Housing Market Analysis and Demand Estimates for Austin, Minnesota

Prepared for:

Austin Housing and Redevelopment Authority
Austin, Minnesota

April 2005

Maxfield Research Inc.

615 First Avenue NE
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April 14, 2005

Mr. Jim Hurm
Director
Austin Housing and Redevelopment Authority
308 Second Avenue Northeast
Austin, MN 55912

Dear Mr. Hurm:

Attached is the *Comprehensive Housing Needs Assessment for Austin, Minnesota* conducted by Maxfield Research Inc. The Market projects housing demand from 2005 through 2010, and gives recommendations on the amount and type of housing that could be built in Austin to satisfy demand from current and future residents over the remainder of the decade.

The Market identifies a potential demand for 455 new housing units in Austin over the remainder of the decade (2005 to 2010), including a variety of housing products. Overall, we estimate that 65% to 70% of the demand will be for owned housing (300 to 320 new homes); including both single-family and townhome units and 30% to 35% will be for rental and senior housing (115 to 135 units). Detailed information regarding recommended housing concepts can be found in the *Conclusions and Recommendations* section at the end of the report.

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

Sincerely,

MAXFIELD RESEARCH INC.

Jay Thompson
Vice President

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Research Analyst

Attachment

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Market Impetus

Maxfield Research Inc. was engaged by the Austin Housing and Redevelopment Authority to provide an assessment of housing needs for the City of Austin, Minnesota.

Scope of Work

The scope of this Housing Market Analysis includes:

- definition of the Market Area for housing in Austin;
- an analysis of the demographic makeup of the Market Area, including a review of current and projected incomes and employment trends for the Area;
- a thorough assessment of current housing market conditions for the Market Area;
- an analysis of the for-sale housing market in Austin and its Market Area;
- an analysis of the rental housing market in Austin;
- an analysis of housing needs for the special needs population in Austin;
- an estimate of the demand for all types of housing in Austin through 2010;
- identification of planned/proposed housing developments; and
- recommendations of appropriate housing concepts to meet current and future needs of Austin residents.

The report contains primary and secondary research. Primary research includes interviews with rental property managers/owners, major employers, City staff and other community leaders involved in the housing market in Austin. All of the market data on existing/pending housing developments was collected by Maxfield Research Inc. and is accurate to the best of our knowledge. Secondary data, such as U.S. Census, is credited to the source, and is used as a basis for analysis.

Market Area Definition

In order to assess the potential demand for housing in the City of Austin, a review of demographic growth trends and characteristics was conducted for an area defined as the primary draw area, or Market Area, for housing in Austin. The Market Area is comprised of the Austin Urban Area (Austin, Mapleview, Austin Township and Lansing Township), the Remainder of Mower County and the far eastern portion of Freeborn County.

Austin grew by 550 households (+6%) during the 1990s and is projected to grow by another 800 households between 2000 and 2010. This increased household growth will create demand for various housing products in Austin this decade. Strong growth of the older adult population (due to aging of baby boomers) plus increasing homeownership rates (largely due to very low interest rates) are two key trends that will shape housing needs in Austin over the remainder of this decade.

Housing Demand Analysis and Recommendations

Based on demand generated from household growth and replacement need, but subtracting the current over supply of rental units, there is a need for an additional 455 housing units in Austin through the remainder of this decade. It is important to note that in order for Austin to realize this growth, a variety of housing options at various price points will need to be developed.

Below is a summary of recommended housing concepts to meet Austin's housing needs between 2005 and 2010, including the number of units supportable. Following the table are detailed recommendations for each housing concept.

RECOMMENDED HOUSING DEVELOPMENT
CITY OF AUSTIN
2005 to 2010

	Purchase Price/ Monthly Rent Range	No. of Units	Pct. of Total
Owner-Occupied Housing			
Single-Family			
Entry-level	$135,000 - $175,000	25 - 35	14%
Move-up	$175,000 - $275,000	55 - 60	31%
Executive	$275,000+	95 - 105	54%
Total		**175 - 200**	100%
Condominium/Townhomes			
Entry-level	$155,000 - $200,000	80 - 85	70%
Upper-end	$200,000+	35 - 40	30%
Total		**115 - 125**	100%
General OccupancyRental Housing			
Market Rate Rental housing	$550 - $750	15 - 35	100%
Total		**15 - 35**	100%
Senior Housing			
Independent	$800 - $1,300	50 - 60	59%
Assisted Living	$2,100 - $2,600	25 - 30	29%
Memory Care	$3,300 - $3,500	10 - 15	12%
Total		**85 - 105**	41%

Source: Maxfield Research Inc.

For-Sale Single-Family

- <u>*Entry Level Lots:*</u> Based on absorption of about 6 entry-level homes per year, we recommend that Austin maintain a lot supply of at least 20 entry-level lots. These entry-level lots should be priced at about $25,000 or less. **Murphy's Creek 2nd addition, with 42 proposed lots, should accommodate entry-level demand through the remainder of the decade.**

- *Move-up Lots:* With a projected annual absorption of about 12 move-up homes per year, we recommend that Austin maintain a lot supply of at least 35 move-up lots. These lots should be priced at about $30,000 to $50,000. The Meadows, scheduled to come online in 2006, should accommodate a portion of this demand. In addition to The Meadows, **an additional 30 move-up lots should be platted in the City by the end of the decade to maintain an adequate supply.**

- *Executive Lots:* We project annual absorption of about 20 executive homes in Austin over the remainder of the decade. Overall, we recommend that the Austin Urban Area maintain an available lot supply of at least 60 executive lots. **Currently, the Austin Urban Area has about 200 executive lots platted and/or approved. Based on projected absorption, these lots will accommodate demand through the remainder of the decade.**

For-Sale Multifamily

- Based on recent construction trends and the growing number of empty-nesters, we estimate that Austin can support the development of 115 to 125 for-sale multifamily units between 2005 and 2010 – or about 20 to 25 units per year.

- There is a current available supply of about 180 townhome units in five active developments in Austin, including almost 100 in the Fox Pointe subdivision (or Oak Park Village). We project that these developments will satisfy demand for one-level townhome units in Austin through the remainder of the decade – particularly for upper-end units. **Because of limited demand from younger households, we do not recommend developing two-story townhome units.** The vast majority of younger buyers will opt for existing single-family homes which would be priced similar to or lower than new two-story townhome units.

- **In addition to single-level townhomes, we also project that a small condominium development featuring one-bedroom plus den units and two-bedroom units would be successful in Austin.** The target market for these units will be older adults and seniors who wish to sell their single-family home to move into maintenance-free housing but prefer not to rent. Most of the condominium units would need to have one bedroom plus den or two bedroom units in order for the building to capture the majority of the target market. We do not recommend one-bedroom units, since the majority of buyers, even if they are single, will prefer a den or second bedroom for increased space. We recommend prices range from $140,000 to $150,000 for one-bedroom plus den units and $165,000 to $175,000 for two-bedroom units. To be competitive, units should include either underground or enclosed parking in the purchase price. The most appropriate location for a condominium building would be in or near Austin's downtown, where residents could walk to services, entertainment, and shopping.

General-Occupancy Rental

- After absorbing existing vacant units to reach stabilized occupancy in the market (25 units), demand for new general occupancy units are 15 to 35 units through 2010.

- **To appeal to young professionals and transferees, we recommend developing townhome units that feature an attached two car garage and an in-unit washer/dryer.** We suggest a project with 10 to 12 units and rents of approximately $750 to $775 for two-bedroom units and $800 to $825 for three-bedroom units.

- While we do not recommend the development of additional subsidized general-occupancy rental housing in Austin through the remainder of this decade, we find that **some of the market rate projects with modest rents are older buildings that may benefit from improvements. We recommend that landowners of these older buildings be made aware of the availability of these programs**, such as those offered by the Minnesota Housing Finance Agency (See Appendix of available housing programs).

Senior Housing

- *Adult*: The recommended condominium project (See Page 3) would satisfy most of the demand for adult senior housing in Austin through the remainder of the decade. **We do not recommend developing an additional market rate adult rental project.**

- *Congregate:* Currently, two senior housing developments with congregate units are located in Austin, with a total of 127 units. Our research indicates that **Austin can support an additional congregate project with up to 30 units by the end of the decade. However, it may be financially difficult to develop a congregate project with only 30 units. These units may need to be a component of an existing senior housing facility or of a new development that would also include assisted living and/or memory care housing.**

- *Assisted Living / Memory Care:* After accounting for 114 units in four existing assisted living facilities plus 41 units currently under construction (Our House), we found that excess demand remains for up to 30 assisted living units in Austin through 2009. **We would recommend an additional assisted living project contain about 25 units at most**. **We also recommend adding a memory care project with up to 10 to 14 units.** To accomplish this, it may be appropriate to develop these units as a wing to an existing or new assisted living facility since it would likely be financially difficult to develop a stand alone building with 14 or fewer units.

Downtown Housing

- Demand was identified to support two types of additional housing in the Downtown through the remainder of the decade. **We recommend a condominium building with up to 30 units** (See Page 3) **and market rate rental housing above downtown businesses.** The site for a new condominium building in the downtown will be critical to its success. It should be in close proximity to the core of downtown to minimize walking distance to goods and services. In addition, neighboring buildings should be of quality appearance as prospective condominium buyers will be apprehensive to purchase units with unattractive views. Adding second story rental units in downtown buildings is also a way to increase cash flow of the buildings as well as increasing the number of people who are potential retail customers.

Housing Rehabilitation

- While the majority of Austin's homes appear to be in good condition, many might not be energy efficient or there may be issues with heating, electrical, or plumbing systems simply because of their older age. **We believe that Austin could benefit from a home rehabilitation program to assist lower income homeowners improve their homes. We also recommend that the City pursue a program to purchase and demolish smaller single-family homes beyond repair and replace them with new affordable single-family homes.**

- It is our understanding through interviews that the City had demolished or moved most of the single-family homes in floodplains (140 homes prior to 2000 and 80 homes since 2000). In the September 2004 flood, however, there were still some single-family homes and a few rental housing units in low lying areas near the Cedar River that received water damage. While none of the homes that were flooded in 2004 were identified as needing to be demolished, **the City may investigate the potential to remove some additional homes that remain in flood plains.**

Housing for Special Populations

- Developmentally Disabled: While there may be a need for a small number of additional group homes, building new housing for developmentally disabled people will be difficult without an increase in funding to the Waiver program. We recommend **pursuing funds geared toward making existing affordable homes more accessible to people with physical or developmental disabilities,** since many developmentally disabled people are able to function in private housing with minimal support services.

- Mentally Ill: With the State decentralizing its services for mentally ill people there will most likely be an increased need for local facilities providing supervised permanent housing for mentally ill people. Based on our interviews, we estimate that there may be a need to increase the supply of housing for mentally ill people by 20 beds in Austin over the remainder of the decade. We suggest that over the remainder of the decade, **the Mower County Department of Human Services monitor the demand for such facilities and issue request for proposals to add new facilities on an incremental basis as demand warrants.**

- Homeless: While Austin does not have a homeless shelter, our interviews indicate that there is a small homeless population at any given time. It is likely, however, that the incident rate of homelessness in Austin would not justify the development of a homeless shelter. As an alternative, we suggest **increasing funding for existing homeless prevention programs operated by the Mower County Department of Human Services, SEMCAC, and other agencies.**

- Domestic Violence Victims: Currently, services provided by the Crime Victims Resource Center, including the exclusive use of two of the Austin HRA's family housing units are adequately serving the shelter needs of domestic violence victims in Austin.

Introduction

This section of the report examines factors related to the current and future demand for owner- and renter-occupied housing in Mower County and, specifically in the City of Austin, Minnesota. It includes an analysis of population and household growth trends and projections, employment data, projected age distribution, household income, family type, and homeownership data for the Austin Market Area. A review of these characteristics will provide insight into the demand for various types and styles of housing in Austin.

Market Area Definition

In order to assess the potential demand for housing in the City of Austin, a review of population and household growth trends and demographic and economic characteristics was conducted for an area defined as the primary draw area, or Market Area, for housing in Austin. The Market Area is comprised of the Austin Urban Area (which includes the City of Austin, Mapleview City, Austin Township and Lansing Township), the Remainder of Mower County, and the eastern end of Freeborn County (Myrtle City and London, Moscow, Newry, and Oakland Townships.) A map of the Market Area is shown on the following page.

Population and Household Growth Trends and Projections

Table 1 presents population and household growth trends for the Austin Market Area from 1980 to 2010. The data from 1980 to 2000 is from the U.S. Census, while projections for 2010 were made by Maxfield Research based on data from the State Demographic Center, recent housing construction trends, and interviews with major employers and other housing professionals in the area.

Key findings from Table 1 are:

- Austin contained 23,314 people and 9,897 households in 2000, accounting for about 58% of the Market Area's population and 60% of Market Area's household base.

- Austin, with increases of 1,407 people (+6.4%) and 550 households (+6%) during the 1990s, accounted for all of Austin Urban Area's population and household growth. The Remainder of the Market Area experienced a slight population increase (129 people, less than 1%) and household increase (148 households, 3%) during the 1990s. Overall, the Austin Market Area increased by nearly 1,160 people (+3%) and 560 households (+3.5%) during the 1990s.

- Unlike the 1990s, the Austin Market Area's population decreased by -3,270 people or –7.7% during the 1980s. The majority of the decline came from the Austin Urban Area with a decrease of -2,055 people, over half of which were from Austin. Households, on the other hand, increased by only 18 (+.1%).

Austin Market Area

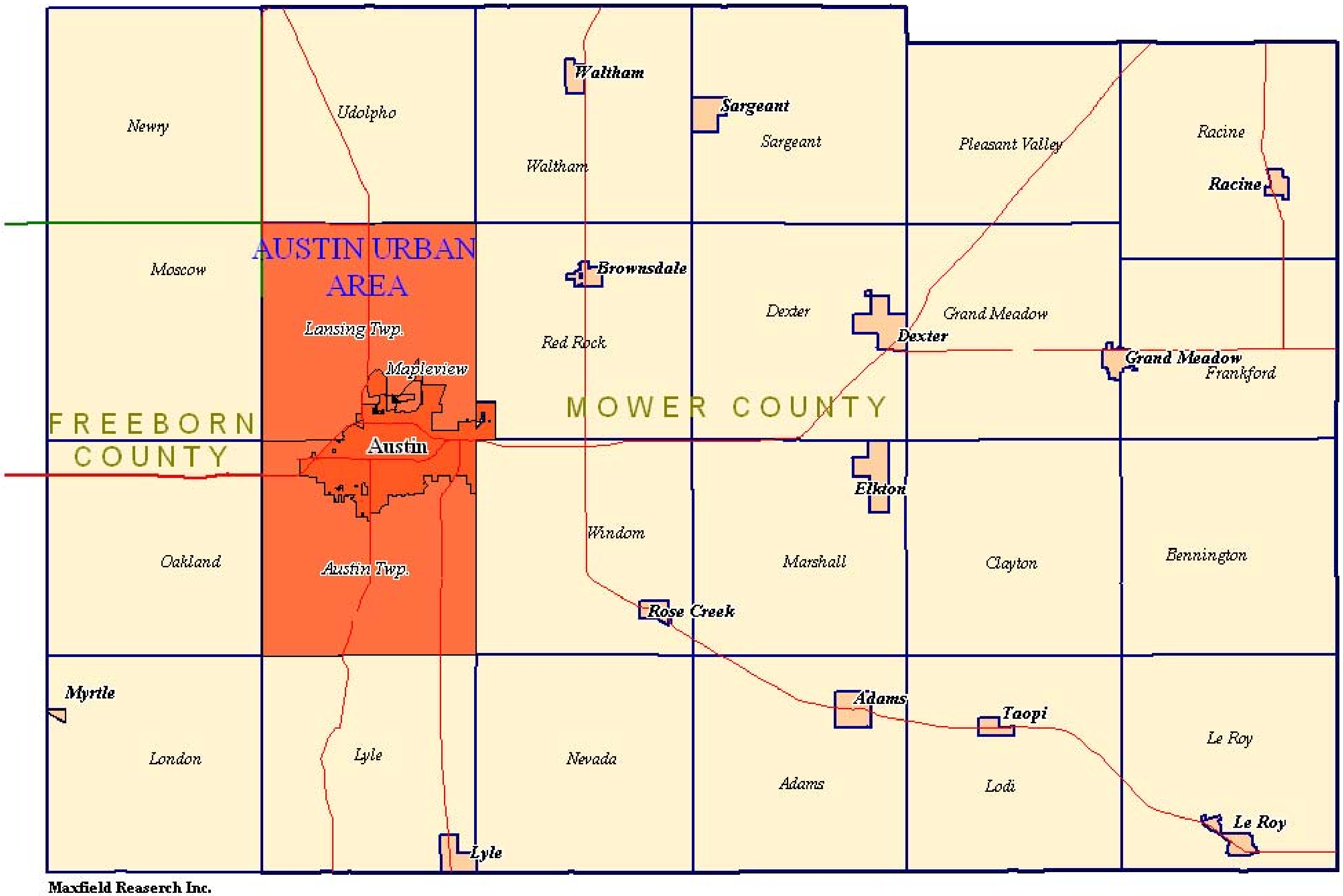
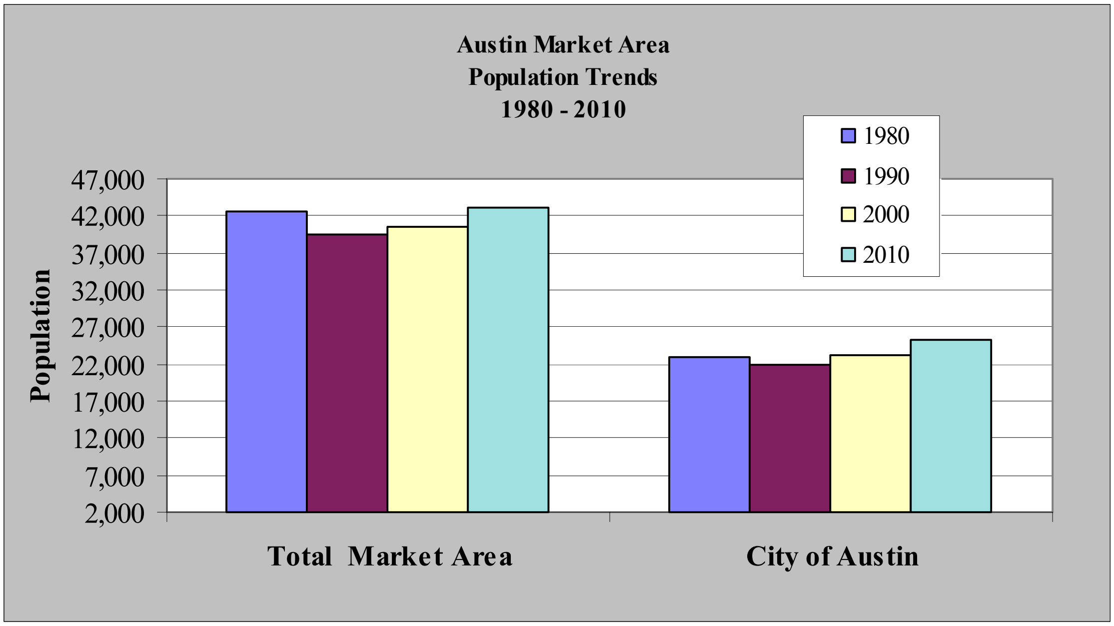


TABLE 1
POPULATION GROWTH TRENDS AND PROJECTIONS
AUSTIN MARKET AREA
1980 to 2010

	U.S. Census			Maxfield	Change					
					1980 to 1990		1990 to 2000		2000 to 2010	
	1980	1990	2000	2010	No.	Pct.	No.	Pct.	No.	Pct.
Population										
Austin City	23,020	21,907	23,314	25,250	-1,113	-4.8	1,407	6.4	1,936	8.3
Remainder of Austin Urban Area*	4,197	3,255	2,877	2,930	-942	-22.4	-378	-11.6	53	1.8
Total Austin Urban Area	27,217	25,162	26,191	28,180	-2,055	-7.6	1,029	4.1	1,989	7.6
Remainder of Market Area Total**	15,430	14,215	14,344	15,050	-1,215	-7.9	129	0.9	706	4.9
Market Area Total	**42,647**	**39,377**	**40,535**	**43,230**	**-3,270**	**-7.7**	**1,158**	**2.9**	**2,695**	**6.6**
	1980	1990	2000	2010	No.	Pct.	No.	Pct.	No.	Pct.
Households										
Austin City	9,136	9,347	9,897	10,700	211	2.3	550	5.9	803	8.1
Remainder of Austin Urban Area*	1,362	1,222	1,083	1,115	-140	-10.3	-139	-11.4	32	3.0
Total Austin Urban Area	10,498	10,569	10,980	11,815	71	0.7	411	3.9	835	7.6
Remainder of Market Area Total**	5,235	5,182	5,330	5,712	-53	-1.0	148	2.9	382	7.2
Market Area Total	**15,733**	**15,751**	**16,310**	**17,527**	**18**	**0.1**	**559**	**3.5**	**1,217**	**7.5**

*Includes Austin Twp., Mapleview City, and Lansing Twp.
**Includes Remainder of Mower County and portion of Freeborn County

Sources: U.S. Census (1980, 1990 & 2000)
Minnesota Planning
Maxfield Research Inc.

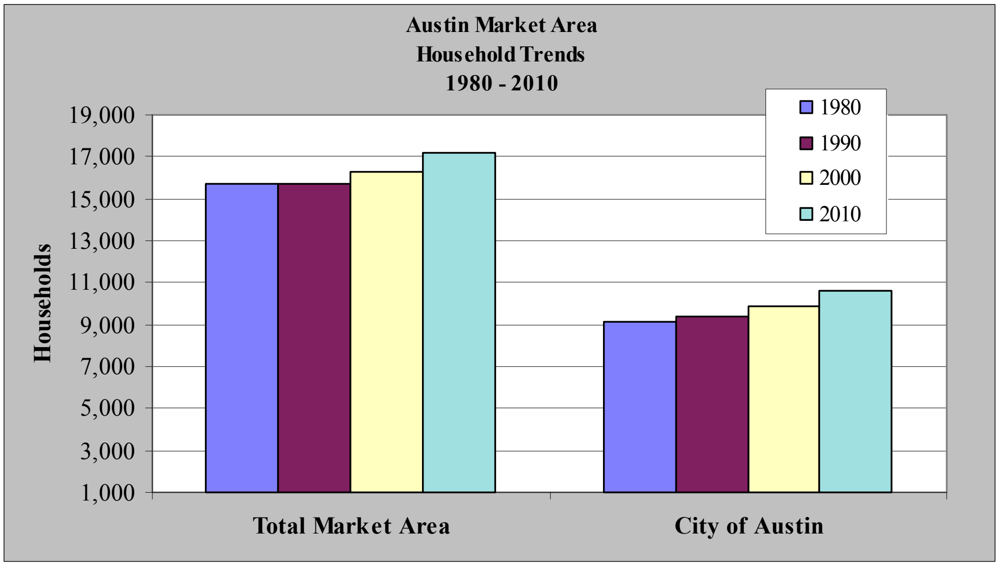


- Household growth has outpaced population growth in the Market Area during the past two decades. This is due to declining household sizes (people per household). In 1980, the average household size in the Market Area was 2.71 people per household. This declined to 2.50 in 1990 and to 2.49 in 2000. With a growing number of baby boomers becoming empty-nesters this decade, we project that the average household size in the Market Area will decline to 2.47 people per household in 2010.

