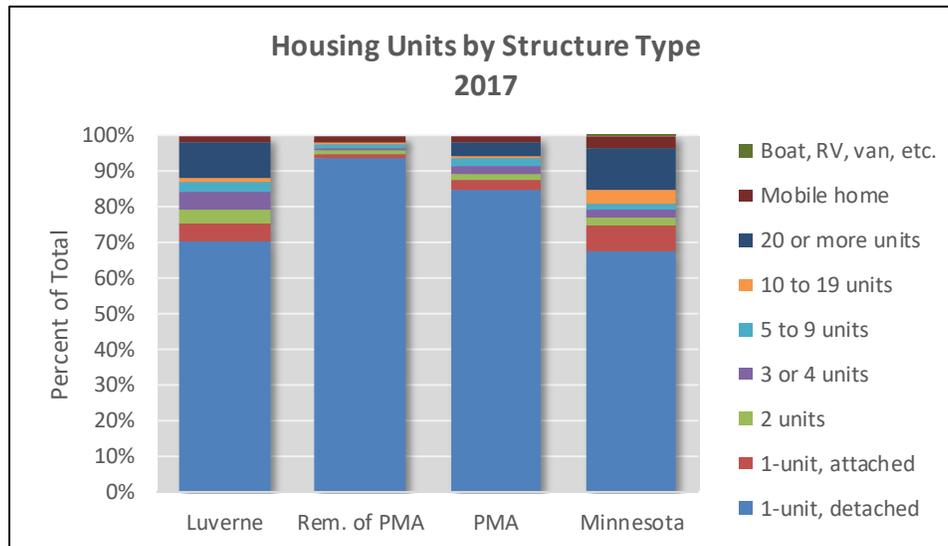
- The Remainder of the PMA had a higher rate of owner-occupied units in 2017, at 77.8% of the total. An estimated 49% of these units were owned with a mortgage or loan (38% of all units) and 51% of the owner-occupied units were owned free and clear (39% of all housing units).
- Approximately 14.9% of the housing units in the Remainder of the PMA were renter-occupied in 2017, compared to 25.4% in Minnesota. An estimated 7.4% of the housing units in the Remainder of the PMA were vacant in 2017 (10.5% in Minnesota).
- The PMA's housing vacancy rate was notably lower than Minnesota in 2017 with 7.4% of the housing units vacant while Minnesota had a 10.5% vacancy rate. Vacancy in Luverne was at 7.6% compared to 7.4% in the Remainder of the PMA.
- The higher vacancy rate in Minnesota was due to a much higher proportion of vacant seasonal/recreational units, representing 5.6% of all housing units in Minnesota compared to 1.5% in Luverne and 0.7% in the Remainder of the PMA. Vacant seasonal/recreational units represented 19% of all vacant housing units in Luverne in 2017 compared to 54% in Minnesota.
- Occupancy rates in Luverne increased modestly from 91.6% in 2010, with owner-occupied units declining -12% (-168 units) while renter-occupied units increased 13% (80 units). In Minnesota, occupancy increased from 88.9% in 2010, with an increase occurring in the percentage of renter-occupied units (owner-occupancy declined slightly).



Housing Stock by Structure Type

The data in Housing Characteristics Table 2 is sourced from the American Community Survey (“ACS”) which is an ongoing statistical survey administered by the U.S. Census Bureau. The current ACS highlights data collected between 2013 and 2017, the most recent data available. The following points summarize key findings.

- Single-family (one-unit) detached units are the most common housing type in the Market Area, comprising 85% of all housing units in the PMA. By comparison, 67% of all housing units are single-family detached in Minnesota.
- Roughly 70% of the housing units in Luverne are single-unit, detached structures, while 94% of the housing units in the Remainder of the PMA are detached single-unit homes.



- Structures with 20 or more units contain 9.7% of the housing supply in Luverne (206 units), compared to 12.0% in Minnesota.
- An estimated 107 units (5.0%) in Luverne are in single-unit attached structures (i.e. twinhomes and townhomes), compared to 1.1% (39 units) in the Remainder of the PMA and 7.4% in Minnesota.
- Of the owner-occupied housing units in Luverne, roughly 90% are single-unit, detached structures (1,129 units), while 4% are in attached single-unit structures (56) and 2% are duplexes (33 units).
- An estimated 44% of the renter-occupied housing units in the City (307 units) are in single-unit, detached structures. Another 29% are in structures with 20 or more units (199) and 9% are in structures with five to nine units (62 units).

HOUSING CHARACTERISTICS

- An estimated 21% of all detached single-unit structures are renter-occupied in Luverne (307 units) compared to 7.7% in Minnesota.
- Compared to Minnesota, Luverne has a relatively high proportion of renter-occupied detached, single-unit structures. An estimated 44% of the renter-occupied units in Luverne are detached, single-unit structures, compared to 20% in Minnesota.

	Luverne		Rem. of PMA		PMA		Minnesota
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Total Housing Units	2,121	100%	3,463	100%	5,584	100%	100%
1-unit, detached	1,487	70.1%	3,253	93.9%	4,740	84.9%	67.3%
1-unit, attached	107	5.0%	39	1.1%	146	2.6%	7.4%
2 units	89	4.2%	23	0.7%	112	2.0%	2.2%
3 or 4 units	99	4.7%	24	0.7%	123	2.2%	2.1%
5 to 9 units	62	2.9%	40	1.2%	102	1.8%	2.2%
10 to 19 units	28	1.3%	22	0.6%	50	0.9%	3.4%
20 or more units	206	9.7%	6	0.2%	212	3.8%	12.0%
Mobile home	43	2.0%	56	1.6%	99	1.8%	3.4%
Boat, RV, van, etc.	0	0.0%	0	0.0%	0	0.0%	0.0%
Total Occupied Housing Units	1,960	100%	3,208	100%	5,168	100%	100%
Owner-Occupied	1,262	64.4%	2,693	83.9%	3,955	76.5%	71.6%
1-unit, detached	1,129	57.6%	2,635	82.1%	3,764	72.8%	61.2%
1-unit, attached	56	2.9%	19	0.6%	75	1.5%	5.4%
2 units	33	1.7%	3	0.1%	36	0.7%	0.5%
3 or 4 units	20	1.0%	2	0.1%	22	0.4%	0.3%
5 to 9 units	0	0.0%	0	0.0%	0	0.0%	0.3%
10 to 19 units	7	0.4%	0	0.0%	7	0.1%	0.2%
20 or more units	0	0.0%	0	0.0%	0	0.0%	1.4%
Mobile home	17	0.9%	34	1.1%	51	1.0%	2.3%
Boat, RV, van, etc.	0	0.0%	0	0.0%	0	0.0%	0.0%
Renter-Occupied	698	35.6%	515	16.1%	1,213	23.5%	28.4%
1-unit, detached	307	15.7%	389	12.1%	696	13.5%	5.8%
1-unit, attached	20	1.0%	16	0.5%	36	0.7%	2.4%
2 units	8	0.4%	16	0.5%	24	0.5%	1.7%
3 or 4 units	55	2.8%	17	0.5%	72	1.4%	1.8%
5 to 9 units	62	3.2%	40	1.2%	102	2.0%	1.9%
10 to 19 units	21	1.1%	22	0.7%	43	0.8%	3.3%
20 or more units	199	10.2%	6	0.2%	205	4.0%	11.0%
Mobile home	26	1.3%	9	0.3%	35	0.7%	0.4%
Boat, RV, van, etc.	0	0.0%	0	0.0%	0	0.0%	0.0%

Sources: 2013-2017 American Community Survey; Maxfield Research & Consulting, LLC

Age of Housing Stock

Similar to the structure type data presented in the previous table, housing age data presented in Housing Characteristics Table 3 is also sourced from the 2013-2017 American Community Survey. The table includes the number of housing units built prior to 1940 and during each subsequent decade. The Census Bureau began collecting year-built data in 1940.

- Over 32% of the housing units in the PMA (1,801 units) were built prior to 1940, including 28% of the units in Luverne (584) and 35% of the units in the Remainder of the PMA (1,217 units). By comparison, 17% of all housing in Minnesota were built prior to 1940.
- While many homes built before 1940 may be in good condition, housing units this age are at risk of becoming substandard or functionally obsolete and maintenance costs are generally higher. Older housing is common in areas where declining populations and slower economic activity limit demand for new housing production.

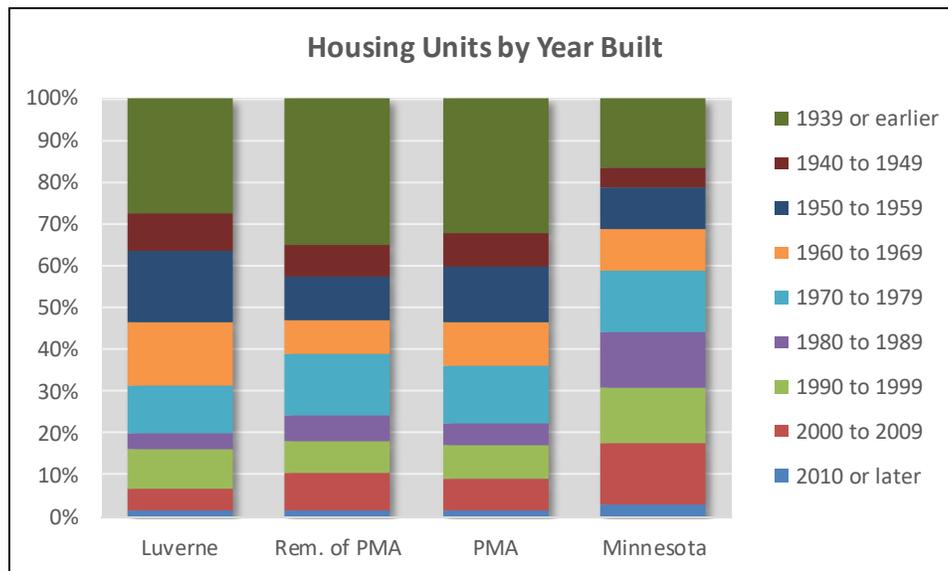
HOUSING CHARACTERISTICS TABLE 3 HOUSING UNITS BY YEAR STRUCTURE BUILT LUVERNE MARKET AREA							
	Luverne		Rem. of PMA		PMA		Minnesota
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Total	2,121	100%	3,463	100%	5,584	100%	100%
2014 or later	0	0.0%	9	0.3%	9	0.2%	0.8%
2010 to 2013	34	1.6%	40	1.2%	74	1.3%	2.0%
2000 to 2009	112	5.3%	321	9.3%	433	7.8%	14.6%
1990 to 1999	193	9.1%	259	7.5%	452	8.1%	13.6%
1980 to 1989	87	4.1%	204	5.9%	291	5.2%	12.9%
1970 to 1979	242	11.4%	517	14.9%	759	13.6%	15.1%
1960 to 1969	317	14.9%	272	7.9%	589	10.5%	9.7%
1950 to 1959	363	17.1%	364	10.5%	727	13.0%	10.1%
1940 to 1949	189	8.9%	260	7.5%	449	8.0%	4.6%
1939 or earlier	584	27.5%	1,217	35.1%	1,801	32.3%	16.6%

Sources: 2013-2017 American Community Survey; Maxfield Research & Consulting, LLC

- Housing production was relatively steady in the PMA from the 1950s through the 1970s.
- The 1970s was the most active decade in the PMA in terms of residential building activity. Roughly 14% of the PMA’s housing stock was built from 1970 to 1979 (759 units), including 11% of the units in Luverne (242) and 15% of the units in the Remainder of the PMA (517). By comparison, 15% of Minnesota’s housing stock was delivered from 1970 to 1979.
- Over 17% of Luverne’s housing supply was built in the 1950s (363 units) compared to 11% in the Remainder of the PMA (364 units) and 10% in Minnesota.

HOUSING CHARACTERISTICS

- An estimated 11% of the housing units in the PMA were built in the 1960s (589 units), including 317 units in Luverne (15%) and 272 units in the Remainder of the PMA (8%).



- The housing stock in Minnesota is relatively new when compared to Luverne and the PMA. Roughly 31% of the housing inventory in Minnesota has been constructed since 1990, compared to 17% in the PMA.
- Roughly 16% of housing units in Luverne were built since 1990 (339 units) compared to 18% in the Remainder of the PMA (629 units).
- Housing unit production has dropped off sharply in the PMA since the 2000s. An estimated 433 units were built from 2000 to 2009 in the PMA (8% of all units), with most of these units being delivered in the Remainder of the PMA (321 units). In Luverne, 112 housing units were built between 2000 and 2009 (5.3% of the total).
- By comparison, 14.6% of all housing units in Minnesota were constructed from 2000 to 2009.
- Based on American Community Survey estimates, the PMA has added 83 units since 2010 (1.5% of all housing units), including 34 in Luverne (1.6%) and 49 in the Remainder of the PMA (1.5%).

HOUSING CHARACTERISTICS

The following photographs represent a sample of the housing stock in Luverne.



Example of pre-1940's housing in Luverne



1950's era neighborhood



Attached single-family housing (twinhomes)



New construction detached single-family



Vacant lots in new single-family subdivision



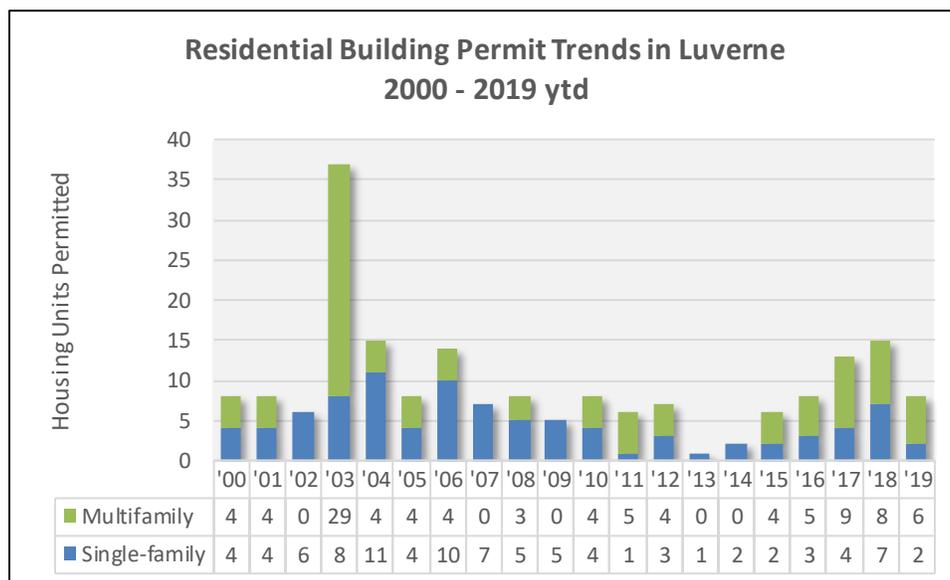
1970s's era apartment building

Residential Construction Trends

Housing Characteristics Table 4 on the following page displays the number of units permitted for single-family homes and multifamily structures in Luverne from 2000 through August 5, 2019. Data was provided by the City of Luverne.

Single-family is defined as fully detached housing units. Multifamily housing includes for-sale and rental units and is generally defined as residential buildings containing units built one on top of another and those built side-by-side which do not have a ground-to-roof wall and/or have common facilities. For the purposes of this report, semi-detached (semi-attached, side-by-side), row houses, and townhouses are categorized under multifamily.

- Between 2000 and 2018, 190 new housing units were permitted in Luverne, for an average of 9.6 new units per year.



- As depicted in the preceding chart, residential construction activity dropped off in the City when the “housing bubble” burst in 2006.
- An average of 14 new housing units were permitted annually in the City from 2000 through 2005. Permitting activity declined to an annual average of eight units from 2006 through 2010 and four units from 2011 to 2015. Residential construction activity has accelerated since 2015, averaging 12 new units per year from 2016 through 2018.
- Residential building permit activity followed a similar trend in Minnesota. However, a market recovery occurred in 2012 and permit activity increased steadily through 2018, although residential construction activity in the State has not yet reached the pre-recession highs of the early 2000s.

HOUSING CHARACTERISTICS

HOUSING CHARACTERISTICS TABLE 4 RESIDENTIAL BUILDING PERMIT TRENDS CITY OF LUVERNE 2000 - 2019 ytd			
Year	Single-family	Multifamily	Total Units
2000	4	4	8
2001	4	4	8
2002	6	0	6
2003	8	29	37
2004	11	4	15
2005	4	4	8
2006	10	4	14
2007	7	0	7
2008	5	3	8
2009	5	0	5
2010	4	4	8
2011	1	5	6
2012	3	4	7
2013	1	0	1
2014	2	0	2
2015	2	4	6
2016	3	5	8
2017	4	9	13
2018	7	8	15
2019*	2	6	8
Annual Avg.	4.8	4.8	9.6

*Data through August 5, 2019

Sources: City of Luverne; Maxfield Research & Consulting, LLC

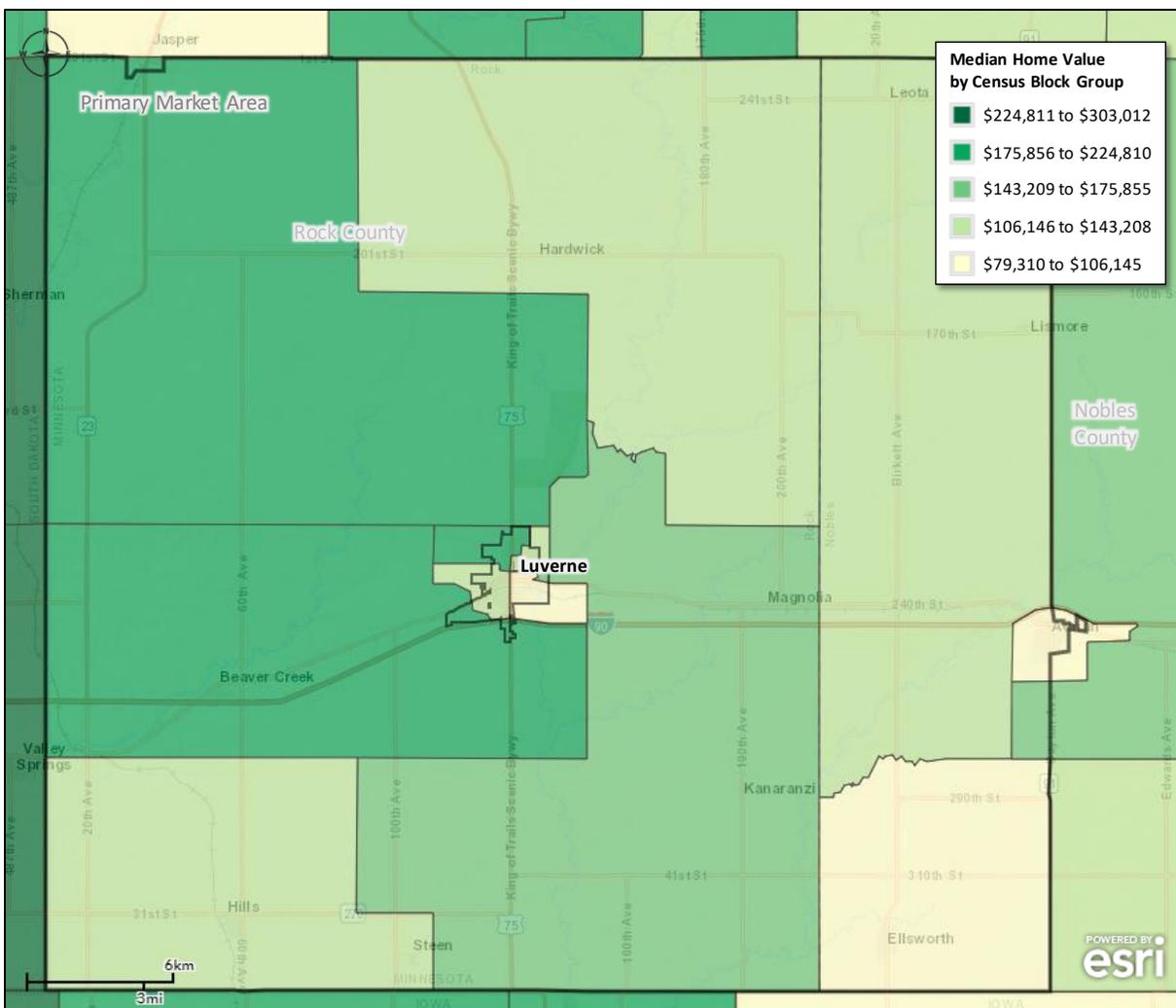
- Approximately 49% of all residential units permitted in Luverne between 2000 and August 5, 2019 were detached single-family (93 units). The remaining 51% were multifamily (97 units).
- Since 2016, 36% of the units permitted in Luverne were detached single-family (16 units), while 41% (18 units) were classified as twinhomes or duplexes. The remaining 23% (ten units) were classified as three-unit and four-unit structures.

Owner-Occupied Housing Units by Value

Housing Characteristics Table 5 and the following map present data on housing values summarized in ranges and median value. Home value reflects the owner’s estimate of how much the property (house and lot or condominium unit) would sell for if it were for sale. The information is estimated by ESRI and adjusted by Maxfield Research to reflect current year data.

- As illustrated on the following map, within the PMA, median home values are highest in the Block Groups located in the northern section of Luverne and to the northwest of Luverne in Luverne Township with a median home value of \$202,434.
- Lowest home values can be found in the Block Group encompassing the City of Ellsworth in Grand Prairie Township at \$85,514 in the southeastern corner of the PMA.

**Primary Market Area
2019 Median Home Value by Block Group**



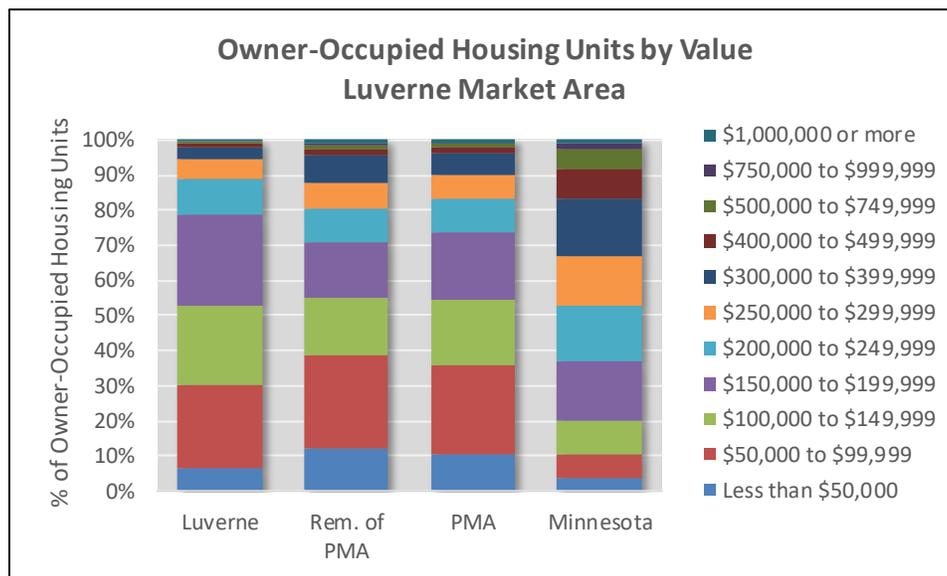
HOUSING CHARACTERISTICS

- The estimated 2019 median owner-occupied home value is \$143,475 in the City of Luverne, roughly 6.3% higher than the median of \$135,000 in the Remainder of the PMA but -40% lower than the State of Minnesota (\$240,868).

	Luverne		Rem. of PMA		PMA		Minnesota
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Total	1,311	100%	2,631	100%	3,942	100%	100%
Less than \$50,000	87	7%	319	12%	406	10%	4%
\$50,000 to \$99,999	312	24%	692	26%	1,004	25%	7%
\$100,000 to \$149,999	295	23%	435	17%	730	19%	10%
\$150,000 to \$199,999	340	26%	415	16%	755	19%	17%
\$200,000 to \$249,999	134	10%	249	9%	383	10%	16%
\$250,000 to \$299,999	74	6%	195	7%	269	7%	14%
\$300,000 to \$399,999	44	3%	207	8%	251	6%	17%
\$400,000 to \$499,999	16	1%	45	2%	61	2%	8%
\$500,000 to \$749,999	1	0%	41	2%	42	1%	6%
\$750,000 to \$999,999	0	0%	8	0%	8	0%	1%
\$1,000,000 or more	8	1%	25	1%	33	1%	1%
Median Value	\$143,475		\$135,000		\$138,425		\$240,868

Sources: ESRI; Maxfield Research & Consulting, LLC

- The largest proportion of owner-occupied housing units in Luverne is estimated to be valued in the \$150,000 to \$199,999 range with 26% of all owner-occupied units in the City (340 units), followed by homes valued in the \$50,000 to \$99,999 and \$100,000 to \$149,999 ranges (24% and 23%, respectively).



HOUSING CHARACTERISTICS

- The largest proportion of owner-occupied housing units in the Remainder of the PMA is estimated to be valued in the \$50,000 to \$99,999 range with 26% of all owner-occupied units (692 units), followed by homes valued in the \$100,000 to \$149,999 range (17%).
- An estimated 16% of the homes in the Remainder of the PMA are valued between \$150,000 and \$199,999 and 12% are valued below \$50,000.
- Housing in the PMA is relatively affordable when compared to Minnesota, as over 73% of the units in the PMA are valued below \$200,000, compared to 37% in Minnesota. An estimated 17% of the housing units in the PMA have values between \$200,000 and \$299,999, while 10% have values over \$300,000. By comparison, 30% of the housing units in Minnesota are valued between \$200,000 and \$299,999 and 33% are valued over \$300,000.

Renter-Occupied Units by Contract Rent

Housing Characteristics Table 6 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. Data is sourced from the 2013-2017 American Community Survey.

- The City of Luverne contains approximately 58% of the Primary Market Area's supply of renter-occupied housing units, while the remaining 43% are scattered around the Remainder of the Primary Market Area.

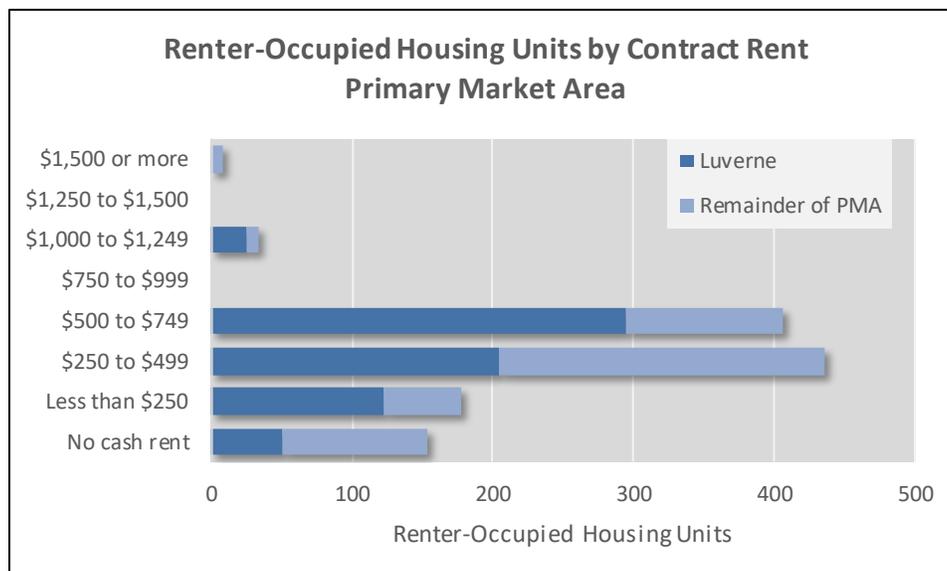
HOUSING CHARACTERISTICS TABLE 6							
RENTER-OCCUPIED HOUSING UNITS BY CONTRACT RENT							
LUVERNE MARKET AREA							
	Luverne		Rem. of PMA		PMA		Minnesota
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Total:	698	100%	515	100%	1,213	100%	100%
Median Contract Rent*	\$495		\$403		\$461		\$816
Less than \$250	123	17.6%	54	10.5%	177	14.6%	6.1%
\$250 to \$499	204	29.2%	232	45.0%	436	35.9%	12.1%
\$500 to \$749	295	42.3%	111	21.6%	406	33.5%	22.4%
\$750 to \$999	0	0.0%	0	0.0%	0	0.0%	24.6%
\$1,000 to \$1,249	25	3.6%	8	1.6%	33	2.7%	13.8%
\$1,250 to \$1,500	0	0.0%	0	0.0%	0	0.0%	8.2%
\$1,500 or more	0	0.0%	8	1.6%	8	0.7%	8.5%
No cash rent	51	7.3%	102	19.8%	153	12.6%	4.3%

*Median contract rent for PMA and Remainder of PMA weighted by number of renter-occupied housing units in each county subdivision

Sources: 2013-2017 American Community Survey; Maxfield Research & Consulting, LLC

HOUSING CHARACTERISTICS

- The median contract rent in Luverne was \$495 during the 2013-2017 ACS, roughly -39% lower than the statewide median of \$816.
- Based on a 30% allocation of income to housing, a household in Luverne would need an income of about \$19,800 to afford an average monthly rent of \$495. The median rent in the Remainder of the PMA is lower, at \$403 per month, which would require an income of \$16,136 to be considered affordable.
- Approximately 87% of PMA renters are paying cash rent, with the highest proportion of units renting for between \$250 and \$499 per month (36%) and another 34% with monthly rents between \$500 and \$749.
- Housing units without payment of rent (“no cash rent”) comprise roughly 7.3% of Luverne renters and 19.8% of the renters in the Remainder of the PMA. In Minnesota, renter-occupied housing units without a rent payment comprise about 4.3% of all renter-occupied units. Typically, these units may be owned by a relative or friend who lives elsewhere whom allow occupancy without charge. Other sources may include caretakers or ministers who may occupy a residence without charge.
- In Luverne, 42% of all renter-occupied housing units (295 units) have monthly contract rents in the \$500 to \$749 range, while 29% (204 units) have rents from \$250 to \$499 per month. An estimated 18% of the units have rents less than \$250 per month.
- According to ACS data, there are no units in Luverne renting for \$750 to \$999 per month and 25 units (3.6%) with monthly rents between \$1,000 and \$1,249. There are no units renting for more than \$1,500 per month in Luverne.