- Based on our review of growth trends and projections for the State, recent trends in housing construction, as well as conversations with Austin's major employers, we project that the Austin Urban Area's population growth will continue to accelerate over this decade with a gain of 1,989 people (+7.6%) and 835 households (+7.6%) by 2010. Meanwhile, we project the Remainder of the Market Area to add 706 people and 382 households.

- Based on housing construction trends and recent population estimates by the State, we estimate that Austin has already added 450 households and 1,100 people since 2000 – resulting in a 2005 population of 24,420 and household base of 10,350. We estimate that Mower County added 690 households and 1,500 people between 2000 and 2005.

It is important to note that household growth trends are a more accurate indicator of housing needs than population growth since a household is, by definition, an occupied housing unit.



Population Age Distribution Trends

Table 2 shows the age distribution of the Market Area population in 1990 and 2000, as well as projections for 2010. The 1990 and 2000 data is from the U.S. Census. Maxfield Research Inc. projected the 2010 figures based on past population trends and data from Claritas Inc. The distribution of ages in an area helps determine the need for various types of housing, as housing needs change throughout a person's life cycle.

The following are key findings from Table 2:

- The shift in population in the Austin Urban Area between 1990 and 2000 was most noticeable in the older adult (45 to 54) and elderly (75+) age cohorts with 40% and 21% increases, respectively. The 45 to 54 and 55 to 64 age groups will see continued growth this decade as baby boomers age. Between 2000 and 2010, the 45 to 54 age group is projected to increase by an additional 619 people (+19%), while the 55 to 64 age cohort will experience the greatest growth this decade with a projected gain of 1,020 people (+45%).

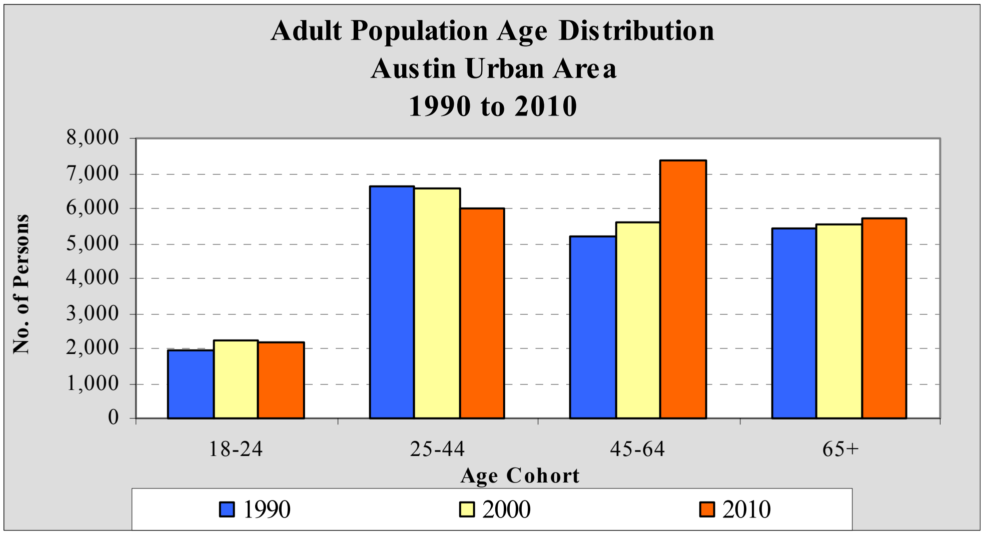
- The Remainder of the Market Area experienced a relatively similar trend to that of the Austin Urban Area between 1990 and 2000. The only difference was the majority of population growth came from the 35 to 44 and 45 to 54 age cohorts, with an increase of 625 people (35%) and 428 people (31%), respectively. In the next decade, growth is projected to increase the most in the 45 to 54 and 55 to 64 age cohorts, with an increase of 622 people (34%) and 528 people (40%), respectively.

- As the baby boom generation aged into their older adult years in the 1990s, the number of younger adults in the Austin Urban Area (25 to 34) declined by 11%. The greatest declines, however, came from the older adult (55 to 64) and senior (65 to 74) population, losing 537 people (-19%) and 387 people (-13%), respectively. The decline in younger seniors was the result of people born during the Great Depression of the late 1920s to mid 1930s (a period of lower birth rates) into their early senior years.

TABLE 2
POPULATION AGE DISTRIBUTION
AUSTIN MARKET AREA
1990, 2000 & 2010

	Number of Persons			Change			
	1990	2000	2010	1990-2000		2000-2010	
Austin Urban Area	No.	No.	No.	No.	Pct.	No.	Pct.
17 & under	5,958	6,202	6,350	244	4.1	148	2.4
18-24	1,963	2,252	2,350	289	14.7	98	4.4
25-34	3,387	3,000	3,420	-387	-11.4	420	14.0
35-44	3,258	3,573	3,140	315	9.7	-433	-12.1
45-54	2,366	3,321	3,940	955	40.4	619	18.6
55-64	2,817	2,280	3,300	-537	-19.1	1,020	44.7
65-74	2,881	2,494	2,540	-387	-13.4	46	1.8
75+	2,532	3,069	3,140	537	21.2	71	2.3
Total	**25,162**	**26,191**	**28,180**	**1,029**	**4.1**	**1,989**	**7.6**
Remainder of Market Area	No.	No.	No.	No.	Pct.	No.	Pct.
17 & under	4,168	3,989	3,970	-179	-4.3	-19	-0.5
18-24	928	1,057	1,030	129	13.9	-27	-2.6
25-34	2,048	1,446	1,650	-602	-29.4	204	14.1
35-44	1,814	2,439	1,860	625	34.5	-579	-23.7
45-54	1,400	1,828	2,450	428	30.6	622	34.0
55-64	1,431	1,322	1,850	-109	-7.6	528	39.9
65-74	1,343	1,127	1,150	-216	-16.1	23	2.0
75+	1,083	1,136	1,090	53	4.9	-46	-4.0
Total	**14,215**	**14,344**	**15,050**	**129**	**0.9**	**706**	**4.9**
Total Market Area	No.	No.	No.	No.	Pct.	No.	Pct.
17 & under	10,126	10,191	10,320	65	0.6	129	1.3
18-24	2,891	3,309	3,380	418	14.5	71	2.1
25-34	5,435	4,446	5,070	-989	-18.2	624	14.0
35-44	5,072	6,012	5,000	940	18.5	-1,012	-16.8
45-54	3,766	5,149	6,390	1,383	36.7	1,241	24.1
55-64	4,248	3,602	5,150	-646	-15.2	1,548	43.0
65-74	4,224	3,621	3,690	-603	-14.3	69	1.9
75+	3,615	4,205	4,230	590	16.3	25	0.6
Total	**39,377**	**40,535**	**43,230**	**1,158**	**2.9**	**2,695**	**6.6**

Sources: U.S. Census Bureau; Claritas, Inc.; Maxfield Research Inc.



- Households within the 45 to 64 age group are typically in their peak earning years and usually seek move-up housing while some of the older households in this age group may downsize their home as they become empty nesters – often seeking maintenance free housing.

- Due to lower birth rates during the Great Depression, the number of people age 75 and older is projected to only slightly increase in the Austin Urban Area and decline by -4% in the Remainder of the Market Area this decade. As this group is replaced by people born after 1936, the Austin Market Area's 65 to 74 population is projected to grow by 69 people this decade (+2%). It is important to note, however, that the aging of the older baby boomers will result in sizable growth in the senior population after 2010.

School Enrollment Trends

Maxfield Research reviewed recent trends in the growth of Riverland Community College (RCC) in the City of Austin over the last six years. It should be noted that during the 1997-1998 school year, the college merged with other local community colleges, (Albert Lea and Owatonna) therefore enrollment figures prior to 1999 were not comparable. Findings are displayed in Table 3. Enrollment trends are useful in that they can serve as an indicator of potential need for various types of housing.

Reviewing enrollment trends at Riverland will aid in identifying the potential demand for additional rental housing in the area, as students age 18 to 24 years predominantly rent their housing, rather than own a home.

Here are some key trends identified from our review of school enrollment growth at Riverland Community College. All enrollment figures are for the Fall semesters. Spring semesters assume about 4% to 5% lower than the Fall.

- RCC had a full-time enrollment of 1,546 students (40%) and part-time enrollment of 2,319 students (60%) during the 2004 Fall semester, for a total enrollment of 3,865 students. Since 1999, the split between full-time and part-time students has remained very stable at 40% and 60%, respectively.

TABLE 3
STUDENT ENROLLMENT
RIVERLAND COMMUNITY COLLEGE
1999-2004

Academic Year	Full-Time	Part-Time	Total	% Change
1998-1999	1,292	1,939	3,231	-
1999-2000	1,284	1,926	3,210	-0.65%
2000-2001	1,389	2,084	3,473	8.19%
2001-2002	1,538	2,308	3,846	10.74%
2002-2003	1,618	2,427	4,045	5.17%
2003-2004	1,546	2,319	3,865	-4.45%

Note: These figures represent average enrollment for the fall semester, typically the peak of enrollment at Riverland. Total figues include part-time students taking courses offered in other communities such as Albert Lea and Owatonna.

Sources: Riverland Community College
Maxfield Research Inc.

- Total enrollment includes many people from the surrounding area taking classes offered in other communities and also older adults already in established housing in Austin. According to a representative of RCC, about 55% of the students attending the school are under the age of 25.

- Between 2000 and 2002, Riverland Community College steadily increased enrollment, averaging about an 8% increase each year. It suffered a slight decline (-4.5%) in 2003, however. According to the Vice President of Student Affairs, despite the decline, enrollment figures are projected to increase by about 2% to 3% this year and for several years down the road.

Tenure by Age of Householder

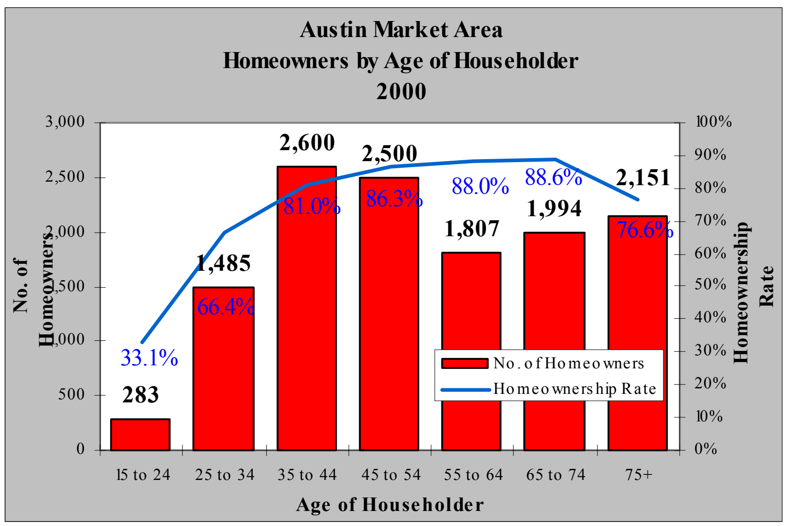
Table 4 shows the number of owner and renter households in the Austin Urban Area and the Remainder of the Market Area by age group in 1990 and 2000. The data is from the U. S. Census and shows the propensity of households to own or rent their housing based on their age. Key points from the table are:

- In 2000, 75% of the households in the Austin Urban Area owned their housing, compared to 86% in the Remainder of the Market Area. Also, the notably higher homeownership rates in the Remainder of the Market Area compared to the Austin Urban Area reflects the rural nature of the Remainder of the Market Area.

- Between 1990 and 2000, the Austin Urban Area added 475 owner households and 75 renter households. Austin alone added 484 owner households, which means there was a decline in the number of owner households in the Remainder of the Austin Urban Area. Renter households increased by 66 in the City of Austin.

- The proportion of renter households decreases significantly as householder's age. However, by the time households reach their senior years, rental housing often becomes a more viable option than homeownership. Homeownership rates peak in the Austin Urban Area in the 65 to 74 age cohort (87%) and then decline to 74% among households age 75 and over.

- In the Austin Urban Area, the 15 to 24 age group had the largest percentage (72%) of renters (478 households); while the 25 to 34 age group had the highest number of renters (598), a 39% renter rate. The 75+ age cohort had the next highest number of renters (525), with a rental rate of 26%.



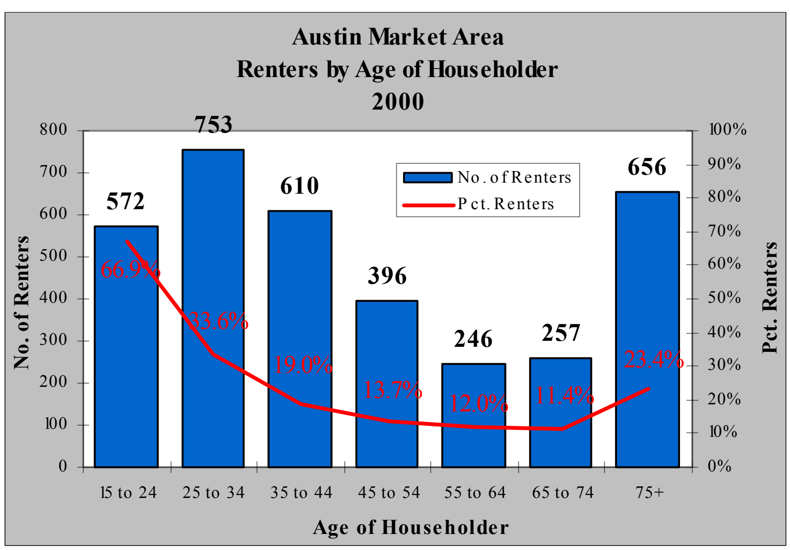


TABLE 4
TENURE BY AGE OF HOUSEHOLDER
AUSTIN MARKET AREA
1990 and 2000

	Age of Householder															
	15 to 24		25 to 34		35 to 44		45 to 54		55 to 64		65 to 74		75+		Total	
	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent
2000																
City of Austin	178	448	869	556	1,305	414	1,365	286	976	180	1,220	190	1,391	519	7,304	2,593
Pct. Own	*28.4%*		*61.0%*		*75.9%*		*82.7%*		*84.4%*		*86.5%*		*72.8%*		*73.8%*	
Austin Urban Area	187	478	953	598	1,495	451	1,599	301	1,132	184	1,365	199	1,513	525	8,244	2,736
Pct. Own	*28.1%*		*61.4%*		*76.8%*		*84.2%*		*86.0%*		*87.3%*		*74.2%*		*75.1%*	
Remainder of Market Area	96	94	532	155	1,105	159	901	95	675	62	629	58	638	131	4,576	754
Pct. Own	*50.5%*		*77.4%*		*87.4%*		*90.5%*		*91.6%*		*91.6%*		*83.0%*		*85.9%*	
Market Area Total	**283**	**572**	**1,485**	**753**	**2,600**	**610**	**2,500**	**396**	**1,807**	**246**	**1,994**	**257**	**2,151**	**656**	**12,820**	**3,490**
Pct. Own	*33.1%*		*66.4%*		*81.0%*		*86.3%*		*88.0%*		*88.6%*		*76.6%*		*78.6%*	
1990																
City of Austin	88	432	890	649	1,195	370	902	177	1,221	156	1,437	239	1,087	504	6,820	2,527
Pct. Own	*16.9%*		*57.8%*		*76.4%*		*83.6%*		*88.7%*		*85.7%*		*68.3%*		*73.0%*	
Austin Urban Area	97	452	994	699	1,398	395	1,077	188	1,394	164	1,606	248	1,203	515	7,769	2,661
Pct. Own	*17.7%*		*58.7%*		*78.0%*		*85.1%*		*89.5%*		*86.6%*		*70.0%*		*74.5%*	
Remainder of Market Area	70	102	694	306	853	156	692	62	757	68	793	48	599	121	4,458	863
Pct. Own	*40.7%*		*69.4%*		*84.5%*		*91.8%*		*91.8%*		*94.3%*		*83.2%*		*83.8%*	
Market Area Total	**167**	**554**	**1,688**	**1,005**	**2,251**	**551**	**1,769**	**250**	**2,151**	**232**	**2,399**	**296**	**1,802**	**636**	**12,227**	**3,524**
Pct. Own	*23.2%*		*62.7%*		*80.3%*		*87.6%*		*90.3%*		*89.0%*		*73.9%*		*77.6%*	
Change 1990 to 2000																
City of Austin	90	16	-21	-93	110	44	463	109	-245	24	-217	-49	304	15	484	66
Austin Urban Area	90	26	-41	-101	97	56	522	113	-262	20	-241	-49	310	10	475	75
Remainder of Market Area	26	-8	-162	-151	252	3	209	33	-82	-6	-164	10	39	10	118	-109
Market Area Total	206	34	-224	-345	459	103	1,194	255	-589	38	-622	-88	653	35	1,077	32

Sources: U.S. Census; Maxfield Research Inc.

Household Income by Age of Householder

The estimated distribution of household incomes in the Market Area for 2004 and 2009 is shown in Tables 5 and 6, respectively. The data was estimated by Maxfield Research based on income trends provided by Claritas Inc. The data helps ascertain the demand for different housing products based on the size of the market at specific cost levels.

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

A generally accepted standard for affordable owner-occupied housing is that a typical household can afford to pay 2.5 to 3.0 times their annual income on an owned home. Thus, a $50,000 income would translate to an affordable home price of $125,000 to $150,000. The higher end of this range assumes that the person has adequate funds for down payment and closing costs, but also does not include savings or equity in an existing home which would allow them to purchase a higher priced home.

The following are key points from Tables 5 and 6:

- The median household income in the Austin Urban Area in 2004 was estimated to be about $38,700. The median household income is estimated to be slightly higher in the Remainder of the Market Area – at $45,800. Typically, cities such as Austin have a lower median income than surrounding rural areas because they tend to have a greater number of lower income households living in subsidized rental housing.

- Between 2004 and 2009, the number of households in all of the age groups in the Austin Urban Area will remain relatively consistent. The largest numerical gain will be in the 55 to 64 age cohort, with a projected increase of 270 households (18%). The largest numerical decline will be in the 35 to 44 age cohort, with a projected decrease of 140 households (-7%).

- Overall, Market Area incomes are expected to increase by about 14% between 2004 and 2009, or 2.7% annually. The Austin Urban Area is expected to increase from $38,664 in 2004 to about $44,637 in 2009, a 15% increase, while the Remainder of the Market Area is projected to increase from $45,834 in 2004 to $51,468 in 2009, a 12% increase.

Non-Senior Households

- In 2004, about 22% of the non-senior households (age 15 to 64) in the Austin Urban Area had incomes under $25,000 (1,735 households). About two-thirds had incomes between $25,000 and $100,000, and about 11% had incomes of $100,000 or more. If housing costs absorb 30% of income, households with incomes of between $15,000 and $25,000 could afford a monthly housing cost of between $375 and $625. While some of the households at the upper end of this range could afford homes in Austin, most would be in the renter market. Rents for general occupancy apartments in the Austin Urban Area range from $275 to $735 per month for a one-bedroom and average about $500/month.

- Median incomes in 2004 for households in the Austin Urban Area peak at the 35 to 44 and 45 to 54 age cohorts, at $54,167 and $51,814, respectively. These households could afford to purchase a home valued at least between $135,000 to $162,500 (2.5 to 3.0 times income). Most, however, would have equity from an existing home that they could allocate toward the purchase of a higher priced home.

Senior Households

- The oldest householders have the lowest incomes in the Austin Urban Area. The 2004 median income for households age 75 and over was estimated to be just over $22,650. Over 55% of these households had incomes below $25,000, compared to 38% of households age 65 to 74. Many of these low-income older senior households rely solely on Social Security benefits. Typically, younger seniors have higher incomes as they often are still working or are couples with two pensions or higher Social Security benefits.

- Senior households (65+) with incomes greater than $25,000 could afford monthly rents of at least $830, based on a 40% allocation of income for housing. This would be sufficient to afford beginning rents at most market rate senior housing projects in Austin. About 1,731 senior households in Austin (48% of senior households) had incomes above $25,000 in 2004, and therefore could afford market rate senior housing.

- Monthly fees for assisted living in Austin begin at about $1,700. Based on an allocation of 80% of income toward assisted living housing, a senior would need an income of approximately $25,000. About 45% of the Austin Urban Area's age 75 and over household base had incomes greater than $25,000 in 2004. By 2009, about 50% of the Austin Urban Area's 75 and over population will have incomes greater than $25,000.

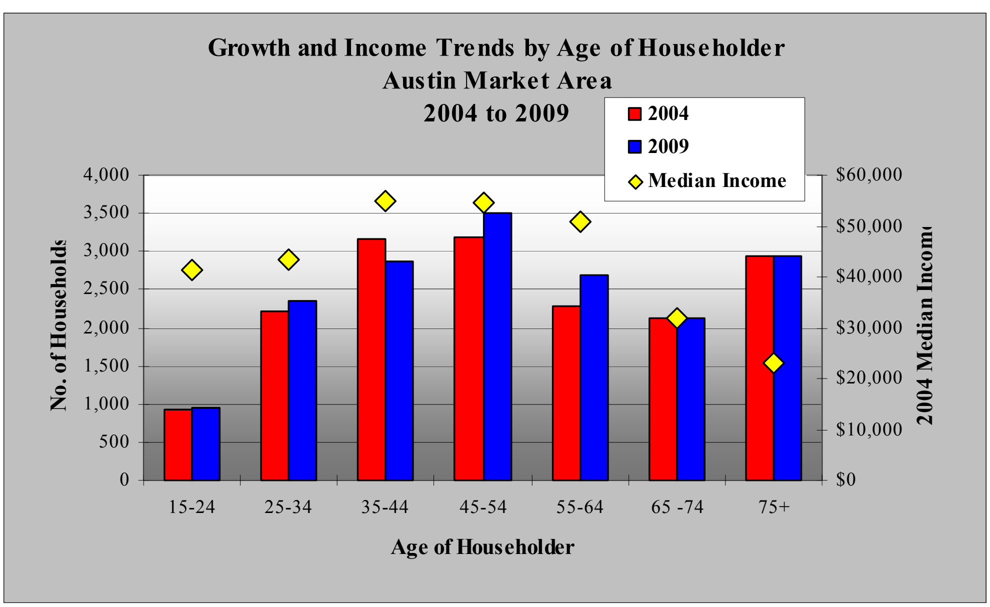


TABLE 5
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
AUSTIN MARKET AREA
(Number of Households)
2004

		Age of Householder						
	Total	**15-24**	**25-34**	**35-44**	**45-54**	**55-64**	**65 -74**	**75+**
Austin Urban Area								
Less than $15,000	1,790	200	150	192	218	123	240	669
$15,000 to $24,999	1,676	179	165	152	189	169	314	508
$25,000 to $34,999	1,740	156	306	193	271	222	275	316
$35,000 to $49,999	1,920	88	354	358	315	230	290	285
$50,000 to $74,999	2,108	66	347	514	440	422	175	144
$75,000 to $99,999	1,087	21	143	320	283	165	94	61
$100,000 or more	1,029	25	86	231	333	150	72	132
Total	11,350	735	1,550	1,960	2,050	1,480	1,460	2,115
<$25,000	3,466	379	315	344	406	292	554	1,176
$35,000+	6,144	200	929	1,423	1,372	966	631	622
Median Income	**$38,664**	**$24,360**	**$41,537**	**$54,167**	**$51,814**	**$49,767**	**$31,397**	**$22,656**
Remainder of Market Area								
Less than $15,000	579	42	39	59	68	67	116	188
$15,000 to $24,999	645	10	62	59	85	56	123	250
$25,000 to $34,999	764	61	97	151	108	103	109	135
$35,000 to $49,999	1,056	48	164	244	192	154	138	115
$50,000 to $74,999	1,337	23	209	390	333	210	104	68
$75,000 to $99,999	640	12	72	208	180	102	41	25
$100,000 or more	480	4	26	99	164	114	29	44
Total	5,500	200	670	1,210	1,130	805	660	825
<$25,000	1,224	52	101	118	152	124	238	438
$35,000+	3,512	87	471	941	869	579	312	252
Median Income	**$45,834**	**$32,881**	**$47,452**	**$55,909**	**$58,427**	**$52,691**	**$33,379**	**$23,974**
Less than $15,000	2,369	242	189	250	285	190	355	857
$15,000 to $24,999	2,321	189	227	211	273	225	437	758
$25,000 to $34,999	2,504	217	403	344	380	325	385	451
$35,000 to $49,999	2,976	137	518	602	507	383	428	400
$50,000 to $74,999	3,444	88	555	904	773	632	280	212
$75,000 to $99,999	1,727	33	216	528	464	266	134	86
$100,000 or more	1,509	29	111	330	498	264	101	176
Total	16,850	935	2,220	3,170	3,180	2,285	2,120	2,940
<$25,000	4,689	431	416	461	559	415	792	1,615
$35,000+	9,656	287	1,401	2,365	2,242	1,545	943	874
Median Income	**$41,207**	**$26,672**	**$43,414**	**$54,918**	**$54,661**	**$50,754**	**$31,961**	**$23,091**

Sources: Claritas, Inc.
Maxfield Research Inc.

TABLE 6
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
AUSTIN MARKET AREA
(Number of Households)
2009

		Age of Householder						
	Total	**15-24**	**25-34**	**35-44**	**45-54**	**55-64**	**65 -74**	**75+**
Austin Urban Area								
Less than $15,000	1,515	166	129	161	210	120	205	525
$15,000 to $24,999	1,509	167	129	112	160	145	255	540
$25,000 to $34,999	1,522	141	230	137	225	213	262	314
$35,000 to $49,999	2,060	124	382	309	328	281	315	320
$50,000 to $74,999	2,221	95	410	404	462	449	206	195
$75,000 to $99,999	1,300	19	189	333	316	263	105	76
$100,000 or more	1,612	34	171	364	503	278	112	149
Total	11,740	745	1,640	1,820	2,205	1,750	1,460	2,120
<$25,000	3,024	332	259	273	370	265	460	1,065
$35,000+	7,194	272	1,151	1,410	1,609	1,272	738	741
Median Income	**$44,637**	**$27,852**	**$48,001**	**$61,811**	**$59,665**	**$56,415**	**$35,391**	**$24,914**
Remainder of Market Area								
Less than $15,000	494	38	26	39	62	64	100	164
$15,000 to $24,999	555	12	45	46	82	63	101	206
$25,000 to $34,999	653	36	89	86	99	86	109	148
$35,000 to $49,999	1,064	55	159	197	208	172	141	132
$50,000 to $74,999	1,356	30	216	303	356	243	128	81
$75,000 to $99,999	778	19	121	214	223	129	48	25
$100,000 or more	790	9	58	166	266	193	44	55
Total	5,690	200	715	1,050	1,295	950	670	810
<$25,000	1,049	51	71	85	144	127	201	370
$35,000+	3,988	113	555	879	1,053	737	359	293
Median Income	**$51,468**	**$38,611**	**$54,395**	**$62,964**	**$63,827**	**$59,263**	**$37,590**	**$27,398**
Market Area Total								
Less than $15,000	2,009	204	155	200	272	184	305	688
$15,000 to $24,999	2,063	179	174	158	242	208	356	746
$25,000 to $34,999	2,175	177	319	223	324	299	371	462
$35,000 to $49,999	3,124	179	541	506	537	454	456	452
$50,000 to $74,999	3,577	125	626	706	818	692	333	276
$75,000 to $99,999	2,079	38	310	546	539	392	153	101
$100,000 or more	2,402	43	229	530	769	471	156	204
Total	17,430	945	2,355	2,870	3,500	2,700	2,130	2,930
<$25,000	4,073	383	330	359	514	392	661	1,434
$35,000+	11,182	385	1,706	2,289	2,662	2,009	1,098	1,034
Median Income	**$46,845**	**$30,061**	**$49,641**	**$62,305**	**$61,475**	**$57,415**	**$36,070**	**$25,668**

Sources: Claritas, Inc.
Maxfield Research Inc.

Household Type

Table 7 shows a breakdown of the type of households present in the Austin Market Area in 1990 and 2000. This data is from the U. S. Census Bureau and is useful in assessing housing demand since the household composition often dictates the type of housing needed and preferred.

Key points derived from the table are:

- During the 1990s, the Austin Market Area saw a greater decrease in the number of households that are married with children (-282 households or -7%), than households that are married without children (-175 households or -3%). This is due to couples waiting longer to have children and baby boomers aging into their empty nester years. In 1990 and 2000, married couples without children were the largest household type in the Austin Market Area with 5,505 (35% of total) and 5,330 (33% of total) households, respectively.

- The Market Area saw the largest numerical increase in other family households (a gain of 380 households or +26%) – which includes single-parents and unmarried couples with children. With only one income, many of these single-parent families are likely to need affordable housing, both rental and for-sale.

- Not far behind other families were people living alone, which saw a numerical increase of 375 households (+8.7%). This reflects the increased number of people choosing to remain single, some singles preferring not to have roommates, and also an increase in the number of seniors.

- Roommate households saw the greatest rate of growth in the Market Area during the 1990s. The number of roommates grew by 261 households (+53%). This reflects a societal trend of unmarried couples living together, students living together.

Employment Growth Trends

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

TABLE 7
HOUSEHOLD TYPE
AUSTIN MARKET AREA
1990 & 2000

	Total HH's		Family Households: Married w/ Child		Family Households: Married w/o Child		Family Households: Other *		Non-Family Households: Living Alone		Non-Family Households: Roommates	
	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000
Number of Households												
Austin City	9,347	9,897	1,890	1,849	3,135	2,960	985	1,271	2,981	3,307	356	510
Mapleview	89	88	18	10	26	26	15	15	25	31	5	6
Austin Twp.	644	507	218	140	269	201	48	56	99	87	10	23
Lansing Twp.	489	488	139	114	196	213	45	48	93	83	16	30
Total Austin Urban Area	*10,569*	*10,980*	*2,265*	*2,113*	*3,626*	*3,400*	*1,093*	*1,390*	*3,198*	*3,508*	*387*	*569*
Remainder of Market Area	5,182	5,330	1,710	1,580	1,879	1,930	385	468	1,101	1,166	107	186
Total Austin Market Area	**15,751**	**16,310**	**3,975**	**3,693**	**5,505**	**5,330**	**1,478**	**1,858**	**4,299**	**4,674**	**494**	**755**
Percent of Total												
Austin City	100.0	100.0	20.2	18.7	33.5	29.9	10.5	12.8	31.9	33.4	3.8	5.2
Mapleview	100.0	100.0	20.2	11.4	29.2	29.5	16.9	17.0	28.1	35.2	5.6	6.8
Austin Twp.	100.0	100.0	33.9	27.6	41.8	39.6	7.5	11.0	15.4	17.2	1.6	4.5
Lansing Twp.	100.0	100.0	28.4	23.4	40.1	43.6	9.2	9.8	19.0	17.0	3.3	6.1
Total Austin Urban Area	*100.0*	*100.0*	*21.4*	*19.2*	*34.3*	*31.0*	*10.3*	*12.7*	*30.3*	*31.9*	*3.7*	*5.2*
Remainder of Market Area	100.0	100.0	33.0	29.6	36.3	36.2	7.4	8.8	21.2	21.9	2.1	3.5
Total Austin Market Area	**100.0**	**100.0**	**25.2**	**22.6**	**35.0**	**32.7**	**9.4**	**11.4**	**27.3**	**28.7**	**3.1**	**4.6**
Change												
	No.	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**
Austin City	550	5.9%	-41	-2.2%	-175	-5.6%	286	29.0%	326	10.9%	154	43.3%
Mapleview	-1	-1.1%	-8	-44.4%	0	0.0%	0	0.0%	6	24.0%	1	20.0%
Austin Twp.	-137	-21.3%	-78	-35.8%	-68	-25.3%	8	16.7%	-12	-12.1%	13	130.0%
Lansing Twp.	-1	-0.2%	-25	-18.0%	17	8.7%	3	6.7%	-10	-10.8%	14	87.5%
Total Austin Urban Area	*411*	*3.9%*	*-152*	*-6.7%*	*-226*	*-6.2%*	*297*	*27.2%*	*310*	*9.7%*	*182*	*47.0%*
Remainder of Market Area	148	2.9%	-130	-7.6%	51	2.7%	83	21.6%	65	5.9%	79	73.8%
Total Austin Market Area	**559**	**3.5%**	**-282**	**-7.1%**	**-175**	**-3.2%**	**380**	**25.7%**	**375**	**8.7%**	**261**	**52.8%**

* Single-parent families

Source: US Census Bureau; Maxfield Research, Inc.

Recent employment growth trends for Mower County are shown in Tables 8, and 9. Table 8 presents resident employment data for Mower County from 2000 through 2004. Resident employment data is calculated as an annual average and reveals the work force and *number of employed people living in the County*. It is important to note that not all of these individuals necessarily work in the County. Table 9 presents covered employment in Mower County from 2004 through 2nd quarter of 2004 (the most recent available data). Covered employment data is calculated as an annual average and *reveals the number of jobs in the County*, which are covered by unemployment insurance. Most farm jobs, self-employed people, and some other types of jobs are not covered by unemployment insurance and are not included in the table. The data comes from the Minnesota Workforce Center through the Department of Economic Security.

The following are key trends derived from the employment data:

- Mower County has experienced an increase in both its labor force and the number of employed residents between 2000 and 2004. In this time period, the County's labor force increased by just over 1,000 people (5%) while the number of employed residents increased by 725 people (3.7%). This resulted in a slight increase in the County's unemployment rate from 2.6% in 2000 to 3.8% in 2004.

TABLE 8
RESIDENT EMPLOYMENT (ANNUAL AVERAGE)
MOWER COUNTY
2000 to 2004

Year	Total Labor Force	Total Employed	Total Unemployed	Unemployment Rate	Minnesota Unemployment Rate	U.S. Unemployment Rate
2000	20,002	19,482	520	2.6%	3.3%	4.0%
2001	20,533	19,919	614	3.0%	3.7%	4.7%
2002	20,843	20,121	722	3.5%	4.4%	5.8%
2003	20,991	20,128	863	4.1%	5.0%	6.0%
2004	21,003	20,207	796	3.8%	3.8%	5.2%
Change 2000-04	**1,001**	**725**	**276**	**1.2%**	**0.5%**	**1.2%**

Sources: Minnesota Workforce Center; Maxfield Research Inc.

- Mower County had 21,003 people in the labor force and 20,207 employed people in 2004. A majority of employment comes from the Hormel Foods Plant and Research & Development Center, Quality Pork Processors, Austin Public Schools, and other establishments in the City of Austin. After interviews with some of the major employers in Austin, most expressed incremental or stable growth within the last three years, with no major additions or reductions.

- Mower County's unemployment rate consistently remained at or below that of the State of Minnesota between 2000 and 2004. The County's unemployment rate was at its lowest point, 2.6%, in 2000. The 2004 annual average unemployment rate of 3.8% is equal to that of the State of Minnesota's average.

Covered Employment by Industry

- A comparison of Tables 8 and 9 shows that in 2004, the number of jobs (15,332, not including public administration, farm jobs, and self employed people) was much less than the number of employed people (20,207) in Mower County. This indicates that a portion of Mower County's residents are employed outside the County. Many residents of northeastern Mower County likely work in Rochester, a major employment Center. Owatonna and Albert Lea also likely employ some Mower County residents.

TABLE 9
COVERED EMPLOYMENT TRENDS
MOWER COUNTY
2000-2004*
North American Industrial Classification System (NAICS)

	Average Number of Employees					Change 2000 - 2004	
Industry	2000	2001	2002	2003	2004*	No.	Pct.
Natural Resources & Mining	151	168	160	168	158	7	4.6
Construction	727	678	706	657	696	-31	-4.3
Manufacturing	4,301	4,302	4,297	4,197	4,136	-165	-3.8
Trade, Transportation, and Utilities	3,031	2,971	2,773	2,582	2,654	-377	-12.4
Information	204	199	204	196	207	3	1.5
Financial Services	459	462	491	486	490	31	6.8
Professional and Business Services	701	705	724	799	835	134	19.1
Education and Health Services	3,647	3,724	3,812	3,871	4,122	475	13.0
Leisure and Hospitality	1,408	1,400	1,413	1,349	1,422	14	1.0
Other Services	644	630	596	591	612	-32	-5.0
Mower County Totals	**15,273**	**15,239**	**15,176**	**14,896**	**15,332**	**59**	**0.4**

Note: figures do not include Public Administration jobs.
*Through 2nd Quarter

Source: Minnesota Workforce Center

- The most notable finding from Table 11 is the loss of Trade, Transportation, and Utility (TTU) jobs from 2000 to 2004. TTU experienced a decrease of -377 jobs (-12%) between 2000 and 2004. Manufacturing jobs recorded the second most job losses with -165 (-3.8%) from 2000. The result is that TTU's share of total jobs declined from 19% in 2000 to 16.4% in 2004. Overall though, Mower County actually gained about 60 jobs for a less than 1% increase between 2000 and 2004.

- While the TTU and Manufacturing sector lost over 540 jobs, the other job sectors collectively gained over 600 jobs. Education and Health services added the most, with a gain of 475 jobs (+13%), while Professional and Business Services had the second most with a gain of 134 jobs between 2000 and 2004.

- The various Service sectors accounted for 7,481 jobs (46%) in the County in 2004. Education and Health Services is the largest of the service sectors, with a total of 4,122 jobs in the County.
- Hormel Foods and Quality Pork Processors – Austin's two largest employers with over 2,700 jobs – accounts for two-thirds of the Manufacturing jobs in Mower County.

- A comparison of Tables 8 and 9 reveals that so far this decade, the number of employed people in Mower County has increased by 800 people while the number of jobs in the County has remained stable. This indicates that the County is attracting people who commute to jobs in nearby surrounding communities, such as Rochester, Owatonna, and Albert Lea.

Major Employer Interviews

Maxfield Research Inc. surveyed representatives of various employers in Austin and some of the larger communities in the Market Area in January and February 2005. The survey covered topics such as recent trends in job growth, projected job growth, job types, and average hourly wages or annual salaries. Representatives were also asked about housing needs of their employees. Interviews with an area's largest employers not only provide data regarding commercial job growth, but also reveal personal impressions regarding housing demand in any given area.

Table 10 on the following page show the major employers located in the City of Austin. The companies interviewed in Austin (top 5 employers) employed over 5,000 people. All of the employers expressed a stable workforce and that the number of employees has either stayed the same or slightly increased in the last three years.
The following are key points for our interviews with major employers.

- Table 10 shows that the 15 largest employers in Austin employed a total of 6,700 people, or approximately 44% of the jobs in Mower County (Table 9).

- In a previous housing study completed in 2000, most employers in Austin stated that there was a substantial shortage of rental housing, especially affordable rental housing for families and entry-level for-sale housing. In our survey in 2005, most employers said there is no longer a substantial shortage of housing, and that lack of housing is not a factor in hindering growth. There does remain, however, a need for certain types of housing – including affordable housing for large families, affordable single-family homes, and rental housing for new residents to the community.

- Hormel Foods and Quality Pork Processors (QPP) are the largest employers in Austin. Together, they account for about one-fifth of the total jobs in Mower County.

- Hormel Foods employs nearly 2,300 people in Austin. There are roughly 1,540 people working at the Hormel plant and 755 employed at the Hormel Corporate and Research Department. According to the managers, employment numbers have been fairly steady in the last few years and have only experienced incremental growth.

- Hormel recruits employees at colleges from all around the country. One of the main concerns that employees have when relocating to Austin, especially professional/managerial positions, is the availability of spousal employment in the area. When looking for housing, Hormel spouses are very concerned with location and the availability of employment near their homes.

- Quality Pork Processors currently employs about 1,220 full-time workers. Interviews with the Human Resource Manager indicated that about 95% of the jobs were categorized as Production/Support and about 5% as Professional/Managerial. Wages average about $12/hour for production jobs, and salaries range from $30,000 to $60,000 for managerial positions. While many of the workers in production jobs are renters, with dual incomes, they earn about $50,000 annually and therefore could afford to purchase existing single-family homes in Austin.

- The Austin Public School System employs about 715 people in Austin. While this figure is slightly higher than what it was a few years ago, the school district anticipates employment to remain stable over the next several years.

- Within the Remainder of the County, two notable employment changes occurred in recent years. First, in 2003, the Development Corporation of Austin (DCA) enticed the McNeilus Truck and Manufacturing plant to locate in Dexter with roughly 40 employees. According to our interviews, McNeilus may potentially expand by an undetermined amount in the near future. Secondly, I.B Industries, located in Brownsdale, reduced employment by about 50 jobs due to a slowdown in business.

TABLE 10
MAJOR EMPLOYERS
CITY OF AUSTIN
FEBRUARY 2005

Employer	Products/Services	Employee Count
Hormel Foods Corp	Meat Packing Plant	1,540
Quality Pork Processors	Meat Packing Plant	1,220
Austin Medical Center*	Offices of Physicians	830
Hormel Foods Corporation/Research	Meats & Meat Products	755
Austin Public Schools - ISD #492	Elementary and Secondary Schools	715
City of Austin/Austin Utilities	Government Offices	260
Mower, County of	Government Offices	235
St Mark's Lutheran Home	Skilled Nursing Care Facilities	230
Riverland Community/Technical College	Colleges & Universities	210
Austin Packaging	Other Support Services	180
Weyerhaeuser Co	Paperboard Mills	159
REM - Minnesota	Residential Care	125
Holiday Inn	Hotels, Motels	120
McFarland Truck Lines	Trucking Terminal Facilities	110
Smyth Companies - Austin	Printing	55
Total		**6,744**

* Employment figure was estimated.

Sources: MN Department of Employment and Economic Development; Maxfield Research Inc.

- Some employers feel that housing options in Austin are limited, but the limited choices are not greatly hindering the ability to attract employees. The type of housing most limited, and for which there is the greatest need, is market rate general occupancy rental apartments. Many employees are renting from private single-family owners and are looking for a medium-priced rental housing option.

- Overall, stable employment over the past few years, including lower turnover of existing jobs, has somewhat eased the rental housing shortage that existed in the beginning of the decade. Also, there has been an increasing number of lower to moderate income people who are committing to Austin long-term and therefore are seeking owned housing versus rental housing.

- In addition to potential job growth from expansion of existing industries, Hormel has plans to add at least 50 employees in the Corporate South Site located on the south end of the Spam Museum building in Austin. Most of these jobs will be managerial and support jobs.

- Most employees of Austin businesses who reside in smaller towns surrounding Austin do so because they are oriented to those other towns (many of these employees are married to spouses who work in smaller surrounding communities) or want their children to attend smaller schools. Few employees move to the smaller towns because of housing affordability.
- Although the majority of manufacturing/processing jobs are filled with area residents, most professional and education jobs are filled from people from throughout Minnesota and beyond. Employers indicated that many candidates choose not to settle in the Austin area, for various reasons, including lack of employment for their spouse or lack of retail. Most often, housing is not a deciding factor.

Introduction

The variety and condition of the housing stock in a community provides the basis for an attractive living environment. Housing is the primary building block of neighborhoods, supporting goods and services. We examined the housing market in Austin and the Remainder of the Market Area by: 1) reviewing data on the age of the existing housing in the Austin Market Area from the 1990 Census; 2) examining residential building trends since 1990; 3) reviewing data on the housing stock by structure type; and 4) assessing the condition of Austin's housing stock through a brief windshield survey.

Age of Housing Stock

Table 11 on the following page shows the age of the Market Area's occupied housing stock in 2000. The table includes the number of housing units built in both the Austin Urban Area and the Remainder of the Market Area over the previous six decades as well as the number of units built prior to 1940. The table further breaks down the data by number of owner-occupied and renter-occupied units. The following are key points from Table 11.

- The greatest percentage of the Market Area's housing stock was built prior to 1940. However, the Remainder of the Market Area has a much higher age of housing than the Austin Urban Area. While 43% of the housing units in the Remainder of the Market Area were built prior to 1940, only 27% of the Austin Urban Area's housing stock was built during this period. This difference is due primarily to the fact that the Remainder of the Market Area was originally settled with rural farmsteads before the Austin Urban Area began to grow.

- Housing growth in the Austin Urban Area began to outpace housing growth in the Remainder of the Market Area beginning with the 1940s, but slowed down in the 1960's. Between 1940 and 1960, 80% of the Market Area's new housing units were built in the Austin Urban Area. From 1960 through the 1990s, the Austin Urban Area still outgrew the Remainder, but represented much less of the housing units (60%). Since the 1960s, Austin's Urban Area has added an average of 810 housing units per decade, while the Remainder of the Market Area has added an average of 514 units per decade.

- For households that were built prior to 1960, 84% of the households built in the Austin Urban Area were owner-occupied units (6,478 households), and only 16% renter-occupied (1,267 households). Since the 1960s, the distribution has leveled off with about 55% owner-occupied (1,786 units) and 45% renter-occupied (1,452 units) housing developments. Unlike the Austin Urban Area, the Remainder of the Market Area's distribution of owner and renter-occupied housing units built has been very consistent since the 1940's. Throughout each decade, about 85% of all housing units built were owner-occupied units and only 15% were renter-occupied. This is mainly due to the fact that the Remainder of the Market Area consists of many rural areas which do not desire rental housing.