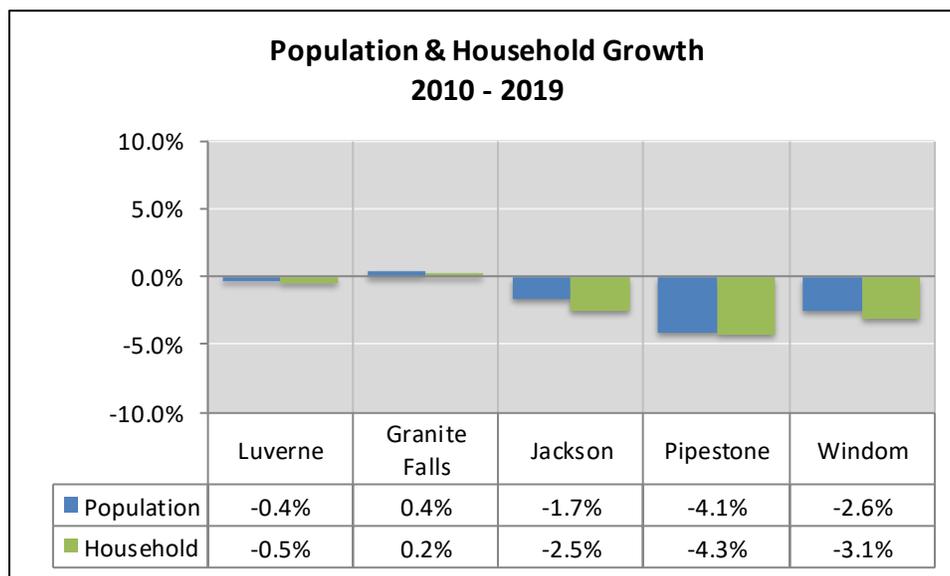


Peer Community Comparison

Housing Characteristics Table 7 on the following page compares key demographic, employment, and housing characteristics for Luverne to four other communities that were identified by the Client as peer communities, including Granite Falls (Yellow Medicine County, Jackson (Jackson County), Pipestone (Pipestone County), and Windom (Cottonwood County).

Population and housing data were sourced from the 2010 Census, ESRI, and the 2017 American Community Survey. Employment data was provided by the Minnesota Department of Employment and Economic Development.

- With the exception of Granite Falls, which experienced modest population and household growth, Luverne’s population and household base contracted at a slower pace than Jackson, Pipestone, and Windom from 2010 to 2019.



- Due, in part, to an increasing proportion of married couples with children, the average household size in Luverne increased 0.1% between 2010 and 2019 to 2.32. The average household size in Luverne is higher than Granite Falls (2.26), Jackson (2.23), and Pipestone (2.25), but slightly lower than Windom (2.35).
- With a median age of 43.3, Luverne has the third youngest population base among the selected peer communities, behind Jackson (41.4) and Pipestone (42.7), while Windom (44.1) and Granite Falls (45.1) are slightly older.
- The 2019 estimated median household income in Luverne (\$53,090) is highest among the peer communities. The median household income in Luverne is slightly higher than Granite Falls (\$52,833) and Jackson (\$49,870), and substantially higher than Windom (\$43,511) and Pipestone (\$43,590).

HOUSING CHARACTERISTICS

**HOUSING CHARACTERISTICS TABLE 7
PEER COMMUNITY COMPARISON
DEMOGRAPHIC, HOUSING, AND EMPLOYMENT CHARACTERISTICS
August 2019**

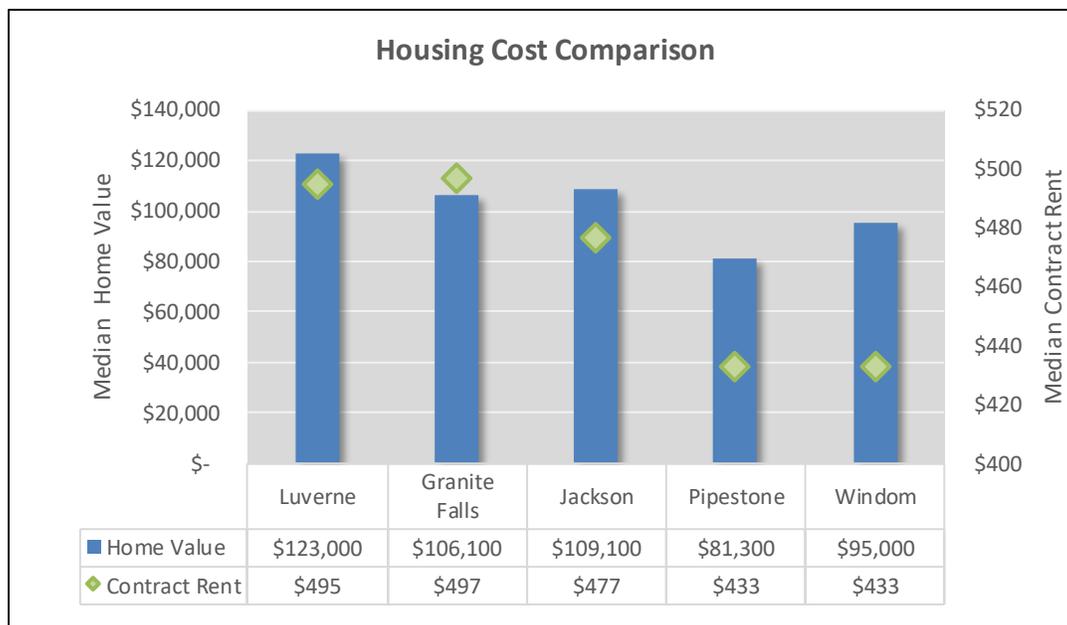
	----- Peer Communities -----				
	Luverne	Granite Falls	Jackson	Pipestone	Windom
Demographic Characteristics					
2019 Population	4,726	2,908	3,244	4,141	4,506
% Change from 2010	-0.4%	0.4%	-1.7%	-4.1%	-2.6%
2019 Median Age	43.3	45.1	41.4	42.7	44.1
2019 Households	2,038	1,285	1,453	1,840	1,921
% Change from 2010	-0.5%	0.2%	-2.5%	-4.3%	-3.1%
% Family HHs	62.3%	60.8%	61.9%	58.8%	57.8%
% Family HHs w/ Children	35.3%	26.1%	25.9%	29.5%	25.6%
% HHs Living Alone	34.6%	38.6%	28.9%	36.6%	39.5%
2019 Average Household Size	2.32	2.26	2.23	2.25	2.35
% Change from 2010	0.1%	0.1%	0.8%	0.3%	0.5%
2019 Estimated Median HH Income	\$53,090	\$52,833	\$49,870	\$43,590	\$43,511
Employment Characteristics					
2018 County Labor Force	5,726	5,739	5,733	4,971	5,826
% Change from 2010	6.5%	-2.4%	-4.9%	-3.4%	-6.4%
2018 County Resident Employment	5,594	5,218	5,566	4,828	5,619
% Change from 2010	9.6%	-5.3%	-1.9%	0.4%	-3.5%
2018 County Unemployment Rate	2.3%	3.0%	2.9%	2.9%	3.6%
2018 Industry Employment in City	2,542	1,425	1,455	3,017	2,938
% Change from 2010	23.0%	-18.5%	-43.6%	0.4%	-6.2%
2018 Avg. Weekly Wage in City	\$806	\$850	\$694	\$744	\$733
Annual Rate of Growth since 2010	5.3%	3.4%	0.1%	4.9%	3.8%
Housing Characteristics*					
Housing Units	2,121	1,338	1,702	2,094	2,260
% Occupied	92.4%	92.3%	87.1%	90.2%	88.7%
% Vacant	7.6%	7.7%	12.9%	9.8%	11.3%
% Owner-Occupied	64.4%	68.3%	66.3%	64.9%	73.8%
% Renter-Occupied	35.6%	31.7%	33.7%	35.1%	26.2%
Mobility Rate (% moved in since 2010)	45.2%	34.6%	34.4%	44.9%	42.7%
Median Home Value	\$123,000	\$106,100	\$109,100	\$81,300	\$95,000
Median Contract Rent	\$495	\$497	\$477	\$433	\$433
Annual Rent/Avg. Annual Wage	14.2%	13.5%	15.9%	13.4%	13.6%
Annual Rent/Median HH Income	11.2%	11.3%	11.5%	11.9%	11.9%

*2017 American Community Survey data

Sources: US Census Bureau; ESRI; MN DEED; Maxfield Research & Consulting, LLC

HOUSING CHARACTERISTICS

- Among the five peer community counties, Rock County’s labor force was the only one to experience growth between 2010 and 2018, expanding 6.5% against resident employment growth of 9.6%. All four peer community counties experienced labor force contraction during that time period, while resident employment declined in Yellow Medicine County (Granite Falls), Jackson County (Jackson), and Cottonwood County (Windom). Pipestone County (Pipestone) experienced modest growth in resident employment.
- Industry employment growth in Luverne (23%) between 2010 and 2018 significantly outpaced the peer communities. Pipestone experienced a 0.4% increase, while employment contracted in Granite Falls (-19%), Jackson (-44%), and Windom (-6%).
- Average weekly wages in Luverne (\$806) are slightly lower than Granite Falls (\$850), but notably higher than Jackson (\$694), Pipestone (\$744), and Windom (\$733).
- According to 2017 ACS data, Luverne has the highest percentage of renter-occupied housing units (35.6%) among the peer communities but has the lowest housing vacancy rate at 7.6%, compared to 7.7% in Granite Falls, 12.9% in Jackson, 9.8% in Pipestone, and 11.3% in Windom.
- Mobility in Luverne (45.2% of households have moved since 2010) is slightly higher than Pipestone (44.9%) and Windom (42.7%) and substantially higher than Granite Falls (34.6%) and Jackson (34.4%).
- As depicted in the following graph, home values in Luverne are higher than the peer communities, while median contract rents in Luverne are comparable to Granite Falls but higher than Jackson, Pipestone, and Windom.



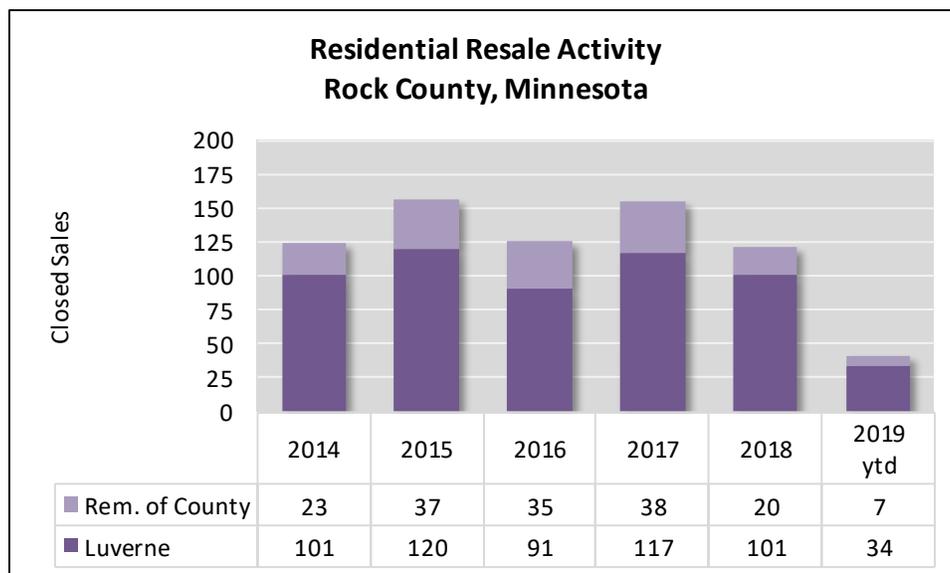
Introduction

Maxfield Research analyzed the for-sale housing market in Luverne by collecting data on home sales, actively-marketing homes for sale, the supply of residential lots in the area, and conducting interviews with area real estate professionals. Demand calculations for general occupancy for-sale housing in the Market Area between 2019 and 2030 are also provided.

Home Sales

For-Sale Market Analysis Table 1 on the following page presents home sale data from 2014 through June 19, 2019 for the City of Luverne compared to the Remainder of Rock County. The table displays the median sale price and number of closed transactions for all detached single-family residential resales (excludes new construction) and attached single-family (referred to as multifamily in this section of the report) residential resales which includes townhomes, twin homes, and condominiums. This data was obtained from the Rock County Land Records Office.

- From 2014 through June 19, 2019, there were 564 residential resales in the City of Luverne, representing approximately 78% of all resales in Rock County. Since 2014, Luverne has averaged 106 resales per year.



- In 2019, sales activity in Luverne is trailing 2018 slightly as a total of 34 transactions have closed (5.2 per month average) through June 19, compared to an average of 8.4 sales per month in 2018.

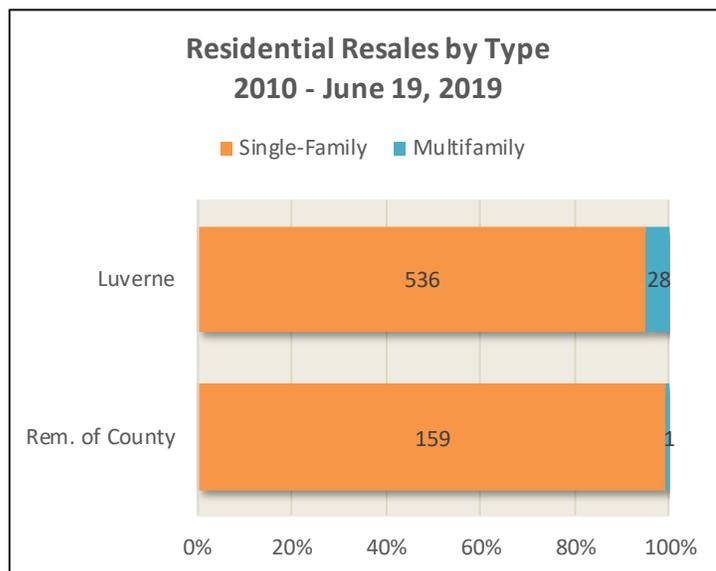
FOR-SALE MARKET ANALYSIS

FOR-SALE MARKET ANALYSIS TABLE 1								
RESIDENTIAL REALES ACTIVITY								
ROCK COUNTY								
2014 - 2019 ytd								
Detached Single-Family Resales								
	City of Luverne				Remainder of Rock County			
	Median Sale Price	% Change	Closed Sales	% Change	Median Sale Price	% Change	Closed Sales	% Change
2019*	\$145,000	38.1%	34	--	\$135,000	132.8%	7	--
2018	\$105,000	-5.8%	94	-13.0%	\$58,000	-23.9%	20	-47.4%
2017	\$111,408	31.1%	108	21.3%	\$76,250	1.7%	38	8.6%
2016	\$85,000	-10.9%	89	-21.9%	\$75,000	9.1%	35	-2.8%
2015	\$95,450	11.0%	114	17.5%	\$68,750	23.5%	36	56.5%
2014	\$86,000	--	97	--	\$55,650	--	23	--
Multifamily Resales [^]								
	City of Luverne				Remainder of Rock County			
	Median Sale Price	% Change	Closed Sales	% Change	Median Sale Price	% Change	Closed Sales	% Change
2019*	--	--	0	--	--	--	0	--
2018	\$115,000	-34.3%	7	-22.2%	--	--	0	--
2017	\$175,000	17.6%	9	350.0%	--	--	0	--
2016	\$148,750	-11.2%	2	-66.7%	--	--	0	--
2015	\$167,500	5.5%	6	50.0%	\$68,500	--	1	--
2014	\$158,750	--	4	--	--	--	0	--

[^]Multifamily includes attached single-family (i.e. townhomes, twinhomes)
 *Year-to-date through June 19, 2019

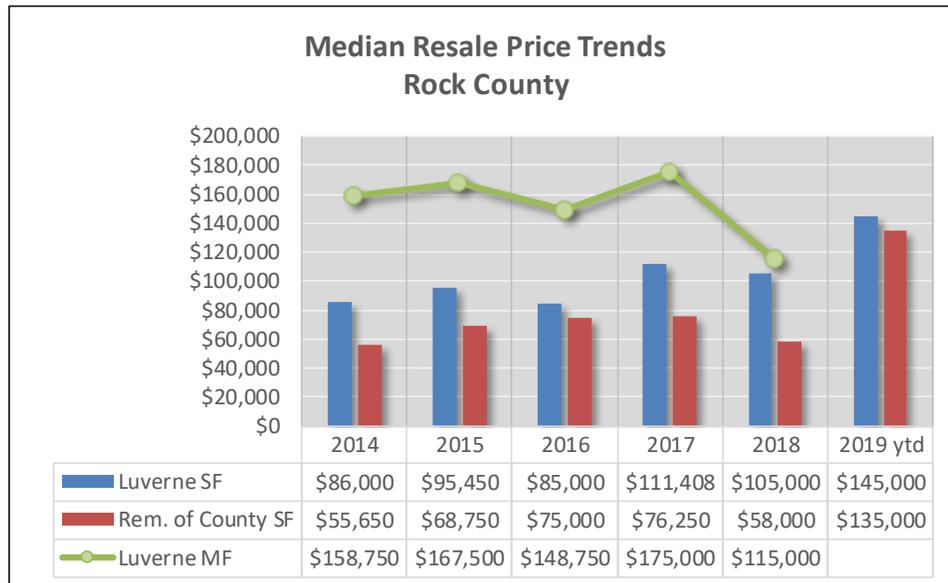
Sources: Rock County Land Records Office; Maxfield Research & Consulting, LLC

- As depicted in the adjacent graph, multifamily housing represents a small share of Luverne’s for-sale housing market, comprising 5% of all closed resales from 2014 through June 19, 2019. The remaining 95% were detached single-family home resales.
- By comparison, less than 1% of all closed resale transactions in the Remainder of Rock County were multifamily sales during that same time period (one sale).



FOR-SALE MARKET ANALYSIS

- The 2018 median resale price for single-family homes in Luverne was \$105,000, substantially higher than the median sales price of \$58,000 in the Remainder of the County.
- The multifamily median sale price in Luverne was \$115,000 in 2018. There were no multifamily sales in the Remainder of the County in 2018.



- Median resale prices for detached single-family homes have experienced solid growth in Luverne, climbing 22% from \$86,000 in 2014 to \$105,000 in 2018. The median sale price increased to \$95,450 in 2015, dropped to \$85,000 in 2016, then jumped 31% to \$111,408 in 2017. The 2019 year-to-date median sale price is at \$145,000 (through June 19).
- Due to the limited sales volume, multifamily pricing trends have been slightly more volatile than single-family, peaking at \$175,000 in 2017. The 2018 median sale price for multifamily homes was \$115,000. There have been no multifamily resales in 2019 (as of June 19).
- In the Remainder of Rock County, the median resale price increased steadily from \$55,650 in 2014 to \$76,250 in 2017. The median resale price declined -24% to \$58,000 in 2018 but jumped to \$135,000 in 2019 year-to-date.
- As noted earlier, there has only been one multifamily resale in the Remainder of Rock County since 2014.

FOR-SALE MARKET ANALYSIS

For-Sale Market Analysis Table 2 presents the price distribution for residential resales in the City of Luverne from 2017 through June 19, 2019.

- Detached single-family homes priced between \$100,000 and \$149,999 have been the most commonly purchased product in Luverne since 2017, representing 24% of all single-family sales. Single-family homes priced from \$150,000 to \$199,999 represented 21% of the sales, while 18% of the single-family homes were priced between \$75,000 and \$99,999.
- Of the 16 multifamily units sold in Luverne since 2017, 38% were priced in the \$150,000 to \$199,999 range, while 31% were priced at less than \$50,000. Another 13% were priced between \$200,000 and \$299,999.
- Based on the 252 closed home sales since 2017, the City of Luverne experiences approximately 8.3 residential resales per month, including 7.7 single-family resale transactions per month and 0.5 multifamily sales per month.

FOR-SALE MARKET ANALYSIS TABLE 2 RESIDENTIAL REALES ACTIVITY - PRICE DISTRIBUTION CITY OF LUVERNE 2017 - 2019 ytd								
	2017		2018		2019 ytd*		Total	
	Closed Sales	% of Total						
Detached Single-Family								
Less than \$50,000	16	14.8%	12	12.8%	1	2.9%	29	12.3%
\$50,000 to \$74,999	14	13.0%	12	12.8%	1	2.9%	27	11.4%
\$75,000 to \$99,999	21	19.4%	19	20.2%	2	5.9%	42	17.8%
\$100,000 to \$149,999	25	23.1%	19	20.2%	13	38.2%	57	24.2%
\$150,000 to \$199,999	20	18.5%	21	22.3%	8	23.5%	49	20.8%
\$200,000 to \$299,999	6	5.6%	8	8.5%	9	26.5%	23	9.7%
\$300,000 or more	6	5.6%	3	3.2%	0	0.0%	9	3.8%
Total	108	100%	94	100%	34	100%	236	100%
Multifamily								
Less than \$50,000	3	33.3%	2	28.6%	0	--	5	31.3%
\$50,000 to \$74,999	0	0.0%	0	0.0%	0	--	0	0.0%
\$75,000 to \$99,999	0	0.0%	1	14.3%	0	--	1	6.3%
\$100,000 to \$149,999	0	0.0%	1	14.3%	0	--	1	6.3%
\$150,000 to \$199,999	5	55.6%	1	14.3%	0	--	6	37.5%
\$200,000 to \$299,999	0	0.0%	2	28.6%	0	--	2	12.5%
\$300,000 or more	1	11.1%	0	0.0%	0	--	1	6.3%
Total	9	100%	7	100%	0	--	16	100%
*2019 ytd through June, 2019								
Sources: Rock County Land Records Office; Maxfield Research & Consulting, LLC								

Active Listings

For-Sale Market Analysis Table 3 presents a summary of detached single-family and multifamily homes currently listed for sale in the City of Luverne. Multifamily includes condominiums, townhouses, and twin homes. Data was obtained from Realtor.com.

- There were 38 homes listed for sale in Luverne as of August 2019. Nearly 95% of the for-sale listings (36 homes) were detached single-family housing units and the remaining 5% (two homes) were multifamily units.

FOR-SALE MARKET ANALYSIS TABLE 3 HOMES LISTED FOR SALE CITY OF LUVERNE August 2019						
	Listings	% of Total	Median Year Built	Median Size	Median Price	Price per Sq. Ft.
Single-family Detached						
Less than \$50,000	1	2.6%	1900	720	\$49,900	\$69.31
\$50,000 to \$74,999	2	5.3%	1951	649	\$55,000	\$84.75
\$75,000 to \$99,999	8	21.1%	1926	1,225	\$87,400	\$71.35
\$100,000 to \$149,999	6	15.8%	1913	1,350	\$129,950	\$96.26
\$150,000 to \$199,999	6	15.8%	1964	1,756	\$174,450	\$99.35
\$200,000 to \$299,999	8	21.1%	1968	2,364	\$232,400	\$98.31
\$300,000 or more	5	13.2%	2007	2,341	\$399,000	\$170.44
Subtotal	36	94.7%	1917	1,614	\$157,000	\$97.27
Multifamily						
Less than \$50,000	1	2.6%	1983	567	\$42,500	\$74.96
\$50,000 to \$74,999	0	0.0%	NA	NA	NA	NA
\$75,000 to \$99,999	0	0.0%	NA	NA	NA	NA
\$100,000 to \$149,999	0	0.0%	NA	NA	NA	NA
\$150,000 to \$199,999	0	0.0%	NA	NA	NA	NA
\$200,000 to \$299,999	0	0.0%	NA	NA	NA	NA
\$300,000 or more	1	2.6%	2011	1,712	\$324,000	\$189.25
Subtotal	2	5.3%	1997	1,140	\$183,250	\$160.75
Market Total	38	100%	1952	1,667	\$158,450	\$95.05

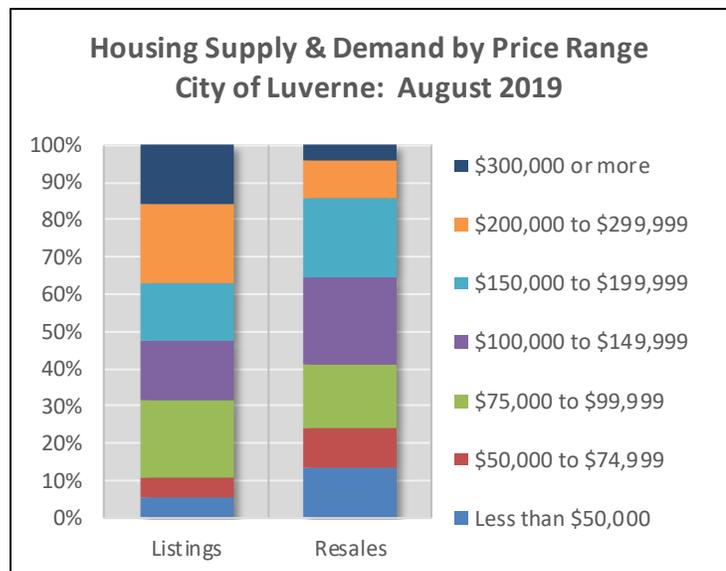
Sources: Realtor.com; Maxfield Research & Consulting, LLC

- The median asking price for detached single-family homes in the City of Luverne was \$158,450, which was 51% higher than the median price of closed sales in 2018 (\$105,000). The median asking price for multifamily units is \$158,450, roughly 59% higher than the median price of closed multifamily sales in 2018 (\$115,000).

FOR-SALE MARKET ANALYSIS

- The median size of all homes listed for sale (detached single-family and multifamily) was 1,667 square feet which equates to a median price per square foot of about \$95, based on a total median list price of \$158,450.
- With a median size of 1,778 square feet, the median price per square foot for detached single-family homes was \$89. Multifamily units are substantially smaller, at 1,140 square feet, but priced much higher on a per square foot basis with a median price of \$161.
- Over 34% (13 listings) of the homes for sale in Luverne were built prior to 1940. Another 21% of the homes were built in the 1950s and 16% (six listings) have built since the year 2000. Roughly 11% were built in the 1970s (four listings) and 8% were built in the 1940s as well as the 1980s (three listings each decade), with 3% of the actively-marketing homes being built the 1990s (one listing).

- As depicted in the adjacent graph, sales activity in Luverne was strongest for homes priced in the \$100,000 to \$149,999 range (23% of all closed resales since 2017) and the \$150,000 to \$199,999 range (22%). By comparison, roughly 16% of the units available for sale in the City are in these price ranges. The highest proportions of housing units listed for sale are in the \$75,000 to \$99,999 and the \$200,000 to \$299,999 ranges (21% each).



- Since 2017, the City of Luverne has averaged 8.3 home sales per month. Based on the current supply of available for-sale housing in the City, there is a 4.6-month supply of homes available for sale on the market.
- Equilibrium in the for-sale housing market is generally considered to be a six-month supply of homes on the market. As such, it appears that the current inventory of available for-sale housing in Luverne is slightly undersupplied.
- By comparison, according to information provided by the Minnesota Association of Realtors, as of June 2019, there is a 3.1-month supply of homes available for sale across the State of Minnesota and a 5.6-month supply in the Southwest Region of Minnesota (includes Rock County).