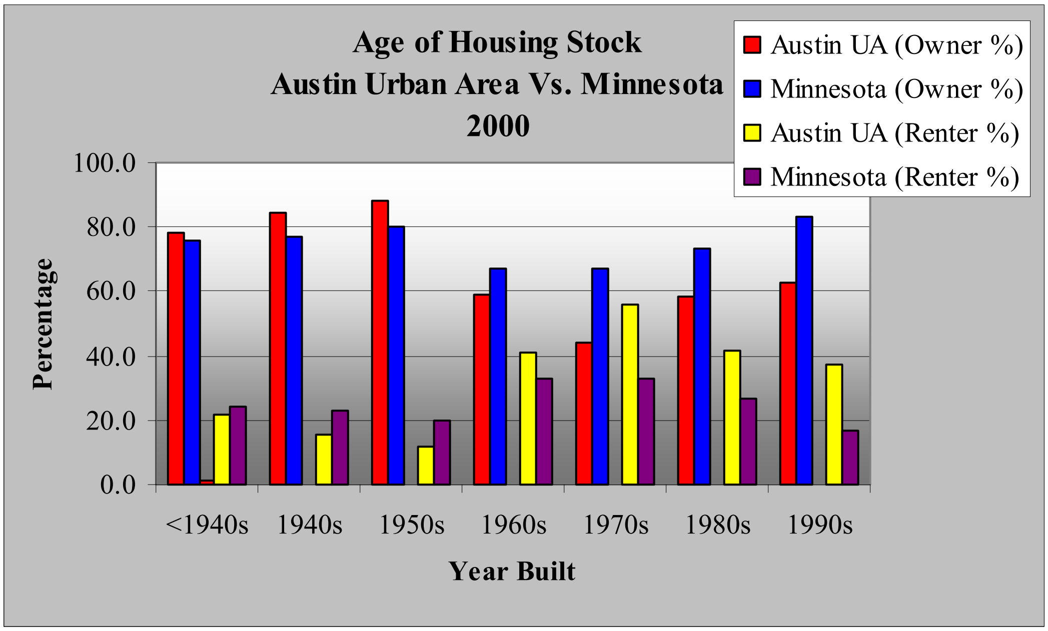
TABLE 11
AGE OF HOUSING STOCK
MOWER COUNTY STUDY AREA
2000

	Total Units	Year Structure Built: <1940 No.	<1940 Pct.	1940s No.	1940s Pct.	1950s No.	1950s Pct.	1960s No.	1960s Pct.	1970s No.	1970s Pct.	1980s No.	1980s Pct.	1990s No.	1990s Pct.
Austin Urban Area															
Owner-Occupied	8,264	2,289	78.4	1,633	84.4	2,556	88.4	528	58.9	456	44.2	302	58.4	500	63.0
Renter-Occupied	2,719	632	21.6	301	15.6	334	11.6	368	41.1	575	55.8	215	41.6	294	37.0
Total	10,983	2,921	100.0	1,934	100.0	2,890	100.0	896	100.0	1,031	100.0	517	100.0	794	100.0
Remainder of Market Area															
Owner-Occupied	4,552	2,012	88.7	293	75.1	512	84.3	383	85.7	706	84.6	267	75.9	379	90.2
Renter-Occupied	767	256	11.3	97	24.9	95	15.7	64	14.3	129	15.4	85	24.1	41	9.8
Total	5,319	2,268	100.0	390	100.0	607	100.0	447	100.0	835	100.0	352	100.0	420	100.0
Market Area Total															
Owner-Occupied	12,816	4,301	82.9	1,926	82.9	3,068	87.7	911	67.8	1,162	62.3	569	65.5	879	72.4
Renter-Occupied	3,486	888	17.1	398	17.1	429	12.3	432	32.2	704	37.7	300	34.5	335	27.6
Total	16,302	5,189	100.0	2,324	100.0	3,497	100.0	1,343	100.0	1,866	100.0	869	100.0	1,214	100.0
Minnesota															
Owner-Occupied	1,412,724	297,686	75.6	91,240	76.8	185,418	80.4	151,127	67.2	233,514	67.1	202,701	73.2	251,038	83.0
Renter-Occupied	482,403	95,935	24.4	27,569	23.2	45,194	19.6	73,888	32.8	114,473	32.9	74,104	26.8	51,240	17.0
Total	1,895,127	393,621	100.0	118,809	100.0	230,612	100.0	225,015	100.0	347,987	100.0	276,805	100.0	302,278	100.0

Sources: Bureau of the Census
Maxfield Research Inc.

- During the 1970s, the number of renter-occupied housing units built (575) surpassed the number of owner-occupied housing units built (456). This was mainly due to a substantial development of federally subsidized rental projects that occurred during the decade. The fact that such a sizable percentage of these units were built in the Austin Urban Area further signifies the City's role as the economic and residential "center" of the County.

- The Austin Urban Area comprised about 78% of the Market Area's rental housing stock as of 2000.



Residential Construction Trends 2000 to Present in Austin

We obtained data from the City of Austin and the US Census Bureau on the number of building permits issued for new housing units in Austin. This data is presented in Table 12, which displays housing starts in Austin for single-family homes and multifamily units each year since 2000. The following are key points about housing units added since 2000.

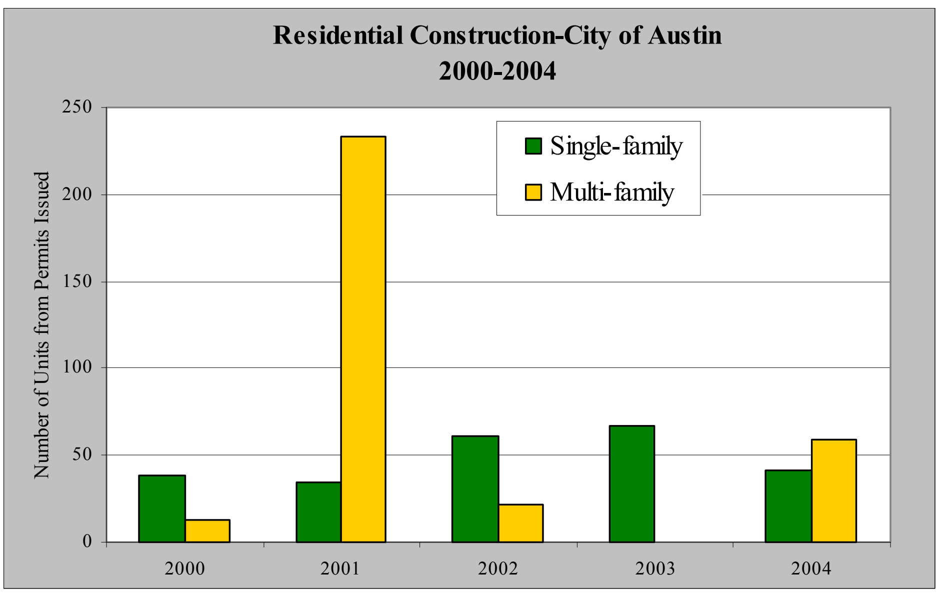
- The City of Austin added a total of 241 single-family homes (including for-sale townhomes) from 2000 to 2004, for an average of roughly 50 units annually. Construction peaked in 2003, with an addition of 67 homes.

- Austin also added 327 multi-family units since 2000, averaging about 65 per year. Over 70% of the multi-family units (233 units) added came in 2001, when Chauncey Apartments (81 units), Murphy Creek Townhomes (88 units), and Primrose (64 units) were developed. In 2004, the City of Austin added 59 multi-family units, which includes 18 units from Burr Oaks Apartments and 41 units from Our House Assisted Living (currently under construction).

TABLE 12
RESIDENTIAL CONSTRUCTION
AUSTIN CITY
ANNUAL BUILDING PERMITS ISSUED
2000 to 2004

	Single-Family Homes	Multi-family Units	Total Housing Units
Austin			
2000	38	13	51
2001	34	233	267
2002	61	22	83
2003	67	0	67
2004	41	59	100
Total	241	327	568

Source: Cities of Austin, Maxfield Research Inc.



Housing Stock by Structure Type

Table 13 shows the housing stock in the Austin Market Area by type of structure and tenure as of 2000. The data is from the 2000 U.S. Census, and indicates the types of housing structures that are owned or rented and also vacant.

- The dominant housing type in the Market Area is a single-family detached home, representing 94% of all owner-occupied housing and 80% of all occupied units. Single-family homes accounted for 75% of all occupied housing units in the Austin Urban Area versus 89% in the Remainder of the Market Area.

- There were approximately 220 owner-occupied multifamily (townhomes and condominiums) units in the Austin Urban Area in 2000, or only 2.7% of the owner-occupied stock. The remaining owned units were mobile homes, most of which are located in the Oakland Park in western Austin, just west of Highway 90.

- In 2000, about 20% of the Austin Urban Area's renters were in single-family homes (553 homes), compared to 57% of the Remainder of the Market Area's renters (419 homes). The Austin Urban Area, on the other hand, has the majority of apartments within the Market Area, accounting for 88% of the rental buildings with 5 or more units. There were only 2 structures of 50 or more units outside of the Austin Urban Area.

- According to the Census, 3.6% of the Austin Urban Area's housing stock was vacant as of 2000. It is important to note, however, that the Census' definition of vacant housing units includes: units that have been rented or sold but not yet occupied, seasonal housing (vacation or second homes), housing for migrant workers, and even boarded-up housing. Thus, the U.S. Census vacancy figures are not a true indicator of adequate housing available for new households wishing to move into the area.

Housing Conditions

Since housing is the most visible and tangible component of neighborhoods and their desirability as living environments, debate on the vitality of a community often centers on the quality of its housing. While a detailed neighborhood assessment was beyond the scope of this Market Study, Maxfield Research Inc. did conduct a brief windshield survey to provide an overview of the quality of the Austin's housing stock.

We found that the City's overall housing stock appears to be in good condition, with few housing units suffering from deferred maintenance. Half of the City's owned housing stock was built before 1950, however. While the majority of homes appear to be in good condition, many might not be energy efficient or there may be issues with heating, electrical, or plumbing systems simply because of their age. **We believe that Austin could benefit from a home rehabilitation program to assist lower income homeowners improve their homes. We also recommend that the City pursue a program to purchase and demolish smaller single-family homes beyond repair and replace them with new affordable single-family homes – such as Habitat for Humanity homes.**

TABLE 13
TENURE BY UNITS IN STRUCTURE
AUSTIN MARKET AREA
2000

	Austin City		Austin Urban Area		Remainder of Market Area		Total Market Area	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Owner-Occupied								
1, detached	6,797	93.0	7,712	93.3	4,322	94.9	12,034	93.9
1, attached	127	1.7	130	1.6	25	0.5	155	1.2
2	84	1.1	87	1.1	18	0.4	105	0.8
3 or 4	57	0.8	60	0.7	11	0.2	71	0.6
5 to 9	16	0.2	16	0.2	2	0.0	18	0.1
10 to 19	6	0.1	6	0.1	2	0.0	8	0.1
20 to 49	43	0.6	43	0.5	0	0.0	43	0.3
50 or more	8	0.1	8	0.1	2	0.0	10	0.1
Mobile home	170	2.3	198	2.4	170	3.7	368	2.9
Other	4	0.1	4	0.0	0	0.0	4	0.0
Total	7,312	100.0	8,264	100.0	4,552	100.0	12,816	100.0
Renter-Occupied								
1, detached	475	18.3	553	20.3	419	54.6	972	27.9
1, attached	52	2.0	52	1.9	9	1.2	61	1.7
2	329	12.7	332	12.2	42	5.5	374	10.7
3 or 4	298	11.5	312	11.5	39	5.1	351	10.1
5 to 9	293	11.3	293	10.8	69	9.0	362	10.4
10 to 19	223	8.6	239	8.8	106	13.8	345	9.9
20 to 49	284	11.0	287	10.6	18	2.3	305	8.7
50 or more	621	24.0	621	22.8	2	0.3	623	17.9
Mobile home	17	0.7	30	1.1	63	8.2	93	2.7
Other	0	0.0	0	0.0	0	0.0	0	0.0
Total	2,592	100.0	2,719	100.0	767	100.0	3,486	100.0
Total-Occupied Units								
1, detached	7,272	73.4	8,265	75.3	4,741	89.1	13,006	79.8
1, attached	179	1.8	182	1.7	34	0.6	216	1.3
2	413	4.2	419	3.8	60	1.1	479	2.9
3 or 4	355	3.6	372	3.4	50	0.9	422	2.6
5 to 9	309	3.1	309	2.8	71	1.3	380	2.3
10 to 19	229	2.3	245	2.2	108	2.0	353	2.2
20 to 49	327	3.3	330	3.0	18	0.3	348	2.1
50 or more	629	6.4	629	5.7	4	0.1	633	3.9
Mobile home	187	1.9	228	2.1	233	4.4	461	2.8
Other	4	0.0	4	0.0	0	0.0	4	0.0
Total	9,904	100.0	10,983	100.0	5,319	100.0	16,302	100.0
Vacant Units								
1, detached	113	31.2	163	39.2	247	77.7	410	55.9
1, attached	3	0.8	3	0.7	1	0.3	4	0.5
2	76	21.0	76	18.3	7	2.2	83	11.3
3 or 4	32	8.8	34	8.2	7	2.2	41	5.6
5 to 9	28	7.7	28	6.7	7	2.2	35	4.8
10 to 19	33	9.1	33	7.9	5	1.6	38	5.2
20 to 49	31	8.6	31	7.5	0	0.0	31	4.2
50 or more	19	5.2	19	4.6	0	0.0	19	2.6
Mobile home	27	7.5	29	7.0	44	13.8	73	9.9
Other	0	0.0	0	0.0	0	0.0	0	0.0
Total/Vac. Rate	362	3.5	416	3.6	318	5.6	734	4.3

Sources: U.S. Census; Maxfield Research Inc.

It is our understanding through interviews that the City had demolished or moved most of the single-family homes in floodplains (140 homes prior to 2000 and 80 homes since 2000). In the September 2004 flood, however, there were still some single-family homes and a few rental housing units in low lying areas near the Cedar River that received water damage. Fair Oaks Apartments was one of the rental properties that received flood damage, in which eight of the units in the basement had to be removed. The basement is currently being renovated and will now only be used for storage. The City has bought out about a half dozen more homes since the 2004 flood. It was noticed from our windshield survey that rehab was taking place on properties that were damaged. While none of the homes that were flooded were identified as needing to be demolished, however, **the City may investigate the potential to remove some additional homes that remain in flood plains.**

The City is applying to potentially acquire 13 homes located in Wildwood Park, located just west of the Hormel Corporate Offices. These homes could potentially be used for residents that were affected by the floods.

Overall, Austin's housing appeared to be well maintained.

Introduction

Maxfield Research Inc. analyzed the for-sale housing market by collecting data on: 1) single-family home sales in the Austin Urban Area and the Remainder of the Market Area; 2) the residential lot supply in the Austin Market area; 3) pending for-sale developments in the Austin Market area; and 4) interviews with local real estate professionals, civic leaders and other community members directly involved in the local housing market to solicit their impressions of existing market conditions and trends.

Home Resale Trends

Table 14 displays data on single-family home sales in the City of Austin, the Remainder of Mower County townships, and the Remainder of Mower County cities from 1994 through 2004. The data was obtained from the Mower County Assessor. The table shows the annual number of sales, annual change in average resale price and percentage increases in both categories.

The following are key points observed from the resale data:

- The average resale price of homes in Austin was $94,779 in 2004, up from $92,855 in 2003, a 2.1% increase. The average resale price in Austin has steadily increased each year since 1994, except in 2002, indicating a relatively stable housing market.

- The average resale price of homes in Austin increased steadily from $50,958 in 1994 to $94,779 in 2004, for an 86% increase over the ten year period. During this period, home resale prices increased by an average of 6.4% annually.

- An average of over 400 homes were sold annually in Austin since 1994. Considering that Austin has a supply of about 7,300 owned homes, this represents turnover of 5.5% of the owned homes annually.

- The majority of home sales in the Austin Market Area came from the City of Austin with roughly three-quarters of total sales between 1994 and 2004. The remaining Mower County townships represented about 8% of sales, while the remaining cities had about 17% of total sales.

- The average resale price in the Remainder of the Mower County Cities was $69,500 in 2004, or over 25% lower than in the City of Austin. Contributing to the lower average prices in the remaining cities in the Austin Market Area is the fact that its overall housing stock is older than Austin's, plus there is a premium to being located in Austin, near employment, shopping and services.

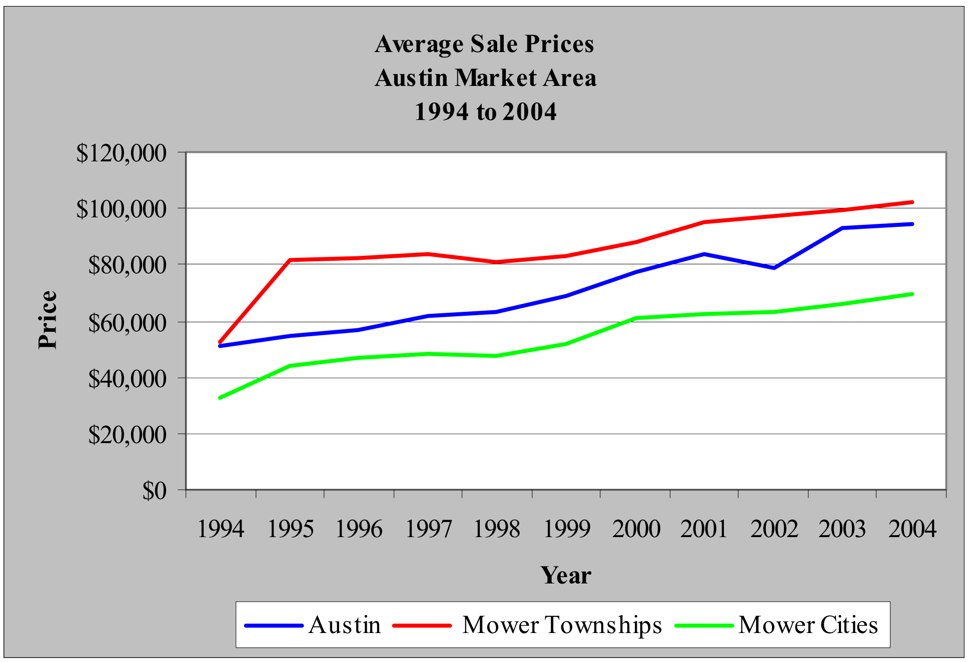
TABLE 14
HOME SALE SUMMARY
AUSTIN MARKET AREA
1994 to 2004

	Austin				Remainder of Mower Townships				Remainder of Mower Cities				Mower County Total			
Year	No. Sold	% of MA	Ave. Sales Price	% Change	No. Sold	% of MA	Ave. Sales Price	% Change	No. Sold	% of MA	Ave. Sales Price	% Change	No. Sold	% Change	Ave. Sales Price	% Change
1994	353	72%	$50,958	-	51	10%	$52,500	-	87	18%	$32,500	-	491	-	$47,848	-
1995	369	77%	$54,700	7.3%	33	7%	$81,800	55.8%	75	16%	$44,100	35.7%	477	-2.9%	$54,908	14.8%
1996	381	76%	$57,045	4.3%	36	7%	$82,500	0.9%	84	17%	$47,000	6.6%	501	5.0%	$57,190	4.2%
1997	370	73%	$61,934	8.6%	38	8%	$83,800	1.6%	96	19%	$48,500	3.2%	504	0.6%	$61,024	6.7%
1998	408	78%	$63,032	1.8%	30	6%	$80,900	-3.5%	86	16%	$47,500	-2.1%	524	4.0%	$61,506	0.8%
1999	460	78%	$68,616	8.9%	32	5%	$82,900	2.5%	96	16%	$51,900	9.3%	588	12.2%	$66,664	8.4%
2000	454	78%	$77,527	13.0%	30	5%	$87,900	6.0%	98	17%	$61,000	17.5%	582	-1.0%	$75,279	12.9%
2001	440	71%	$84,040	8.4%	58	9%	$95,500	8.6%	123	20%	$62,500	2.5%	621	6.7%	$80,844	7.4%
2002	404	73%	$79,100	-5.9%	48	9%	$97,000	1.6%	103	19%	$63,500	1.6%	555	-10.6%	$77,753	-3.8%
2003	427	75%	$92,855	17.4%	42	7%	$99,500	2.6%	98	17%	$66,000	3.9%	567	2.2%	$88,706	14.1%
2004	376	77%	$94,779	2.1%	30	6%	$102,000	2.5%	85	17%	$69,500	5.3%	491	-13.4%	$90,844	2.4%
Total	**4,442**				**428**				**1,031**				**5,901**			
% Change from 1994-2004			**86.0%**				**94.3%**				**113.8%**				**89.9%**	

Sources Mower County Assessor
Maxfield Research Inc.

- Because of their lower housing prices, we find that smaller communities in Mower County attract some people who work in Austin but cannot afford to purchase homes there.

- The average resale price for the townships in Mower County in 2004 was $102,000, or about 7.5% higher than that of Austin. The townships within the county tend to be a little higher because most of the homes are located on farms and have a larger lot sizes and more land. In the last ten years, the average resale prices for townships in Mower County have increased steadily, but at a much lower rate than Austin. With the exception of 1994-1995, the annual average price increase was about 2.3% for the last ten years. If resale trends continue as they are, average sale prices for homes in Austin will surpass average sale prices for the remaining townships within the next few years.



To more closely examine the current market for available owner-occupied housing in the Market Area, we reviewed the current supply of homes on the market (listed for sale), and discuss the new housing developments either underway or in the planning stages.

Current Supply of Homes on the Market

Table 15 shows the number of homes currently listed for sale in the Austin Urban Area and the Remainder of the Market Area, distributed into six price ranges. The data was provided by Southeast Minnesota Association of Realtors and includes homes listed for sale with the regional Multiple Listing Service in Mower County. Key findings from our assessment of the actively listed homes in the Market Area are:

- A total of 278 homes were listed for-sale with the regional Multiple Listing Service in the Market Area in February 2005, including 193 homes listed for sale in the Austin Urban Area. MLS listings generally account for the majority of all residential sale listings in a given area, although we assume that additional homes would also be available in the market (for-sale by owner, by builder, etc.).

- The median list price was about $99,900 for homes in the Austin Urban Area, and $103,900 for homes listed in the Remainder of the Market Area. Average list prices were $126,659 and $121,308, respectively. Median sale prices are a better indicator of where most homes are priced than sale prices because some of the upper-end, more expensive homes may skew the average selling prices.