Residential Lot Supply

For-Sale Market Analysis Table 4 presents a summary of the supply of vacant residential lots available for sale in Luverne, excluding scattered infill lots. Data is provided by the City of Luverne.

- There are five newer subdivisions with available vacant lots in the City of Luverne. Combined, these five subdivisions contain 27 vacant residential lots, all of which are single-family lots.
- These vacant lots are being marketed by the City of Luverne at an average price of \$25,889. Lot prices range from \$5,000 in the Sybesma Subdivision to \$43,000 for a lot within the Manfred Heights Subdivision.
- The average size for the available vacant lots is 14,713 square feet (0.34 acre), ranging from 9,600 square feet (0.22 acre) in the Sybesma Subdivision to 21,800 square feet (0.50 acre) in Manfred Heights.

FOR-SALE MARKET ANALYSIS TABLE 4 VACANT RESIDENTIAL LOTS BY SUBDIVISION CITY OF LUVERNE August 2019						
	Luverne Total	----- Residential Subdivision -----				
		Manfred Heights	Evergreen Addition	Evergreen 2nd Addition	Sybesma Subdivision	Veteran's Addition
Total Lots	198	29	53	55	28	33
Vacant Lots	27	15	4	4	3	1
Min Size (Sq. Ft.)	9,600	14,560	11,730	10,450	9,600	14,000
Max Size (Sq. Ft.)	21,800	21,800	14,560	11,000	10,200	14,000
Average Size (Sq. Ft.)	14,713	17,183	13,148	10,725	10,000	14,000
Min Price	\$5,000	\$28,000	\$16,000	\$23,500	\$5,000	\$10,000
Max Price	\$43,000	\$43,000	\$18,000	\$24,500	\$5,000	\$10,000
Average Price	\$25,889	\$34,200	\$16,500	\$23,750	\$5,000	\$10,000
Average Price/Sq. Ft.	\$1.76	\$1.99	\$1.25	\$2.21	\$0.50	\$0.71
Average Market Value*	\$276,282	\$353,017	\$282,524	\$286,985	\$209,110	\$257,548
Detached Single-Family	\$282,658	\$466,500	\$282,524	\$286,985	\$227,365	\$257,548
Multifamily	\$245,253	\$296,275	--	--	\$186,943	--

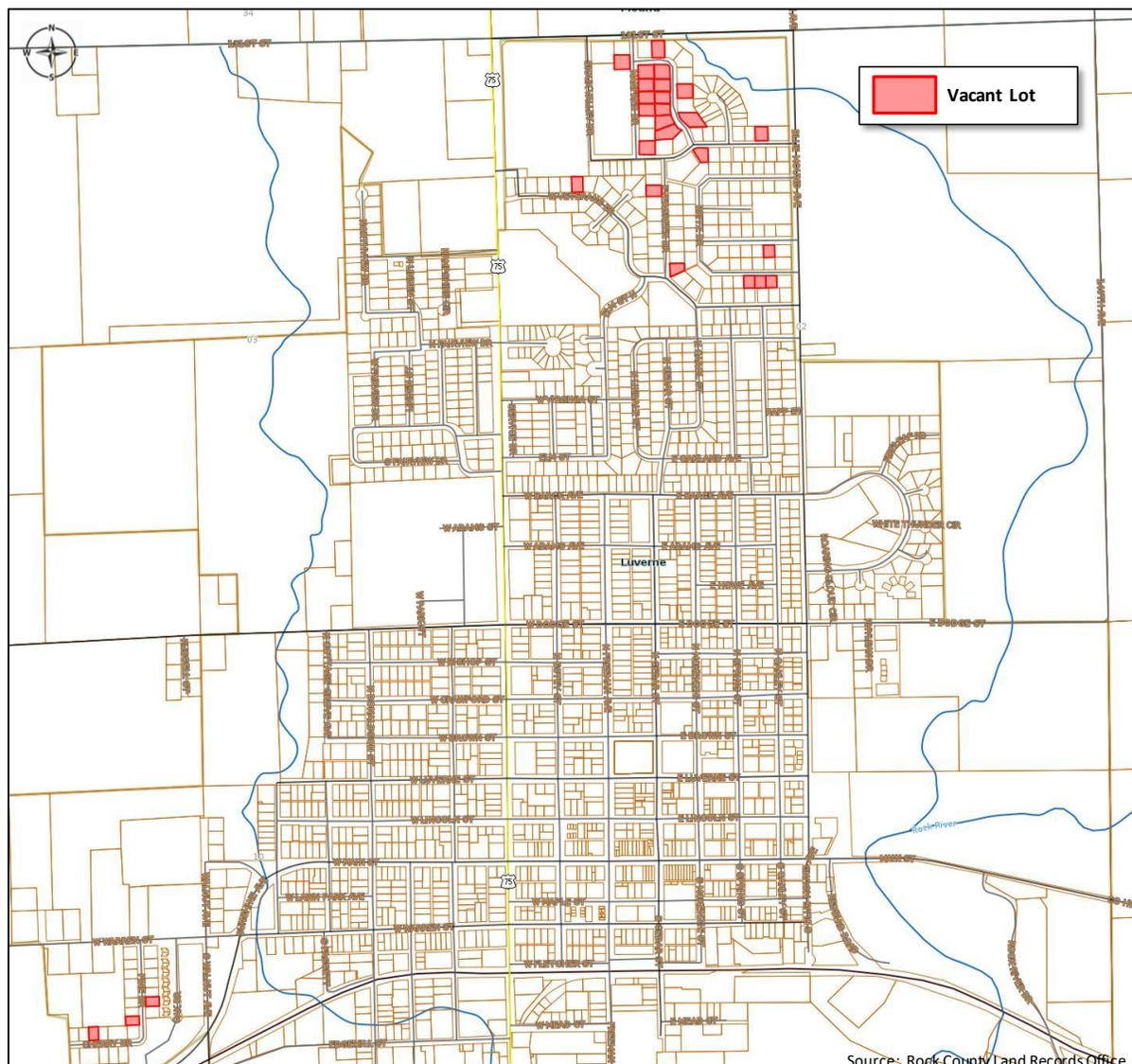
*Average market value of improved lots; Multifamily includes attached single-family (i.e. twinhomes)

Sources: City of Luverne; Rock County; Maxfield Research & Consulting, LLC

FOR-SALE MARKET ANALYSIS

- On average, these lots are being marketed for \$1.76 per square foot, ranging from \$0.50 per square foot for a lot in the Sybesma Subdivision to a high of \$2.21 per square foot in the Evergreen 2nd Addition.
- The average market value (based on assessed valuation from the Rock County Assessor) for improved lots within these subdivisions is \$276,282, ranging from \$186,943 for multifamily units in the Sybesma Subdivision to \$466,500 for detached single-family homes in Manfred Heights. The average market value for detached single-family homes in these newer subdivisions is \$282,658 and the average value for multifamily units is \$245,253.
- Many of the new construction homes sold recently in Luverne have been priced at over \$300,000, averaging nearly \$160 per square foot.

Vacant Residential Lots



FOR-SALE MARKET ANALYSIS

- In addition to the existing lot supply presented above, there are two new residential subdivisions pending in Luverne, totaling 18 new lots.
 - The 15-lot Uithoven Addition is being platted by the City along West Dodge Street. This subdivision consists of eight lots designated for twinhomes (16 total units) and seven lots which could be developed as either single-family or multi-family. Residential construction could commence in 2020.
 - The Reisch Addition, which is located along North Walnut Avenue, consists of three lots platted by the City that are designated for twinhomes (six total units). These lots are currently available for development.

Real Estate Agent/Builder Interviews

In an attempt to gain additional insight into trends in the for-sale residential market in Luverne, Maxfield Research solicited input from real estate professionals active in the area. Topics addressed included issues such as the general condition of the housing stock, the types of homes being sought by buyers, and whether the existing supply of available housing in the City satisfies buyer demand. The following points summarize the findings from this process.

- Housing costs in Luverne can generally be defined as follows:
 - Entry-level housing priced less than \$125,000;
 - Move-up housing priced in the \$150,000 to \$250,000 range; and,
 - Executive housing priced at \$300,000 or higher.
- The school district is a major draw, particularly for families considering a move to Luverne.
- There is demand for a variety of housing types, particularly for affordable entry-level homes and move-up housing. There is an especially strong need for moderately-price move-up housing.
- There is very little rental product available in the City.
- Prospective buyers include a mix of local residents seeking opportunities to move-up as well as households moving into the area.
- Demand for detached single-family homes will continue to grow.
- Many buyers looking for move-in ready homes with two or more garage stalls, particularly ranch-style homes in the entry- to mid-level price ranges.
- The inventory of available housing is low and good properties often receive multiple offers.

FOR-SALE MARKET ANALYSIS

- It can be a little more challenging to find buyers for lower-priced homes that require work and maintenance.
- There is a gap in the market for mid-level move-up housing, as well as entry-level homes.
- The development of “affordable” move-up housing products would likely get some households out of their current homes, allowing for more turnover of existing housing units, loosening the tight market and creating opportunities for entry-level buyers.
- Luverne needs homes in the entry-level price range that are move-in ready and would qualify for FHA (Federal Housing Administration), VA (Veterans Affairs), or USDA (United States Department of Agriculture) financing. Much of the current entry-level inventory is in need of repair and doesn’t qualify for government-backed financing programs.
- Home prices have been climbing and marketing times have decreased.
- The construction of more move-up homes would likely stimulate faster turnover of entry-level homes. There has been limited speculative development.
- Much of the new construction single-family product being sold in Luverne is priced at \$300,000 or higher, averaging nearly \$160 per square foot.
- Younger buyers typically looking for detached single-family homes.
- Empty-nesters that want to downsize are interested in condominiums and twin homes. However, new construction prices are generally out of their price range.
- The City is failing to capture potential population and household growth as many buyers have a difficult time finding suitable housing in Luverne and some elect to move elsewhere.

For-Sale Housing Market Demand Analysis

For-Sale Market Analysis Table 5 on the following page presents demand calculations for general occupancy for-sale housing in the PMA between 2019 and 2030. This analysis identifies potential demand for general occupancy for-sale housing that is generated from both new households and turnover households. The following analysis presents a summary of our findings.

First, we calculate potential demand from new household growth based on the propensity of households to own their housing. For the purpose of this analysis, we focus on households between the ages of 18 and 64 that will account for the vast majority of general-occupancy for-sale housing demand. We also include a portion (30%) of the demand potential generated by households age 65 to 74, as a segment of this age group that is able to live independently could be drawn to a new general occupancy for-sale housing development in the area, particularly maintenance-free housing products (i.e. townhomes, twinhomes).

Next, we calculate the percentage of household growth that will likely own their housing based on 2017 American Community Survey data. Demand for for-sale housing units in the PMA from household growth totals 35 units by 2030.

As of 2019, there are an estimated 2,920 owner households in the PMA that comprise the primary market for general occupancy for-sale housing. This estimate excludes the 75 and older age group and 70% of the 65 to 74 age group. Based on household turnover data from the 2017 American Community Survey, we estimate that 39% of these owner households will experience turnover between 2019 and 2030. This estimate results in anticipated turnover of 1,139 existing households in the PMA by 2030.

We then estimate the percent of existing owner households turning over that would prefer to purchase new housing. According to the National Association of Home Builders, approximately 5% of all homes sold in the Midwest were new construction homes between 2015 and 2018. Based on sales information provided by the Rock County Land Records Office, approximately 6% of all homes sold in Luverne were new construction homes in 2018 and 2019. Considering the existing housing supply in the City along with recent sale trends, we estimate that 10% of the households turning over in the PMA will desire new housing. This estimate results in demand from existing households for 114 new owned units in the PMA between 2019 and 2030.

Total demand from household growth and existing household turnover between 2019 and 2030 equates to 149 new for-sale housing units in the PMA. An additional proportion is added for households that would move into ownership housing in the PMA who currently reside outside the area. We estimate that 25% of the demand potential for general occupancy ownership housing would be derived from outside the area, increasing total demand to 198 units.

Based on recent sales activity, we estimate that the City of Luverne can capture 70% of the PMA's demand for new for-sale housing between 2019 and 2030, equating to demand for 139 new units in Luverne (average of 12 to 13 new units per year).

FOR-SALE MARKET ANALYSIS

Based on construction trends, new construction sales activity, and household growth projections by age group in the PMA, we estimate that 65% of the householders seeking new housing will desire single-family homes, while the remaining 35% will seek multifamily units. We anticipate that there will be demand for a total of 90 general occupancy single-family homes and 49 multifamily units in Luverne between 2019 and 2030.

FOR-SALE MARKET ANALYSIS TABLE 5 GENERAL OCCUPANCY FOR-SALE HOUSING DEMAND CITY OF LUVERNE 2019 to 2030			
DEMAND FROM PROJECTED HOUSEHOLD GROWTH			
Projected household growth in PMA 2019 to 2030 ¹			195
(times) Pct. of HH growth for general occupancy housing ²	x	24%	
(equals) Projected demand for general occupancy units	=	47	
(times) Propensity to own ³	x	74%	
(equals) Number of potential owner households from HH growth	=	35	
DEMAND FROM EXISTING OWNER HOUSEHOLDS			
Owner households under age 65 in the PMA, 2019	=	2,920	
(times) Estimated % of owner turnover (age 64 and younger, 2019 to 2030) ⁴	x	39%	
(equals) Total existing households projected to turnover 2019 to 2030	=	1,139	
(times) Estimated % desiring new owner housing	x	10%	
(equals) Demand from existing households	=	114	
Total Demand From Household Growth and Existing Households, 2019 to 2030	=	149	
(plus) Ownership demand generated from outside PMA	+	25%	
(equals) Total demand potential for ownership housing in the PMA	=	198	
(times) Proportion of PMA demand capturable in Luverne	x	70%	
(equals) Demand from Household Growth and Existing Households in Luverne	=	139	
		Single- family	Multi- family
(times) Percent desiring for-sale single-family vs multifamily ⁵	x	65%	35%
(equals) Total demand potential for new for-sale housing in Luverne	=	90	49
¹ Estimated household growth			
² Pct. of household growth under age 65 plus 30% of age 65 to 74 cohort			
³ Pct. Owner households under age 65 from 2013-2017 American Community Survey			
⁴ Based on household turnover and mobility data (2013-2017 American Community Survey)			
⁵ Based on new construction sales data for Rock County, construction trends, and housing supply			
* Multifamily demand includes demand for townhomes, twinhomes, and condominium units.			
Source: Maxfield Research & Consulting, LLC			

Introduction

The following section of the report analyzes current market conditions for general occupancy rental housing in Luverne and the surrounding area. Topics covered include rental housing information from the American Community Survey, detailed information on individual rental developments in the PMA, and a calculation of rental housing demand.

Overview of Rental Market Conditions

Maxfield Research utilized data from the American Community Survey (ACS) to summarize rental market conditions in the PMA. Rental Market Analysis Table 1 on the following page shows estimated rental vacancy rates and gross rental rates for the City of Luverne and Rock County compared to Minnesota from the 2013-2017 ACS (the most recent data available) compared to estimates from the previous four surveys.

Based on the ACS definition, a housing unit is considered vacant if no one is living in it at the time of the survey. Also, units occupied at the time of survey entirely by persons who are staying two months or less and who have a more permanent residence elsewhere are considered to be temporarily occupied and are classified as vacant. Vacant units are excluded from the housing inventory if they are open to the elements (roof, walls, windows, and/or doors no longer protect the interior), if they have been condemned, or if they are to be demolished. Gross rent is defined as the amount of the contract rent plus the estimated average monthly cost of utilities and fuels if these are paid by the renter.

The ACS vacancy estimate is often higher than what is found in apartment buildings due to the inclusion of other types of rental situations (i.e. vacant single-family rental properties). However, as reflected in our survey of apartment buildings, the actual rental vacancy rate in the PMA is lower than the ACS estimate.

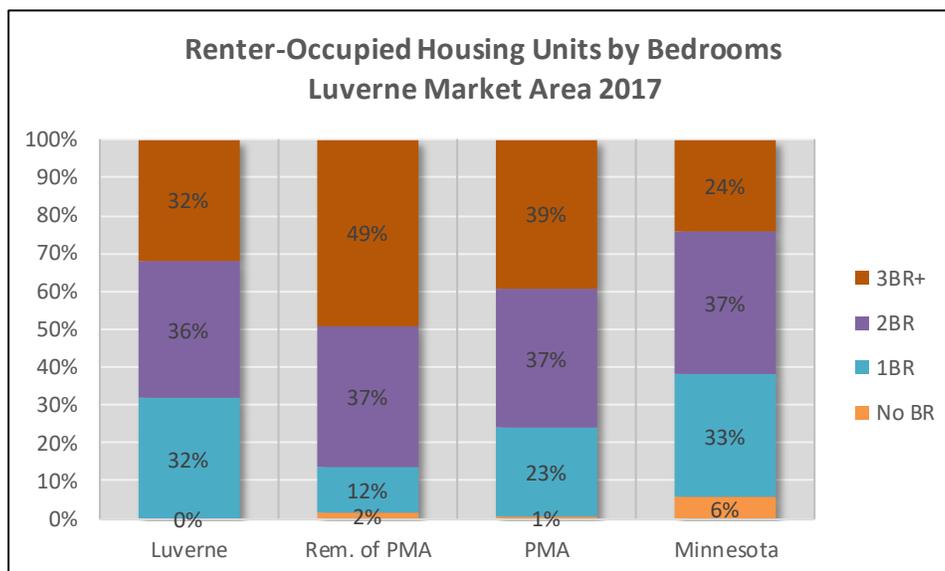
- Reported vacancies in Luverne and Rock County have tracked slightly higher than Minnesota over the past several years, ranging from a low of 0.0% in 2013 to a high of 6.9% in 2017 while vacancy rates in Minnesota ranged from 4.0% in 2016 to a high of 4.9% in 2013.
- In 2017, it was estimated that the rental vacancy rate in Luverne and the County was 6.9% and 6.0%, respectively, higher than the State of Minnesota (4.1%). Rental vacancy in Luverne and Rock County have been climbing steadily since a 0.0% vacancy rate was reported in 2013.
- Median gross rents in Luverne declined slightly between the 2009-2013 ACS and the 2013-2017 ACS, decreasing -0.9% from \$655 in 2013 to \$649 in 2017. The median gross rent in the County increased 4.6% to \$631 in 2017, while Minnesota experienced a 10.6% increase in the median gross rent to \$906.

RENTAL MARKET ANALYSIS

RENTAL MARKET ANALYSIS TABLE 1 RENTAL HOUSING VACANCY & RENT ESTIMATES LUVERNE MARKET AREA 2013 - 2017					
	2013	2014	2015	2016	2017
Vacancy					
City of Luverne	0.0%	3.1%	5.7%	6.7%	6.9%
Rock County	0.0%	2.7%	5.0%	5.5%	6.0%
Minnesota	4.9%	4.6%	4.3%	4.0%	4.1%
Rent					
City of Luverne	\$655	\$660	\$644	\$673	\$649
Rock County	\$603	\$619	\$619	\$668	\$631
Minnesota	\$819	\$835	\$848	\$873	\$906
Note: Rent equals median gross rent					
Sources: American Community Survey; Maxfield Research & Consulting, LLC					

Rental Market Analysis Table 2 on the following pages presents a breakdown of median gross rent and monthly gross rent ranges by number of bedrooms in renter-occupied housing units from the 2013-2017 ACS in Luverne and the PMA compared to Minnesota.

- As depicted in the following chart, two-bedroom units represent the largest proportion of renter-occupied housing units in Luverne at 36.2%. Roughly 32.1% have three or more bedrooms, and 31.7% are one-bedroom units. There are no renter-occupied units without a bedroom (i.e. studio units) in the City.



- By comparison, Minnesota has higher proportions of two-bedroom (38%) units and units without a bedroom (6%), while 24% of the units in the State have three or more bedrooms.

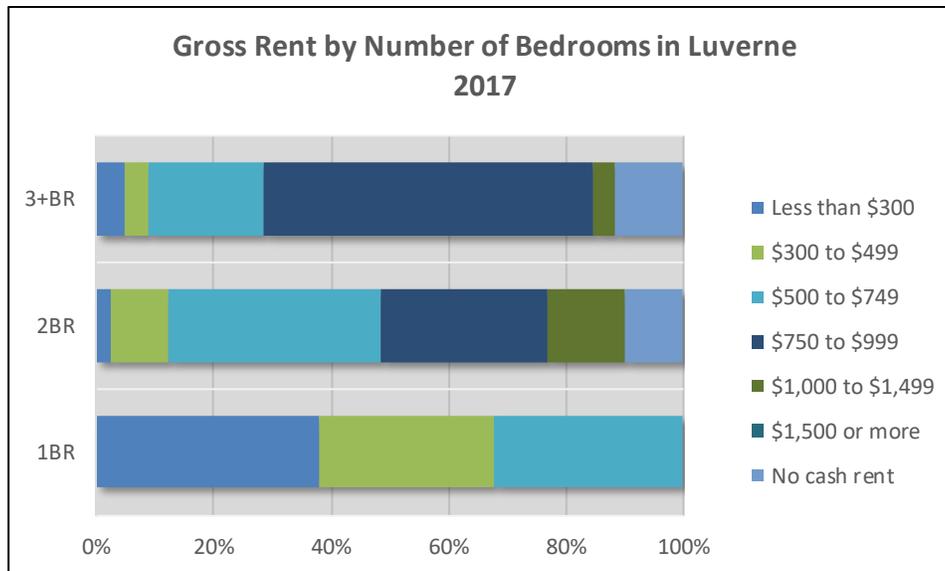
RENTAL MARKET ANALYSIS

RENTAL MARKET ANALYSIS TABLE 2							
BEDROOMS BY GROSS RENT, RENTER-OCCUPIED HOUSING UNITS							
LUVERNE MARKET AREA							
2017							
	Luverne		Rem. of PMA		PMA		Minnesota
	No.	% of Total	No.	% of Total	No.	% of Total	% of Total
Total Units:	698	100%	515	100%	1,213	100%	100%
No Bedroom	0	0.0%	9	1.7%	9	0.7%	5.6%
Less than \$300	0	0.0%	9	1.7%	9	0.7%	0.6%
\$300 to \$499	0	0.0%	0	0.0%	0	0.0%	0.8%
\$500 to \$749	0	0.0%	0	0.0%	0	0.0%	1.8%
\$750 to \$999	0	0.0%	0	0.0%	0	0.0%	1.2%
\$1,000 to \$1,499	0	0.0%	0	0.0%	0	0.0%	0.7%
\$1,500 or more	0	0.0%	0	0.0%	0	0.0%	0.4%
No cash rent	0	0.0%	0	0.0%	0	0.0%	0.1%
1 Bedroom	221	31.7%	62	12.0%	283	23.3%	32.6%
Less than \$300	84	12.0%	0	0.0%	84	6.9%	3.7%
\$300 to \$499	66	9.5%	28	5.4%	94	7.7%	3.9%
\$500 to \$749	71	10.2%	14	2.7%	85	7.0%	7.3%
\$750 to \$999	0	0.0%	13	2.5%	13	1.1%	10.0%
\$1,000 to \$1,499	0	0.0%	1	0.2%	1	0.1%	5.2%
\$1,500 or more	0	0.0%	4	0.8%	4	0.3%	2.0%
No cash rent	0	0.0%	2	0.4%	2	0.2%	0.5%
2 Bedrooms	253	36.2%	190	36.9%	443	36.5%	37.5%
Less than \$300	6	0.9%	0	0.0%	6	0.5%	1.1%
\$300 to \$499	25	3.6%	70	13.6%	95	7.8%	2.0%
\$500 to \$749	92	13.2%	61	11.8%	153	12.6%	6.2%
\$750 to \$999	72	10.3%	30	5.8%	102	8.4%	10.6%
\$1,000 to \$1,499	33	4.7%	17	3.3%	50	4.1%	12.5%
\$1,500 or more	0	0.0%	4	0.8%	4	0.3%	3.7%
No cash rent	25	3.6%	8	1.6%	33	2.7%	1.3%
3 or More Bedrooms	224	32.1%	254	49.3%	478	39.4%	24.3%
Less than \$300	11	1.6%	2	0.4%	13	1.1%	0.5%
\$300 to \$499	9	1.3%	3	0.6%	12	1.0%	1.1%
\$500 to \$749	44	6.3%	80	15.5%	124	10.2%	2.5%
\$750 to \$999	126	18.1%	45	8.7%	171	14.1%	3.4%
\$1,000 to \$1,499	8	1.1%	30	5.8%	38	3.1%	7.5%
\$1,500 or more	0	0.0%	2	0.4%	2	0.2%	6.8%
No cash rent	26	3.7%	92	17.9%	118	9.7%	2.5%

Sources: 2013-2017 American Community Survey; Maxfield Research & Consulting, LLC

RENTAL MARKET ANALYSIS

- Roughly 38% of the one-bedroom units in Luverne have gross rents less than \$300 per month, while 30% have monthly rents ranging from \$300 to \$499 and 32% have monthly rent in the \$500 to \$749 range.



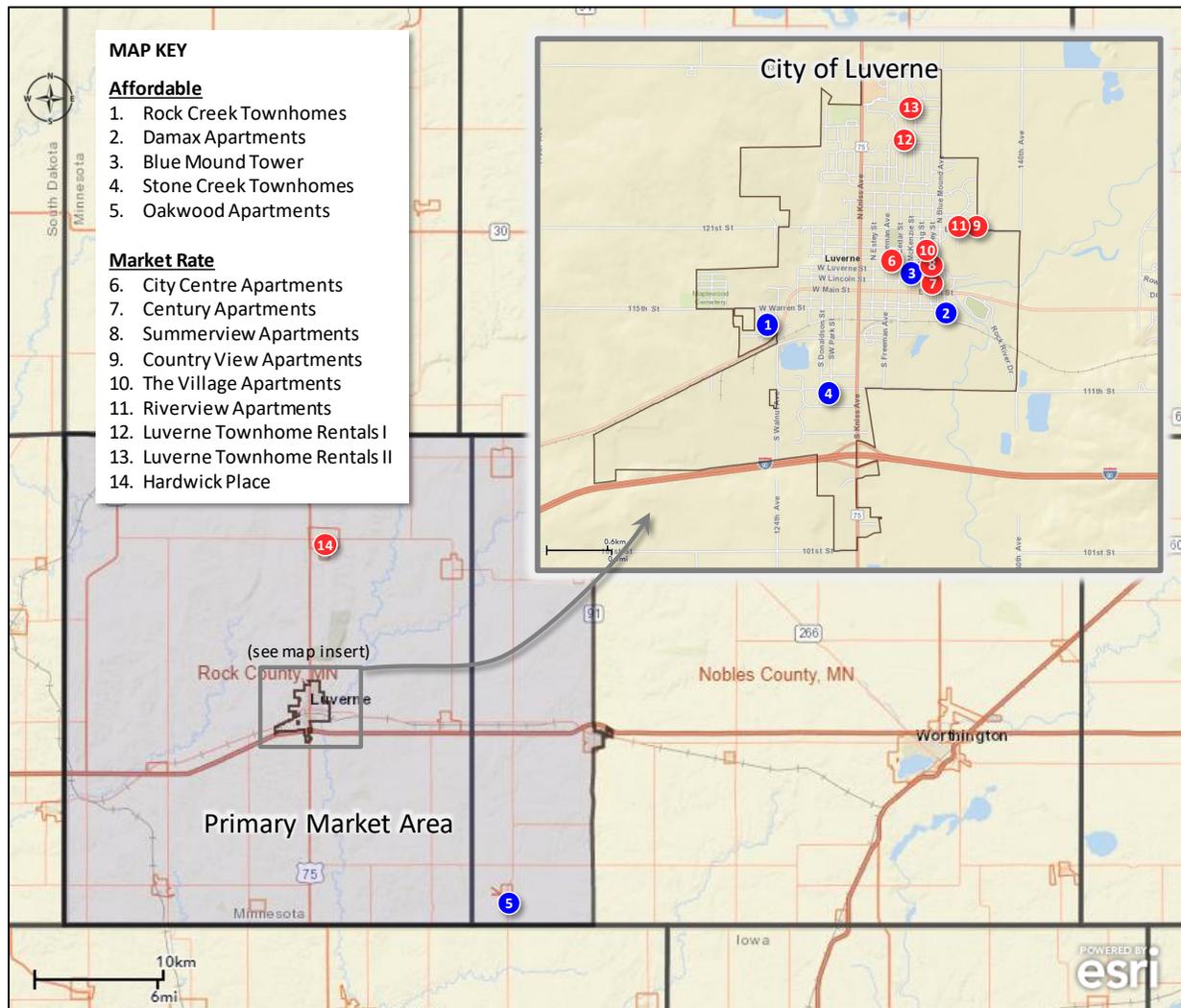
- Roughly 36% of the two-bedroom units in the City have gross monthly rents ranging from \$500 to \$749 and 29% have a rental rate ranging from \$750 to \$999. Another 13% of the two-bedroom units have monthly rents in the \$1,000 to \$1,499 range and 10% have rents between \$300 and \$499 per month. Units with rents of less than \$300 per month represent 2% of the two-bedroom units.
- Over 56% of the units with three or more bedrooms rent for between \$750 and \$999 per month and 20% have gross monthly rents in the \$500 to \$749 range. Roughly 5% have rents below \$300 and 4% rent for between \$300 and \$499 per month. Another 4% have monthly rents in the \$1,000 to \$1,499 range.
- There are no renter-occupied units in Luverne with monthly rents of \$1,500 or higher.
- Roughly 7% of the renter-occupied units in Luverne (51 total units) were reported as having no cash rent. These units may be owned by friends or relatives who live elsewhere and who allow occupancy at no charge. Rent-free houses or apartment units may be provided to compensate caretakers, ministers, tenant farmers, or others.
- By comparison, 20% of the renter-occupied units in the Remainder of the PMA (102 units) and 4% of the units in Minnesota have no cash rent.