- About 80% of the homes listed for sale in the Austin Urban Area were priced above $75,000. Using an industry standard that a household can afford a home priced 2.5 to 3.0 times their annual income (not including savings or debt that they might have), an income of about $25,000 would be needed to afford the least expensive home listed for sale in the Austin Urban Area. Based on household income data in Table 6, about 80% of Austin's households ages 25 to 64 could afford to purchase a home in the community.

TABLE 15
HOMES CURRENTLY LISTED FOR-SALE
AUSTIN MARKET AREA
February 2005

Austin Urban Area				Remainder of Market Area		
Price Range	**No.**	**Pct.**		**Price Range**	**No.**	**Pct.**
<$50,000	13	6.7%		<$50,000	7	8.2%
$50,000 to $74,999	30	15.5%		$50,000 to $74,999	14	16.5%
$75,000 to $99,999	56	29.0%		$75,000 to $99,999	21	24.7%
$100,000 to $124,999	28	14.5%		$100,000 to $124,999	14	16.5%
$125,000 to $149,999	20	10.4%		$125,000 to $149,999	10	11.8%
$150,000 and Over	46	23.8%		$150,000 and Over	19	22.4%
	193	100%			85	100%

Min.	$37,900		Min.	$24,900
Max.	$615,900		Max.	$435,000
Med.	$99,900		Med.	$103,900
Avg.	$126,659		Avg.	$121,308

Sources: Southeast Minnesota Association of Realtors MLS
Maxfield Research Inc.

- Table 15 shows that there are numerous homes for sale priced at under $125,000 in the Remainder of the Market Area. While some people who work in Austin may prefer to purchase one of these homes, many buyers would prefer not to deal with a daily commute, especially during the winter season. Also, families with school-age children often prefer City locales to minimize the need of transportation to and from school, in addition to the increased proximity to retail goods and services.

Actively Marketing and Pending Residential Developments

Maxfield Research Inc. interviewed City Administrators/Clerks and developers/builders of owner-occupied residential developments currently being marketed in the Austin Market Area as well as those proposed (pending). We identified 14 developments in the Austin Urban Area (including Austin, Mapleview, Austin Township and Lansing Township), 12 developments in the rural communities throughout the Market Area, and 6 developments in the remaining townships.

Information regarding these projects is shown in Tables 16, 17, and 18. The table includes year platted, total lots, lots available, lot sizes and prices, and base home prices. The following are key points about these developments.

Austin Urban Area

- We find that the Austin Urban Area currently has 16 active for-sale housing subdivisions available for new housing construction. Eleven of the subdivisions are located in the City of Austin with the remaining five in Austin and Lansing Township. Detailed information for Austin Urban Area subdivisions can be found on Table 16.

- Overall, the active subdivisions in the Austin Urban Area have a total of 351 single-family lots and 180 townhome units. Of this total, 135 of the single-family lots remain available, as do 115 townhome units. There are also 193 single-family lots and 22 townhome units that have received plat approval, but will not be online until 2006.

- We believe that a three year supply of single-family lots is an appropriate balance between providing adequate consumer choice and minimizing developers' carrying costs. With an annual absorption of about 30 to 35 lots (based on the number of homes built from 2000 through 2004), the Austin Urban Area would need a supply of 90 to 100 platted lots. Thus, with over 220 available lots, Austin has an adequate supply to meet current demand.

- The newest subdivisions (The Meadows, Murphy's Creek, and Sunny's Run) have received plat approval, but will probably not be available until 2006. The Meadows has a lot inventory of 146 single-family lots and 22 townhome units that will developed in multiple phases. Phase I will consist of 15 single-family lots and 22 townhome units. Prices will range from about $250,000 to $350,000 for single-family homes and $200,000 to $300,000 for townhomes. Phase II of Murphy's Creek has also received plat approval and has plans for an additional 42 single-family lots. The exact concepts of the project are still yet to be determined and are currently on hold. These lots will most likely be slightly larger than the existing lots in Phase I, but will not know until around September/October 2005. Sunny's Run has only 5 single-family lots and will feature customized homes averaging about $250,000.

- Cottage Homesteads of America is currently constructing the Foxpointe Addition, which was recently platted in 2004 and consists of 99 townhome units in 25 quad-homes, and a club-house. There is currently one building under construction that is scheduled to become available for occupancy this summer. The quad-homes will be restricted to households age 48 and over and will range from $150,000 to $250,000. Foxpointe is the 2nd phase of the Oak Park Village subdivision, which is an 80 unit age-restricted project located immediately south of the Foxpointe subdivision. There is only one unit remaining in Oak Park Village.

- Orchard Creek is one of the larger subdivisions located in the city of Austin. It was platted in 1999 with 131 single-family lots and 22 townhomes. An additional 24 townhome units were added in 2001. Currently, there are currently 31 single-family lots and 6 townhome units available. There are about 8 lots remaining in the 2nd addition. Most of the residents are young professionals or families with children working at Hormel. Home prices range from $269,000 to $429,000 for single-family homes and $179,000 to $239,000 for townhomes.

- In addition to the subdivisions in Austin, there are five other developments located just outside of the City limits, but within the Austin Urban Area. The Olson/Hirsch subdivision is a 25 lot area that received final plat approval in December 2004 and is currently up for sale. These will be upper scale homes ranging in the $250,000 to $750,000 price range. The Cedar Ridge subdivision is located in Lansing Township and was platted in 2003. It is planned to have 24 total lots spread across 50 acres of land. Phase I currently has 6 lots, in which 5 are still available. These are considered to be higher-end lots located along the Cedar River near the Ramsey Golf Course and will accommodate homes estimated to range from $400,000 to $900,000. Turtle Creek Estates and Seven Springs are both located just northwest of Austin on the border of Lansing and Austin Township. Home prices range from $315,000 to $750,000 in the Turtle Creek Estates and $175,000 to $375,000 in Seven Springs.

Rural Communities in the Market Area

- We identified 12 active subdivisions in the outlying communities of Mower County, with a total of 188 single-family lots. There are currently 113 lots that remain available. Grand Meadow had the most active lots (41 total, 22 available) on the market with Pheasant Run's 2nd Addition and the Stiers Subdivision. Pheasant Run is a SEMCAC project that has restricted a portion of their lots for lower income residents. Home prices range from $135,800 to $144,815. Detailed information on subdivisions in the rural communities can be found in Table 17.

- The remaining subdivisions are spread throughout Mower County in the cities of Dexter (20 lots), Brownsdale (25 lots), Adams (6 lots), Le Roy (35 lots), Elkton (19 lots), Racine (18 lots), and Rose Creek (24 lots). Home prices are fairly similar throughout each of the communities averaging between $175,000 to $200,000. The most expensive homes can be found in Adams and Rose Creek, in which home prices can reach an upwards of $300,000 to $400,000.

Rural Townships in the Market Area

- We have also identified four active for-sale subdivisions with a total of 117 single-family lots in the remaining townships in the Austin Market Area. Detailed information on the Rural Townships can be found in Table 18.

- The most recent subdivision, platted in 2004, is Buckridge Estates, located in Grand Meadow Township. There are a total of 19 lots, in which two have been sold, but have yet to begin construction. Homes will be geared towards higher-income residents with home prices starting at $200,000 and going up.

- The remaining subdivisions are, Meadows at Dobbins Creek (Red Rock Township), Buckridge Estates (Grand Meadow Township) and Cedar River Estates (Udolpho Township).

Pending For-Sale Housing Developments

In addition to the for-sale housing developments that are currently marketing. We identified two developments that are either planned, pending, or currently under construction in the Austin Market Area. The following is a summary of these developments.

- Paul Sween is currently developing the Orchard Creek subdivisions and is planning to add an additional 43 townhome units in the near future. This subdivision, located on the southwest corner of the existing Orchard Creek townhome site in Austin, is planned to begin occupancy in 2006. The units will be very similar to the existing ones and will range from $179,000 to $189,000.

- Lowell Larson & Sons Construction is planning on adding an additional six single-family lots on the Vangness Subdivision in the City of Adams. Plans are still preliminary and there have been talks of possibly developing townhomes instead. Lot prices for single-family homes are estimated to be about $20,000.

- Based on interviews with developers throughout the Austin Market Area, there were a number of developers who had planned for some additional developments, but were uncertain as to the exact concepts and timing. Most felt that much of their decisions would be based on the current housing market and will plan for additional housing once most of the homes had been sold and filled. Most developers expressed that it may be at least five years before any decisions will be made about additional for-sale housing.

TABLE 16
ACTIVE FOR-SALE HOUSING DEVELOPMENTS
AUSTIN URBAN AREA
February 2005

Subdivision Name	Year	Type of Homes	Lot Inventory Total	Lot Inventory Avail.	Lot Sizes (Acreage)	Base Lot Price	Size of Homes (Sq. Ft.)	Base Home Price (including lot price)	Buyer Profile
The Meadows *Austin*	2005	SF	146	146	1/3 acre	$40,000	N/A	$250,000-$350,000	Custom homes with about 1/2 ramblers and 1/2 2-story homes. Plan to enter the market in July/August 2005. Phase I consists of 15 SF units and 22 TH's
		TH	22	22	1/5 acre	$25,000	N/A	$200,000-$300,000	
Sunny's Run 2nd Addition *Austin*	2005	SF	5	4	1/3 acre	$45,000	N/A	$250,000	Custom homes, won't be available until 2006.
Fox Pointe Addition *Austin*	2004	TH	99	98	N/A	N/A	1,338 - 1,732	$152,900-$240,000	Quad homes restricted to households ages 48 plus. Buyers include persons from Austin and surrounding small towns and rural areas. Most buyers are downsizing from single-family homes. They are attracted to an age-restricted community one-level living environment. Currently under construction, will begin occupancy in June/July 2005
Keenan Acres 1st & 2nd Additions *Austin*	2002/2004	SF	19	4	1/5 - 2/5 acre	N/A	1,000	$150,000-$170,000	2 of the 4 available are model homes. Home sale price includes lot prices and were not disclosed. Mostly single familes working in Austin, no seniors.
Murphy's Creek I *Austin*	2000	SF	18	1	1/5 - 1/3 acre	$1.00 - $16,000	900 - 2,000	$134,000-$160,000	9 of the lots were income-restricted and sold for $1. Phase II is currently on hold, possibly replatting, but won't know until Sept/Oct. Wide mix of residents with some seniors, retired, families w/kids, and couples.
Murphy's Creek II *Austin*	2005	SF	42	42	1/5 - 1/2 acre	N/A	N/A	N/A	
Orchard Creek 2nd Addition *Austin*	2001	TH	24	8	1/4 acre	N/A	1,460	$179,000-$189,000	Mix of young professionals and retired people.
Rosenthal's 2nd Addition *Austin*	2000	SF	26	15	1/5 - 2/5 acre	$35,000 - $45,000	1,150 - 2,200	$180,000-$320,000	Wide mixture of residents from young families with children to retired seniors.
Orchard Creek *Austin*	1999	SF	131	31	1/4 - 1/3 acre	$37,900 - $44,900	1,700 - 3,500	$269,000-$429,000	Mostly professionals, families with children, couples, most of which work at Hormel. Townhomes attract retired people and young people because of its affordability.
		TH	22	6	1/4 acre	N/A	1,650	$179,000-$239,000	

TABLE 16 cont.
ACTIVE FOR-SALE HOUSING DEVELOPMENTS
AUSTIN URBAN AREA
February 2005

Subdivision Name	Year	Type of Homes	Lot Inventory Total	Lot Inventory Avail.	Lot Sizes (Sq. Ft.)	Base Lot Price	Size of Homes (Sq. Ft.)	Base Home Price (including lot price)	Buyer Profile
South Pointe *Austin*	1996	SF TH	34 35	7 3	1/3 - 2/3 acre 1/3 - 2/3 acre	$40,000	1,600 - 3,600 1,600 - 2,100	$200,000-$400,000 $250,000-$400,000	Townhomes are popular with adults and seniors age 50 to 80. Single-family residents include: Hormel executives, doctors, retired farmer, bankers, salespeople, more white collar workers.
Cresthaven Addition *Austin*	1994	SF	25	6	1.0 acre	$30,000 - $100,000	1,700+	$200,000-$500,000	80% are Hormel executive employees, about 3 retired couples. Geared towards the wealthy.
Olson/Hirsch Subdivisio *Lansing Township*	2004	SF	25	25	1.5 - 2.5 acres	$35,000 - $80,000	N/A	$250,000-$750,000	Will be for upper scale homes. 6 lots have sewer/water and are ready for sale. Just received final plat in Dec. 2004. Should sell by spring 2005. Hirsch has 2 of the lots.
Hirsch Subdivision *Lansing Township*	1998	SF	5	5	1.5 acres	$30,000	N/A	N/A	Not actively selling lots, just holding onto them. Does not have sewer yet. Possible duplexes or single-family homes.
Cedar Ridge Subdivision *Lansing Township*	2003	SF	6	5	1.0 - 2.75 acres	$55,000 - $85,000	3,200	$400,000-$900,000	Total subdivision will have up to 24 lots on 50 acres. Phase I currently has 6 lots available. Located along the Cedar River near the Ramsey Golf Course. Initial plan is to leave 10 acres for public land use and 3 acres for a stormwater retention pond.
Turtle Creek Estates *Austin/Lansing Township*	2000	SF	47	28	1.5 - 3.0 acres	$46,000 - $84,000	1,800 - 2,000+	$315,000-$750,000	Located on the west end of Austin. Residents more wealthy: Doctors, corporate Hormel executives, warehousers.
Seven Springs *Austin Township*	2000	SF	15	8	1.3 - 2.5 acres	$32,000 - $45,000	2,500+	$175,000-$375,000	35-45 yr. old professionals from Austin area. Little interest from Rochester and surrounding Mower communities. Very few children living at the development.
Total	Platted:	Single-family	351	135					
		Townhomes	180	115					
			531	**250**					
	Approved:	Single-family	193	192					
		Townhomes	22	22					
			215	**214**					

Source: Maxfield Research Inc.

TABLE 17
ACTIVE FOR-SALE HOUSING DEVELOPMENTS
RURAL COMMUNITIES IN THE AUSTIN MARKET AREA
February 2005

Subdivision Name	Year	Type of Homes	Lot Inventory Total	Lot Inventory Avail.	Lot Sizes (Sq. Ft.)	Base Lot Price	Size of Homes (Sq. Ft.)	Base Home Price (including lot price)	Comments/Buyer Profile
Pheasant Run Estate Addition #2 *Grand Meadow*	2002	SF	33	16	11,200	$12,000 - $18,000	1,100+	$135,800-$144,815	Mixed income neighborhood located behind the new school. 11 market rate lots, 10 townhomes.
Stiers Subdivision *Grand Meadow*	2003	SF	8	6	7,500 - 18,000	$26,900 - $33,000	2,000	$250,000-$300,000	A couple of retired people, some families with children.
John Shaw Addition *Dexter*	2004	SF	6	6	43,560	$40,000	2,000+	$200,000+	Homes are geared towards higher-income residents living in a rural area using city utilities.
Southside Shawback *Dexter*	2003	SF	14	10	15,000 - 40,000	$13,000 - $25,000	1,200-1,500	$165,000	
Meier Addition #2 *Brownsdale*	2003	SF	7	7	17,000 - 28,000	$15,000 - $20,000	N/A	$150,000-$200,000	None have been sold.
Akkerman Addition #2 *Brownsdale*	1983	SF	18	9	10,000 - 13,500	$12,000 - $15,000	1,500-2,000	$200,000+	A few retired people, 1 couple. Lucky to get 1 lot sold per year.
Vangsness Addition *Adams*	2001	SF	6	1	16,500 - 18,000	$17,000	1,600-2,250	$175,000-$400,000	1st home was a Spec home, remaining are custom homes with all fees and impovements included. 1 family, 1 retired couple, rest are single professionals.
Olson Addition *Le Roy*	1998	SF	35	16	10,000 - 15,000	$15,000	1,500-2,000	$125,000-$150,000	A couple of retired people, about 3 from outside of LeRoy, while the rest are from LeRoy moving up or 1st
Hokeness Addition *Elkton*	2000	SF	19	16	12,500 - 15,000	$12,000 - $14,000	1,500+	$120,000-$130,000	Interest has been shown from residents of Elkton. Younger families with children, 1 senior couple, mostly work in Rochester.
Lyman's 2nd Addition *Racine*	1999	SF	10	4	9,500 - 11,500	$27,000 - $34,000	1,200-1,500	$150,000-$250,000	Phase 1 (5 lots) sold out. Currently one under construction. Mostly families with children working in Rochester. 75% of people in Racine work in Rochester.
Meadowview 2nd *Racine*	2004	SF	8	5	11,000 - 216,000	$25,000 $70,000	N/A	$250,000+	Phase I sold out (12 lots). Phase II (8 lots) range from 1/4 acre to nearly 5 acres. More expensive homes. Phase III was originally planned for 12 larger lots, but they may be reducing to smaller lot sizes. (Still pending)
Thrill's Creekview *Rose Creek*	2001	SF	24	17	21,000	N/A	2,000	$200,000-$300,000	7 have been completed and sold. Located on Overly Drive.
Total		Single-family	188	113					

Source: Maxfield Research Inc.

TABLE 18
ACTIVE FOR-SALE HOUSING DEVELOPMENTS
RURAL TOWNSHIPS IN THE AUSTIN MARKET AREA
February 2005

Subdivision Name	Year	Type of Homes	Lot Inventory Total	Lot Inventory Avail.	Lot Sizes (Acreage)	Base Lot Price	Size of Homes (Sq. Ft.)	Base Home Price (including lot price)	Buyer Profile
Meadows at Dobbins Creek *Red Rock Township*	2002	SF	62	56	1.0 - 2.5 acres	$40,000 - $55,000	2,400+	$200,000-$215,000	Wide variety of residents. Young professionals, families w/children, government employees. Most from the area working at Hormel.
Buckridge Estates *Grand Meadow Township*	2004	SF	19	17	1.0 - 2.5 acres	$49,900 - $84,900	1,500+	$200,000+	Custom homes geared towards higher-income residents.
Cedar River Estates *UdolphoTownship*	2001	SF	25	23	N/A	N/A	N/A	N/A	N/A
Total		SF	106	96					

Source: Maxfield Research Inc.

Mobile Homes

Traditionally, research shows that mobile homes usually serve as an alternative to permanent housing, and during times of housing scarcity, the number of these homes usually rises. Table 19 shows detailed information of mobile homes in the Austin Market Area.

TABLE 19
MOBILE HOME PARKS
AUSTIN MARKET AREA
February 2005

Project Name/ Address	Total Pads	Vacant	Rent Range	Comments
Vista Village Brownsdale	29	2	$135 (pad only) $275 - $400 (with home)	Pad rental includes water/sewer, but no garbage or electrical; mix of 2BR and 3BR units; most units are occupied by working families, many work at Quality Pork in Austin; some single mothers, elderly, wide mixture. Usually full, but have been slower the last few years. Currently has one empty pad and one empty home.
Dexter Trailer Park Dexter	9	2	$130 (pad only)	Rent includes water/sewer/garbage; owner does not plan to build anymore homes because of cost. Profile: 1 senior couple, remainder are singles. About half work in the Dexter area and half work in Rochester.
Meadow Mobile Home Park 211 3rd St. SE Grand Meadow	17	2	$100 pad only (3) $450 - $525 with home (14)	Park has usually remained consistently full due to reasonable rates and clean community; all but 2 homes were built after 1995; 3BR/2BA's, central air; pad rental does not include utilities; Profile: 2 seniors, mostly working adults (in Rochester), some children, more couples than singles. 1 tenant receiving assistance through the County (Section 8)
Parkside Mobile Home Court Le Roy	27	6	$155 (pad only) $290 - $405 (with home)	No utilities included in pad rental; vacancies have increased b/c of lower interest rates. Resident Profile: mostly single mothers, no seniors, rest are singles and couples. Majority work in LeRoy, a couple commute to Austin and Rochester.
Oakland Park, Inc. 3700 3rd Place SW Austin	170	10	$225 pad only	All owner-occupied units; rent includes water/sewer/garbage; wide mix of unit ages and styles. Profile: about 1/2 seniors/retirees, other 1/2 are families, singles, couples. Most workers in Austin in all different areas (nurses, secretaries, clerks), a couple work in Rochester.
Total	**252**	**22**	**8.7%**	

Source: Maxfield Research Inc.

Our research revealed that there are five parks currently operating in the Austin Market Area, with one park located in Austin (Oakland Park). The remaining parks are located in Brownsdale (Vista Village), Dexter (Dexter Trailer Park), Grand Meadow (Meadow Mobile Home Park), and Le Roy (Parkside Mobile Home Court). Combined, there are a total of 252 pads in the five mobile home parks. Our interviews with property owners indicated a total of 22 vacancies in February 2005, for a vacancy rate of 8.7%. Rents for pads range from $100 to $225 per month, while pads with homes rent for $275 to $525 per month.

Oakland Park (Austin) represents about two-thirds of the total number of pads (170) in the Market Area. All of the units are owner-occupied and the monthly rent for pad sites ($225) includes water/sewer/garbage. However, we have been lead to believe that some of the units may currently be rented through a third party, although we are uncertain as to how many there are. Most of the residents work in Austin with a few that commute to Rochester. About half of the residents are retired seniors, with the remaining singles, couples, and families. The pad rent of $225 per month is the highest of all trailer parks in the Market Area.

For-Sale Housing Market Interview Summary

Interviews with area real estate agents, developers, and other people familiar with the Austin Market Area's for-sale housing market were conducted to solicit their impressions of current market conditions. The following are key points derived from these interviews.

- Most people interviews stated that Austin's for-sale housing market is in balance. This includes both the number of existing homes for sale and also the number of new homes being built annually.

- People who work in Austin but choose to live in smaller surrounding towns, do so for specific reasons, such as they are oriented to that town or they want their children to attend a smaller school. Home buyers in Austin actually do very little cross shopping with housing in surrounding communities.

- There is very little demand from younger buyers for two-level townhomes. Nearly all of the townhome demand is from empty-nesters and seniors, all of whom want one-level units. In addition, the older adult population is growing, and therefore there will be a need for a greater number of one-level townhome units in Austin.

- A large portion of the demand for executive homes in Austin is generated from managerial jobs at Hormel. People move to Austin from all over the United States for these jobs, and thus, most of the buyers of executive homes are from people relocating to the community, versus people moving up from existing modest homes in the community.

- There is growing demand for affordably priced single-family homes from Hispanics. Many of these Hispanic buyers are people who are committing to living in Austin long-term and are therefore moving from existing rental units in the community to single-family homes.

- Some people stated that overall housing conditions in Austin are good. However, some people stated that a number of homes are poor condition and could use improvements.

Introduction

While an inventory of all rental units in Austin was beyond the scope of this Market, Maxfield Research Inc. attempted to identify and survey a large sample of rental properties containing ten or more units in Austin. In addition, interviews were conducted with real estate agents, rental housing management firms, and others with interests in Austin's rental housing market.

For purposes of analysis, we have classified the rental projects into two groups, general occupancy projects and senior (age-restricted) projects. Within each of these two groups, we then further divided the projects into two subcategories, those with income restrictions (subsidized) and those without (market rate).