General Occupancy Rental Housing Projects

Maxfield Research compiled detailed information for rental housing properties with eight or more units in Luverne and the surrounding area, including one affordable Low Income Housing Tax Credit (LIHTC) project, one Section 515 (United States Department of Agriculture Rural Development) property targeting family households, one publicly-owned subsidized property, two project-based Section 8 properties, and nine general occupancy market rate apartment properties. Data for these rental housing projects was collected by contacting managers and owners for each of the properties in August 2019.

The rents shown represent quoted rents and have not been adjusted to reflect the inclusion or exclusion of utilities at this time. Rental Market Analysis Tables 3 through 6 on the following pages summarize information on these projects.

Rental Housing Properties Location Map



RENTAL MARKET ANALYSIS

RENTAL MARKET ANALYSIS TABLE 3										
SELECT AFFORDABLE/SUBSIDIZED RENTAL HOUSING PROPERTIES										
PRIMARY MARKET AREA										
August 2019										
Project Name Location	No. of Total		Unit Description				Monthly Rent		Rent/sq. ft.	
	Units	Vacant	Type	No.	Vac.	Size	Min	Max	Min	Max
Rock Creek Townhomes 300-323 Oak Dr Luverne, MN	24	0	3BR	22	0	1,420 - 1,420	\$645 - \$645		\$0.45 - \$0.45	
	vacancy rate: 0.0%		4BR	2	0	1,500 - 1,500	\$655 - \$670		\$0.44 - \$0.45	
Notes: Tax credit project. Garage included in rent. Amenities include central AC, smoke-free, playground, washer/dryer hook-ups, patio. Rent includes water, sewer, and trash removal.										
Damax Apartments 602 E Warren St Luverne, MN	16	1	1BR	10	0	750 - 750	\$515 - \$650		\$0.69 - \$0.87	
	vacancy rate: 6.3%		2BR	6	1	900 - 900	\$602 - \$700		\$0.67 - \$0.78	
Notes: USDA Rural Development Section 515 project. Some rents based on 30% of income. Heat, water, and sewer included in rent.										
Blue Mound Tower 216 N McKenzie Luverne, MN	70	1	1BR	68	1	360 - 480	30% of income		NA	
	vacancy rate: 1.4%		2BR	2	0	655 - 655	30% of income		NA	
Notes: Luverne HRA property. Rent based on 30% of HH income. Must be elderly, disabled, working 20 hours per week, full-time student, or perform 8 hours community service per month. Can accept residents over the income limits with a max rent of \$424 for 1BR and \$560 for 2BR. Amenities include community room, library, pool table.										
Stone Creek Townhomes 503 W Hatting St Luverne, MN	23	0	1BR	15	0	1,060 - 1,060	30% of income		NA	
	vacancy rate: 0.0%		2BR	8	0	1,260 - 1,260	30% of income		NA	
Notes: Project-based Section 8 facility. Rents based on 30% of income. Amenities include courtyard, private entrances, smoke-free, available garage parking, community grill, on-site laundry, washer/dryer hook-ups in unit, patio, central AC, and playground. Water, sewer, and trash removal included.										
Oakwood Apartments 401 Oak St Ellsworth, MN	12	2	1BR	12	2	550 - 550	30% of income		NA	
	vacancy rate: 16.7%									
Notes: Project-based Section 8 facility. Rent based on 30% of income. Amenities include community room and main floor laundry. Water, sewer, and trash removal included in rent.										
Total	145	4								
		2.8%	vacancy rate							

Source: Maxfield Research & Consulting, LLC

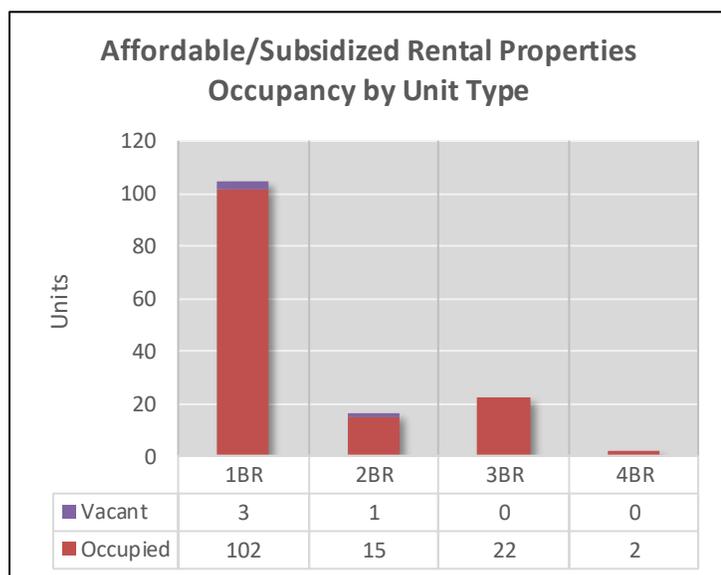
RENTAL MARKET ANALYSIS

- Units in these projects average 946 square feet, ranging from 695 square feet for one-bedroom units to 1,500 for four-bedroom units. Two-bedroom units average 938 square feet and three-bedroom units average 1,420 square feet.

RENTAL MARKET ANALYSIS TABLE 4 SELECT AFFORDABLE/SUBSIDIZED RENTAL HOUSING PROPERTIES UNIT TYPE SUMMARY August 2019					
Unit Type	Total Units	% of Total	Vacant Units	% Vacant	Average Size
1BR	105	73%	3	2.9%	695
2BR	16	11%	1	6.3%	938
3BR	22	15%	0	0.0%	1,420
4BR	2	1%	0	0.0%	1,500
Total:	143	100%	4	2.8%	946

Source: Maxfield Research & Consulting, LLC

- Affordable housing projects financed with Section 515 loans made by the United States Department of Agriculture's (USDA) Rural Development Housing and Community Facilities Program target very low-, low-, and moderate-income family households. Tenants pay basic rent or 30% of their adjusted income, whichever is greater. In the project-based Section 8 properties and public housing properties, rent is based on 30% of income.
- The weighted average rental rate across the affordable properties is \$635 per month (\$0.56 per square foot), including \$583 for one-bedroom units (\$0.78 per square foot), \$651 for two-bedroom units (\$0.72 per square foot), \$645 for three-bedroom units (\$0.45 per square foot), and \$663 in the four-bedroom units (\$0.44 per square foot).
- At the time of the survey of affordable and subsidized rental properties, there were four vacant units, resulting in an overall vacancy rate of 2.8% in the PMA. As such, the supply of affordable/subsidized rental housing in the Market Area is below equilibrium (5.0% vacancy).
- There were three vacant one-bedroom units (2.9%) and one vacant two-bedroom unit (6.3%). Three- and four-bedroom units were fully-occupied.



RENTAL MARKET ANALYSIS

RENTAL MARKET ANALYSIS TABLE 5										
SELECT GENERAL OCCUPANCY MARKET RATE RENTAL PROPERTIES										
PRIMARY MARKET AREA										
August 2019										
Project Name Location	No. of Units	Total Vacant	Unit Description			Monthly Rent		Rent/sq. ft.		
			Type	No.	Vac.	Size	Min	Max	Min	Max
City Centre Apartments 109 E Luverne St Luverne, MN	37	0	1BR	11	0	750 - 800	\$525 - \$600	\$0.70 - \$0.75		
	vacancy rate:	0.0%	2BR	22	0	800 - 900	\$550 - \$700	\$0.69 - \$0.78		
			3BR	4	0	1,000 - 1,000	\$700 - \$700	\$0.70 - \$0.70		
Notes: Former school remodeled into apartments in 2000. Amenities include on-site laundry, off-street parking, and an elevator. Limited garage parking available for additional fee.										
Century Apartments 415 E Lincoln St Luverne, MN	8	0	1BR	1	0	600 - 600	\$400 - \$400	\$0.67 - \$0.67		
	vacancy rate:	0.0%	2BR	7	0	800 - 800	\$600 - \$600	\$0.75 - \$0.75		
Notes: Heat and water included in monthly rent. Property includes off-street parking and window air-conditioning units.										
Summerview Apartments 415 E Luverne St Luverne, MN	8	0	1BR	1	0	600 - 600	\$400 - \$400	\$0.67 - \$0.67		
	vacancy rate:	0.0%	2BR	7	0	800 - 800	\$600 - \$600	\$0.75 - \$0.75		
Notes: Heat and water included in monthly rent. Property includes off-street parking and window air-conditioning units.										
Country View Apartments 900 E Dodge St Luverne, MN	12	1	1BR	1	0	600 - 600	\$375 - \$425	\$0.63 - \$0.71		
	vacancy rate:	8.3%	2BR	11	1	700 - 750	\$400 - \$450	\$0.57 - \$0.60		
Notes: Sewer and heat included in monthly rent. Property includes garage and surface parking.										
The Village Apartments 417 N Oakley St Luverne, MN	12	1	1BR	3	1	600 - 600	\$375 - \$425	\$0.63 - \$0.71		
	vacancy rate:	8.3%	2BR	9	0	700 - 750	\$400 - \$450	\$0.57 - \$0.60		
Notes: Water, sewer, and heat included in monthly rent. Property amenities include balconies, window air-conditioning units, and off-street parking. Six garage stalls available.										
Riverview Apartments 805 E Dodge St Luverne, MN	16	0	2BR	16	0	1,250 - 1,250	\$650 - \$650	\$0.52 - \$0.52		
	vacancy rate:	0.0%								
Notes: Heat, water, and one garage parking space included in rent. Units include kitchen appliances (except dishwasher).										
Luverne Townhome Rentals I 202-214 E Veterans Dr Luverne, MN	21	0	2BR	12	0	1,072 - 1,152	\$725 - \$725	\$0.63 - \$0.68		
	vacancy rate:	0.0%	3BR	9	0	1,274 - 1,554	\$825 - \$825	\$0.53 - \$0.65		
Notes: Three four-unit buildings and three three-unit buildings. Tenant pays all utilities. Units feature new kitchen appliances, dishwasher, new countertops, new light fixtures, and attached single-stall garage.										
Luverne Townhome Rentals II Evergreen @ Christensen Luverne, MN	8	1	2BR	4	0	1,072 - 1,152	\$725 - \$725	\$0.63 - \$0.68		
	vacancy rate:	12.5%	3BR	4	1	1,274 - 1,554	\$825 - \$825	\$0.53 - \$0.65		
Notes: Two four-unit buildings. Tenant pays all utilities. Units feature new kitchen appliances, dishwasher, new countertops, new light fixtures, and attached single-stall garage.										
Hardwick Place 106 E 4th St Hardwick, MN	8	1	1BR	1	0	640 - 640	\$400 - \$400	\$0.63 - \$0.63		
	vacancy rate:	12.5%	2BR	7	1	720 - 720	\$500 - \$500	\$0.69 - \$0.69		
Notes: Former USDA Rural Development Section 515 project. Recently remodeled. Amenities include laminate floors, walk-in closet, AC, kitchen appliances. Water, sewer, and trash removal included in rent.										
Total	130	4								
		3.1%	vacancy rate							

Source: Maxfield Research & Consulting, LLC

RENTAL MARKET ANALYSIS

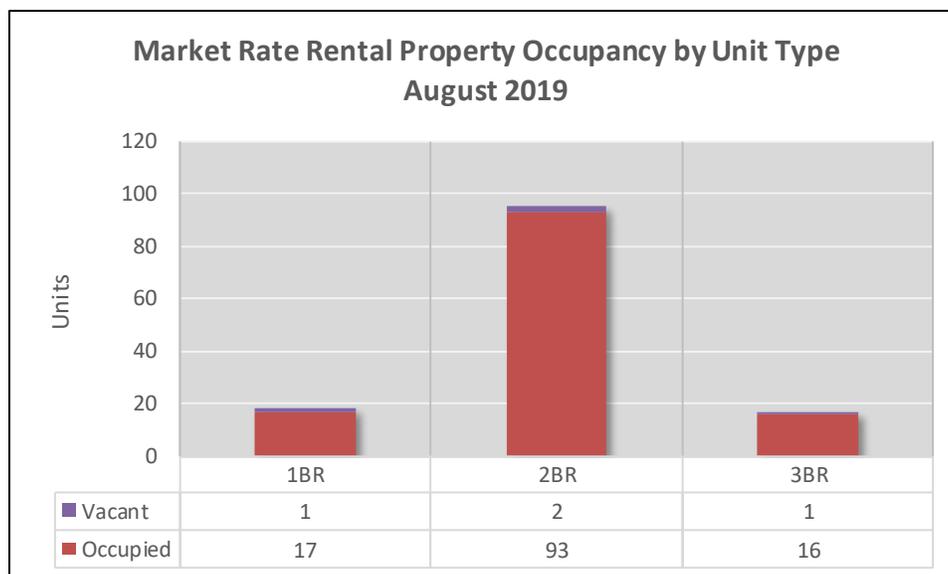
Rental Market Analysis Table 6 provides a summary of the unit mix, vacancies, average sizes, and average rental rates among these market rate rental properties. Rental rates presented in the table are a weighted average based on the number of units at each property. Therefore, buildings with a larger number of units of any one type contribute more toward the average than those with only a few units of a specific type.

- We identified nine general occupancy market rate apartment properties with eight units or more in the Primary Market Area, totaling 130 units.

RENTAL MARKET ANALYSIS TABLE 6 SELECT GENERAL OCCUPANCY MARKET RATE RENTAL PROPERTIES UNIT TYPE SUMMARY August 2019								
Unit Type	Total Units	% of Total	Vacant Units	% Vacant	Avg. Size	Monthly Market Rents		
						Range Low - High	Avg. Rent	Avg. Rent/Sq. Ft.
1BR	18	14%	1	5.6%	709	\$375 - \$600	\$499	\$0.70
2BR	95	73%	2	2.1%	918	\$400 - \$725	\$591	\$0.64
3BR	17	13%	1	5.9%	1,317	\$700 - \$825	\$796	\$0.60
Total:	130	100%	4	3.1%	941	\$375 - \$825	\$605	\$0.64

Source: Maxfield Research & Consulting, LLC

- Approximately 73% of the units in the inventory of market rate rental projects are two-bedroom units, 14% of the units have one bedroom and 13% have three bedrooms.
- At the time of the survey, there were four vacant units, resulting in an overall market rate vacancy rate of 3.1% in the PMA.



RENTAL MARKET ANALYSIS

- The equilibrium vacancy rate for rental housing is considered to be 5.0% which allows for normal turnover and an adequate supply of alternatives for prospective renters. In effect, the supply of market rate rental housing in the PMA is below the level to adequately meet demand.
- Two of the vacancies are in two-bedroom units (2.1% vacancy rate), while there is also one one-bedroom unit vacant (5.6% vacancy rate) and one three-bedroom vacancy (5.9%).
- On average, units in these general occupancy market rate projects have 941 square feet. One-bedroom units average 709 square feet, two-bedroom units average 918 square feet, and the three-bedroom units average 1,317 square feet.
- The average rental rate across all market rate general occupancy properties is \$605 per month with a range of \$375 for one-bedroom units at County View Apartments and The Village Apartments to a high of \$825 for a three-bedroom unit at Luverne Townhome Rentals.
- One-bedroom unit rents average \$499 per month, while the two-bedroom units average \$591 per month and three-bedroom units average \$796 per month.
- On a per square-foot basis, these general occupancy market rate rental properties have an average rent of \$0.64 per square foot, with one-bedroom units averaging \$0.70 per square foot, two-bedroom units averaging \$0.64 per square foot, and three-bedroom units averaging \$0.60 per square foot.
- While each property manages utilities differently, heat, trash removal, water, and sewer are included in the rent at most properties. Most new rental properties (post 2000) require the tenant to pay most, if not all, of the utilities.
- The majority of the properties surveyed provide kitchen appliances and wall unit air conditioning, and most properties provide surface parking with garage parking available at a few of the rental properties.
- The following points compare current rental market conditions to market conditions from the study completed in August 2016:
 - Average market rate rents have increased 15.7% from \$510 in 2016 to \$605 in August 2019;
 - On a per square foot basis, average market rate rents increased 8.5% from \$0.59 in 2016 to \$0.64 in August 2019;
 - Market rate vacancy rates increased modestly from 2.1% in 2016 to 3.1%;
 - Vacancy among the affordable and subsidized properties dropped from 8.0% in 2016 to 2.8% in August 2019.

RENTAL MARKET ANALYSIS

The following are photographs of select rental properties in Luverne.



Rock Creek Townhomes



Damax Apartments



Blue Mound Tower



Stone Creek Townhomes



City Centre Apartments



Century Apartments

RENTAL MARKET ANALYSIS

The following are photographs of select rental properties in Luverne.



Summerview Apartments



Country View Apartments



The Village Apartments



Riverview Apartments



Luverne Townhome Rentals I



Luverne Townhome Rentals II

Rental Housing Demand Analysis

Rental Market Analysis Table 7 on the following page presents our calculation of general occupancy rental housing demand in the PMA between 2019 and 2030. Factors considered include competitiveness of area rental properties, pending developments, demographic trends and population shifts. Potential rental housing demand is calculated from two categories:

1. From new household growth based on the propensity of households to rent their housing in the Primary Market Area; and,
2. From existing households that will remain in the Market Area because new product is available and they value other area amenities including proximity to education, employment, entertainment and recreation.

First, we calculate potential demand from new household growth based on the propensity of households to rent their housing. For the purpose of this analysis, we focus on households between the ages of 18 and 64 that will account for the majority of general occupancy rental demand. We also include a portion (30%) of the demand potential generated by households age 65 and older, as a segment of this age group that is able to live independently could be drawn to a new general occupancy rental housing development in the PMA.

Next, we calculate the percentage of household growth that will likely rent their housing based on 2017 American Community Survey data. Demand for general occupancy rental housing units in the PMA from household growth totals 12 units by 2030.

The second part of the analysis calculates demand from existing households, or turnover demand. Younger households tend to be highly mobile, relative to older households. Mobility rates were calculated for the renter population based on American Community Survey data and were applied to the existing renter household base.

As of 2019, there are an estimated 878 renter households in the PMA that comprise the primary market for general occupancy rental housing. This estimate excludes the 75 and older age group and 70% of the 65 to 74 age group. Based on household turnover data from the 2017 American Community Survey, we estimate that 82% of these renter households will experience turnover between 2019 and 2030. This estimate results in anticipated turnover of 722 existing households in the PMA by 2030. We then estimate the percentage of the existing renter households that will seek new rental housing resulting in demand for 115 units from turnover by 2030.

Together with demand from projected household growth and turnover, the total demand for rental housing is summarized. Total demand for general occupancy rental housing between 2019 and 2030 is 128 units in the PMA.

RENTAL MARKET ANALYSIS

An additional proportion is added for households that would move to a rental project in the PMA who currently reside outside the PMA. We estimate that 25% of the demand potential for rental housing in the PMA would be derived from outside the PMA, increasing demand to 170 units between 2019 and 2030.

RENTAL MARKET ANALYSIS TABLE 7			
DEMAND FOR GENERAL OCCUPANCY RENTAL HOUSING			
CITY OF LUVERNE			
2019 to 2030			
Demand From Household Growth			
Projected household growth in the PMA 2019 to 2030 ¹			195
(times) Pct. Of HH growth for general occupancy housing ²	x	24%	<u> </u>
(equals) Projected demand for general occupancy units	=		47
(times) Proportion Estimated to Be Renting Their Housing ³	x	26%	<u> </u>
(equals) Projected Demand for Rental Housing Units	=		12
Demand From Existing Households			
Number of renter households in the PMA, 2019 ⁴	=		878
(times) Estimated % of renter turnover between 2019 & 2030 ⁵	x	82%	<u> </u>
(equals) Existing Renter Households Projected to Turnover, 2019 to 2030	=		722
(times) Estimated % Desiring New Rental Housing ⁶	x	16%	<u> </u>
(equals) Demand From Existing Households	=		115
Total Demand From Household Growth and Existing Households			128
(plus) Rental demand from outside Market Area	+	25%	<u> </u>
(equals) Potential Demand for Rental Housing in the PMA (2019 to 2030)	=		170
(times) Percent of PMA Demand Capturable in the City of Luverne	-	75%	<u> </u>
(equals) Total Demand for Rental Housing in Luverne	=		128
		Deep Subsidy	Shallow Subsidy
(times) Percent of rental demand by product type ⁷	x	20%	20%
(equals) Total demand for new general occupancy rental housing units	=	26	26
(minus) Units under construction or approved*	-	0	0
(equals) Excess demand for new general occupancy rental housing	=	26	26
¹ Estimated household growth ² Pct. of household growth under age 65 plus 30% of households age 65 and older. ³ Pct. Renter households under age 65 in 2017. ⁴ Renter households age 64 and younger plus 30% of renter households age 65 and older. ⁵ Based on household turnover and mobility data (2013-2017 American Community Survey). ⁶ Source - The Upscale Apartment Market: Trends and Prospects. Prepared by Jack Goodman of Hartrey Advisors for the National Multi Housing Council. ⁷ Based on a combination of current rental product, income limits, and household incomes of area renters. *Pending competitive units at 95% occupancy.			
Source: Maxfield Research & Consulting, LLC			

RENTAL MARKET ANALYSIS

Due to factors such as the geographic distribution of the renter population in the PMA along with the location of services (entertainment, shopping, education, etc.), we anticipate that the City of Luverne can capture 75% of the demand potential in the PMA. Based on this capture rate, we find demand for 128 new general occupancy rental units in Luverne between 2019 and 2030.

Based on a review of renter household incomes and income limits set by HUD, we estimate that approximately 20% of the total demand will be for deep-subsidy housing, 20% will be for shallow-subsidy housing, and 60% will be for market rate housing.

Next, we subtract housing projects that are under construction or pending at this time at 95% occupancy (equilibrium), since these projects will satisfy some of the demand for new general occupancy rental housing. In 2018, the City was working with a developer toward the development of a 27-unit workforce housing project along South Highway 75; however, plans have stalled. Due to the uncertain timing and status of this project, we do not incorporate these units into our demand calculations.

In total, we estimate that there is demand for 77 market rate rental units, 26 shallow-subsidy units and 26 deep-subsidy units in the City of Luverne between 2019 and 2030.

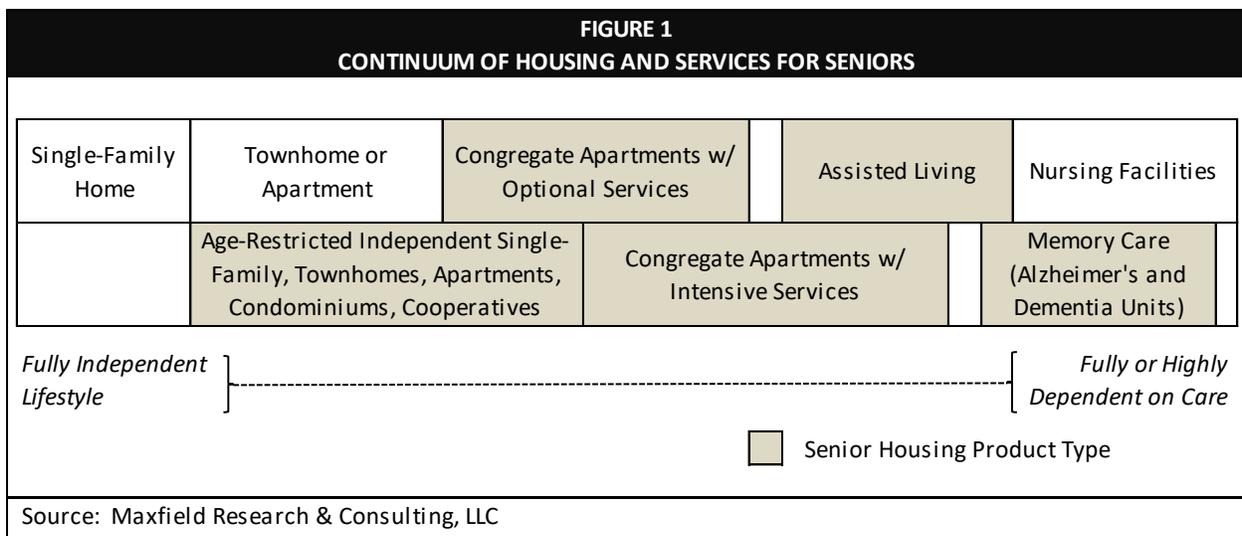
Introduction

This section provides an assessment of the market support for senior housing (active adult, congregate, assisted living, memory care, and skilled nursing) in Luverne, Minnesota. An overview of the demographic and economic characteristics of the senior population in the PMA is presented along with an inventory of existing and pending senior housing developments in the PMA.

Demand for senior housing is calculated based on demographic, economic and competitive factors that would impact demand for additional senior housing units in the City.

Senior Housing Defined

Senior housing is a concept that generally refers to the integrated delivery of housing and services to seniors. However, as Figure 1 illustrates, senior housing embodies a wide variety of product types across the service-delivery spectrum.



Products range from independent apartments and/or townhomes with virtually no services on one end, to highly specialized, service-intensive assisted living units or housing geared for people with dementia-related illnesses (termed "memory care") on the other end of the spectrum.

In general, independent senior housing attracts people age 65 and over while assisted living typically attracts people age 80 and older who need assistance with activities of daily living (ADLs).

SENIOR HOUSING ANALYSIS

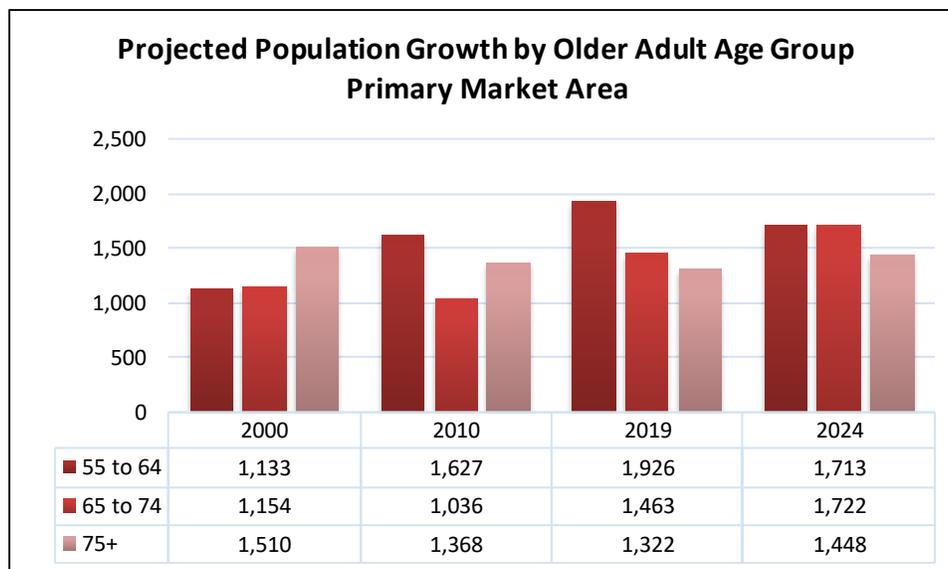
For analytical purposes, Maxfield Research and Consulting, LLC classifies senior housing into five categories based on the level and type of services offered as described in the following figure.

Active Adult/Few Services
Active Adult properties (or independent living without services available) are similar to a general-occupancy building, in that they offer virtually no services but have age-restrictions (typically 55 or 62 or older). Residents are generally age 70 or older if in an apartment-style building. Organized entertainment, activities and occasionally a transportation program represent the extent of services typically available at these properties. Because of the lack of services, active adult properties generally do not command the rent premiums of more service-enriched senior housing. Active adult properties can have a rental or owner-occupied (condominium or cooperative) format.
Independent Living (Congregate)
Independent Living (Congregate) properties (independent living with services available) offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties often dedicate a larger share of the building to common areas, because the units are smaller than in adult housing and to encourage socialization among residents. Independent living properties attract a slightly older target market than adult housing (i.e. seniors age 75 or older). Rents are also above those of active adult buildings. Sponsorship by a nursing home, hospital or health care organization is common.
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 health situation), who need 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 staff on duty 24 hours per day or at least 24-hour emergency response.
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 addresses housing needs almost exclusively for widows or widowers, a higher proportion of persons afflicted with Alzheimer's disease are in two-person households. That means the decision to move a spouse into a memory care facility involves the caregiver's concern of incurring the costs of health care at a special facility while continuing to maintain their home.
Skilled Nursing Care
Skilled Nursing Care, or long-term care, provides a living arrangement that integrates shelter and food with medical, nursing, psychosocial and rehabilitation services for persons who require 24-hour nursing supervision. Residents in skilled nursing homes can be funded under Medicare, Medicaid, Veterans, HMOs, insurance as well as use of private funds.

Older Adult (Age 55+) Population and Household Trends

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

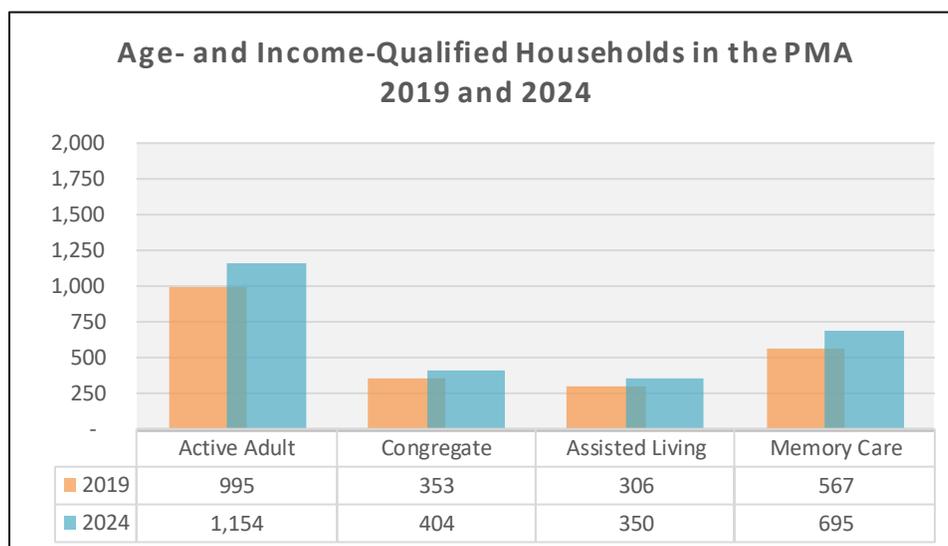
- The most rapid growth is expected to occur among older adults in the PMA. Aging of baby boomers led to an 18% increase in the 55 to 64 population between 2010 and 2019, adding 299 people. As this group ages, all cohorts age 65 or older are expected to see increases over the next five years. The 65 to 69 age group is projected to add 149 people (18.3% growth), while the 70 to 74 age group adds 110 people (16.9% growth). The 75 to 79 age group is also expected to experience solid growth, expanding 26.4%, adding 120 people.



- The key market for active adult housing is comprised of senior households age 65 and older. The primary market for service-enhanced housing is senior households age 75 and older. While individuals in their 50s and 60s typically do not comprise the market base for service-enhanced senior housing, they often have elderly parents to whom they provide support when they decide to relocate to senior housing. Since elderly parents typically prefer to be near their adult caregivers, growth in the older adult age cohort (age 55 to 64) generally results in additional demand for senior housing products.
- The frailer the senior, the greater the proportion of their income they will typically spend on housing and services. Studies have shown that seniors are willing to pay increasing proportions of their incomes on housing with services, beginning with an income allocation of 40% to 50% for market rate active adult senior housing with little or no services, increasing to 65% for congregate housing and to 80% to 90% or more for assisted living housing. The proceeds from the sales of their homes, as well as financial assistance from their adult children, are often used as supplemental income in order to afford senior housing alternatives.

SENIOR HOUSING ANALYSIS

- The key market for active adult/few services housing is comprised of senior households (age 65+) with incomes of \$35,000 or more. The age threshold increases to 70+ if in an apartment-style building. In 2019, we estimate there are 995 age- and income-qualified households in the PMA that comprise the key market for active adult housing. Including all households with incomes of \$40,000 and over (adjusted for inflation), the number of age 65+ senior households projected to income-qualify for active adult/few services housing is expected to grow to 1,154 households in 2024 (16% growth).
- Congregate (independent living with services available) housing demand is driven by senior households (age 75+) with incomes of \$35,000 or more. We estimate the number of age- and income-qualified households in the PMA to be 353 householders in 2019, increasing to 404 householders (14% growth) in 2024.
- The target market for assisted living housing is senior households age 75 and older with incomes of at least \$40,000 (plus senior homeowners with lower incomes). As of 2019, there are an estimated 306 older senior households (age 75+) in the PMA with incomes of at least \$40,000, accounting for 37% of all older senior households. Including all households with incomes of \$45,000 and over (adjusted for inflation), the number of older senior households projected to income-qualify for senior housing with services is expected to grow 14.4% to 350 households in 2024.
- Memory care housing has a target market of senior households age 65 and older with a memory impairment and incomes of at least \$60,000. We estimate that roughly 15% of the senior population has a memory impairment. In 2019, we estimate that there are 567 age 65+ households in the PMA with incomes of at least \$60,000, accounting for 33% of all senior households. The number of income-qualified (\$65,000 adjusted for inflation) households is projected to increase to 695 by 2024 (23% growth).



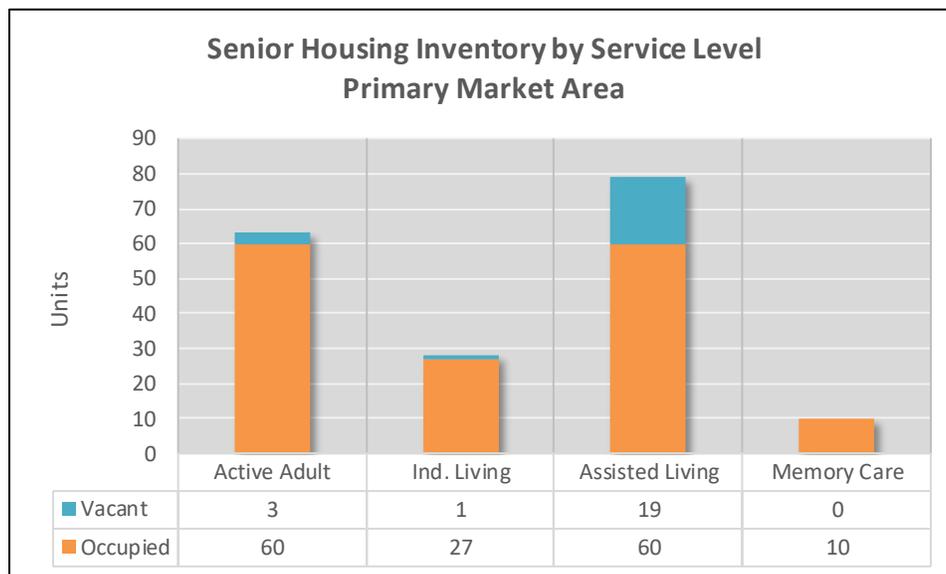
Homeownership information lends insight into the number of households that may still have homes to sell and could potentially supplement their incomes from the sales of their homes to support monthly fees for alternative housing.

- The PMA maintains homeownership rates in the older adult age cohorts that are higher than the State. The homeownership rate in 2017 was 85% for age 55 to 64 households compared to 83% throughout Minnesota. The PMA homeownership rate climbs to 88% for age 65 to 74 households compared to 84% in the State. Seniors typically begin to consider moving into senior housing alternatives in their early to mid-70s. This movement pattern is demonstrated by the decline in homeownership between the 65 to 74 age cohort (88%) and the 75+ age cohort (78%). By comparison, the homeownership rate in Minnesota dropped from 84% (age 65 to 74) to 71% (age 75+).
- With a homeownership rate of 83% for all households age 65 and older, many residents would be able to use proceeds from the sales of their homes toward senior housing alternatives. The resale of single-family homes would allow additional senior households to qualify for market rate housing products, since equity from the home sale could be used as supplemental income for alternative housing.
- Home sale data is useful in that it represents the amount of equity seniors may be able to derive from the sales of their homes that could be used to cover the cost of senior housing alternatives. In 2018, the median sale price of older homes in the PMA (at least 15 years old) was at \$98,000.
- Based on the 2018 median sale price for older homes in the PMA, a senior household could generate approximately \$1,872 of additional income annually (about \$154 per month), if they invested in an income-producing account (2.0% interest rate) after accounting for marketing costs and/or real estate commissions (6.0% of home sale price).
- Should a senior utilize the home proceeds dollar for dollar to support living in senior housing with services, the proceeds of the home sale would last nearly four years in congregate housing (monthly rent approximated at \$2,000), over two years in assisted living (monthly rent approximated at \$3,500), or approximately one and one-half years in memory care housing (monthly rent approximated at \$4,500). Seniors in service-intensive housing typically have lengths of stays between two and three years indicating that a portion of PMA seniors will be financially prepared to privately pay for their housing and services.
- Due to the decline in home values along with the increased marketing time that occurred earlier this decade, some seniors – particularly those in the market for independent housing products – may have delayed moving. With improvement in the housing market, some of these seniors may now be more inclined to consider housing alternatives.

Supply of Senior Housing

Senior Housing Analysis Table 1 provides information on the various senior housing products in the PMA by service-level. Information in the table includes year built, number of units, unit sizes, vacancies, monthly fees, and general comments about each project. The following section summarizes key points from our survey of senior housing facilities in the PMA.

- Maxfield Research identified eight senior housing properties in the PMA. Combined, these projects contain a total of 180 senior housing units.
- Seven of the senior housing facilities, with 126 units, are market rate, and there is one affordable senior housing project with 54 units. Of the 180 senior housing units, 23 are currently vacant, representing a 12.8% vacancy rate.
- Based on the senior housing inventory, 65% of the units provide service-enhanced housing, for a total of 117 units (28 independent living with services available, 79 assisted living units, and ten memory care units).
- At the time of the survey, there were 20 vacant service-enhanced units (17.1% vacancy rate). There was one independent living vacancy (3.6% vacancy), 19 assisted living vacancies (24.1%) and memory care was fully-occupied. The active adult units were 4.8% vacant (three vacancies).



- Three of the properties, totaling 106 units are located in Luverne, two are in Hills (32 units) and three are in Adrian (42 units). There are five vacancies in Luverne (4.7% vacancy rate), four vacancies in Hills (12.5% vacancy), and 14 in Adrian (33.3% vacancy).

SENIOR HOUSING ANALYSIS

- A 93% occupancy rate is generally considered equilibrium in assisted living and memory care senior housing, while 95% occupancy is considered equilibrium in independent living and active adult. As such, the current supply of senior housing in Luverne appears to be slightly undersupplied, while Hills and Adrian appear to be oversupplied.
- The Good Samaritan Society campus in Luverne provides 28 congregate units (independent living with services available) at The Oaks, while Poplar Creek Estates offers 24 assisted living units.
 - One independent living unit is vacant (3.6% vacancy) and two assisted living units are available (8.3% vacancy rate).
 - Independent living unit fees range from \$1,564 to \$2,057 depending on unit size which includes utilities, weekly housekeeping, weekly linen service, and daily lunch.
 - The base monthly assisted living fee ranges from \$3,264 to \$4,510 depending on unit type and includes housekeeping, laundry, basic utilities, and three meals per day.
- Tuff Village, a 23-unit assisted living facility in Hills, has three units open (13.0% vacancy rate). Monthly fees range from \$1,600 to \$2,730. The base monthly fee includes utilities, weekly housekeeping, laundry, medication management, and all utilities (except phone).
- Country Living Cottages in Adrian offers ten assisted living units along with ten memory care units. The base monthly assisted living fee is \$2,800 which includes meals, laundry, housekeeping, and activities. There is one assisted living unit available (10.0% vacancy). The memory care units are full and have a base fee of \$3,800 per month.
- Sunrise View is a remodeled skilled nursing facility offering 22 private rooms, 13 of which are vacant (59.1% vacancy). Eight of these rooms have a private bathroom and 14 have shared bathrooms. The base monthly rent is \$2,200 which includes three meals per day, snacks, housekeeping, laundry, activities, and utilities. There are also level of care fees above the base monthly rent, ranging from \$1,665 for the first level to \$4,425. The minimum monthly fee at Sunrise View is \$3,865 (\$2,200 base fee plus \$1,665 for the first level of care).
- Because certain facilities may be near the edges of the PMA boundary, those facilities have different draw areas that overlap with the PMA for the subject property. As such, we adjust the number of competitive units based on the location of the property in the PMA. All units in Luverne are considered fully competitive with a potential project in the City, while 50% of the units in Adrian and 75% of the units in Hills are considered competitive.

SENIOR HOUSING ANALYSIS

SENIOR HOUSING ANALYSIS TABLE 1										
SENIOR HOUSING PROJECTS										
PRIMARY MARKET AREA										
August 2019										
Project Name/Location	Year Open	No. of Units	Total Vacant	Unit Description			Monthly Rent		Rent/sq. ft.	
				Type	No.	Size	Min	Max	Min	Max
ACTIVE ADULT - Affordable/Subsidized Rental										
Centennial Springs 120 N Spring St Luverne, MN	1976	54	2	1BR	50	608 - 608	\$614 - \$614		\$1.01 - \$1.01	
			vacancy rate: 3.7%	2BR	4	905 - 905	\$670 - \$670		\$0.74 - \$0.74	
Notes: Project-based Section 8 property targeting residents age 50+ or disabled. Rents based on 30% of income (rents shown above reflect market rents). Amenities include smoke-free, across street from Senior Center, garden, courtyard, stove and refrigerator provided, off-street parking, community room, elevator, and on-site laundry. Maximum of two adults per unit. Heat, water, sewer, trash removal, and electric included. Currently two units vacant, but there are applicants on waiting list.										
ACTIVE ADULT - Market Rate										
Tuff Apartments 406 & 413 S Elizabeth Ave Hills, MN		9	1	1BR	5	NA - NA	\$446 - \$500		NA - NA	
			vacancy rate: 11.1%	2BR	4	NA - NA	\$510 - \$522		NA - NA	
Notes: Residents age 50+, ambulatory, and capable of self-care. Meals provided for an extra fee. Features include gardening areas, storage area, individually controlled heating, electric and heat included. Units include stove and refrigerator. Residents have free use of on-site laundry.										
INDEPENDENT LIVING W/ SERVICES AVAILABLE (CONGREGATE)										
The Oaks 203 Oak Dr Luverne, MN	1997	28	1	1BR	18	565 - 630	\$1,564 - \$1,731		\$2.77 - \$2.75	
			vacancy rate: 3.6%	2BR	10	889 - 889	\$2,057 - \$2,057		\$2.31 - \$2.31	
Notes: Good Samaritan Society facility. Features include individual temperature control, appliances, window treatments, step-in shower with seat and grab bars, emergency pull cord. Utilities included. Weekly housekeeping, weekly linen service, and daily lunch provided.										
ASSISTED LIVING										
Poplar Creek Estates 201 Oak Dr Luverne, MN	2004	24	2	1BR	20	465 - 485	\$3,264 - \$4,021		\$7.02 - \$8.29	
			vacancy rate: 8.3%	2BR	4	665 - 665	\$3,760 - \$4,510		\$5.65 - \$6.78	
Notes: Good Samaritan Society facility. Monthly fee includes basic utilities, 24-hour staffing, housekeeping, laundry service, activities, three meals per day. Additional services available for a fee, including home healthcare, salon and barbershop, guest meals, guest room.										
Tuff Village 301 County Rd 6 Hills, MN	2001	23	3	1BR	18	624 - 624	\$1,600 - \$2,410		\$2.56 - \$3.86	
			vacancy rate: 13.0%	2BR	7	888 - 888	\$1,880 - \$2,730		\$2.12 - \$3.07	
Notes: Monthly fee includes appliances, utilities, weekly housekeeping, weekly laundry, medication management, 24/hour per day available care, use of wellness area. Additional services available for a fee, including bathing/grooming assistance, transportation, medical assistance. Units include full kitchen appliance package, free cable TV. Second occupant fee of \$630/month.										
Country Living Cottages 200 W 7th St Adrian, MN	2010	10	1	Studio	10	310 - 310	\$2,800 - \$2,800		\$9.03 - \$9.03	
			vacancy rate: 10.0%							
Notes: Monthly fee includes meals, laundry, housekeeping, 24-hour staffing, activities. Amenities include onsite beauty salon, activity room, and transportation services. Studio units have private bathroom with walk-in shower and kitchenette.										

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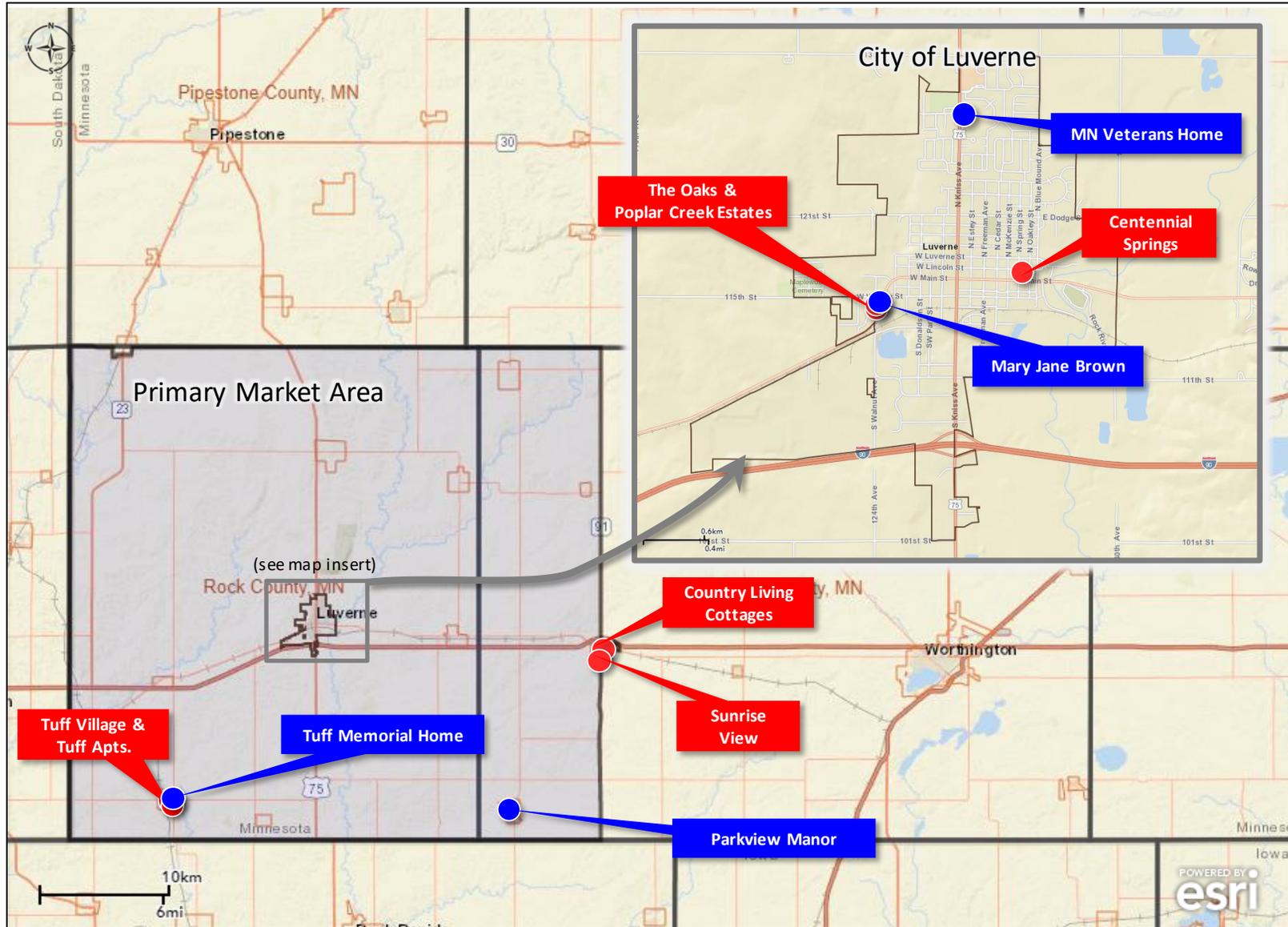
SENIOR HOUSING ANALYSIS

SENIOR HOUSING ANALYSIS TABLE 1 continued										
SENIOR HOUSING PROJECTS										
PRIMARY MARKET AREA										
August 2019										
Project Name/Location	Year Open	No. of Units	Total Vacant	Unit Description			Monthly Rent		Rent/sq. ft.	
				Type	No.	Size	Min	Max	Min	Max
Sunrise View 603 Louisiana Ave Adrian, MN	2016	22	13 vacancy rate: 59.1%	Studio	22	180 - 225	\$2,200	\$2,200	\$12.22	\$9.78
<i>Notes: Remodeled skilled nursing facility. Base rent includes three meals per day, snacks, housekeeping, laundry, activities, utilities (except telephone), cable TV. Level of care fees in addition to base rent (\$2,200), starting at \$1,665 (\$3,865 minimum monthly fee) and going up to \$4,425. Private rooms; 8 with private bathroom, 14 with shared bathroom.</i>										
MEMORY CARE										
Country Living Cottages 200 W 7th St Adrian, MN	2010	10	0 vacancy rate: 0.0%	Studio	10	310 - 310	\$3,800	\$3,800	\$12.26	\$12.26
<i>Notes: Monthly fee includes meals, laundry, housekeeping, 24-hour staffing, activities. Amenities include onsite beauty salon, activity room, and transportation services. Studio units have private bathroom with walk-in shower and kitchenette.</i>										

Sources: Maxfield Research & Consulting, LLC

- In addition to these senior housing projects, there are three skilled nursing facilities in the PMA, totaling 138 licensed beds, an 85-bed Veterans Home. Based on information provided by nursinghomesite.com, the skilled nursing facilities are 88.4% occupied and the Minnesota Veterans Home is 91.8% occupied. Additionally, there is a six-bed comprehensive home care “Housing with Services” facility provided skilled nursing care.
 - The Good Samaritan Society Mary Jane Brown facility in Luverne is licensed for 51 beds and is 90.2% occupied.
 - Tuff Memorial Home in Hills has 50 licensed beds and is 88.0% occupied.
 - The Parkview Manor Nursing Home in Ellsworth is a 37-bed skilled nursing facility owned by the City and is 86.5% occupied.
 - The Minnesota Veterans Home in Luverne offers 85 beds, including a 17-bed memory care unit. The facility is 91.8% occupied. Veterans Home residents must be honorably discharged Veterans, regardless of age, who entered service from Minnesota or are current residents. Spouses of eligible Veterans who are at least 55 years old are also eligible for residency.
 - Oasis Care Home is a six-bed “Housing with Services” residential care home with a comprehensive home care license. The monthly fee is \$6,500 which includes a private room, meals and snacks, housekeeping, laundry and linen service, transportation, and personal care services such as bathing, dressing, toileting, and grooming.

Senior Housing and Skilled Nursing Facility Location Map



SENIOR HOUSING ANALYSIS

The following are photographs of select senior housing/skilled nursing facilities in the PMA:



Centennial Springs



Tuff Apartments



Good Samaritan Society – The Oaks



Good Samaritan Society – Poplar Creek Estates



Tuff Village



Country Living Cottages

SENIOR HOUSING ANALYSIS

The following are photographs of select senior housing/skilled nursing facilities in the PMA:



Sunrise View



Good Samaritan Society – Mary Jane Brown Skilled Nursing Facility



Tuff Memorial Home Skilled Nursing Facility



Parkview Manor Nursing Home Skilled Nursing Facility

Market Rate Adult/Few Services Senior Housing Demand

Senior Housing Analysis Table 2 presents our demand calculations for market rate active adult/few services housing in the PMA in 2019 and 2024. The market for active adult/few services housing is comprised of older adult (age 55 to 64), younger senior (age 65 to 74) and older senior (age 75+) households, with market demand weighted most heavily toward older seniors.

In order to arrive at the potential age-, income- and asset-qualified base for active adult housing, we include all age-qualified households with incomes of \$35,000 or more plus homeowner households with incomes between \$25,000 and \$34,999 who would qualify with the proceeds from a home sale. The number of qualifying homeowner households is estimated by applying the appropriate homeownership rate to each age cohort. We estimate there are 1,955 age-, income- and asset-qualified PMA households that comprise the market for active adult housing in 2019, increasing to 2,030 qualified households in 2024.

Adjusting to include appropriate capture rates for each age cohort (0.5% of households age 55 to 64, 5.5% of households age 65 to 74, and 16.5% of households age 75 and older) results in a demand potential for 108 active adult housing units in 2019 and 121 units in 2024. These capture rates reduce the total number of age/income/asset-qualified households to consider only the portion of older adult and senior households who would be able, willing, and inclined to move to senior housing alternatives, including both owner- and renter-occupied housing.

We estimate that seniors currently residing outside the PMA will generate 20% of the demand for active adult housing – increasing demand to 135 active adult units in 2019. Demand from outside the PMA includes parents of adult children living in the area, individuals who live outside the PMA but have an orientation to the area (i.e. church, doctor), and former residents who desire to return upon retirement.

Demand for active adult/few services housing in the PMA is apportioned between ownership and rental product types. Based on the age distribution of the population, homeownership rates, existing product, and trends for active adult housing products, we project that 45% of the demand will be for owner-occupied active adult housing (61 units in 2019), and the remaining 55% of demand will be for active adult rental housing units (74 units in 2019).

From the demand potential, we subtract existing and pending active adult units in the PMA at 95% occupancy. We identified one market rate active adult rental project, but we did not identify any age-restricted active adult ownership units. Overall, we subtract seven competitive rental units from the 2019 demand potential after accounting for a 5% vacancy rate and adjusting the number of competitive units based on their location within the PMA. We would then incorporate pending active adult units in the PMA and subtract the total from the 2024 demand potential, although we did not identify any market rate active adult projects planned or under construction in the PMA.

SENIOR HOUSING ANALYSIS

SENIOR HOUSING ANALYSIS TABLE 2						
MARKET RATE ACTIVE ADULT/FEW SERVICES RENTAL HOUSING DEMAND						
PRIMARY MARKET AREA						
2019 & 2024						
	2019			2024		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of >\$35,000 ¹	847	642	353	758	750	404
# of Households w/ Incomes of \$30,000 to \$34,999 ¹	+ 29	47	60	+ 36	52	54
(times) Homeownership Rate	x 85%	88%	78%	x 85%	88%	78%
(equals) Total Potential Market Base	= 872	683	400	= 789	796	446
(times) Potential Capture Rate	x 0.5%	5.5%	16.5%	x 0.5%	5.5%	16.5%
(equals) Demand Potential	= 4	38	66	= 4	44	74
Potential Demand from PMA Residents	= 108			= 121		
(plus) Demand from Outside PMA (20%) ²	+ 27			+ 30		
(equals) Total Demand Potential	= 135			= 152		
	Owner		Renter	Owner		Renter
(times) % by Product Type	x 45%		x 55%	x 45%		x 55%
(equals) Demand Potential by Product Type	= 61		= 74	= 68		= 83
(minus) Existing and Pending MR Active Adult Units ³	- 0		- 7	- 0		- 7
(equals) Excess Demand for MR Active Adult Units	= 61		= 67	= 68		= 76
(times) Percent capturable in Luverne	x 55%		x 55%	x 55%		x 55%
(equals) # of units supportable in Luverne	= 33		= 37	= 38		= 42

¹ 2024 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 We estimate that roughly 20% of demand will come from outside the PMA.

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

Source: Maxfield Research & Consulting, LLC

In total, we find excess demand for 61 market rate active adult ownership units and 67 market rate active adult rental units in 2019. Adjusting for inflation, we estimate that households with incomes of \$40,000 or more and home-owners with incomes of \$30,000 to \$39,999 would be candidates for active adult housing in 2024. Following the same methodology, we project that excess demand will increase to 68 active adult ownership units and 76 active adult rental units by 2024.

Due to factors such as the geographic distribution of senior households in the PMA along with the location of services (medical, religious, retail, etc.) in the PMA, we anticipate that the City of Luverne can capture 55% of the excess demand potential in the PMA. Based on this capture rate, we find demand for 70 market rate active adult units in Luverne in 2019 (33 owner-occupied and 37 renter-occupied units), growing to 80 units in 2024 (38 owner-occupied and 42 renter-occupied units).