Our research of the Austin Market Area's rental market included a survey of 18 larger general occupancy apartment properties and 21 senior apartments in February 2005. Combined, the general occupancy and senior projects surveyed in the Market Area accounted for a total of 1,736 units.

General-Occupancy Rental Projects

Tables 20 and 21 on the following pages summarizes information on the Austin Market Area's general occupancy projects surveyed. For analytical purposes, we have separated the buildings into market rate (Table 20) and subsidized developments (Table 21) in our review. Combined, the 19 general occupancy developments contain 846 units.

The following are key points from our survey of these developments:

Market Rate

- We surveyed 12 market rate projects with a total of 481 units and an effective vacancy rate of 6%. While the effective vacancy rate was 6%, Burr Oaks Villas opened in 2005 and is still in its initial lease-up phase and Fair Oaks Apartments and R & F Apartments are still recovering from the flood damage last year. Including vacancies at these three projects, a total of 79 vacancies exist, which translates to a vacancy rate of 15.9% as of February 2005. Typically, a healthy rental market maintains a vacancy rate of roughly 5%, which promotes competitive rates, ensures adequate consumer choice, and allows for unit turnover. Based on our survey, Austin currently has a slight oversupply of market rate general occupancy units.

- There are two projects that have opened since 2000, Chauncey Apartments and Burr Oak Villas. Chauncey Apartments was built as a new building in 2001, while Burr Oak Villas was recently renovated and began renting in December 2004. Five of the projects were built in the 1990s, while the remaining four were built in the 1960s and 1970s.

- In February 2005, monthly rents ranged from $275 to $735 for one-bedrooms, with an average of $482. Two-bedrooms ranged from $375 to $870, with an average of $606 per month. Three-bedrooms ranged from $650 to $930, with an average of $819 per month.

- Of the surveyed apartments, about 44% were one-bedroom units, 42% were one-bedroom plus den or two-bedroom units, 7% of the units were studios, and 7% were two-bedroom plus den and larger units.

- Although a sizable majority of rental units are housed in traditional elevator-style buildings, we also identified townhome-style developments, renovated commercial spaces, and apartments located above local businesses. Although it was beyond the scope of the Market, we also recognize that a number of single-family homes, duplexes, and other various rental styles are present in the Market Area and compete with general occupancy market rate apartments for a portion of the renter base.

- All of the market rate projects surveyed are two- or three-story buildings. Most of the surveyed complexes contain a community laundry room with coin-operated washers and dryers, and either off-street parking or a parking lot for the residents. Austin Courtyard and Chauncey Apartments are the only projects that have in-unit washer and dryers and an underground heated parking spot included in the rent. Fair Oaks Apartments is the only project that offers a detached garage for $25/month.

- Although the resident profile varied considerably from project to project, nearly all respondents indicated that a wide range of ages and household types were represented at each project. Resident profiles include families with children, seniors, students, couples, and singles. Most residents seemed to be working in the Austin area. The only exception would be for Austin Courtyard and Chauncey Apartments, which have nearly all seniors occupying their buildings. Although they are not restricted to people age 55 and older, very few people under age 55 live in or even apply to live in these buildings.

Subsidized

- Seven projects containing a total of 348 subsidized rental units were identified and surveyed in the Austin Market Area. All of the projects are located in Austin, except for Colonial Manor, located in the City of Lyle. A total of 18 vacancies were reported by building managers, translating to a vacancy rate of 5.2%.

- As with market rate rental housing, vacancy rates among subsidized rental developments should typically fall below 5%. Historically, subsidized projects have been able to maintain vacancy rates of 3% or less in most market areas. The current vacancy rate indicates a slight oversupply of subsidized rental housing in the Austin Market Area.

- In many areas of the Upper Midwest, the majority of subsidized rental housing developments were built in the early- to mid-1970s. However, in the Austin Market Area, only two of the seven projects were built before 1980.

- Of all the subsidized apartments, 16% are one-bedroom units, 50% are two-bedroom units, and 34% are three-bedroom units.

TABLE 20
MARKET RATE GENERAL OCCUPANCY RENTAL HOUSING
AUSTIN MARKET AREA
February 2005

Project Name/ Address	Year Built	Total Units	Vacant	Unit Mix	Rent Range	Unit Size	Comments
Burr Oak Villas 400 10th Ave. NW	2004	18	14	4 - 1BR 10 - 2BR 4 - 3BR	$500 $650 - $770 $825 - $900	600 - 700 750 - 1,000 1,200	2 Buildings, south building (10 units) is still under renovation and not renting. Central A/C, kitchens, dishwasher, coin-laundry, elevator, parking lot, secured entry. Profile: Younger demographic, more single professionals. Currently offering one month free or 10% off published price.
Chauncey Apartments 310 2nd Ave. NE	2001	81	0	21 - 1BR 38 - 1BR/D 17 - 2BR 2 - 2BR/D 3 - 3BR	$715 - $760 $800 - $845 $845 - $870 $870 $930	700 - 720 885 - 1,020 1,000 - 1,060 1,045 1,210	All utilities except electricity and phone included, underground parking , satellite TV incl. in rent; dishwasher, microwave, W/D in-unit, furnace/central A/C ; most offer a bay window or balcony; community room w/ fireplace; exercise room, storage lockers; Profile: average age about 80 mostly from Austin.
Whittier Place Townhomes	1999	8	2	4 - 2BR 4 - 3BR	$745 $795	1,132 1,346 - 1,230	Tenant pays heat/electric. Attached garage (1); dishwasher; community laundry facilities (free); playground; walk-in closets; porch; Profile: some families w/ children, seniors, workers in Austin area, singles, mixture of tenants.
Austin Courtyard 308 2nd Ave. NE	1996	78	2	25 - 1BR 15 - 1BR/D 35 - 2BR 3 - 2BR/D	$690 - $735 $810 - $835 $810 - $835 $905	700 - 790 980 - 1,035 980 - 1,045 1,260 - 1,275	All utilities except electricity and phone included, underground parking , satellite TV incl. in rent; dishwasher, microwave, W/D in-unit, furnace/central A/C ; most offer a bay window or balcony; community room w/ fireplace; exercise room, storage lockers; Profile: average age about 80 mostly from Austin.
Webster School Apartments 403 12th St. NE	1994/95	12	3	2 - 1BR 10 - 2BR	$565 - $585 $615 - $625	N/A N/A	Tenant pays electric. Coin-operated laundry, some storage available; Profile: wide mix of residents, some seniors, some working couples and singles.
North Pointe Apartments	1992	12	1	1 - 2BR 6 - 3BR 5 - 4BR	$510 $720 $720	800 800 800	All untilities included in rent; off-street parking; wall-unit A/C; balcony; microwave, some in-unit storage; coin-op laundry; Profile: 3/4 Hispanic families, most work at Quality Pork, no seniors.

TABLE 20, cont.
MARKET RATE GENERAL OCCUPANCY RENTAL HOUSING
AUSTIN MARKET AREA
February 2005

Project Name/ Address	Year Built	Total Units	Vacant	Unit Mix	Rent Range	Unit Size	Comments
Lincoln School Apartments 911 5th Avenue NE	early 1990s	30	7	26 - 1BR 4 - 2BR	$485 $535	N/A N/A	Tenant pays elecric. Coin-operated laundry, some storage available; Profile: wide mix of residents, some seniors, some working couples and singles.
Key Apartments 900 14th Street NW	1972	128	4	35 - Studio 77 - 1BR 16 - 2BR	$220 $275 - $325 $380 - $425	334 434 - 558 700	Tenant pays heat/electric; off-street parking; some patios; some disposals; some w/ mini-blinds; some walk-in closets; some storage; coin-op laundry; Profile: about 1/3 seniors, mostly singles, few students, others are mostly workers from Austin.
Center Court 200 25th Street SW	1970	51	2	42 - 1BR 4 - 1BR/D 5 - 2BR	$350 $375 $400	471 555 555	Tenant pays heat/electricity; off-street parking (plug-ins $15/mo.); coin-op laundry; picnic area; Profile: mostly single workers from Austin, couple of families, average age about 35.
Fair Oaks Apartments 200 11th Avenue NW	1965	24	11	24 - 2BR	$525	900	Heat included in rent; detached garage is $25/mo.;dis-posals; decks; wall-unit A/C; coin-op laundry room; in-unit storage; Profile: mostly seniors, small number of teachers and hospital workers. Fixing laundry room in basement from flood.
R & F Apartments 1200 2nd Dr. NE	1965	39	29	22 - 1BR 9 - 2BR 8 - 3BR	$400 $600 $650	N/A N/A N/A	$600 security deposit for 1BR's, $800 for 2BR's. (high repair costs) 24 units are currently under renovation (9-1BR's, 8-2BR's, 7-3BR's) b/c of the flood and are not on the market. 10-1BR's currently occupied. Hope to be fully completed by mid-summer. Heat, water, wall A/C included in 1BR's. Water, central A/C, dishwasher in 2BR's & 3BR's. Coin-op. laundry, garages for $50/mo. Profile: 2 students, 1 senior, couples, singles. 3 residents currently receiving HUD assistance.
Austin Apartments 3rd Ave. & 2nd St NE	N/A	17	4	N/A - 1BR N/A - 2BR	$300 $400	N/A N/A	Two stories above ground floor retail in downtown. Most residents work at QPP. A portion of the residents are transitional/seasonal workers that head home in the winter and work/live in Austin the remainder of the year.
Total		***498***	***79***	***15.9%***			

Source: Maxfield Research Inc.

TABLE 21
SUBSIDIZED GENERAL-OCCUPANCY RENTAL HOUSING
AUSTIN MARKET AREA
February 2005

Project Name/ Address	Year Built	Total Units	Vacant	Unit Mix	Rent Range	Unit Size	Comments
Murphy Creek Townhomes 502 25th Street *Austin*	2001	88	2	34 - 2BR 54 - 3BR	$470 $545	540 645	About 56 units are Section 42 tax credit lots, with the remaining 32 lots are market rate.Tenant pays electric, attached garages included, in-unit W/D. Profile: mostly families with children, some couples w/children, singles w/children, few couples, few seniors. Most work in Austin at Hormel.
Prairie Sky Apts. 1701 8th Street NW *Austin*	1995	24	2	21 - 1BR 3 - 2BR	$387 (market) $387 (market)	525 725	Project-based Sect. 8 (30% of income) building and is restricted to persons age 18 and older with physical disabilities (hearing, vision, brain injuries) ; all utilities but electric are included in monthly rent; off-street parking; wall-unit A/C sleeves; roll-in showers; coin-op laundry; community room and out-door terrace. About a 3 month waiting list. Tenants receive utility allowance of $24 for 1BR's, $41 for 2BR's.
Whittier Place Townhomes *Austin*	1999	24	0	8 - 2BR 16 - 3BR	$515 $605	1,114 - 1,220 1,230	Low-income housing tax credit project; heat included in rent, tenant pays electricity; attached garages (included); wall-unit A/C; coin-op laundry; dishwashers; balcony/patios; playground; Profile: single mothers, seniors, some families, mixture of tenants; most work in Austin.
Mandolin Place 203 31st Street SW *Austin*	1994	72	4	12 - 1BR 39 - 2BR 21 - 3BR	$409 - $429 $459 - $479 $529 - $549	657 - 734 827 - 902 998 - 1,096	Section 42 tax credit project (accepts vouchers) ; heat included in rent, tenant pays electricity; detached garages ($25/mo.); wall-unit A/C; coin-op laundry; dishwashers; balcony/patios; playground; Profile: mostly families w/ children, about 4 seniors, students, remaining singles & couples.
Bremerton Townhomes 300 27th Street SW *Austin*	1980	60	6	2 - 1BR 42 - 2BR 16 - 3BR	$573 (market) $625 (market) $685 (market)	N/A N/A N/A	MHFA Section 8 project; tenant pays gas & electric; detached garages ($25/mo.); 2 wall-unit sleeves/unit; coin-op laundry; patios; 3BR units feature W/D hook-ups; storage bins; playground; Profile: mostly single mothers (60%), students (25%), few seniors (8%), couples (7%), mostly workers in Austin. About 2% pay market rate.

TABLE 21, cont.
SUBSIDIZED GENERAL-OCCUPANCY RENTAL HOUSING
AUSTIN MARKET AREA
February 2005

Project Name/ Address	Year Built	Total Units	Vacant	Unit Mix	Rent Range	Unit Size	Comments
Western Manor Apartments 303 27th Street SW *Austin*	1978	72	4	20 - 1BR 40 - 2BR 12 - 3BR	$352 (basic) $401 (market) $416 (basic) $474 (market) $468 (basic) $533 (market)	N/A N/A N/A	HUD Section 236 project; all utilities included in rent; off-street parking w/ plug-ins ($15/mo.); wall-unit A/C sleeves; coin-op laundry; disposals; playground/picnic area; Profile: mostly younger workers & sgl. Mothers; about 6 seniors; roughly 60% pay market rent.
Colonial Manor 803 Hollerud Street *Lyle*	1975	8	0	1 - 1BR 7 - 2BR	$345 (market) $375 (market)	725 800	Sec. 515 FmHA family housing project; off-street parking; no A/C; coin-op laundry; Profile: wide range of tenants, mostly seniors. All residents receiving rental assistance
Total		***348***	***18***	***5.2%***			

Source: Maxfield Research Inc.

- All of the subsidized projects are HUD Public Housing, Section 8, Section 42/Section 236 tax credit or Rural Development (formerly FmHA) projects, most of which require a monthly rent of 30% of a resident's adjusted gross income. The Rural Development projects have Rental Assistance available for a portion of their units, which pays the difference between basic rent (the minimum rent) and 30% of a resident's income, if it is below the basic rent. Without Rental Assistance, most residents of Rural Development projects would need to pay more than 30% of their income for rent to afford basic rent.

- There are three projects that also have a portion of their tenants paying market rate. At Murphy Creek Townhomes, 56 of the 88 units are Section 42 tax credit units, while the remaining 32 units pay the market rent, in which they pay $470 per month for two-bedroom units and $545 per month for three-bedroom units. Bremerton Townhomes is also a Section 8 project, with about 2% of their residents paying market rate. Market rate rents for Bremerton range from $573 for a one-bedroom to $685 for a three-bedroom. The third project, Western Manor Apartments has about 60% of the residents paying market rate. Market rate rents for Western Manor start at $401 for one-bedrooms and range up to $533 for three-bedrooms.

- Like the market rate developments, most of the surveyed subsidized projects have parking available for residents. Two of the projects have attached garages included in the monthly rent, two other projects offer detached garages for $25/month, and the remaining have off-street parking available. Other various features and amenities noted in most of the subsidized market include playground/picnic areas, wall-unit air conditioning, and laundry facilities (in-unit or coin-operated).

Despite the affordability of subsidized rental housing, recent trends show that vacancies have been creeping up in some communities, as these buildings are often perceived as less desirable because of their smaller unit sizes and lack of contemporary amenities. Small units do not provide the living space required of many families with children seeking affordable housing. Since Austin's subsidized housing stock is newer, this is not the case in Austin, however.

Subsidized Housing Assistance Program

In addition to subsidized apartments, the Austin HRA also has a "tenant-based" subsidy called *Housing Choice Vouchers* to help lower income households find affordable housing. The tenant-based subsidy is funded by the Department of Housing and Urban Development's (HUD), and is managed by the Austin HRA. Under the Housing Choice Voucher program (formerly Section 8 Certificates and Vouchers); qualified households are issued a voucher that the household can take to an apartment that has rent levels allowable under HUD guidelines. The household then pays 30% of their adjusted gross income for rent and utilities, and the Federal government pays the remainder of the rent to the landlord. Applicants in Austin may be eligible for the program if their income is below the current limits shown in Figure 1, which are set by HUD on an annual basis (50% of the median family income for a geographical area – or "Very Low-Income").

Currently, there are 177 families utilizing Vouchers in Austin – which is the maximum number of Vouchers available. Demand for the program is high. As January 2005, the wait for new applicants for a Voucher was about six months. To be eligible to apply, applicants must meet income guidelines (See Figure 1). The maximum monthly rent for eligible units in Austin – or the Payment Standard – is shown in Figure 2.

Figure 1
Income Limits
Housing Choice Voucher Program

Family Size	Very Low-Income	Low-Income
1 Person	$19,000	$30,450
2 People	$21,750	$34,800
3 People	$24,450	$39,150
4 People	$27,200	$43,500
5 People	$29,350	$47,000
6 People	$31,500	$50,500
7 People	$33,700	$53,950
8 People	$35,850	$57,450

Source: Austin HRA

Figure 2
Section 8 Rents
Housing Choice Voucher Program

Bedroom Type	Payment Standards*
0BR	$283
1BR	$346
2BR	$438
3BR	$548
4BR	$627

*Includes Utilities

Source: Austin HRA

College Student Rental Housing

The Austin Market Area contains one post-secondary institution, Riverland Community College located in Austin. Students' age 18 to 24 years typically rent housing at this stage of their adult lives. A brief narrative regarding housing for Riverland Community College follows.

Riverland Community College enrolled 3,865 total students on its Austin campus this past school year. Typically, the breakdown consists of about 40% full-time (1,546 students) and 60% part-time (2,319 students). Total enrollment has increased by nearly 20% since the colleges merged in 1997-1998. To see historic enrollment trends at RCC, please refer to Table 4 in the Demographic Analysis of this report.

In terms of housing, RCC has one on-campus dormitory with 16 suites that holds a capacity of 84 beds. Each suite has three bedrooms, two full baths, a large pantry and kitchen, and living room space. There are currently 70 occupied beds (83% occupancy), mostly consisting of athletes and students that are from at least 50 miles outside of Austin. The dormitory has only been full once, back in 2001, and is usually running at about 80% occupancy.

RCC charges $1,295 per semester for a shared room and $1,795 per semester for a private room, or roughly $325/month and $450/month, respectively, based on a 4-month semester. There is a $300 refundable security deposit required at the beginning of the semester. Rent includes all utilities except phone and cable. There is also a separate building on housing grounds that is equipped with a TV, stereo, pool table, patio area, fireplace with grills, and a full kitchen.

Since there are limited housing options for RCC, the majority of students live off-campus, either at home (with parents) or rental apartments in Austin, Albert Lea, or Owatonna. According to the Vice-President of Student Affairs, students have been reporting a great deal of difficulty in locating adequate rental housing in the area. Most feel that there is an abundance of lower quality housing, as well as higher-end rental housing, but find it difficult to locate a happy medium. The Student Life office maintains a list of apartments, real estate agencies, and local newspapers in Austin, Albert Lea, and Owatonna to assist students in locating off-campus housing.

Since Riverland is a community college, the majority is part-time students and would not be interested in on-campus housing. Therefore, despite increasing enrollment, RCC does not have any plans to add any on-campus housing units in the near future.

Senior Housing Market Review

Introduction

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

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

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

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

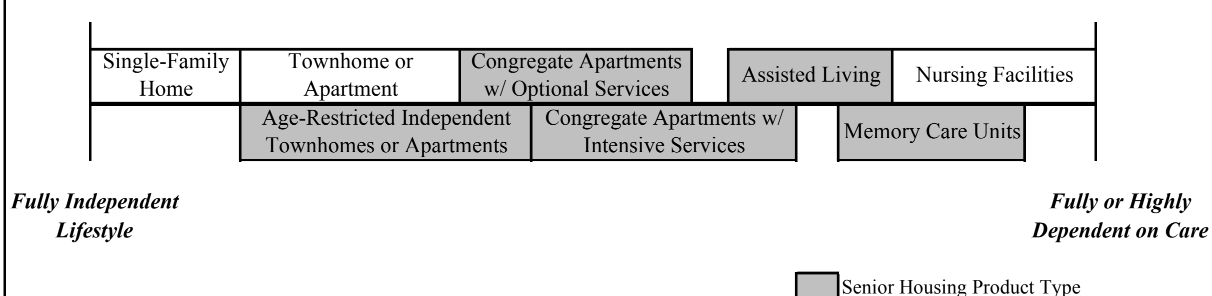
Assisted Living; where two or three daily meals as well as basic support services such as transportation, housekeeping and/or linen changes are included in the fees. Personal care services such as assistance with bathing, grooming and dressing is included in the fees or is available either for an additional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

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

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

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

FIGURE 2
CONTINUUM OF HOUSING AND SERVICES FOR SENIORS



Source: Maxfield Research Inc.

There are currently 20 senior rental housing projects in the Austin Market Area. These projects house a total of 859 units. Eleven of these projects (455 units) are subsidized and nine (404 units) are market rate developments. Table 22 and Table 23 on the following pages, provides a summary of the subsidized and market rate senior projects, respectively, in the Austin Market Area.

Subsidized Senior Housing Projects

- Three of the subsidized senior projects in the Austin Market Area are located in Austin, while the remaining eight are scattered throughout Mower County. Pickett Place and Twin Towers, both HRA projects, are by far the largest projects with 100 units and 204 units, respectively. Both are HUD Public Housing projects where rent is based on 30% of the tenant's adjusted monthly income. The remaining projects are either MHFA or Rural Development projects managed by the Mower County Housing Authority.

- We identified only two vacancies among the 11 subsidized projects as of February 2005, for a vacancy rate of 0.4%. This extremely low vacancy rate indicates high demand for subsidized senior units in the Austin Market Area. Our survey of subsidized general occupancy projects shows a significant number of seniors that occupy low-income general occupancy housing.

- All of the subsidized senior projects were reported to have been built in the 1970s and 1980s, with the most recent projects being built in 1983.

- Most of the projects are adult/few-services projects and provide very limited services. Unit features, building amenities and resident services (personal assistance, scheduled transportation, activities, etc.) vary between each of the senior developments, but are extremely limited in breadth and in availability. Pickett Place and Twin Towers have a pool table, library, and offer a noon meal through SEMCAC, while St. Mark's Apartments includes a mini-grocery store, barber/beauty shop, and also offers a noon meal.

- When compared with the Market Area's market rate developments, the subsidized developments offer little in the way of amenity packages, but do provide suitable housing for seniors not yet in need of housing with more extensive support services. We classify most of the subsidized senior buildings as adult/few-services.

Market Rate Senior Housing Developments

- Maxfield Research Inc. identified nine existing senior rental developments offering market rate housing in the Austin Market Area. These contain a total of 404 rental units, and represent four of the five levels of care of the senior housing continuum displayed in Figure 2.

- Six of the ten projects are located in Austin. These six projects combine for a total of 305 units. The remainder is spread throughout the Mower County communities of Adams (37 units), Grand Meadow (28 units), and Le Roy (34 units).