Shallow-Subsidy/Deep-Subsidy Independent Senior Housing Demand

Senior Housing Analysis Table 3 on the following page presents our demand calculations for affordable (shallow-subsidy and deep-subsidy) active adult/few services senior housing in the PMA in 2019 and in 2024. While the methodology used to calculate demand for affordable housing closely mirrors the methodology used to calculate demand for market rate housing, we make adjustments to more precisely quantify demand among this market segment.

The following points summarize these adjustments:

- **Income-Qualifications:** In order to arrive at the potential age and income-qualified base for low-income and affordable housing, we include all senior households age 55 and older that qualify for the income guidelines for two-person households in 2019. Households earning between 30% and 60% of AMI are generally candidates for affordable housing, while households earning less than 30% AMI are typically a market for subsidized housing. The income-restriction for a two-person household at 30% AMI is \$17,400 and the income-restriction for a two-person household at 60% AMI is \$34,800.
- **Capture Rates:** Households in a need-based situation (either requiring services or financial assistance) more readily move to housing alternatives than those not in need-based situations. Based on our experience in market feasibility for affordable and subsidized senior housing, along with our analysis of demographic and competitive market factors in the PMA, we apply a conservative 25% capture rate to the age/income-qualified market to arrive at a total potential demand in the PMA.

Using the methodology described above results in a demand potential for a total of 184 affordable (shallow-subsidy and deep-subsidy) active adult housing units in 2019. We estimate that seniors currently residing outside the PMA will generate 25% of the demand for shallow/deep-subsidy active adult housing, increasing demand to 245 units.

Based on the existing and projected distribution of households with incomes below \$34,800, we estimate the proportion of demand for shallow-subsidy and deep-subsidy units. We estimate that 41% of the demand will be for deep-subsidy units and 59% will be for shallow-subsidy units. In total, we estimate that there is total demand for 101 deep-subsidy units and 145 shallow-subsidy units in 2019.

Next, we subtract existing competitive units. There is one 54-unit deep-subsidy project in Luverne (Centennial Springs). Overall, we subtract 51 deep-subsidy units from the demand potential after accounting for a 5% vacancy rate, resulting in excess demand for 50 deep-subsidy units in 2019. We did not identify any shallow subsidy senior housing units in the PMA, resulting in excess demand for 145 shallow subsidy units in 2019.

SENIOR HOUSING ANALYSIS

To calculate demand in 2024, we increase the income-qualifications to account for inflation. Following the same methodology, excess demand is projected to decline slightly between 2019 and 2024. We find excess demand for a total of 41 deep-subsidy units and 132 shallow-subsidy units in the PMA in 2024.

We anticipate that the City of Luverne can capture 70% of the excess demand potential for subsidized active adult housing in the PMA. Based on this capture rate, we find demand for 35 deep-subsidy and 101 shallow-subsidy units in Luverne in 2019. Demand is expected to contract to 28 deep-subsidy units and 92 shallow-subsidy units in 2024.

SENIOR HOUSING ANALYSIS TABLE 3							
AFFORDABLE ACTIVE ADULT/FEW SERVICES HOUSING DEMAND							
PRIMARY MARKET AREA							
2019 & 2024							
	2019			2024			
	Age of Householder			Age of Householder			
	55-64	65-74	75+	55-64	65-74	75+	
# of Households w/ Incomes of <\$34,800	244	242	470	171	236	473	
Less Households w/ Incomes of \$25,000 to \$34,800 ¹	- 56	92	118	- 38	93	123	
(times) Homeownership Rate	x 85%	88%	78%	x 85%	88%	78%	
(equals) Total Potential Market Base by Age	= 196	161	378	= 139	154	377	
(equals) Total Potential Market Base	=	735		=	670		
(times) % of Seniors Needing/Desiring Affordable Hsg	x	25%		x	25%		
(equals) Potential Demand from PMA	=	184		=	167		
(plus) Demand from Outside PMA (25%)	+ 61			+ 56			
(equals) Total Demand Potential	=	245		=	223		
Product (Subsidy) Type		Deep-Subsid	Shallow-Subsidy		Deep-Subsid	Shallow-Subsidy	
(times) % by Product Type	x 41%		x 59%	x 41%		x 59%	
(equals) Demand Potential by Product Type	= 101		= 145	= 92		= 132	
(minus) Existing and Pending Affordable Units ²	- 51		- 0	- 51		- 0	
(equals) Excess Demand for Affordable Units	=	50	=	41		=	132
(times) Percent that Could be Captured in Luverne	x	70%		x	70%		
(equals) Excess Demand in Luverne	=	35	101	=	28	92	
¹ 2024 calculations adjusted for inflation (0.5% annually).							
² Existing units are deducted at market equilibrium, or 95% occupancy.							
Source: Maxfield Research & Consulting, LLC							

Demand for Congregate Senior Housing

Senior Housing Analysis Table 4 presents our demand calculations for independent (congregate) living senior housing with some services available in the Primary Market Area in 2019 and 2024. This analysis focuses on the potential private pay/market rate demand for independent (congregate) living units in the Primary Market Area.

In order to arrive at the potential age-income qualified base for independent (congregate) senior housing, we include all senior households with incomes of \$35,000 or more and homeowners with incomes between \$30,000 and \$35,000 who would qualify with the proceeds from a home sale (this proportion was estimated based on the homeownership rates for each age cohort).

Senior householders with incomes of \$35,000 allocating 65% of their income toward base housing cost could afford beginning rents of \$1,900. Householders with incomes of \$30,000 allocating 65% of their income toward rent and using the proceeds from an older home sold at the median sale price in the PMA (\$98,000) could afford rents of nearly \$1,800 per month. These rents are similar to monthly fees being charged at The Oaks in Luverne (ranges from \$1,564 to \$2,057).

We estimate the number of age/income/asset-qualified households in the Market Area to be 1,083 households in 2019, increasing to 1,242 households in 2024.

Demand for congregate housing is need-driven, which reduces the qualified market to only the portion of seniors who need some assistance. Thus, the age/income-qualified base is multiplied by the percentage of seniors who need some assistance with IADLs (at least three), but not six or more ADLs/IADLs, as these frailer seniors would need the level of care found in service-intensive assisted living.

According to the Summary Health Statistics of the U.S. Population: National Health Interview Survey, 2007 (conducted by the U.S. Department of Health and Human Services), the percentage of seniors having limitation in activities of daily living (bathing, dressing, toileting, transferring, eating) and instrumental activities of daily living (using the telephone, shopping, food preparation, housekeeping, laundry, transportation, taking medication, handling finances) are as follows:

Limitation in ADLs & IADLs		
Age	ADLs	IADLs
65-74 years	3.3%	6.3%
75+ years	11.0%	20.0%

It is most likely that seniors who need assistance with ADLs also need assistance with multiple IADLs, and are more likely to be candidates for service-intensive assisted living. The prime candidates for congregate living are seniors needing assistance with IADLs, but not ADLs.

SENIOR HOUSING ANALYSIS

We derive the capture rate for independent (congregate) housing by subtracting the percentage of seniors needing assistance with ADLs from those needing assistance with IADLs, which equates to 3.0% of seniors age 65 to 74 and 9.0% of seniors age 75+.

For the purposes of this report and understanding that many seniors do not view senior housing as an alternative retirement destination but a supportive living option only when they can no longer live independently, we have reduced the potential capture rates for the 65 to 74 age group to 1.5% while increasing the capture rate of the 75+ age group to 13.0%. Multiplying the senior household base by these capture rates results in Market Area demand potential for 62 congregate housing units in 2019 and 70 units in 2024.

SENIOR HOUSING ANALYSIS TABLE 4 INDEPENDENT (CONGREGATE) LIVING DEMAND PRIMARY MARKET AREA 2019 & 2024				
	2019		2024	
	Age of Householder		Age of Householder	
	65-74	75+	65-74	75+
# of Householders w/ Incomes of \$35,000+ in 2019 / \$40K in 2024 (plus)	642	353	750	404
# of Hhldrs w/ Incomes of \$30K-\$35K in 2019 & \$35K-\$40K in 2024 (times) Homeownership Rate (equals) Potential Market	+ 47	60	+ 52	54
	x 88%	78%	x 88%	78%
	= 41	47	= 46	42
(equals) Total Potential Market Base	= 683	400	= 796	446
(times) Potential Capture Rate of Independent Living Demand ¹ (equals) Potential Demand	x 1.5%	13.0%	x 1.5%	13.0%
	= 10	+ 52	= 12	+ 58
Total Local Demand Potential (plus) Demand from Outside the PMA (20%) (equals) Total Demand Potential	= 62	16	= 70	17
	+ 16	= 78	+ 17	= 87
(minus) Existing & Pending Competitive Units ²	- 27	= 51	- 27	= 60
(equals) Excess Independent Demand Potential	= 51		= 60	
(times) Percent capturable in Luverne	x 75%		x 75%	
(equals) Number of Units Supportable in Luverne	= 38		= 45	
¹ The potential capture rate is derived from data from the Summary Health Statistics for the U.S. Population: National Health Interview Survey, 2007 by the U.S. Department of Health and Human Services. The capture rate used is the percentage of seniors needing assistance with IADLs, but not ADLs (seniors needing assistance with ADLs typically need assistance with multiple IADLs and are primary candidates for service-intensive assisted living.).				
² Competitive existing and pending units at 95% occupancy (market equilibrium).				
Source: Maxfield Research & Consulting, LLC				

SENIOR HOUSING ANALYSIS

We estimate that seniors currently residing outside the Market Area will generate 20% of the demand for congregate senior housing – increasing total demand by 16 congregate units in 2019. This demand consists primarily of parents of adult children living in the Market Area, individuals who live just outside the Market Area and have an orientation to the area, retirees who wish to relocate to the area and former residents who want to return upon retirement. Together, the demand from Market Area seniors and demand from seniors who would relocate to the Market Area totals 78 congregate units in 2019 and 87 units in 2024.

Next, existing and pending congregate units are subtracted from overall demand. We identified one 28-unit project in the PMA. Overall, we subtract 27 competitive rental units from the 2019 demand potential after accounting for a 5% vacancy rate. We would then incorporate pending congregate units in the PMA and subtract the total from the 2024 demand potential, although we did not identify any independent living projects planned or under construction in the PMA.

Due to factors such as the geographic distribution of senior households in the PMA along with the location of services (medical, religious, retail, etc.) in the PMA, we anticipate that the City of Luverne can capture 75% of the excess demand potential in the PMA. Based on this capture rate, we find demand for 38 congregate units in Luverne in 2019, expanding to 45 congregate units in 2024.

Assisted Living Demand Estimate

Senior Housing Analysis Table 5 presents our demand calculations for assisted living housing in the PMA in 2019 and 2024. This analysis focuses on the potential *private pay/market rate* demand for assisted living units in the PMA. The availability of more intensive support services such as meals, housekeeping and personal care at assisted living facilities usually attracts older, frailer seniors. According to the 2009 Overview of Assisted Living (which is a collaborative research project by the American Association of Homes and Services for the Aging, the American Seniors Housing Association, National Center for Assisted Living, and National Investment Center for the Seniors Housing and Care Industry), the average age of residents in freestanding assisted living facilities was 87 years in 2008.

Hence, the age-qualified market for assisted living is defined as seniors ages 75 and over, as we estimate that of the half of demand from seniors under age 87, almost all would be over age 75. In 2019, there are an estimated 1,322 seniors ages 75 and over in the PMA and we project that this number will increase to 1,448 in 2024.

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 Centers for Disease Control and the National Center for Health Statistics (Health, United States, 1999 Health and Aging Chartbook), about 35% 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).

SENIOR HOUSING ANALYSIS

Applying these percentages to the senior population yields a potential assisted living market of an estimated 502 seniors in the PMA in 2019 and 529 seniors in 2024.

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 a high proportion 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.

An estimated 78% of age 75+ households in the PMA are homeowners and the estimated median sale price for homes likely owned by seniors in Rock County was \$98,000 as of the end of 2018. Seniors selling their homes for the median price would generate roughly \$92,120 in proceeds after selling costs. With an average monthly fee of \$3,500, these proceeds would last over two years (26 months) in assisted living housing, which is slightly longer than the average length of stay in assisted living (20 months according to the 2009 Overview of Assisted Living).

For the age groups in the following table, we estimate the income-qualified percentage to be all seniors in households with incomes at or above \$40,000 (who could afford monthly rents of \$3,500+ per month) plus 40% of the estimated seniors in owner households with incomes below \$40,000 (who will spend down assets, including home-equity, to live in assisted living housing). This results in a total potential market for 253 units from the PMA as of 2019.

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, or 59% based on Census data. This results in a total base of 149 age/income-qualified singles. The 2009 Overview of Assisted Living found that 12% of residents in assisted living were couples. Including couples results in a total of 169 age/income-qualified seniors needing assistance in the PMA in 2019.

We estimate that 60% of the qualified market needing significant assistance with ADLs could 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 market penetration rate of 40% results in demand for 68 assisted living units in 2019.

SENIOR HOUSING ANALYSIS

SENIOR HOUSING ANALYSIS TABLE 5 MARKET RATE ASSISTED LIVING DEMAND PRIMARY MARKET AREA 2019 & 2024						
Age group	2019			2024		
	People	Percent Needing Assistance ¹	Number Needing Assistance ¹	People	Percent Needing Assistance ¹	Number Needing Assistance ¹
75 - 79	455	25.5%	116	575	25.5%	147
80 - 84	343	33.6%	115	383	33.6%	129
85+	524	51.6%	271	490	51.6%	253
Total	1,322		502	1,448		529
Percent Income-Qualified ²			50%			51%
Total potential market			253			270
(times) Percent living alone			x 59%			x 59%
(equals) Age/income-qualified singles needing assistance			= 149			= 159
(plus) Proportion of demand from couples (12%) ³			+ 20			+ 21
(equals) Total age/income-qualified market needing assistance			= 169			= 180
(times) Potential penetration rate ⁴			x 40%			x 40%
(equals) Potential demand from PMA residents			= 68			= 73
(plus) Proportion from outside the PMA (20%)			+ 17			+ 18
(equals) Total potential assisted living demand			= 85			= 91
(minus) Existing market rate assisted living units ⁵			- 42			- 55
(equals) Total excess market rate assisted living demand			= 43			= 36
(times) Percent capturable in Luverne			x 85%			x 85%
(equals) Number of Units Supportable in Luverne			= 37			= 31
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 or more (who could afford monthly rents of \$3,000+ per month) plus 40% of the estimated owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing).						
³ The 2009 Overview of Assisted Living (a collaborative project of AAHSA, ASHA, ALFA, NCAL & NIC) found that 12% of assisted living residents are couples.						
⁴ We estimate that 60% of the qualified market needing assistance with ADLs could either remain in their homes or reside at less advanced senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility.						
⁵ Existing and pending units at 93% occupancy, minus units estimated to be occupied by Elderly Waiver residents.						
Source: Maxfield Research & Consulting, LLC						

A portion of demand for assisted living units in the PMA (20%) will come from outside the PMA. This secondary demand includes seniors currently living just outside the PMA, former residents, and parents of adult children who desire supportive housing near their adult children. Applying this figure results in total potential demand⁵ for 85 assisted living units in 2019.

SENIOR HOUSING ANALYSIS

Next, existing assisted living units are subtracted from overall demand. There are four existing properties in the PMA with a total of 79 assisted living units. However, we adjust the number of competing units based on location. We then exclude estimated units occupied by low-income seniors utilizing Elderly Waivers (20%).

After subtracting the existing units (minus a 7% vacancy factor) from the total demand equals excess demand potential for 43 assisted living units in the PMA in 2019. Because assisted living vacancy is above equilibrium (7% vacancy) in the PMA, we add in the number of existing units that will need to be leased for the market to reach equilibrium (13 units). With the addition of these units, excess demand contracts to 36 units in 2024.

We anticipate that the City of Luverne could capture roughly 85% of the excess demand for a total of 37 assisted living units in 2019 and 31 units in 2024.

Demand for Memory Care Senior Housing

Senior Housing Analysis Table 6 presents our demand calculations for memory care housing in the PMA in 2019 and 2024. Demand is calculated by starting with the estimated PMA senior (ages 65+) population in 2019 and multiplying by the incidence rate of Alzheimer's/dementia among the age cohorts in this population. This yields a potential market of about 401 seniors in the PMA. We anticipate that this number will climb to 422 in 2024.

According to data from the National Institute of Aging, about 25% of all individuals with memory care impairments are a 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 latter 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 100 seniors in the PMA in 2019 and 106 seniors in 2024.

Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing start at about \$4,500. Although some of the seniors will have high monthly incomes, most will be willing to spend down assets and/or receive financial assistance from family members to afford memory care housing.

Based on our review of senior household incomes in the PMA, homeownership rates, and home sale data, we estimate that 44% of all seniors in the PMA have incomes and/or assets to sufficiently cover the costs for 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.

SENIOR HOUSING ANALYSIS

Multiplying the potential market (100 seniors) by 44% results in a total of about 44 income-qualified seniors in the PMA in 2019. We estimate that 20% of the overall demand for memory care housing would come from outside the PMA, for a total demand of 55 units in 2019.

Next, existing memory care units are subtracted from overall demand. There is one existing property in the PMA with a total of 10 memory care units (Country Living Cottages). However, we adjust the number of competing units based on location. We then exclude estimated units occupied by low-income seniors utilizing Elderly Waivers and account for a 7% vacancy rate from the demand potential.

We anticipate that the City of Luverne can capture 85% of the excess memory care demand potential in the PMA. Based on this capture rate, we find demand for 43 memory care units in Luverne in 2019, climbing to 48 units in 2024.

SENIOR HOUSING ANALYSIS TABLE 6		
MEMORY CARE DEMAND		
PRIMARY MARKET AREA		
2019 & 2024		
	2019	2024
65 to 74 Population	1,463	1,722
(times) Dementia Incidence Rate ¹	x 2%	x 2%
(equals) Estimated Senior Pop. with Dementia	= 29	= 34
75 to 84 Population	798	958
(times) Dementia Incidence Rate ¹	x 19%	x 19%
(equals) Estimated Senior Pop. with Dementia	= 152	= 182
85+ Population	524	490
(times) Dementia Incidence Rate ¹	x 42%	x 42%
(equals) Estimated Senior Pop. with Dementia	= 220	= 206
(equals) Total Population with Dementia	401	422
(times) Percent Needing Specialized Memory Care Assistance	x 25%	x 25%
(equals) Total Need for Dementia Care	= 100	= 106
(times) Percent Income/Asset-Qualified ²	x 44%	x 45%
(equals) Total Income-Qualified Market Base	= 44	= 48
(plus) Demand from Outside the Market Area (20%)	+ 11	+ 12
Total Demand for Memory Care Units	55	60
(minus) Existing and Pending Memory Care Units ³	- 4	- 4
(equals) Excess Primary Market Area Demand Potential	51	56
(times) Percent capturable in Luverne	x 85%	x 85%
(equals) Number of Units Supportable in Luverne	43	48
¹ Alzheimer's Association: Alzheimer's Disease Facts & Figures (2007)		
² Income greater than \$60,000 in 2019 and greater than \$65,000 in 2024, plus some lower-income homeowners.		
³ Existing and pending units at 93% occupancy, minus units estimated to be occupied by Elderly Waiver residents.		
Source: Maxfield Research & Consulting, LLC		

Demand for Skilled Nursing Care

Senior Housing Analysis Table 7 on the following page presents demand calculations for skilled nursing beds in the PMA in 2019 and 2024. This analysis includes demand for long-term, short-term, respite and hospice care.

According to the Minnesota Department of Human Services, there are 381 licensed nursing facilities in Minnesota with a total of 29,604 beds (as of June 2017). Based on current population estimates for the State, this equates to an estimate of 33 nursing beds per 1,000 residents age 65 and older and 237 beds per 1,000 people age 85 and older.

Minnesota is reducing its skilled nursing bed count throughout the State as alternative care options are made available to seniors. In 2000, there were 74 beds per 1,000 people age 65 and older (520 beds for the 85 and older age group). As shown in the following figure, the bed-to-population ratios in the PMA are higher than Minnesota and the United States.

	PMA	Minnesota	United States
Beds/1,000 pp Age 65+	50	33	36
Beds/1,000 pp Age 85+	263	237	270

Sources: Minnesota Department of Human Services; Maxfield Research & Consulting, LLC

The demand methodology for nursing home beds begins with the estimated senior population in 2019 and 2024 in the age 65 to 84 cohort as well as age 85 and older. In 2019, there are an estimated 2,261 seniors ages 65 to 84 and 524 seniors age 85 and older in the PMA. We project that the age 65 and older population will increase 13.8% to 3,170 (2,680 age 65 to 84 and 490 age 85 and older) by 2024.

We apply specific utilization rates for each age cohort based on information available from the Minnesota Department of Human Services Status of Long-Term Services and Supports report. Utilization rates of 2.2% for seniors age 65 to 84 and 11.2% for age 85 and older are applied to the PMA senior population, equating to demand for an estimated 108 nursing beds from PMA seniors in 2019.

Due to a decline in disability rates, shortened nursing home stays and increased utilization of alternatives to nursing home services (i.e. home health care, assisted living facilities, memory care housing, etc.), utilization rates have been declining. The trend of declining utilization of nursing beds is projected to continue. Based on historical trends and forecast information, the 2024 utilization rates are adjusted to 1.9% for the 65 to 84 age group and 9.9% among the 85 and older age group in the PMA.

While the age 65 and older population is projected to grow, utilization rates are expected to decline. As such, total skilled nursing bed demand in the PMA is forecast to decline slightly to 99 beds in 2024.

SENIOR HOUSING ANALYSIS

As identified earlier, there are 138 skilled nursing beds in the PMA. Based on the average utilization rate for skilled nursing beds in Minnesota of 87.6% (per the Minnesota Department of Human Services Status of Long-Term Services and Supports report), there are an estimated 121 beds in the PMA serving the local population.

Subtracting the estimated number of beds serving the local population (121 beds) from the local demand (108 beds) results in negative excess demand for skilled nursing beds in the PMA in 2019 and in 2024.

As shown in the following table, it appears that the demand potential for additional skilled nursing beds in the PMA is negligible.

SENIOR HOUSING ANALYSIS TABLE 7						
SKILLED CARE DEMAND						
PRIMARY MARKET AREA						
2019 & 2024						
Age Group	2019			2024		
	Nursing Care Need*	Population	Bed Need	Nursing Care Need*	Population	Bed Need
Primary Market Area						
65 to 84	2.2%	2,261	50	1.9%	2,680	51
85+	11.2%	524	59	9.9%	490	49
Total:		2,785	108		3,170	99
			↓			↓
Local Demand			108			99
(beds/65+ pop.) - PMA			49.6			43.5
(beds/85+ pop.) - PMA			263.4			281.6
Number of Existing Beds in PMA			138			138
(times) Average Utilization Rate in MN			x 87.6%			87.6%
Total Beds Serving PMA Population			121			121
Excess Demand Potential for Skilled Nursing Beds			= -12			-21
*NOTE: Includes demand for long-term, short-term, respite and hospice care and is based on average length of stay for each component.						
Sources: Minnesota Department of Human Services; Maxfield Research & Consulting, LLC						

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 United States 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, individual properties may have income restrictions set anywhere from 30% to 80% of AMI. For example, a 30% rent limit generally applies to units that are targeted to Long-Term Homeless, while most tax credit properties are restricted to households earning 50% to 60% AMI. Properties with 80% allocations are typically financed with bonds or through a public agency (i.e. a County Community Development Agency or Economic Development Authority). Rent is not based on income but instead is a contract amount that is affordable to households within the specific income restriction segment.

Many of the affordable housing projects in southwest Minnesota are financed with Section 515 loans made by the United States Department of Agriculture's (USDA) Rural Development Housing and Community Facilities Program. These projects target very low-, low-, and moderate-income families, elderly, and persons with handicaps and disabilities. Very low-income is considered to be below 50% AMI, low-income is between 50% and 80% AMI, and moderate-income is capped at \$5,500 above the low-income limit. Top priority is given to very low-income households. Tenants pay basic rent or 30% of their adjusted income, whichever is greater.

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.

The following figure summarizes generally recognized AMI Definitions:

AREA MEDIAN INCOME (AMI) DEFINITIONS	
Definition	AMI Range
Extremely Low Income	0% to 30%
Very Low Income	31% to 50%
Low Income	51% to 80%
Moderate Income (Workforce Housing)	50% to 120%

In addition to subsidized apartments, "tenant-based" subsidies such as Housing Choice Vouchers can help lower-income households afford market rate rental housing. The Housing Choice Voucher program (also referred to as Section 8) is funded by the United States Department of Housing and Urban Development (HUD).

HOUSING AFFORDABILITY

The Program utilizes the existing private rental market to provide affordable housing for low-income families, elderly, and disabled persons. Program participants pay a minimum of 30% of their monthly adjusted income toward rent and utilities. The program pays the remainder of the rent to the landlord. The maximum income limit to be eligible for the Housing Choice Voucher program is 50% AMI based on household size. The Luverne HRA does not currently participate in the Housing Choice Voucher program.

Naturally-Occurring Affordable Housing (NOAH)

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 restrictions yet are more affordable than other units in a community are considered “naturally-occurring affordable housing (NOAH)” or “unsubsidized affordable” units.

The NOAH housing 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. These older developments are often 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

Housing Affordability Table 1 on the following page 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 a project is placed into service.

HOUSING AFFORDABILITY

HOUSING AFFORDABILITY TABLE 1 2019 INCOME LIMITS AND MAXIMUM GROSS RENTS ROCK COUNTY Effective Date: 04/24/2019								
-----Income Limits by Household Size-----								
	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
20% AMI	\$10,140	\$11,600	\$13,040	\$14,480	\$15,640	\$16,800	\$17,960	\$19,120
30% AMI	\$15,210	\$17,400	\$19,560	\$21,720	\$23,460	\$25,200	\$26,940	\$28,680
40% AMI	\$20,280	\$23,200	\$26,080	\$28,960	\$31,280	\$33,600	\$35,920	\$38,240
50% AMI	\$25,350	\$29,000	\$32,600	\$36,200	\$39,100	\$42,000	\$44,900	\$47,800
60% AMI	\$30,420	\$34,800	\$39,120	\$43,440	\$46,920	\$50,400	\$53,880	\$57,360
70% AMI	\$35,490	\$40,600	\$45,640	\$50,680	\$54,740	\$58,800	\$62,860	\$66,920
80% AMI	\$40,560	\$46,400	\$52,160	\$57,920	\$62,560	\$67,200	\$71,840	\$76,480
-----Maximum Gross Rents by Bedroom Size-----								
	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	6-BR	
20% AMI	\$253	\$271	\$326	\$376	\$420	\$463	\$506	
30% AMI	\$380	\$407	\$489	\$564	\$630	\$695	\$760	
40% AMI	\$507	\$543	\$652	\$753	\$840	\$927	\$1,013	
50% AMI	\$633	\$679	\$815	\$941	\$1,050	\$1,158	\$1,267	
60% AMI	\$760	\$815	\$978	\$1,129	\$1,260	\$1,390	\$1,520	
70% AMI	\$887	\$951	\$1,141	\$1,317	\$1,470	\$1,622	\$1,773	
80% AMI	\$1,014	\$1,087	\$1,304	\$1,506	\$1,680	\$1,854	\$2,027	
Note: For projects placed in service on or after 04/24/2019								
Sources: Minnesota Housing Finance Agency; HUD; Maxfield Research & Consulting, LLC								

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

HOUSING AFFORDABILITY TABLE 2 MAXIMUM RENT BASED ON HOUSEHOLD SIZE AND AREA MEDIAN INCOME ROCK COUNTY - 2019							
----- Maximum Rent Based on Household Size (@ 30% of Income) -----							
Unit Type	HHD Size Min - Max	30% AMI Min - Max	40% AMI Min - Max	50% AMI Min - Max	60% AMI Min - Max	80% AMI Min - Max	
Studio	1 - 1	\$380 - \$380	\$507 - \$507	\$634 - \$634	\$761 - \$761	\$1,014 - \$1,014	
1BR	1 - 2	\$380 - \$435	\$507 - \$580	\$634 - \$725	\$761 - \$870	\$1,014 - \$1,160	
2BR	2 - 4	\$435 - \$543	\$580 - \$724	\$725 - \$905	\$870 - \$1,086	\$1,160 - \$1,448	
3BR	3 - 6	\$489 - \$630	\$652 - \$840	\$815 - \$1,050	\$978 - \$1,260	\$1,304 - \$1,680	
4BR	4 - 8	\$543 - \$717	\$724 - \$956	\$905 - \$1,195	\$1,086 - \$1,434	\$1,448 - \$1,912	
Sources: MN Housing Finance Agency; HUD; Maxfield Research & Consulting, LLC							

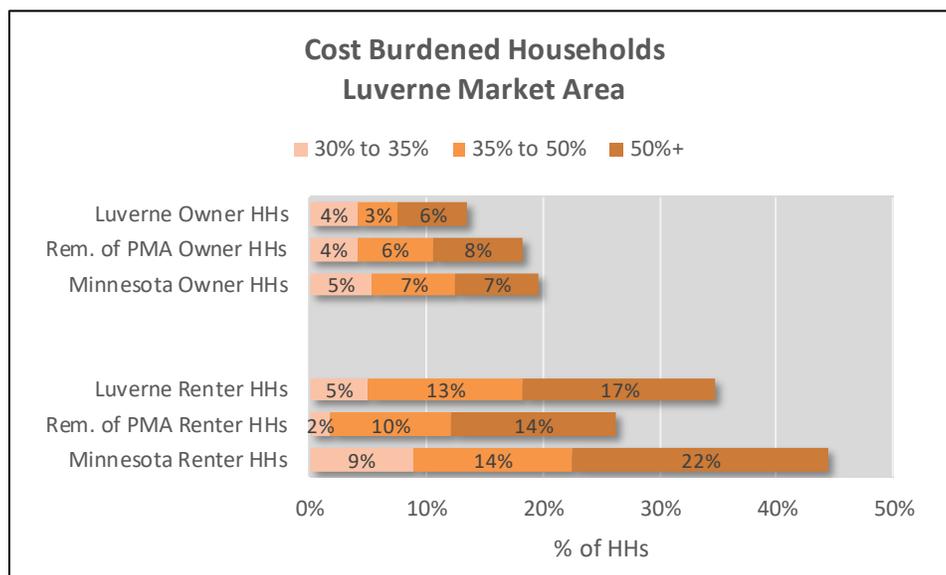
Housing Cost Burden

Housing Affordability Table 3 shows the number and percentage of owner and renter households in the PMA compared to Minnesota that pay 30% or more of their gross income for housing. This information was compiled from the American Community Survey 2017 estimates.

The Federal standard for affordability is 30% of income for housing costs. 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.

- In total, an estimated 414 households in Luverne were considered to be cost-burdened in 2017, representing roughly 21% of all households in the City. By comparison, 19% of households in the Remainder of the PMA and 27% of households in Minnesota were cost-burdened in 2017.
- An estimated 13.5% of owner households (171 households) are estimated to be paying more than 30% of their income for housing costs in Luverne, notably lower than 18.2% in the Remainder of the PMA and 19.5% in Minnesota.



- Approximately 34.8% of all renter households (243 households) pay more than 30% of their income on housing in Luverne, higher than the Remainder of the PMA (26.2%) but lower than 44.4% in Minnesota.

HOUSING AFFORDABILITY

- The number of cost burdened households increases proportionally based on lower incomes. About 67% of renters with incomes below \$35,000 are cost burdened and 36% of owners with incomes below \$50,000 are cost burdened in Luverne.
- These percentages are substantially higher in Minnesota, as 79% of renter households with incomes below \$35,000 burdened and 50% of the owner households with incomes below \$50,000 are cost burdened.
- Roughly 10% of all households in Luverne and 9% of all households in the Remainder of the PMA are severely cost-burdened (50% or more of their income toward housing costs), slightly lower than 11% in Minnesota.
- An estimated 6% of owner households and 17% of renter households are severely cost-burdened in Luverne. By comparison, 8% of owner households and 14% of renter households in the Remainder of the PMA and 7% of owner households and 22% of renter households in Minnesota are severely cost-burdened.

HOUSING AFFORDABILITY TABLE 3							
HOUSING COST BURDEN							
LUVERNE MARKET AREA							
	Luverne		Rem. of PMA		PMA		Minnesota
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Owner Households							
All Owner HHs	1,262		2,693		3,955		
Cost Burden 30.0% or greater	171	13.5%	490	18.2%	661	16.7%	19.5%
Cost Burden 30.0% to 34.9%	52	4.1%	109	4.0%	161	4.1%	5.3%
Cost Burden 35.0% to 49.9%	43	3.4%	174	6.5%	217	5.5%	7.2%
Cost Burden 50.0% or more	76	6.0%	207	7.7%	283	7.2%	7.0%
Owner HHs w/ incomes <\$50,000	471		984		1,455		
Cost Burden 30.0% or greater	171	36.3%	382	38.8%	553	38.0%	49.6%
Renter Households							
All Renter HHs	698		515		1,213		
Cost Burden 30.0% or greater	243	34.8%	135	26.2%	378	31.2%	44.4%
Cost Burden 30.0% to 34.9%	35	5.0%	9	1.7%	44	3.6%	8.8%
Cost Burden 35.0% to 49.9%	92	13.2%	53	10.3%	145	12.0%	13.7%
Cost Burden 50.0% or more	116	16.6%	73	14.2%	189	15.6%	21.9%
Renter HHs w/ incomes <\$35,000	365		193		558		
Cost Burden 30.0% or greater	243	66.6%	115	59.6%	358	64.2%	78.6%
2017 Median Contract Rent	\$495		\$403		\$461		\$816

Sources: American Community Survey, 2013-2017 estimates; Maxfield Research & Consulting, LLC

Housing Costs as Percentage of Household Income

Housing costs are generally considered affordable at 30% of a households' adjusted gross income. Housing Affordability Table 4 on the following page illustrates key housing metrics based on housing costs and household incomes in the PMA. The table estimates the percentage of householders that can afford rental and for-sale housing based on a 30% allocation of income to housing. Housing costs are based on Luverne averages. 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 3.6% interest rate (average rate in August 2019)
- Private mortgage insurance (equity of less than 20%)
- Homeowners insurance for single-family homes and association dues for townhomes
- Owner household income estimates per 2017 ACS

Rental Housing

- Background check on tenant to ensure credit history
- 30% allocation of income
- Renter household income estimates per 2017 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.

- An estimated 84% of existing owner households could afford to buy a moderately-priced entry-level single-family home (\$100,000) in Luverne.
- The proportion of income-qualified households declines as the sale price increases, and roughly 69% of existing owner households could afford to purchase a move-up single-family home priced at \$175,000. The proportion able to afford an executive single-family home priced at \$300,000 declines to 38% of existing owner households.
- An estimated 72% of existing renter households can afford to rent a one-bedroom unit in Luverne (\$499/month). The percentage of renter income-qualified households decreases to 66% that can afford an existing two-bedroom unit (\$591/month).
- An estimated 47% of renters could afford to rent a one-bedroom apartment within a new development renting for \$900 per month.

HOUSING AFFORDABILITY

HOUSING AFFORDABILITY TABLE 4 HOUSING AFFORDABILITY - BASED ON HOUSEHOLD INCOME PRIMARY MARKET AREA August 2019						
For-Sale (Assumes 10% down payment and good credit)						
	Detached Single-Family			Townhome/Condo/Twinhome		
	Entry-Level	Move-Up	Executive	Entry-Level	Move-Up	
Price of House	\$100,000	\$175,000	\$300,000	\$100,000	\$175,000	
Pct. Down Payment	10.0%	10.0%	10.0%	10.0%	10.0%	
Total Down Payment Amt.	\$10,000	\$17,500	\$30,000	\$10,000	\$17,500	
Estimated Closing Costs*	\$3,000	\$5,250	\$9,000	\$3,000	\$5,250	
Cost of Loan	\$93,000	\$162,750	\$279,000	\$93,000	\$162,750	
Interest Rate	3.60%	3.60%	3.60%	3.60%	3.60%	
Number of Pmts.	360	360	360	360	360	
Monthly Payment (P & I)	-\$423	-\$740	-\$1,268	-\$423	-\$740	
(plus) Prop. Tax	-\$125	-\$219	-\$375	-\$125	-\$219	
(plus) HO Insurance/Assoc. Fee for TH	-\$33	-\$58	-\$100	-\$150	-\$150	
(plus) PMI/MIP (less than 20%)	-\$40	-\$71	-\$121	-\$40	-\$71	
Subtotal monthly costs	-\$621	-\$1,088	-\$1,864	-\$738	-\$1,179	
Housing Costs as % of Income	30%	30%	30%	30%	30%	
Minimum Income Required	\$24,858	\$43,502	\$74,574	\$29,525	\$47,168	
Pct. of Owner HHs - PMA	83.5%	68.7%	38.2%	80.3%	65.3%	
Rental (Market Rate)						
	Existing Rental			New Rental		
	1BR	2BR	3BR	1BR	2BR	3BR
Monthly Rent	\$499	\$591	\$796	\$900	\$1,100	\$1,200
Annual Rent	\$5,988	\$7,092	\$9,552	\$10,800	\$13,200	\$14,400
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$19,960	\$23,640	\$31,840	\$36,000	\$44,000	\$48,000
Pct. of Renter Households - PMA	72.0%	65.8%	52.9%	47.2%	40.7%	37.5%
*Estimated closing costs rolled into mortgage						
Source: Maxfield Research & Consulting, LLC						

Introduction

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 Analysis*.

Demographic Profile and Housing Demand

The demographic profile of a community affects housing demand and the types of housing that are needed. The various housing life-cycle stages can generally be described as follows.

1. Entry-level householders

- Often prefer to rent basic, inexpensive apartments and will often “double-up” with roommates in apartment setting. Usually singles or couples without children in their early 20's.

2. First-time homebuyers and move-up renters

- Usually married or cohabitating couples in their mid-20's or 30's, some with children, but most are without children that prefer to purchase modestly-priced single-family homes or rent more upscale apartments.

3. Move-up homebuyers

- Typically families with children where householders are in their late 30's to 40's and prefer to purchase newer, larger, and therefore more expensive single-family homes.

4. Empty-nesters (persons whose children have grown and left home) and never-nesters (persons who never have children)

- Generally couples in their 50's or 60's that prefer owning but will consider renting their housing and some will move to alternative lower-maintenance housing products.

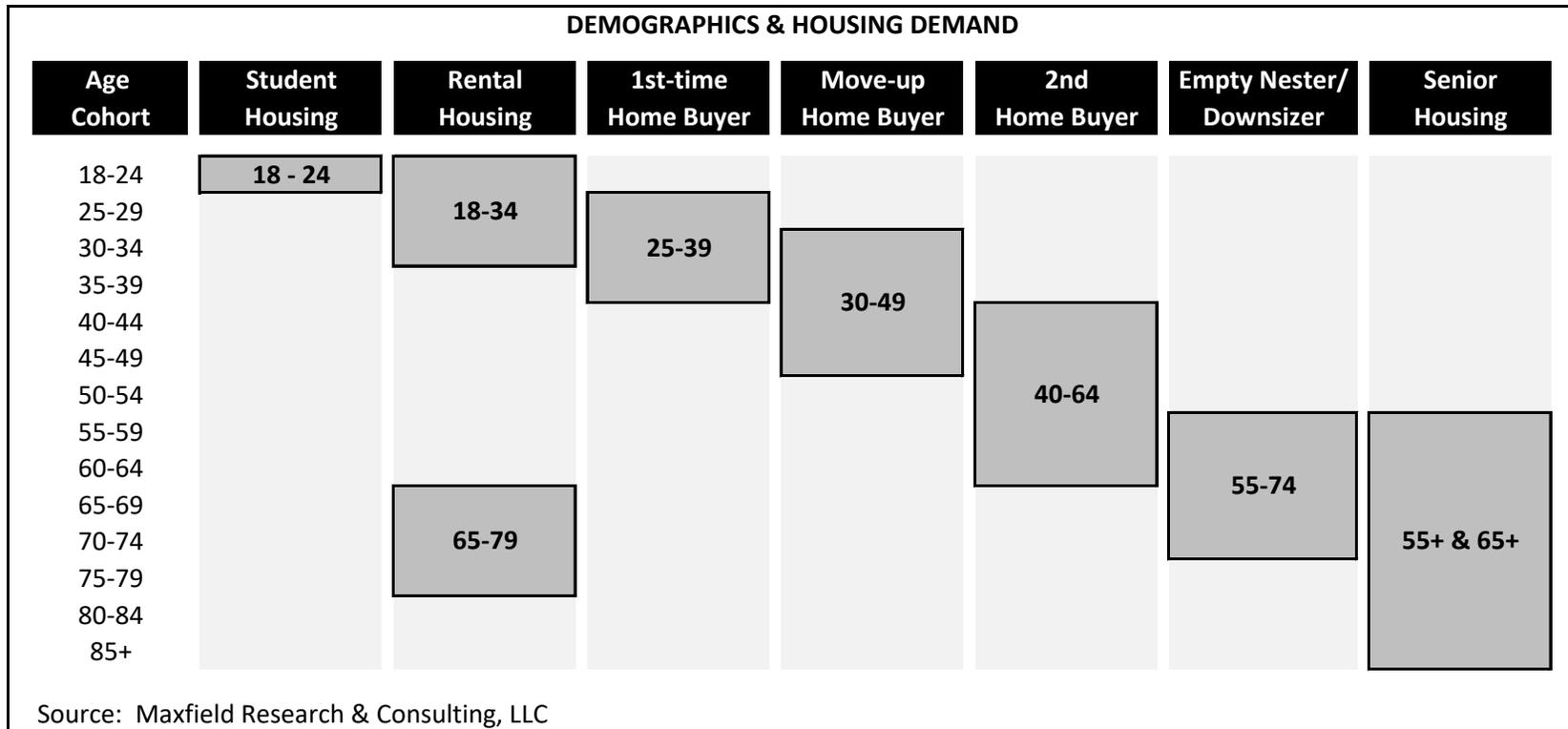
5. Younger independent seniors

- Prefer owning but will consider renting their housing and will often move (at least part of the year) to retirement havens in the Sunbelt and desire to reduce their responsibilities for housing 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.

CONCLUSIONS & RECOMMENDATIONS



CONCLUSIONS & RECOMMENDATIONS

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

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

Source: Maxfield Research & Consulting, LLC

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 vacant housing available to absorb the increase in households. Demand is also affected by shifting demographics such as the aging 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. 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.

CONCLUSIONS & RECOMMENDATIONS

Demographic shifts are a significant factor influencing housing demand. Household growth and formation are critical (natural growth, immigration, etc.), as well as household types, size, age of householders, incomes, etc.

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.

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.

The existing housing stock 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.

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

The ability of buyers to obtain mortgage financing has recently improved as lenders have eased restrictions that had been in place after the Great Recession. As a result, many borrowers have been taking the opportunity to seek for-sale housing priced within their means or refinancing their current residence.

CONCLUSIONS & RECOMMENDATIONS

Housing Demand Summary

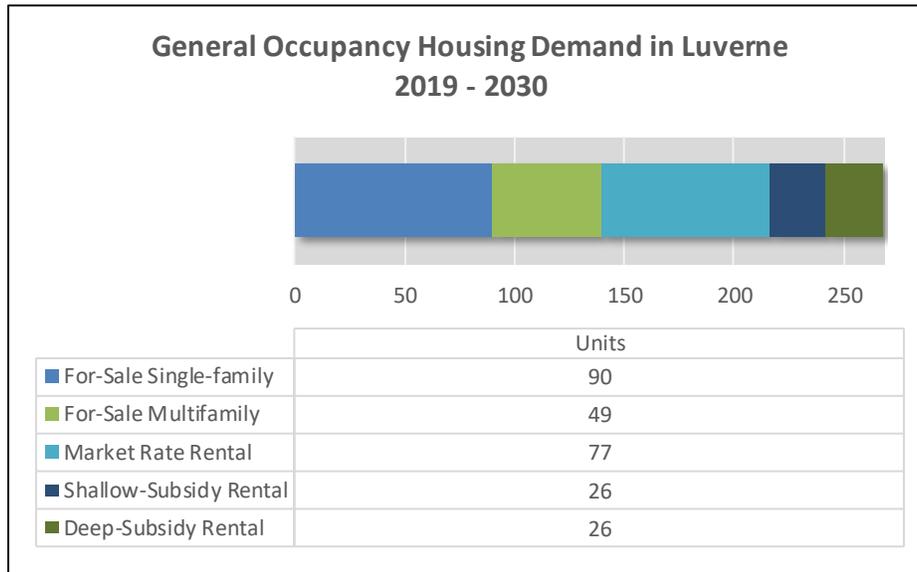
The following table and charts illustrate calculated demand by product type. Housing demand is comprised of several components, including projected household growth, pent-up demand (i.e. below equilibrium rental housing vacancy rates), and replacement needs (housing functionality or physically obsolete units).

It is important to recognize that the forecasted household growth in Luverne is limited and much of the estimated housing demand will be generated by the turnover of existing households. Satisfying the anticipated demand will be highly dependent on the availability of suitable housing options in Luverne.

CONCLUSIONS & RECOMMENDATIONS TABLE 1					
HOUSING DEMAND SUMMARY					
CITY OF LUVERNE					
August 2019					
	Demand Potential in PMA (units)		% Capturable in Luverne	Housing Demand in Luverne (units)	
General Occupancy Housing Demand 2019 to 2030					
For-Sale Units	198		70%	139	
Single-Family				90	
Multifamily				49	
General Occupancy Rental Units	170		75%	128	
Market Rate				77	
Shallow-Subsidy				26	
Deep-Subsidy				26	
Total General Occupancy Housing Units	368		73%	267	
Senior Housing Demand 2019 and 2024					
	2019	2024		2019	2024
Market Rate Active Adult	128	144	55%	70	80
Owner-Occupied	61	68	55%	33	38
Renter-Occupied	67	76	55%	37	42
Service-Enhanced Senior Housing	145	152	82%	118	124
Independent Living w/ Services	51	60	75%	38	45
Assisted Living	43	36	85%	37	31
Memory Care	51	56	85%	43	48
Affordable Active Adult	195	173	70%	136	120
Deep-Subsidy	50	41	70%	35	28
Shallow-Subsidy	145	132	70%	101	92
Total Senior Housing Units	468	469	69%	324	324
Skilled Nursing Beds	-12	-21	--	--	--
Source: Maxfield Research & Consulting, LLC					

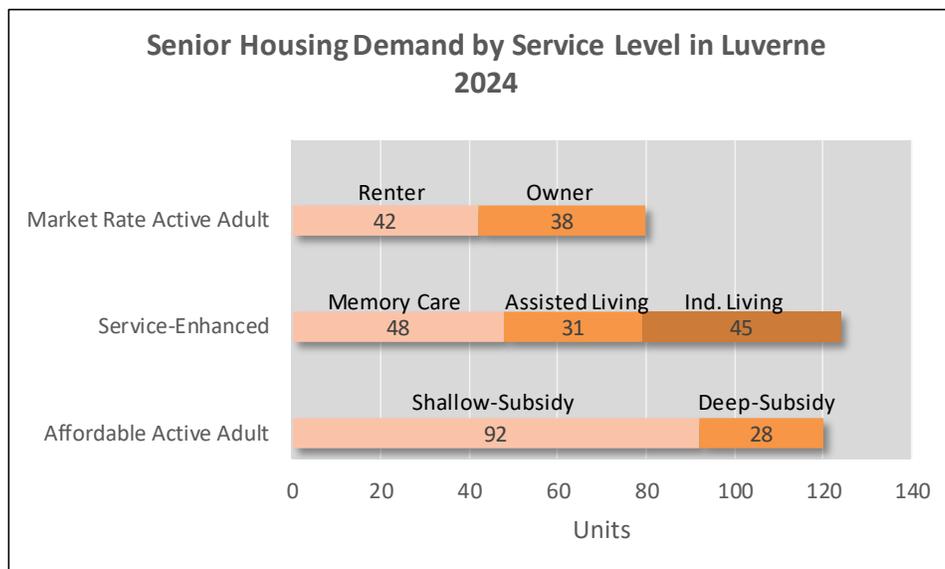
CONCLUSIONS & RECOMMENDATIONS

In total, we find demand to support 267 general occupancy housing units between 2019 and 2030, including 139 for-sale units and 128 rental units.



We also found excess demand for a total of 324 senior housing units in 2024. Of these senior units, roughly 63% would be market rate housing and the remaining 37% would be shallow-subsidy or deep-subsidy units. Demand for skilled nursing beds is negligible.

This level of senior housing demand (particularly market rate active adult) may not be realized in the short-term as many seniors, especially in rural areas, prefer to age in place and delay moving to senior housing until they need services.



Recommendations

Based on the findings of the analysis and demand calculations, Conclusions and Recommendations Tables 2 through 4 on the following pages summarize recommended development concepts for general occupancy and senior housing in Luverne through 2030. It is important to note that these proposed concepts are intended to act as a development guide to meet the housing needs of existing and future households in the City.

For-Sale Housing

Based on information gathered on for-sale properties in the City along with feedback from local officials and area real estate professionals, we provide the following conclusions regarding the for-sale housing market in Luverne. Our recommendations include a breakdown of units by price range: entry-level housing is defined as housing priced less than \$125,000; move-up housing is priced between \$150,000 and \$250,000; and, executive housing is priced over \$300,000.

- Demand was estimated at 139 units of new for-sale housing in Luverne by 2030. The general consensus is there is demand for many types of housing in the area, but based on recent sale transactions, housing demand appears to be highest for housing priced between \$100,000 and \$149,999.
- While there is a limited supply of multifamily housing in the City, multifamily housing products can be an option for buyers looking for a starter home and households seeking to downsize or don't want the responsibilities of upkeep and maintenance. As such, we estimate that 35% of the demand for new for-sale housing in the City will be multifamily units and we recommend that most for-sale multifamily units be targeted toward the entry-level market or for older households.
- Based on sales activity, home-buying demand in Luverne is strongest for homes below \$150,000, but it is difficult to build new for-sale housing in that price range. One way to provide entry-level for-sale housing is to generate household turnover by increasing the supply of move-up and executive housing.
- Entry-level home demand will primarily be satisfied by existing single-family homes as residents of existing homes purchase move-up and executive housing products built in the community.
- A move-up buyer is typically one who is selling one house and purchasing another one, usually a larger and more expensive home. The move is typically desired because of a lifestyle change, such as a new job or a growing family. The 45 to 54 and 35 to 44 age groups are target markets for move-up and executive housing.

CONCLUSIONS & RECOMMENDATIONS

- As mentioned previously, move-up housing in the City is generally priced in the \$150,000 to \$250,000 range. However, new construction housing would likely cost in excess of \$250,000. Therefore, the development of any new move-up for-sale single-family housing may necessitate a public-private partnership.
- In total, demand was identified for 90 detached single-family homes in the City between 2019 and 2030. Based on the age distribution of households along with comments from real estate professionals, we suggest that approximately 75% of the units be priced in the move-up range (68 homes) and 25% priced as executive homes (23 homes).
- Demand was also identified for 49 multifamily units. Because the multifamily target market will likely be first-time homebuyers or older householders looking to downsize, we recommend that multifamily housing be priced in the move-up range. While there would likely be demand for multifamily housing priced in the entry-level range, it would be difficult to build new multifamily housing at entry-level prices.
- The following table provides a recommended development concept for new for-sale housing in Luverne. We find that there is immediate demand for new for-sale housing in Luverne, particularly for homes priced in the move-up range.

CONCLUSIONS & RECOMMENDATIONS TABLE 2			
GENERAL OCCUPANCY FOR-SALE HOUSING RECOMMENDATIONS			
CITY OF LUVERNE			
2019 to 2030			
Product Type	% of Total	# of Units	Development Timing
Single-Family	65%	90	
Move-up (\$150,000 - \$250,000)	75%	68	2019+
Executive (over \$300,000)	25%	23	2019+
Multifamily (townhomes, condos, etc.)	35%	49	
Move-up (\$150,000 - \$250,000)	100%	49	2019+
Total For-Sale Housing	100%	139	
Move-up	84%	116	2019+
Executive	16%	23	2019+
Source: Maxfield Research & Consulting, LLC			

Multifamily owned products that would enable the homeowner to reduce or eliminate the burden of exterior maintenance, but yet still provide a comfortable and attractive living environment are expected to experience growing demand over the next several years.

CONCLUSIONS & RECOMMENDATIONS

While empty-nesters and independent seniors are, in growing numbers, seeking more flexible living arrangements, development of these types of housing units dropped off considerably during the recession. As market pressures for these products increase, it is likely that more builders will see an opportunity to satisfy a portion of this demand. Product types such as townhomes, detached townhomes and twinhomes along with condominiums fit into this category.

In addition to empty nesters and young seniors (65 to 74 years) who are the primary target market for twinhomes and detached villas, mid-age professionals, particularly singles and couples without children, 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 an owned row home or townhome to be more affordable than purchasing a new single-family home. There is a limited supply of multifamily housing options for sale, and there may be pent-up demand for new multifamily units in the City.

Based on changing demographics over the next ten to 15 years and a growing demand for alternative housing products, demand was calculated for 49 new multifamily for-sale units in Luverne to 2030. Given the aging of the population and the high growth rate in the age 55+ population (especially 65-74 age cohorts), the City would benefit from a more diverse owner-occupied housing stock.

These attached units could be developed as twinhomes, detached townhomes or villas, townhomes/row homes, or any combination thereof. Because the primary target market is empty-nesters and young seniors, the majority of townhomes should be single-level, or at least have a master suite on the main level if a unit has 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. Some single-level living units are designed in three-, four-, or even six-unit buildings in a variety of configurations, but these are less usual. Traditionally most twinhome developments have been designed with the garage being the prominent feature of the home; Today's newer twinhomes have much more architectural detail. Many higher-end twinhome 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 residents, many of whom desire to stay in their current community if housing is available to meet their needs, will be needed into the foreseeable future. Twinhomes are also a preferred for-sale product by builders in today's market as units can be developed as demand warrants. Because twinhomes bring higher density and economies of scale to the construction process, the price point can be lower than stand-alone single-family homes but are usually more expensive than rowhomes which are built in multi-unit buildings (4, 6, or 8-unit structures).

CONCLUSIONS & RECOMMENDATIONS

Twinhomes are expected to be in demand for quite some time as older adults and seniors will move to this housing product with substantial equity in their existing single-family home and will be willing to purchase a maintenance-free home that is priced similar to their existing single-family home. Move-up twinhomes are becoming popular in many mid-size and smaller size communities in the Upper Midwest.

- *Detached Townhomes/Villas* – A recent modern alternative to the twinhome is the single-level villa product and/or rambler. This product also appeals mainly to baby boomers and empty nesters seeking a product similar to a single-family home on a smaller scale while receiving the benefits of maintenance-free living. Units are often designed with a walk-out or lookout lower level if the topography warrants. We recommend lot widths ranging from 45 to 55 feet with main-level living areas between 1,600 and 1,800 square feet.

The main level living area usually features a master bedroom, great room, dining room, kitchen, and laundry room while offering a “flex room” that could be another bedroom, office, media room, or exercise room. Owners should also be able to purchase the home with the option to finish the lower level (i.e. additional bedrooms, game room, storage, den/study, etc.) and some owners may want a slab-on-grade product for affordability reasons. Finally, builders could also provide the option to build a two-story detached product that could be mixed with the single-level villa product.

Pricing for a detached townhome/villa is traditionally more expensive than twinhomes due to larger lot sizes. Villa-style homes may often be priced equal to single-family homes in some communities where buyers prefer the lifestyle of the villa rather than a single-family home, but do not want to reduce the in-unit amenities.

- *Side-by-Side and Back-to-Back Townhomes* – This product is designed with three or four or more separate living units in one building and can be built in a variety of configurations. With the relative affordability of these units and multi-level living, side-by-side and back-to-back townhomes have the greatest appeal among entry-level households without children, young families and singles and/or roommates across the age span. 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; empty-nester and young senior households often have substantial equity from the sale of their single-family homes to dedicate toward the purchase of a new residence.

In general, side-by-side townhomes were slow to recover from the recession in terms of pricing. Many townhome developments throughout the Upper Midwest had a substantial portion of foreclosures and were, therefore, attractive for real estate investors who purchase the units and then rented them out. New construction townhomes could be considered as a viable owner-occupied product, but we recommend an initial focus on twinhomes for the empty-nester and young senior market segment.

CONCLUSIONS & RECOMMENDATIONS

General Occupancy Rental Housing

Our review of market conditions indicates that the general occupancy rental housing market is performing well in Luverne with vacancy rates at or below equilibrium. The equilibrium vacancy rate for rental housing is considered to be 5.0%, which allows for normal turnover and an adequate supply of alternatives for prospective renters.

The inventory of rental properties in the PMA was 2.9% vacant as of August 2019, including a 2.8% vacancy rate among the affordable/subsidized properties and a 3.1% vacancy rate in the market rate properties.

Many renter households seek newer rental housing with modern features and amenities (i.e. central air conditioning, garage parking, stainless steel or black kitchen appliances, solid-surface countertops, high ceilings, walk-in closets, in-unit laundry). Because of the older age of the rental housing stock in Luverne, modern features and amenities are not being offered at many properties, curbing demand from many potential renters.