TABLE 22
SUBSIDIZED SENIOR HOUSING
AUSTIN MARKET AREA
February 2005

Project Name/City	Year Built	No. of Units	No. Vacant	Unit Mix/Sizes/Rents No. - Type	Sizes	Monthly Rent	Comments
Pickett Place 808 1st Drive NW Austin	1983	100	0	97 - 1BR 3 - 2BR	561 767	30% of Income 30% of Income	Public Housing project; rent based on 30% of AGI; all utilities included in rent; off-street parking w/25 plug-ins; wall-unit A/C sleeves; coin-op laundry; large community room w/pool table, library, & kitchen; noon meal offered through SEMCAC; picnic area; Profile: 100% seniors & disabled. About a 3-6 month waiting list.
Twin Towers 200 1st Avenue NE Austin	1973	204	0	204 - 1BR	500	30% of Income	Public Housing project; rent based on 30% of AGI; all utilities included in rent; off-street parking w/37 plug-ins; wall-unit A/C sleeves; coin-op laundry; large community room w/pool table, library, & kitchen; noon meal offered through SEMCAC; picnic area; Profile: 75% seniors & disabled, 25% income-eligible adults. About a 1-3 month waiting list.
St. Mark's Apts. 1401 4th Street SW Austin	1970	48	1	7 - Studio 34 - 1BR/BA 7 - 1BR/2BA	438 450 516	$392 (basic) $465 (max) $471 (basic) $559 (max) $550 (basic) $653 (max)	Adult/few services project. Comb. of Sec. 236 and Sec. 8 units; all utilities included in rent; assigned parking w/plug-ins; wall-unit A/C; walk-in closets; some units have walk-in showers, storage space, and lever handles; multi-purpose room used for activities, dining, exercises, and parties; mini-grocery store, barber/beauty shopdaily activities; noon meal is optional ($5.20/ea.); coin-operated laundry facilities, foot care/blood care optional; Profile: Avg. age 86, 1 couple, mostly single females from surrounding area. Currently 18 residents on Section 8 and 30 residents on Section 236.
Golden Terrace 281 Pine Street E Dexter	1983	10	0	10 - 1BR	725	$346 (market)	HUD public housing project; off-street parking; wall-unit A/C; coin-op laundry; disposals; decks; community room with kitchen; Profile: Avg. age mid-70s.
North Side Apts. 310 Lincoln St. NW Adams	1983	14	0	14 - 1BR	725	$346 (market)	Rural Development project; one-story building; off-street parking; wall-unit A/C; disposals; decks; community room with kitchen; coin-op laundry; Profile: Avg. age 70s.
Mill Street Apts. 301 North Mill St. Brownsdale	1983	11	0	11 - 1BR	550	$355 (basic) $545 (market)	Rural Development project; 2-story Adult/Few Service complex; tenant pays electricity, all other utilities included; off-street parking; wall-unit sleeves for A/C; walk-in closets; coin-op laundry room; party room; Profile: Avg. age 73 years, from surrounding area.

TABLE 22, cont.
SUBSIDIZED SENIOR HOUSING
AUSTIN MARKET AREA
February 2005

Project Name/City	Year Built	No. of Units	No. Vacant	Unit Mix/Sizes/Rents No. - Type	Sizes	Monthly Rent		Comments
Grandview Apts. 205 Grand Ave. W Grand Meadow	1979	15	0	14 - 1BR 1 - 2BR	725 900	$460 $551	(market) (market)	MHFA project; one-story building; off-street parking; wall-unit A/C; disposals; decks; community room with kitchen; coin-op laundry; Profile: Avg. age 70s.
Riverside Apts. 310 Lowell St. W Le Roy	1979	15	0	14 - 1BR 1 - 2BR	725 900	$477 $542	(market) (market)	MHFA project; one-story building; off-street parking; wall-unit A/C; disposals; decks; community room with kitchen; coin-op laundry; Profile: Avg. age 70s.
Friendship Village 403 Main St. W Brownsdale	1978	10	0	9 - 1BR 1 - 2BR	725 950	$468 $550	(market) (market)	Rural Development project; one-story building; off-street parking; wall-unit A/C; disposals; decks; community room with kitchen; coin-op laundry; Profile: Avg. age 70s.
Heritage House 809 2nd Street E Lyle	1978	14	1	13 - 1BR 1 - 2BR	725 950	$468 $550	(market) (market)	Rural Development project; one-story building; off-street parking; wall-unit A/C; disposals; decks; community room with kitchen; coin-op laundry; Profile: Avg. age 70s.
Rose Haven 300 4th St. NW Rose Creek	1978	14	0	13 - 1BR 1 - 2BR	725 950	$544 $641	(market) (market)	Rural Development project; one-story building; off-street parking; wall-unit A/C; disposals; decks; community room with kitchen; coin-op laundry; Profile: Avg. age 70s.
Total		***455***	***2***	***0.4%***				

Source: Maxfield Research Inc.

TABLE 23
MARKET RATE SENIOR HOUSING
AUSTIN MARKET AREA
February 2005

Project Name/City	Year Built	No. of Units	No. Vacant	Unit Mix/Sizes/Rents No. - Type	Sizes	Monthly Rent	Comments
Our House Memory Care 1401 15th Ave. NW Austin *Memory Care*	2002	24	0	24 - Private	235 - 250	$3,250	Memory care complex with private rooms; private bathroom, storage cabinets, nightstand, shower, daily activities, 3 meals/day plus snacks, weekly laundry/housekeeping, medication management, assistance with bathing/grooming/dressing, community room, dining room, beauty salon, porch, flower garden, TV lounge. Assessments based on grace points @ $.80/point/day. Profile: Avg. age is 89, no couples, average about 10 residents that receive EW/ACG.
Primrose 1701 22nd Ave. SW Austin *Cong./Optional Services/ Assisted Living*	2002	64	2	4 - Studio (AL) 20 - 1BR (AL) 12 - 1BR (IL) 28 - 2BR (IL)	560 575 775 985	$2,360 $2,390 $1,390 $1,540	Independent living and assisted living facility. All utilities included, except phone, free surface parking lot with garages available, central A/C, kitchen, some walk-in closets/shower, balcony, emergency call system, extra storage, dining and community room, activity room/game room, library, barber/beauty shop, ice cream parlor, chapel, computer lounge, exercise room, fireplace lounge, laundry facilities, transportation, activities, 3 meals/day in AL, one meal included in IL, can purchase other meals for $3/meal, weekly laundry/hskp. in AL, 24-hour personal assistance. Profile: average age is late 80's, 15 couples, about 6 are receiving EW/ACG in AL, all IL residents are private pay.
Sacred Heart Apts. 1200 12th Street SW Austin *Assisted Living*	1997	26	0	26 - Studio	420	$1,800 (Base rate)	Assisted Living units are connected to nursing home; off-street parking; unit A/C; kitchenette; walk-in showers; emergency call system; community/party room; dining room; activities director; 3 daily meals+snacks; 2 hrs./wk of personal assistance with bathing assistance; weekly housekeeping & laundry service. Health assessments based on point system, rates increase based on amount of services needed. 3 residents are receiving EW/ACG. Profile: Avg. age is mid-late 80s, mostly from surrounding area.
Oaks Condominium 1200 18th Ave. NW Austin *Adult/few services*	1984	40	2	10 - 1BR/1BA 8 - 1BR/Dlx. 12 - 2BR/1BA 8 - 2BR/2BA 2 - 2BR/Dlx.	702 868 1,036 1,092 1,372	$194 $239 $286 $301 $378	Owner-occupied project restricted to age 55 and older; association fees cover all utilities (except electric) maintenance, snow/lawn care, hazard insurance, and community spaces: dining room, monthly activities, exercise, free laundry, billiard, & whirlpool rooms, wood shop; 2 guest suites ($25/nt.); van ($2/trip); some have garages. Profile: Avg. age 75-80, 15 couples. Units valued between $78,000 to $120,000. Extra charge for putting a freezer in the garage ($.21-$.27/day)
Our House AL 204 14th Street NW Austin *Assisted Living*	1996	20	0	16 - Private 2 - Deluxe Private 1 - Dbl. Occ.	200 225 450	$2,550 $2,600 $3,300 - $3,725 (single) (double)	Assisted Living complex; off-street parking; central A/C; kitchen; walk-in showers; emergency call system; community, dining, & craft rooms; terrace; barber/beauty shop; PT activities director; personal assistance/meds administered; bathing/dressing/grooming, weekly hskp/laundry service; 24-hour wait service. AL based on point system. Additional services charge $.80/point/day. 12 residents currently receiveing EW/ACG. Profile: Avg. age 88, no couples, mostly from Mower County and move-ins to be near family.

TABLE 23, cont.
MARKET RATE SENIOR HOUSING
AUSTIN MARKET AREA
February 2005

Project Name/City	Year Built	No. of Units	No. Vacant	Unit Mix/Sizes/Rents No. - Type	Sizes	Monthly Rent	Comments
Cedars of Austin 700 1st Drive NW Austin *Cong./Optional Services/* *Assisted Living*	1985	131 87(IL) 44(AL)	10	6 - Studio 45 - 1BR 36 - 2BR 25 - Studio 13 - 1BR 6 - 2BR	291 507 - 795 821 - 991 291 - 390 507 - 600 821	$575 - $690 $950 - $1,028 $1,028 - $1,226 $2,085 $2,625 $2,920	50 underground parking stalls ($35/mo.); unit A/C; some units with patios, walk-in showers, disposals, & storage space; emergency call system; dining, community, exercise, & craft rooms; wood shop; whirlpool; library; billiards; guest suite ($45); chapel; barber/beauty shop; FT activities director; 3 meals incl. (AL) or available (IL) for $$; 24-hr. staffing; hskpng/laundry incl. (AL) or available (IL) for $$. Rents shown in AL are base rates, care levels increment by an extra $150/mo. There are 12 residents receiving EW (AL only). Profile: Avg. age 83 (IL)/85 (AL), 15 couples, mostly from Austin area. All vacancies in IL.
Wildwood Grove 410 East Main Street Le Roy *Cong./Optional Services/* *Assisted Living/* *Memory Care*	2001	34	2	2 - 1BR (IL) 10 - 2BR (IL) 8 - Studio (AL) 8 - 1BR (AL) 6 - Private (MC)	709 1,032 476 546 308	$625 $800 $1,800 $2,025 $2,025 - $3,200	All utilities included in AL/MC, IL residents pay water/phone; garages available for $35; unit A/C; balconies in IL; emergency call system; dining, community, exercise, & activity rooms; barber/beauty shop; transportation, activities director; in-unit laundry (IL) 3 meals incl. (AL) or available (IL) for a $5.75/noon meal, $4.25/supper; 24-hr. staffing; hskpng/laundry incl. (AL) or available (IL) for a fee. Profile: Avg. age is roughly 80.
The Meadows 117 2nd St. SE Grand Meadow *Assisted Living*	2000	28	2	5 - Studio 15 - 1BR 6 - 2BR 2 - 2BR suites	N/A	$1,665 $1,790 $2,065 $2,415	Assisted Living facility connected to nursing home. All utilities except phone/cable included; kitchen; walk-in showers; emergency calls; private dining room; library; chapel; computer with high-speed internet; fireplace lounge; scheduled transportation; planned activities and outings; weekly housekeeping/laundry; 24-hour supervision; bathing assistance; medication management; dressing/grooming, escort assistance; physical, occupational and speech therapy. Profile: Avg. age is 87, 4 couples. 8 units licensed for EW/ACG, currently 6 residents are receiving it.
Cedar Court 18 10th Street NW Adams *Cong./Optional Services/* *Assisted Living*	1991	37	8	20 - 1BR (IL) 8 - 2BR (IL) 9 - Studio (AL)	556 700 N/A	$550 - $600 $700 - $755 $2,050	Congregate/optional service project connected to Adams Health Care Center; 9 unit AL wing added in 2001. Tenant pays electric (heat); attached garages available for $30/mo.; patios; wall-unit A/C; coin-op laundry; walk-in closets & showers; some storage space; community rooms; transp. and activities are shared w/nursing home; IL residents may purchase AL package for $2,150/1BR, $2,250/2BR per month total. About 6 IL residents are using AL package. AL includes 3 meals/day, hskp/laundry, 24-hour nurse, aids. 11 units are receiving EW/ACG. Profile: Avg. age is mid-80's, 2 couples, and single women.
Total		***404***	***26***	***6.4%***			

Source: Maxfield Research Inc.

- The vacancy rate of market rate senior housing in the Austin Market Area was 6.4% in February 2005. Because turnover is typically higher in senior housing (particularly in assisted living, where the frailty level is higher), overall vacancy rates tend to run higher than among general occupancy projects. The 6.4% vacancy rate indicates that the overall senior housing market is at equilibrium.

- Oak's Condominiums (40 units) is the only market adult/few-services project restricted to residents age 55 plus. They are owner occupied units with monthly association fees that cover maintenance, snow/lawn care, and hazard insurance. Units are valued between $78,000 to $120,000. Adult ownership projects typically have a target market that is younger and more active than adult rental projects. In addition, many residents of age-restricted owned projects would not consider moving into age-restricted rental housing.

- As previously mentioned in the for-sale section, we also identified Oak Park Village townhomes. These are market rate units restricted to people age 50 and older. These are owner-occupied townhomes located on north side of Austin off 18th Avenue and Burr Oak Drive. There are 20 quad-homes for a total of 80 units, which all but one has been sold out. The 2nd phase of this project, Foxpointe, was just recently platted and will begin occupancy in June/July of this year.

- For younger seniors who are fairly active, but want services available if needed, there are four developments within the Austin Market Area that incorporates both independent living and assisted living components, thereby offering seniors the opportunity to "age in place" without having to consider moving to another facility as they need additional support services. There are two of these types of projects located in Austin (Cedars of Austin and Primrose), one located in the City of Adams (Cedar Court), and one in the City of Le Roy (Wildwood Grove). All four of these projects have an independent section and assisted living section, with the exception of Wildwood Grove, which also has a memory care section. Each project provides a wide array of amenities and features such as air-conditioning, kitchen, dining area, community room, emergency calls, barber/beauty shops, activities director, transportation, and additional personal care services either included (assisted living) or offered a la carte (independent living units).

- The remaining four projects have only one service level in their facilities. There are three assisted living facilities and one memory care facility in the Austin Market Area. All of the projects are located in Austin, except for The Meadows (assisted living), which is located in Grand Meadow.

- There has been a recent boom in development of senior housing in the Austin Market Area. Six of the ten senior projects have been built in the last 10 years, with four of those (totaling 150 units) being built within the last 5 years.

- Four market rate congregate/optional-service developments were identified in the Austin Market Area. All projects also have assisted living units available. Monthly rents range from $575 to $690 for studios, $550 to $1,390 for one-bedrooms, and $700 to $1,540 for two-bedrooms. Rent ranges vary from each project based on the amount of services, meals, and amenities that are included in the monthly rents.

- Because assisted living projects generally include three meals per day, housekeeping, laundry, and limited personal care services in the monthly rent, monthly rents are higher than at congregate projects. The Market Area's seven assisted living developments (includes projects that offer other levels of service) charge between $1,665 and $2,360 for an efficiency unit, $1,790 to $2,625 for a one-bedroom, and from $2,065 to $2,920 for a two-bedroom unit. Additional care packages are available at both developments to meet resident needs.

- Memory care facilities are the most service-intensive and typically include all services in assisted living projects, but also provide more personal care services just short of a nursing home. We have identified two memory care projects in the Austin Market Area; Our House Memory Care in Austin and a portion of Wildwood Grove in Le Roy. Monthly rents range from $2,025 to $3,250 for a private room.

Pending Rental Developments in the Austin Market Area

Interviews with City officials in February 2005 identified one assisted living facility that is currently under construction and one senior development in the preliminary planning stages in the Austin Market Area.

Our House is currently constructing a 41-unit assisted living facility adjacent to the Our House Memory Care facility on the west end of Austin. It is projected to be completed in July/August of 2005.

We were unable to contact the Good Samaritan Society. However, it is our understanding that they have preliminary plans to develop a senior housing campus in Austin. The exact concept, number of units, and timing of the project is unknown.

Rental Housing Market Interview Summary

Interviews with area property managers, real estate agents, and other people familiar with Austin's rental housing market were conducted to solicit their impressions of current market conditions. The following are key points derived from these interviews.

- Some property managers stated that many of their former tenants were able to purchase single-family homes because of the low interest rates. This has resulted in an overall reduction in rental demand in Austin over the past few years.

- Most of the property managers interviewed stated that there is currently no need for additional general occupancy rental housing. While employment is projected to slightly increase over the next year in Austin, it may still take awhile to absorb the existing vacant units to the point that the overall market is healthy again.

- When Murphy Creek Townhomes opened in 2001, the vacancy rate of existing market rate projects with modest rents increased sharply. This is because moderate income renters prefer the newer building with rents comparable to older market rate projects.

- Some people stated that demand has softened for two- and three-bedroom units in Austin, as it is difficult to find qualified tenants. However, demand for one-bedroom units remains high. Others stated that there is still a strong need for four-bedroom rental units for large families.

- Production workers at Hormel Foods and Quality Pork Processors account for a large portion of the demand for moderate rent apartments in Austin. Slower turnover in jobs at these two employers reduced demand for affordable rental units over the past few years. In addition, many of the workers are choosing to purchase housing, further reducing rental demand.

- According to the Vice President of Student Affairs at Riverland Community College, **students are having a difficult time finding rental housing**. Despite the higher vacancy rate in the projects surveyed, most felt that there were plenty of low-income/affordable housing, as well as higher-end rental apartments, but not enough medium-priced/quality rental housing developments.

- Most property managers at the senior projects interviewed felt that there is a continuous need for additional market rate senior housing, particularly assisted living for the older population. With the growing senior population in Austin, demand for senior housing is on the rise.

Introduction

This section of the study presents information on special populations that are currently living in or receiving special services in Austin. These populations include the homeless, victims of domestic abuse, persons with disabilities, and other lower-income individuals who have a difficult time finding affordable housing. Interviews were conducted with persons in the Mower County Human Services Department, and other area social service agencies and organizations involved in assisting these populations. The purpose of these interviews was to assess incidence levels, available housing product and services, and the perceived need for housing for homeless people, victims of domestic abuse, people with disabilities, and other people having a difficult time finding affordable housing.

Services that assist special populations in Austin that allow them to remain in their own homes, become independent or help stabilize their lives are available from both county agencies and from regional social service agencies, including SEMCAC, and a number of private organizations. Many of these services and housing products are summarized below.

Persons with Disabilities

Incidence Level

Data on the number of people in the Market Area with disabilities was obtained from the 2000 Census. The Census Bureau defines a disability as a long-lasting physical, mental, or emotional condition lasting six months or more. These conditions can make it difficult for a person to do activities such as walking, climbing stairs, dressing, bathing, learning, or remembering. They can also impede a person from being able to go outside the home alone or to work at a job or business. Table 24 shows the number of people by age group who are classified as having one of three types of disabilities: **sensory** (blindness, deafness, or a severe vision or hearing impairment), **physical** (a condition that substantially limits one or more basic physical activities, such as walking, climbing stairs, reaching lifting, or carrying), and **mental** (difficulty learning, remembering, or concentrating)). Table 24 also shows the number of people, who because of their disability also have difficulty with dressing, bathing, or getting around inside the home (self-care disability), going outside the home alone to shop or visit a doctor's office (going-outside-the-home disability) and working at a job or business (employment disability).

The following are key points from Table 24. It should be noted that a person can have more than one disability

- In the Austin Market Area, a total of 6,411 people were classified with a sensory, physical, or mental disability in 2000, or about 16% of the total population. In comparison, 12% of the State's population was classified with these disabilities. The percent of Austin's population with a disability (16.5%) was greater than in the Remainder of the Market Area (14.5%). This is a reflection of the fact that the greater support services available in Austin attract people with disabilities.

- In Austin in 2000, an estimated 2,015 people ages 16 and over had a physical disability and 975 people had a mental disability. Because of these disabilities, 487 people had difficulty with self-care, 1,464 people had difficulty going outside the home, and 1,345 people ages 16 to 64 had difficulty maintaining employment. With difficulty leaving the home and maintaining employment – and thus a stable income necessary to maintain housing – we can estimate that up to 1,345 people in Austin may need affordable housing with or without supportive services.

TABLE 24
TYPE OF DISIBILITY BY AGE OF NONINSTITUTIONALIZED PEOPLE
AUSTIN MARKET AREA
2000

	Austin	Rem. Of Market Area	Market Area Total
Age 5 to 15 years			
Sensory disability	37	22	59
Physical disability	14	12	26
Mental disability	206	142	348
Subtotal	257	176	433
Self-care disability	*3*	*8*	*11*
Age 16 to 64 years			
Sensory disability	297	197	494
Physical disability	809	498	1,307
Mental disability	568	218	786
Subtotal	1,674	913	2,587
Self-care disability	*241*	*85*	*326*
Go-outside-home disability	*618*	*418*	*1,036*
Employment disability	*1,345*	*816*	*2,161*
Age 65 years and over			
Sensory disability	785	279	1,064
Physical disability	1,206	537	1,743
Mental disability	407	177	584
Subtotal	2,398	993	3,391
Self-care disability	*246*	*171*	*417*
Go-outside-home disability	*846*	*370*	*1,216*
Total Disabilities	**4,329**	**2,082**	**6,411**
Pct. of Population	*16.5%*	*14.5%*	*15.8%*
Minnesota			*12.4%*

Sources: Census Bureau; Maxfield Research Inc.

Housing Programs

Based on a Minnesota Department of Human Services database of licensed facilities, we estimate that Austin has a total of about 190 beds in 47 facilities serving people with disabilities. We estimate that about three-quarters of the beds are in facilities serving people with developmental disabilities. Some facilities serve all disabled populations (including dual diagnosis) but only a few serve solely people with a mental disability. The licensed facilities in Austin are shown below by type of facility.

Inventory of Housing for Disabled Persons, City of Austin February 2005			
	Total Facilities	**Total Beds**	**Program Description**
Adult Foster Care	34	115	A living arrangement that provides food, lodging, supervision, and household services. They may also provide personal care and medication assistance. Adult foster care providers may be licensed to serve up to four adults and costs for room and board are met with client income such as Social Security Income and Group Residential Housing (GRH).
Waiver Services	6	24	Home and community-based services for people who would otherwise require the level of care provided in a nursing facility. Waiver services may be provided in a private home, foster care home, board & lodging facility or assisted living facility.
Semi-Independent Living Services (SILS)	1	4	Includes training and assistance to persons in managing money, preparing meals, shopping, personal appearance, hygiene and other activities needed to maintain and improve the capacity of a person with a diagnosis of mental retardation to live in the community.
Residential Mental Illness	1	8	Intensive Residential Treatment Services (IRTS) facility designed to enhance psychiatric stability and personal and emotional adjustment. Converted from Rule 36 Facility in February 2005.
Residential Services	5	36	Licensed residential service providers for persons with mental retardation or related conditions.
Total	47	187	
Sources: MN Dept. of Human Services; Maxfield Research Inc.			