Job growth in Luverne and surrounding area (i.e. Sioux Falls) will likely generate rental housing demand over the next several years. Additionally, there continues to be more lifestyle renters in the market, those with busy professional lives and people who prefer to spend their free time in leisure pursuits rather than on upkeep and maintenance of a home.

The strongest sources of demand for new rental housing will likely be young singles or couples without children in their late-20s to early-30s who work in Luverne, Sioux Falls, or other nearby communities. Mid-age households (never-nesters or empty-nesters) could also account for a portion of demand for new rental housing. These households tend to have higher incomes and desire rental housing with modern features and higher finish levels. A rental townhome development could attract family households as well as empty-nesters, and shallow-subsidy rental housing will draw from a wide variety of population segments, including; low-wage workers, single-parent households, and low-income family households.

The development of new general occupancy rental housing could benefit residents of Luverne by increasing the variety of housing in the community and providing housing opportunities for a market that currently has limited options available.

Due to the positioning of much of the existing rental supply, a significant portion of the market rate units are priced at or below guidelines for affordable housing, which indirectly satisfies some demand from households that income-qualify for financially assisted housing. However, today's renter base is seeking newer rental properties with additional and updated amenities that are not offered in older developments. The majority of rental properties in Luverne do not provide modern features and amenities.

Conclusions and Recommendations Table 3 provides a summary of the recommended mix of general occupancy rental housing including unit type, monthly rents, and development timing.

CONCLUSIONS & RECOMMENDATIONS

Due to the limited supply of available rental housing units in the PMA, there appears to be an immediate need for new rental housing in Luverne.

The recommendations in this table are intended to reflect a potential development concept for individual developments. Total general occupancy rental demand between 2019 and 2030 exceeds the number of units shown in the table.

Based on our analysis, Luverne can accommodate a total of 77 new market rate rental housing units, 26 shallow-subsidy units, and 26 deep-subsidy units through 2030. Deep-subsidy projects are no longer being built as available funding is very limited. Rural Development would typically have rental assistance to support very low-income households.

CONCLUSIONS & RECOMMENDATIONS TABLE 3 RECOMMENDED RENTAL HOUSING DEVELOPMENT CITY OF LUVERNE 2019 to 2030				
	Monthly Rent Range ¹	No. of Units	Development Timing	
Market Rate Rental Housing				
Apartment-style	\$850/1BR - \$1,000/2BR	24 - 30	2019+	
or - Townhomes	\$1,100/2BR - \$1,300/3BR	14 - 16	2019+	
Affordable Rental Housing				
Apartment- or Townhome-style	Moderate Income ²	24 - 26	2019+	
¹ Pricing in 2019 dollars. Pricing can be adjusted to account for inflation. ² Affordability subject to income guidelines per US Department of Housing and Urban Development (HUD)				
Note - Recommended development concepts represent a hypothetical potential project and do not necessarily reflect total calculated demand				
Source: Maxfield Research & Consulting, LLC				

- Market Rate Rental** – We recommend a small middle- to upper-market rental project with 24 to 30 units that could attract a diverse resident profile; including young singles and couples across all ages. To appeal to a wide target market, we suggest a project with a mix of one- and two-bedroom units. Larger two-bedroom units would be attractive to married couples without children as well as empty-nesters downsizing from a single-family home. Monthly rents (in 2019 dollars) should average from \$850 for a one-bedroom unit to \$1,000 for a two-bedroom unit. Average market rate rents in Luverne are approximately \$0.64 per square foot, however monthly rents in a new construction project should range from about \$1.15 to \$1.25 per square foot, depending on unit type, to be financially feasible. Monthly rents can be trended up by 2.0% annually prior to occupancy to account for inflation depending on overall market conditions.

CONCLUSIONS & RECOMMENDATIONS

Because of construction and development costs, it may be difficult for a market rate apartment to be financially feasible with rents lower than the suggested per square foot price. Thus, for this type of project to become a reality, there may need to be a public – private partnership to reduce development costs and bring down the rents or the developer will need to provide smaller unit sizes.

New market rate rental units should be designed with contemporary amenities that include open floor plans, higher ceilings, in-unit washer and dryer, full kitchen appliance package, central air-conditioning, garage parking, and outdoor recreation (fire pit, grilling area, etc.)

- Market Rate General Occupancy Rental Townhomes– We believe that demand exists for rental townhome units for empty-nesters and families, including those families who are new to the community and want to rent until they find a home for purchase.

As an alternative to an apartment-style building, we recommend a 14 to 16-unit project with rents of approximately \$1,100 for two-bedroom units to \$1,300 for three-bedroom units. Units should be larger than in an apartment development and feature contemporary amenities (i.e. in-unit washer/dryer, appliances, kitchen island, high ceilings, etc.), an attached two car garage, and the development should provide some open/green space.

- Shallow-Subsidy General Occupancy Multifamily Housing– We estimate that demand exists for a total of about 26 shallow-subsidy units in Luverne. Shallow-subsidy housing attracts households that cannot afford market rate housing units but do not income-qualify for deep-subsidy housing. Shallow-subsidy projects attract a broad group of tenants based on the unit type. One-bedroom units target singles and couples, whereas two and three-bedroom units target families. Some retired seniors would also be attracted to an affordable concept.

Although there is an older supply of apartment units in Luverne that indirectly serves as affordable housing, we recommend a shallow-subsidy concept that would target residents at 40% to 60% AMI. We recommend a project with one, two- and three-bedroom units. Units should feature central air conditioning, full appliance package, in-unit washer/dryer, and an attached one/two car garage.

- Deep-Subsidy Rental Housing– Subsidized housing receives financial assistance (i.e. operating subsidies, rent payments, etc.) from governmental agencies in order to make the rent affordable to low-to-moderate income households.

Although we find demand for 26 deep-subsidy rental housing units through 2030, this housing is very difficult to develop financially. A new subsidized or public housing development would have pent-up demand. But since this housing is challenging to develop, an alternative to a multifamily structure is to acquire single-site housing structures to meet a portion of this demand.

CONCLUSIONS & RECOMMENDATIONS

Through the Section 811 Supportive Housing for Persons with Disabilities program, HUD provides funding to develop and subsidize rental housing with support services available for very low- and extremely low-income adults with disabilities. A Section 811 deep-subsidy project in Luverne would meet a need by providing housing for this special needs population.

We believe the addition of the rental developments suggested above will provide greater housing choices and will continue to serve the needs of households that live and/or currently work in Luverne.

Senior Housing

As illustrated in Conclusions and Recommendations Table 1 demand exists for a variety of senior housing products in Luverne through 2024. Development of additional senior housing is recommended in order to provide housing opportunity to these residents as they age.

The development of additional senior housing serves a two-fold purpose in meeting the housing needs in the City: 1) older adult and senior residents are able to relocate to new age-restricted housing, and 2) existing homes and rental units that were occupied by seniors become available to other new households. Development of additional senior housing does not mean the housing needs of younger households are neglected; it simply means that a greater percentage of this housing need is satisfied by housing unit turnover.

Conclusions and Recommendations Table 4 on the following page provides a summary of the recommended mix of senior housing units by service level including product type, monthly rents, and development timing.

- **Market Rate Active Adult** – Total demand was projected for about 42 market rate active adult rental units in Luverne in 2024. It is likely there are seniors who currently reside in general occupancy housing that would consider a newer active adult rental product. In addition, there may be seniors who no longer want the burden of the maintenance of homeownership and would like the choice of an active adult rental product.

We also find demand for 38 active adult ownership units in 2024, but this demand could be satisfied with the development of general occupancy (not age-restricted) maintenance free, single-level living products (i.e. twinhomes or townhomes).

- **Shallow-Subsidy and Deep-Subsidy Senior Rental** – Demand was calculated for 92 shallow-subsidy active adult units through 2024. Many candidates for shallow-subsidy senior rental may be residents at older market rate rental properties. These older properties would have similar (or lower) rents that would be considered affordable for these seniors. The lack of shallow-subsidy senior housing may be due to the cost and funding associated with this type of development. We recommend shallow-subsidy senior housing developments as either stand-alone buildings or incorporated into a mixed-income development.

CONCLUSIONS & RECOMMENDATIONS

While the study shows demand for deep-subsidy units in the City, the development of deep-subsidy senior housing can be challenging. Financing subsidized senior housing is difficult as federal funds have been shrinking. Therefore, a new development would likely rely on a number of funding sources; from low-income tax credits (LIHTC), tax-exempt bonds, Section 202 program, Rural Development 515 program, Rural Development rental assistance, among others.

CONCLUSIONS & RECOMMENDATIONS TABLE 4 RECOMMENDED SENIOR RENTAL HOUSING DEVELOPMENT CITY OF LUVERNE 2024			
	Monthly Rent Range¹	No. of Units	Development Timing
Senior Housing (i.e. Age Restricted)			
Active Adult Market Rate Rental ²	\$850/1BR - \$1,100/2BR	20 - 24	2019+
Active Adult Shallow-Sub. Rental ²	Moderate Income	28 - 30	2019+
<u>Service-Enhanced Senior Housing</u>			
Catered Living ³	\$1,600 - \$4,000	40 - 45	2022+
Memory Care ⁴	\$4,500 - \$5,500	<u>16 - 20</u>	2022+
Total		104 - 119	
¹ Pricing in 2019 dollars. Pricing can be adjusted to account for inflation.			
² Alternative development concept is to combine active adult affordable and market rate active adult into mixed-income senior community			
³ Catered living is a hybrid concept of independent and assisted living service levels.			
⁴ Memory care housing could be a component of an assisted-living or service-intensive building.			
Note - Recommended development concepts represent a hypothetical potential project and do not necessarily reflect total calculated demand			
Source: Maxfield Research & Consulting, LLC			

- **Service-Enhanced Senior Housing** – We find demand for a total of 124 market rate service-enhanced units in Luverne in 2024 (45 independent living units, 31 assisted living units, and 48 memory care units). Demand will likely best be satisfied with the development a continuum of care projects, so residents can change their level of care as they age without having to relocate from the facility.

Because vacancy rates in the existing service-enhanced properties (17.1%) are currently above equilibrium, the market may not be able to support new units in the short term, particularly assisted living units. Independent living and memory care vacancies are currently below equilibrium.

However, we find excess demand for service-enhanced units in the PMA, and the growing older adult and senior population should support long-term demand for senior housing alternatives in Luverne.

CONCLUSIONS & RECOMMENDATIONS

Independent Living (Congregate) Service Level

The monthly fees should include the base monthly rent, utilities, and some assisted living services, including: social, health, wellness and educational programs; 24-hour emergency call system; and, regularly scheduled van transportation. In addition, meals and other support and personal care services should be made available to congregate residents on a fee-for-service basis. When their care needs increase, residents should be provided the option of receiving assisted living services in their existing units, either in bundled packages or a-la-carte.

Assisted Living Service Level

The fees should include the base monthly rent, utilities, and assisted living services, such as: three meals per day plus snacks; weekly housekeeping and linen service; professional activity programs and scheduled outings; nursing care management; and 24-hour on site staffing. Additional services should also be available either in service packages or a la carte for an extra monthly charge.

Memory Care Component

We suggest that any memory care units be located in a separate, secured, self-contained wing located on the first floor of the building with its own dining and common area amenities including a secure outdoor patio and wandering area. Fees should include the base rent, utilities and services such as; medication reminders, medication administration, and personal care assistance, with other service packages available a-la-carte.

Challenges and Opportunities

The previous tables identified and recommended housing types that would satisfy housing needs in Luverne through 2030. The following were identified as the greatest challenges and opportunities for developing the recommended housing types (in no particular order).

- **Affordability.** Approximately 14% of all owner households in Luverne are considered to be cost burdened, while 35% of the existing renter households in the City are considered cost burdened. By comparison, 20% of owner households and 44% of renter households are cost burdened in Minnesota.

Based on current home prices, roughly 83% of existing owner households in the PMA could afford to purchase a single-family home sold at the median sale price in Luverne (\$105,000 in 2018), although the proportion drops to 69% that could afford a move-up home priced at \$175,000. Roughly 72% of existing renter householders could afford to rent a one-bedroom unit at a market rate rental project in Luverne at an average rent of \$499 per month; however, only 47% could afford monthly rents for a one-bedroom unit priced at \$900 per month in a new rental development.

Because the cost to own a move-up home is only slightly higher than the cost to rent a new market rate rental unit, many households may choose owning over renting in the City. However, the purchasing affordability factor will decrease with continued price appreciation, and there is a growing segment of the population that is choosing rental housing over ownership housing. These households are referred to as “lifestyle renters,” those with busy professional lives and people who prefer to spend their free time in leisure pursuits rather than on the upkeep and maintenance of a home.

- **Job Growth and Unemployment.** Low unemployment often generates demand for both existing home purchases and new-home purchases. Rock County has historically maintained a lower unemployment rate than the rest of the United States. The 2018 unemployment rates of 2.3% in Rock County and 3.1% in Southwest Minnesota were below equilibrium (generally considered to be 5.0%) and lower than the United States (3.9%). Current unemployment rates have come down from highs of 5.3% (Rock County) and 6.9% (Southwest Minnesota) in 2009. Modest job growth is expected over the next several years. Luverne is projected to add 173 jobs by 2030. Potential labor force shortages and a surge in retirements are expected to slow the pace of job growth after 2020.
- **Capture Commuters.** Luverne is an importer of workers as a slightly higher number of non-residents commute into the City for work than residents leave the City for work. With an estimated 1,643 workers commuting into Luverne for employment daily, many coming from over 50 miles (17% of the commuters), there appears to be an opportunity to provide housing options for a portion of these workers.

CONCLUSIONS & RECOMMENDATIONS

- **Mortgage Rates.** Mortgage rates play a crucial role 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. While increasing earlier in 2019, mortgage rates have been near historic lows over the past several years coming out of the Great Recession.

The 30-year fixed rate mortgage according to Freddie Mac is at 3.55% for qualified buyers (August 22, 2019). A significant increase in rates (+1% or more; over 5% in the short term) would affect the housing market and could slow projected for-sale 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%.



- **Household Growth.** As highlighted in the Demographic Analysis section of this study as well as the demand calculations for general occupancy rental housing and ownership housing, household growth is projected to be fairly modest in Luverne and the PMA between 2019 and 2030. The older age cohorts are expected to experience solid growth, but more moderate growth is anticipated in the age groups (under age 65) that are typically the target market for general occupancy rental and for-sale housing. Much of the demand for new housing units will be generated by turnover of existing households. However, turnover often leads to opportunities for new households to move into the area. Population and household growth in the County will be highly dependent on the availability of suitable housing options to attract future residents.

CONCLUSIONS & RECOMMENDATIONS

- **Land Banking/Land Acquisition.** Land Banking is a program of acquiring land with the purpose of developing at a later date. After a holding period, the land can be sold to a developer (often at a price lower than market) with the purpose of developing housing. Luverne could consider establishing a land bank to which private land may be donated and public property may be held for future housing development.

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

- **Lot Supply and Residential Development Costs.** We identified a total of 27 vacant lots in five subdivisions in Luverne. Manfred Heights has 15 lots available, while Evergreen Addition and Evergreen 2nd Addition each have four lots available. There are three lots remaining in the Sybesma Subdivision and one lot available in Veteran's Addition. There are also 18 new lots pending in Luverne. As such, it appears that the supply of vacant platted lots in Luverne is not sufficient to meet demand through 2030, additional subdivision activity will be needed to support the projected demand for owner-occupied housing.

The value of building lots is often benchmarked against the value of the completed retail housing package (sales price). Target ratios for builders show that the cost of sales should be held to 70% of the purchase price; 50% for construction hard costs and 20% for the land (raw land, improvements, financing costs, etc.) However, these ratios vary considerably based on builder, product, topography, lot type, etc. An improved single-family lot should generally cost from 18% to 25% of the projected retail price of the home.

The retail price for a new construction home would likely exceed \$200,000. Approximately 86% of the homes sold in Luverne since 2017 have been priced below \$200,000 and 41% of the sales were priced less than \$100,000, suggesting that there is strong demand for modestly-priced housing in the City. As such, a public-private partnership should be explored to help alleviate the carrying costs for developers, which could bring down lot costs and generate the production of new construction housing units.

Several communities offer various types of lot incentive programs to stimulate new construction. Most lot incentive programs are offered and administered by a local economic development or housing and redevelopment agency that funds the program. In many cases, the municipalities fund the infrastructure using general obligation improvement bonds. Programs vary considerably between communities, but most have guidelines such as minimum square footages and time limits on when houses are constructed.

- **Multifamily Development Costs.** It may be difficult to construct new multifamily product with amenities today's renter's desire given market rents and development costs. According to construction costs data from the Craftsman 2016 National Building Cost Manual, construction costs in Luverne (utilizing construction averages for Southwest Minnesota) likely

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average about \$117 per square foot (in 2016 dollars) to develop based on an exceptional quality project with ten or more units. Based on an average unit size range of 650 to 800 square feet, a project would cost approximately \$81,000 to \$100,000 per unit to develop in 2019 (adjusted for inflation).

Development costs of this scale will likely require rents per square foot significantly higher than the existing product in Luverne (average of \$0.64 per square foot). Based on these costs, it will be difficult to develop stand-alone multifamily housing structures by the private sector based on current market rents. As a result, a private-public partnership or other financing programs will likely be required to spur development and potentially reduce rent levels to bridge some of the gap between existing older product and new product (i.e. tax abatement, Tax Increment Financing).

- **Economies of Scale.** Economies of scale refer to the increase in efficiency of production as the number of goods being produced is increased. Typically, companies or organizations achieving economies of scale lower the average cost per unit through increased production since fixed costs are shared over an increased number of goods. In the housing development industry, generally the more units that are constructed the greater the efficiency. For example, larger homebuilders negotiate volume discounts in materials and subcontractors, are more efficient in the land entitlement process, leverage the power of technology, and have greater access and lower costs of capital. In multifamily housing, typically the higher the number of units equates into a lower per unit costs. Because of this, construction costs in larger communities such as Sioux Falls can actually be lower than found in many smaller, rural communities like Luverne.
- **Alternative Construction Methods.** As an alternative to traditional housing construction, other construction methods could be considered to develop more affordable housing for entry level buyers and renters. One option would be modular construction, which involves constructing the home off site in a factory then delivering modular units pre-formed to the Site.

Another option is to construct residential units with Structural Insulated Panels (SIPs). SIPs are a high-performance system for residential and light commercial construction. The panels consist of an insulating form core sandwiched between two structural facings, typically oriented over strand board (OSB). SIPs are manufactured under factory-controlled conditions and can be fabricated to fit nearly any building design. The result is a building system that is extremely strong, energy efficient and cost effective. Building with SIPs generally costs the same as building with wood frame construction when you factor in the labor savings resulting from shorter construction time and less jobsite waste. Other savings are realized because smaller heating and cooling systems are required with SIP Construction.

As an example, Southwest Minnesota Housing Partnership is developing single-family homes in southwestern Minnesota utilizing SIPs. Floor plans are 2,200 square feet with an attached double-car garage, and pricing ranges from \$196,499 with an income restriction to

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\$221,200 without an income restriction. Additionally, Southwest Minnesota Housing Partnership recently developed a 48-unit three-story Low Income Housing Tax Credit apartment building using SIPs construction for approximately \$94 per square-foot.

- **Housing Programs.** Many local governments offer housing programs designed to enhance, improve, or develop new housing stock. The topics in this section are designed to provide ideas and suggestions to help the public and private sector support housing programs and incentives to spur housing opportunities in Luverne. The examples presented below identify housing tools utilized in other communities; however, this is not an all-encompassing list as many governmental agencies offers different programs based on their individual needs.

We do note that housing resources and programs have costs and require a funding source. Due to the existing housing costs and the need for economies of scale; many housing developments in the City may not be financially feasible for housing developers. In most cases, numerous funds and financing mechanisms must be in place to support housing programs. Federal funds for housing development have been declining for decades and the remaining housing programs include the Community Development Block Grant (CDBG), the HOME Investment Partnerships Program, Housing Choice Vouchers, Low-Income Housing Tax Credits (LIHTC), and USDA rural housing programs. However, local units of government are increasingly dependent on other resources to support development such as housing trust funds and housing bonds. Many of these programs target low- to moderate income households and do not provide assistance for fix-up funds, rehab loans, infrastructure, etc.

State/National 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.

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 organizations 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.

Minnesota Department of Employment and Economic Development – MN DEED offers community development funding through two programs for projects that assist communities stay vital and pursue economic development.

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- The Small Cities Development Program offers state grant funds in three general categories.
 - Housing grants provide funds to rehabilitate local housing stock. Local governments lend the funds to projects benefiting low- and moderate income persons and may be used for owner-occupied, rental, single-family or multifamily projects.
 - Public facility grants are directed toward wastewater treatment projects
 - Comprehensive grants can include housing and public facility activities.
- Workforce Housing Development Program targets communities in Greater Minnesota where housing shortages hinder the ability of businesses to attract workers. Program criteria are as follows:
 - Cities located outside of the metro area with a population exceeding 500 residents or communities with a combined population of 1,500 residents located within 15 miles of a city or an area served by a joint county-city economic development authority;
 - A vacancy rate of 5 percent or lower for at least the prior two years;
 - One or more businesses located in the project area (or within 25 miles of the area) that employ 20 full time equivalent employees;
 - A statement from participating businesses that a lack of housing makes it difficult to recruit and hire workers; and,
 - The development must serve employees of the businesses in the project area.

United States Department of Agriculture (USDA) Rural Development – Housing support is available through the “Housing and Community Assistance” program that is part of USDA Rural Development. The program is designed to improve housing options in rural communities and operates a variety of programs including: homeownership assistance, housing rehabilitation and preservation, rental assistance,

Local/Regional Resources:

The City of Luverne Residential Lot Incentive Program offers a \$2,500 credit per person on the price of a lot. A person qualifies for the \$2,500 credit if they are listed as the spouse or dependent on the applicants Federal Tax return. For example, if a family of four was to purchase a lot, qualify for the credit, complete construction, and obtain a certificate of occupancy, they are eligible to receive a \$10,000 discount on the price of the lot. The maximum credit per household is \$12,500. In the Sybesma Subdivision, a maximum credit of \$5,000 is available. The \$2,500 credit does not apply to the Manfred Heights Addition.

The Southwest Minnesota Housing Partnership offers support with a wide range of development processes and community development planning. Other services include access to low interest mortgages and closing cost assistance, rehabilitation assistance, and construction management services.

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There are some housing programs that Luverne could consider to aid and improve their housing stock. The following is a list of potential programs that could be explored.

- Remodeling Advisor: Partner with local architects and/or builders to provide ideas and general cost estimates for property owners.
- Construction Management Services: Assist homeowners regarding local building codes, reviewing contractor bids, etc. Typically provided as a service by the building department.
- Historic Preservation: Encourage residents to preserve historic housing stock in neighborhoods with homes with character through restoring and preserving architectural and building characteristics. Typically funded with low interest rates on loans for preservation construction costs.
- Foreclosure Home Improvement Program: Low-interest loans to buyers of foreclosed homes to assist home owners with needed home improvements while stabilizing owner-occupied properties. A portion of the loan could be forgivable if the occupant resides in home at least five years. Eligible participants should be based on income-guidelines (typically 80% AMI or lower).
- Rent to Own: Income-eligible families rent for a specified length of time with the end-goal of buying a home. The HRA saves a portion of the monthly rent that will be allocated for a down payment on a future house.
- Rental Collaboration: Host meetings on a regular basis (quarterly, bi-annually, or annually) with rental property owners, property management companies, Realtors, etc. to discuss key issues and topics related to the rental housing industry in Cedar Rapids.
- Home Fair: Provide residents with information and resources to promote improvements to the housing stock. Typically offered on a weekend in early spring where home owners can meet and ask questions to architects, landscapers, building contractors, lenders, building inspectors, etc.
- Home-Building Trades Partnerships: Partnership between local Technical Colleges or High Schools that offer building trades programs. Affordability is gained through reduced labor costs provided by the school. New housing production serves as the “classroom” for future trades people to gain experience in the construction industry. This program is contingent on proximity to these programs.
- Rental License: Licensing rental properties in the communities. Designed to ensure all rental properties meet local building and safety codes. Typically enforced by the fire marshal or building inspection department. Should require annual license renewal.
- Senior Housing Regeneration Program: Partnership between multiple organizations that assists seniors transitioning to alternative housing options such as senior housing, condominiums, townhomes, etc.
- Tax Abatement: A temporary reduction in property taxes over a specific time period on new construction homes or home remodeling projects. Encourages new construction or rehabilitation through property tax incentives.

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- Tax Increment Financing (TIF): Program that offers communities a flexible financing tool to assist housing projects and related infrastructure. TIF enables communities to dedicate the incremental tax revenues from new housing development to help make the housing more affordable or pay for related costs. TIF funds can be used to provide a direct subsidy to a particular housing project or they can also be used to promote affordable housing by setting aside a portion of TIF proceeds into a dedicated fund from other developments receiving TIF.
 - Waiver or Reduction of Development Fees: There are several fees developers must pay including impact fees, utility and connection fees, park land dedication fees, etc. To help facilitate affordable housing, some fees could be waived or reduced to pass the cost savings onto the housing consumer.
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- **Location and Affordable Housing.** The Luverne housing market could potentially benefit from its proximity to Sioux Falls. Housing in Luverne is relatively affordable, particularly when compared to Sioux Falls. Families seeking a rural lifestyle and quality schools could consider moving to Luverne and commuting to Sioux Falls for employment. Additionally, retirees could consider relocating to Luverne if they have family in the area or if they desire a rural environment and more affordable housing.
 - **Marketing and Promotion.** We recommend that the City of Luverne continue collecting and disseminating information on vacant residential lots as well as contact information for rental property owners and managers. This information supplements traditional residential listings being marketed by Realtors on the Multiple Listing Service and targets people seeking rental housing and available building lots in the City.

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Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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 2019

	-----Fair Market Rent by Bedroom Size-----				
	0-BR	1-BR	2-BR	3-BR	4-BR
Fair Market Rent	\$459	\$529	\$700	\$946	\$972

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

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

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Generations – A generation is a group of people born in the same time period and raised in the same geographic area. Generations exhibit comparable characteristics because they experienced similar trends at roughly the same life stage and through similar channels. In America, there are six living generations.

GI Generation: Born between 1901 and 1926, they came of age during the Great Depression and fought in World War II; also referred to as “The Greatest Generation”.

Mature/Silent Generation: Born between 1927 and 1945 during the Great Depression and World War II; also referred to as “The Lucky Few”. This was a relatively small generation as their parents had fewer children due to financial insecurity and World War II.

Baby Boomers: Born just after World War II between 1946 and 1964; also referred to as the “me” generation. Increased birth rates during the post-World War II baby boom make this a relatively large generation.

Generation X: Born between 1965 and 1980; also referred to as the “Baby Bust” generation due to a decline in the birth rate following the baby boom.

Millennials: Born between 1981 and 2000; also known as “Generation Y”, “The 9/11 Generation”, and “Echo Boomers”. Children of baby boomers, this represents the largest generation since the baby boom. Buying homes and starting families later than previous generations.

Generation Z: Born after 2001; also known as “Boomlets”, “the iGeneration”, and “Post Millennials”. Children of Generation X and will be larger and more diverse than Baby Boomer and Millennial generations.

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 2019 are as follows:

Maximum Gross Rent Rock County – 2019

	-----Maximum Gross Rents by Bedroom Size-----						
	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	6-BR
20% AMI	\$253	\$271	\$326	\$376	\$420	\$463	\$506
30% AMI	\$380	\$407	\$489	\$564	\$630	\$695	\$760
40% AMI	\$507	\$543	\$652	\$753	\$840	\$927	\$1,013
50% AMI	\$633	\$679	\$815	\$941	\$1,050	\$1,158	\$1,267
60% AMI	\$760	\$815	\$978	\$1,129	\$1,260	\$1,390	\$1,520
70% AMI	\$887	\$951	\$1,141	\$1,317	\$1,470	\$1,622	\$1,773
80% AMI	\$1,014	\$1,087	\$1,304	\$1,506	\$1,680	\$1,854	\$2,027

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 United States Department of Housing and Urban Development (HUD) to administer the housing choice voucher program. A housing subsidy is paid to the landlord directly by the public housing agency on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

Population – All people living in a geographic area.

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

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

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

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

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

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

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

Senior Housing – The term “senior housing” refers to any housing development that is restricted to people age 55 or older. Today, senior housing includes an entire spectrum of housing alternatives. Maxfield Research Inc. classifies senior housing into four categories based on the level of support services. The four categories are: Active Adult, Congregate, Assisted Living and Memory Care.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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