There are several organizations offering housing services to people with disabilities in Austin. The most common type of housing is adult foster care homes, which provide food, lodging, supervision, and household services to up to four adults per home. There are over 34 adult foster care homes in Austin, including 14 operated by REM Woodvale, Inc. REM is a privately owned company offering an array of services designed to enable people with disabilities to live, work, and participate in community life utilizing their full ability in the least restrictive manner possible.

Larger facilities that serve people with a mental illness or chemical addiction include Hecla House (8 beds), Lang's Board & Lodge (14 beds), and WestPark Board & Lodge (14 beds).

The following are key points about the housing needs for the disabled population in Austin based on our interviews.

- There is a need for accessible housing for people with physical and developmental disabilities in Austin. The preferred types are one-level homes that are handicapped accessible.

- There will likely be increased need for housing for mentally ill people in Austin. This is because of the State's goal of decentralizing the care for these individuals by closing regional treatment centers around the State and providing care for these individuals in their native Counties. Austin will be impacted when the St. Peter facility closes between June and August this year. At this time, however, the exact impact of the closing of the St. Peter facility on the need for supportive housing for the mentally ill people in Mower County is unknown.

- A small number of beds could be supported in Austin to serve developmentally disabled people. However, there is a lack of adequate funds from the *Waiver* programs (50% Federal and 50% State funded) to cover the housing costs for potential residents – thereby limiting the potential to add beds in the community.

- People with a mental illness often have difficulty maintaining a job, and therefore, a stable income necessary to maintain permanent housing. While many can survive in private housing while receiving support services, there is a portion of the mentally ill population that needs housing with greater supervision, such as a group home.

- The State eliminated funding for "Rule 36" facilities in February 2005, for which there was one 14-bed facility in Austin – Hecla House. Hecla House is now an eight bed Intensive Residential Treatment Services facility (IRTS). Under the new rules, the existing facility will serve residents with a more severe mental illness for 30 to 45 days, versus the current six months to one-year, as was the case when Hecla House was a Rule 36 facility. While mental health professionals believe that the changes are good, the transition period could be challenging as new housing needs to be found for residents who will be displaced because they do not need the intensive services.

Homeless Population

Incidence Level

There are no estimates on the number of homeless people in Austin and the Remainder of the Market Area. This is because counting homeless people is a very difficult task. Most homeless people will either temporarily stay with family or friends, sleep in a hidden place in the community, or they will leave the community to seek shelter in a homeless facility located elsewhere. Based on studies and interviews, however, we do know that there is a portion of the local population that is homeless at any given time.

While there are no figures for the number of people who are homeless in Austin, there are statewide studies conducted by the Wilder Research Center and the Minnesota Office of Economic

Opportunity that document the growing number of homeless people throughout Minnesota. The following are key points from these studies.

Wilder Foundation Research

The Wilder Foundation Research Center conducts a one-night survey of homeless shelters and transitional housing programs every three years. The Center's survey conducted on October 23, 2003 counted 7,015 people in homeless shelters and transitional housing and another 796 who were identified but not living in any formal shelter or housing program in Minnesota. These homeless people identified included:

- 2,517 women
- 2,257 men
- 2,862 children with their parents
- 175 unaccompanied youth under age 18

Of these identified homeless people, two-thirds were in the seven-county Twin Cities Metro Area and the remaining one-third in Outstate Minnesota. Mower County is located in the Southeast Region of the State, where 390 people were identified as homeless, or 5% of the State's homeless population. The majority of these homeless people were likely surveyed at shelters in Mankato and Rochester, the two largest communities in the Southeast Region.

Key findings revealed in the survey about the homeless population in Outstate Minnesota are:

- 67% of homeless adults had children with them
- 36% of homeless men were veterans
- 27% of homeless adults were employed
- 53% of homeless adults were mentally ill
- 28% of homeless adults had a substance abuse diagnosis

When homeless people were turned away from a shelter because of lack of space, homeless adults in the Metro Area were most likely to end up sleeping outdoors or in another shelter. In Outstate Minnesota, however, they were most likely to double-up temporarily with friends of family, or sleep in a car or abandoned building.

It should be noted that the above numbers of the homeless people surveyed are an undercount of the total homeless population, because they do not include people who are "precariously housed." Precariously housed individuals are those whose living situation is temporary or unstable, such as those living "doubled-up" with friends or relatives. Including estimates of this population, the Wilder Foundation Research Center estimates that were 20,347 homeless people in Minnesota in 2003. Since 1991, when the first survey was completed, the estimated homeless population in Minnesota has grown as follows:

Minnesota Homeless Population

1991	1994	1997	2000	2003
7,980	12,415	15,759	21,329	20,347

Quarterly Shelter Survey

The Office of Economic Opportunity sends a Quarterly Shelter Survey to more than 300 shelters, transitional housing programs, and motel voucher providing agencies. These programs and agencies report statistics for a given night, providing a "snapshot" of the sheltered population in Minnesota. This information is used to track trends in shelter population; people turned away, and shelter capacity. The Quarterly Shelter Survey does not attempt to count people who stayed outdoors or in non-recognized facilities, or living temporarily with family or friends. For this reason, it is not intended to be a count of all homeless people in Minnesota.

According to the Third Quarter 2004 Shelter Survey, agencies reported sheltering 6,369 individuals in Minnesota. The individuals sheltered included 1,637 men (26%), 1,832 women (29%), 2,568 children (40%), and 332 unaccompanied youth (5%). After annual steady increases the sheltered population since the study began in 1985, the overall sheltered population in 2004 was about 6% decrease from 2002 (2003 figures were unavailable).

Minnesota is divided into 13 Continuum of Care (COC) regions. Committees in COC regions coordinate and generate resources to prevent homelessness, to alleviate its effects and to work toward long-term solutions. Mower County is located in the Southeast COC region, which includes 20 counties. In the August 2004 survey, the Southeast COC region sheltered 297 people. This equated to fewer than 5% of the State's population sheltered that night. Of the facilities in Austin, only the Crime Victim Resource Center reported persons sheltered (a family of three).

Homeless Needs Providers in Austin

There are no facilities for the homeless population in Austin. However, outreach services are available in Austin through SEMCAC, the Salvation Army, and Mower County Department of Human Services. People seeking assistance through these organizations are either provided shelter in a local hotel/motel or referrals are made to the appropriate programs or housing in Rochester, if necessary. The following are summaries of interviews with representatives of these three organizations concerning homeless needs in Austin.

SEMCAC

SEMCAC has several programs to assist families/individuals who are near homelessness or are homeless. Among them are the following:

Family Homeless Prevention and Assistance.
This program is designed to decrease homelessness by providing short-term assistance with a rent or mortgage payment. This payment helps families "bridge the gap" between emergency funding and the time they are eligible for subsidized housing or their financial situation changes enables them to become self-sufficient.

In the 2003 program year (July through June), 38 households and 119 individuals in Mower County were assisted. Because of program restrictions, fewer people were assisted in 2004. However, those restrictions were lifted for 2005.

Rural Housing Assistance and Stability Program (RHASP).
RHASP funds can be used to provide information, referral, advocacy, and first month's rent and/or deposit assistance to homeless persons. Participants must meet the HUD definition of homelessness.

In the 2004 program year, 12 households and 31 individuals were assisted in Mower County. This is similar to the level served in the 2003 program year (14 households and 38 individuals in Mower County).

Emergency Shelter Grant Program
This program provides motel, food, and/or transportation services to the homeless. Other consumer needs are addressed and a long term plan for stability established. When possible, SEMCAC strives to provide long term stability to families, not just a few nights in a motel.

In the 2003 program year, 60 households and 114 individuals in Mower County were received assistance through this program. The number assisted declined in the 2004 program year (34 households/69 individuals); however, in the first seven months of the 2005 program year (July through January), 39 households and 97 individuals have received assistance.

Through the Emergency Services Program, SEMCAC assisted 33 homeless families/individuals from July 2004 to December 2004 with motel vouchers (including 25 men, 24 women, and 33 children). From January to mid-February 2005, an additional seven homeless families/ individuals (nine adults and six children) have been assisted with motel vouchers. The maximum length of stay at a hotel utilizing the vouchers is four nights, compared to two nights with both of the Salvation Army and Mower County assistance programs. Thus, most people who become homeless in the community seek assistance from SEMCAC.

According to a representative of SEMCAC, most of the homelessness in Austin is simply due to low wages, where situations sometimes arise when a person or family suddenly cannot afford their current housing. A portion of the homelessness is the result of lifestyle choices, such as chemical abuse, or a felony conviction which makes it difficult for a person to qualify for rental housing. Single men recently released from jail also account for a small portion of the homeless population in Austin.

Salvation Army

The Salvation Army in Austin utilizes motel vouchers to provide shelter to homeless people for up to two nights in a local motel. From January to mid-February 2005, the Salvation Army assisted 12 families/individuals with shelter. More homeless people inquire about shelter but are referred to SEMCAC because they can allow people to stay in a hotel for four days, versus only two days with Salvation Army programs.

Mower County Department of Human Services

The Human Services Department is responsible for administration of all forms of public assistance, child support collection enforcement, employment and training initiatives, child and adult protection, and community social services for the developmentally disabled, elderly, mentally ill, and chemically dependent.

Each year, Mower County assists about 12 homeless people with shelter through the use of motel vouchers. However, most homeless people who contact Mower County are referred to SEMCAC for assistance. SEMCAC is able to provide homeless people shelter for four nights in a motel, versus two nights with assistance from the County. In addition, a homeless person must have been in the County for at least 30 days before they are eligible for assistance through the County.

The primary cause of homelessness of people seeking assistance from the County is failure to pay rent and chemical abuse. Most of the people assisted are also single men.

Domestic Violence Victims

Incidence Levels

Based on our interviews, we do not believe that victims of domestic abuse are a large population in Austin. However, there are no direct estimates of domestic violence victims for Mower County. This is due, in part, to the fact that most battered women do not seek help. Data regarding the number of domestic violence victims seeking shelter are available from the Minnesota Office of Economic Opportunity, the Wilder Foundation's Research Center, and the Crime Victim Resource Center.

<u>Wilder Foundation Research</u>

The Wilder Foundation Research Center conducts a one-night survey of homeless shelters and transitional housing programs every three years. The Center's survey conducted on October 23, 2003 counted 7,015 people in homeless shelters and transitional housing, including 2,517 women. The number one reason for women seeking shelter was to flee an abusive partner. In Outstate Minnesota, the survey found that 39% of women in emergency shelters or transitional housing were victims of domestic abuse.

Programs

<u>Crime Victim Resource Center</u>

Crime Victim Resource Center (CVRS) is a private non-profit organization that offers free, confidential services to victims of crime. The agency serves victims of domestic violence, in addition to victims of child abuse, robbery/burglary, assault, property crimes, and hate/bias crimes, among others.

For victims of domestic abuse, CVRC provides temporary shelter in two two-bedroom units owned by the Austin HRA, but reserved for use by the CVRC. According to a representative of CVRC, this program is adequately providing shelter to victims of domestic violence in Austin.

Approximately 10 to 15 women per year are assisted by the CVRC per year, but not all need assistance with shelter. Currently, both housing units are unoccupied and at any given time, at least one unit is available if needed. Based on the current incidence level of domestic violence, the representative of CVRC believes that existing facilities are adequately serving the housing needs of battered women in Austin. However, more affordable homes or Section 8 Housing Vouchers are needed to help find housing for families and individuals served by CVRC.

Transitional Housing for New Lower-Income Workers to Austin

A study was conducted in 2001 examining the need for transitional housing in Austin geared toward people who are mostly new to the community and are either employed in or actively seeking lower paying jobs. The key drivers of this demand were a high number of migrants moving to Austin for work each month (particularly at Quality Pork) and an insufficient supply of affordable rental housing – resulting in some people doubling up with friends or family until housing became available in six to 12 weeks or longer. It was recommended in the 2001 study that six to seven units of short-term transitional housing could be supported in Austin.

Our current research indicates that there is lower turnover of jobs in Austin, and fewer people are moving to the community seeking work. In addition, it has become easier to find affordable rental housing since 2001 (although there is still a lack of four-bedroom plus homes to accommodate low-income families with several children). According to our interviews, there is no longer a need in Austin for short-term transitional housing for new lower-income workers.

Introduction

Previous sections of this Market analyzed the existing housing supply and the growth and demographic characteristics of the population and household base in the Austin Market Area. This section of the report presents our estimates of housing demand in Austin from 2005 through 2010.

Demographic Profile and Housing Demand

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

1. *Entry-level householders*
   - Often prefer to rent basic, inexpensive apartments
   - Usually singles or couples without children in their early 20's
   - Will often "double-up" with roommates in apartment setting

2. *First-time homebuyers and move-up renters*
   - Often prefer to purchase modestly-priced single-family homes or rent more upscale apartments
   - Usually married or cohabiting couples, some with children, but most are without children, in their mid-20's or 30's

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

4. *Empty-nesters (persons whose children have grown and left home) and never-nesters (persons who never have children)*
   - Prefer owning but will consider renting their housing
   - Some will move to alternative lower-maintenance housing products
   - Generally couples in their 50's or 60's

5. *Younger independent seniors*
   - Prefer owning but will consider renting their housing
   - Will often move (at least part of the year) to retirement havens in the Sunbelt and desire to reduce their responsibilities for upkeep and maintenance
   - Generally in their late 60's or 70's

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

Smaller, outstate communities and 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. Therefore, the age categories for housing life cycles will be somewhat different in Austin than in communities located in larger metropolitan areas.

The baby boom generation will have the biggest effect on the housing market in Austin as their life cycle continues. Baby boomers are currently ages 36 to 59, and as they age over this decade, they will increase the population in the age groups 45 to 54 and 55 to 64. The 45 to 54 and 55 to 64 age cohorts in the Austin Urban Area will see increases of 619 and 1,020 people, respectively, during this decade. Some of these baby boomers will prefer more expensive single-family homes, while others who become empty nesters may prefer to downsize or desire maintenance-free alternatives. With the baby busters following in the baby boomers' wake, the age group 35 to 44 will decline, somewhat decreasing the overall demand for move-up housing.

Housing Demand Calculations

Demand for additional housing in Austin will primarily come from household growth, although replacement need will also contribute to the need for additional residential development. Pent-up rental demand can also be a source of housing demand. However, in Austin, we find an adequate supply of existing rental units available to meet current demand from all segments. Table 25 shows our calculation of housing demand in Austin from 2005 to 2010.

Table 1 in the *Demographic Analysis* section shows that the Austin Urban Area is projected to add 365 households during the remainder of this decade and the Remainder of the Market Area is projected to add 160 households. We estimate that Austin can capture one-fifth of the demand in the Remainder of the Market Area, or 30 units, by providing moderately priced housing to retain some potential residents who otherwise would seek this housing in smaller surrounding communities. Thus, an additional 395 housing units would need to be developed during the remainder of this decade to satisfy projected household growth in Austin.

A second factor in calculating demand for housing is an examination of replacement need. Replacement need is generated from the loss of housing, or the need to replace housing units that are physically or functionally obsolete (i.e., they no longer meet the needs of the current housing market). A review of the age of the Austin Urban Area's housing stock from the U.S. Census revealed that about 4,800 housing units were built prior to 1950. We estimate that less than 0.5% of these units should be replaced annually, or about 60 houses between 2005 and 2010.

TABLE 25
HOUSING DEMAND SUMMARY
AUSTIN MARKET AREA
2005 to 2010

		2005 to 2010		
Household growth*				395
(plus) Replacement need			+	60
(equals) Total housing demand			=	455
(times) Percent rental demand (includes general occupancy and senior)	x	30%	to	35%
(equals) Rental housing demand	=	137	to	159
(minus) Existing available general occupancy supply (to reach 5.0% vacancy)	-	25		25
(equals) Total rental housing demand	**=**	**112**	**to**	**134**
(times) Percent owner demand	x	65%	to	70%
(equals) Total owner housing demand	**=**	**296**	**to**	**319**

* Includes projected growth in the Austin Urban Area (365 households) and one-fifth of the projected growth in the Remainder of the Market Area (30 households)

Source: Maxfield Research Inc.

Pent-up rental demand is a third source of housing demand. A healthy rental market is expected to have a vacancy rate of about 5% to allow for sufficient consumer choice and unit turnover (the vacancy rate for single-family homes is expected to be about one percent or less). With pent-up demand (a shortage of units), persons who would normally form their own rental households instead room with other persons in a housing unit, live with their parents, or live in housing outside of the area and commute to jobs. In the Austin Market Area, we found that the overall vacancy rate was above 5%. Thus, overall, there currently is an adequate supply of existing rental units available to accommodate new renters to the community. Based on our survey, approximately 25 units in the community (mostly market rate rental units) need to be absorbed to reach stabilized occupancy.

Based on demand generated from household growth and replacement need, but subtracting the current over supply of rental units, there is a need for an additional 455 housing units in Austin through the remainder of this decade. It is important to note that in order for Austin to realize this growth, a variety of housing options at various price points will need to be developed.

Based on demographic and market trends, we believe that 30% to 35% of the housing demand in Austin between 2005 and 2010 (about 140 to 160 units) will be for rental and senior housing. Subtracting the current oversupply, however, the total demand for additional rental units is decreased to about 115 to 135 units through the remainder of the decade.

The remaining 65% to 70% of demand through the remainder of the decade (about 300 to 320 units) will be for owned housing.

It should be noted that our demand calculations do not factor in changes in interest rates that may occur in the future. This is primarily because of their unpredictability. However, because home mortgage rates are currently very low, the likelihood is that if there is a change, rates will increase. We believe that an increase in home mortgage rates to about 7.5% would begin to slow new home construction and would result in a greater percentage of new households that would seek rental housing. The following are the primary impacts that higher home mortgage rates would have on the housing market.

- The people most impacted would be first-time homebuyers and others seeking moderately priced homes. The reason is that most of these buyers have very little down payment money and must finance nearly the entire cost of a home. Conversely, most persons purchasing move-up housing or downsizing from single-family homes to townhomes (typically empty-nesters) have equity in their existing homes and also substantial savings that they can use toward the purchase of their new home, and do not need as much financing. If home mortgage rates increase, we could expect demand for entry-level housing to decrease by a greater amount than for move-up homes and one-story townhomes.

- Demand would not decline as much for mid-range homes as for entry-level homes should home mortgage rates increase. This is because a greater percentage of households in the market for mid-range homes could take on a greater housing cost burden (due to higher home mortgage rates) and still be under the qualifying cost burden required by lenders. The decline in demand would come from households who, because of the higher rates, would not income-qualify for a home mortgage sufficient enough to purchase a home they find adequate in the market. This occurs most often in the entry-level market.

- With some households priced out of the for-sale housing market by higher home mortgage rates, demand for rental housing would increase in the community. Should mortgage rates increase to above about 7.5% for an extended period of time, rental demand would likely exceed our projections in Table 29. It should be noted, however, that with higher interest rates, the cost of developing a rental project also increases. Thus, despite greater demand, it could be difficult to develop a rental project without some public subsidy, unless the new project were able to command rents much higher than can currently be commanded in Austin.

- While we do not believe that the move-up market or single-story townhome market would be impacted as much as the entry-level for-sale market by higher home mortgage rates, there would be some slowdown. The slowdown would occur because homeowners of entry-level homes would have greater difficulty in selling their existing homes before purchasing a move-up home. For some existing owners of entry-level homes, they may not be able to obtain the price they seek and may subsequently decide to stay in their existing home.

For-Sale Housing Needs

Table 25 shows that there is a projected demand for about 300 to 320 additional owner-occupied housing units in the Austin Market Area between 2005 and 2010. We estimate that about 60% of the demand for owned housing will be for single-family homes (180 to 190 homes), and the remainder for 120 to 130 multifamily units (i.e. condominium and townhomes). Based on community interviews, we believe that most of the demand for new single-family homes in Austin will be from family households in their 30s and 40s.

Demand for multifamily owned housing is particularly generated by empty nesters and younger single households. Condominiums and townhomes generally appeal to empty nesters because they offer a more maintenance-free environment (allowing more time for travel or other activities) than a single-family home. Younger households are generally attracted to townhomes if they are more affordable than single-family homes. Because new single-family homes in Austin are comparable to new townhomes in price, we believe that most younger households will prefer single-family homes. Nearly all of the demand for multifamily for-sale housing in Austin will be from empty-nesters and seniors.

General Occupancy Rental Housing Needs

Based on the calculations in Table 25, demand exists for an additional 140 to 160 rental units in the Austin between 2005 and 2010. However, our senior demand calculations (Table 26 to Table 28) indicate that about 100 units of this demand will be from seniors. Subtracting senior demand, general occupancy rental demand is reduced to 40 to 60 units between 2005 and 2010. **After absorbing existing vacant units to reach stabilized occupancy in the market (25 units), remaining demand for new general occupancy units is reduced to 15 to 35 units.**

Independent Senior Housing Demand

Table 26 presents demand estimates for independent senior units in the Austin Market Area. The table calculates demand based on senior households with incomes above $20,000, including those households whose incomes would rise to this level based on proceeds gained from the sale of their single-family homes. An income of $20,000 and an allocation of 40% of that income on housing would translate to an affordable monthly rent of $665, which is about a typical starting rent for independent senior projects in the area (most new projects would likely need higher rents to be financially feasible, however).

It is important to note that the more intensive the services a senior needs, the higher the proportion of their income he or she is willing to apply to alternative housing. For instance, it is not uncommon for older, frailer seniors to allocate 80% or more of their income on assisted living housing that includes all of their essential support service and personal care needs. In many cases, seniors will even spend down assets in order to reside in assisted living housing and avoid being placed in a nursing home.

Seniors who own their homes have an untapped source of equity that can be used to supplement their income. Home sales data revealed that the average sale price of homes in Austin in 2004 was about $95,000. After accounting for marketing costs (estimated at 7%), the proceeds from the sale of a $95,000 home could produce an extra $295 per month that could be used almost dollar for dollar for alternative housing. This would allow a lower-income household to more easily afford monthly rental payments at a market rate senior facility. Including households who would qualify with the proceeds from a home sale (those households with incomes of between

$20,000 and $24,999), we estimate the number of age/income-qualified senior households in the Market Area in 2004 at 5,109.

TABLE 26
MARKET RATE INDEPENDENT SENIOR RENTAL HOUSING DEMAND
AUSTIN MARKET AREA
2004 & 2009

		2004				2009		
		Age of Householder				Age of Householder		
		55-64	65-74	75+		55-64	65-74	75+
# of Households w/ Incomes of $20,000 to $24,999[1]		113	219	379		142	200	324
(times) Homeownership Rate	x	88%	89%	77%		88%	89%	77%
(equals) Potential Market	=	99	195	292	=	125	178	249
(plus) # of Households w/ Incomes of $25,000+[1]	+	1,870	1,328	1,325		2,218	1,358	1,357
(equals)Total Potential Market Base	=	1,969	1,523	1,617	=	2,343	1,536	1,606
(times) Short-Term Capture Rate	x	0.5%	6.5%	13.0%	x	0.5%	6.5%	13.0%
(equals) Short-Term Demand Potential	=	**10**	**99**	**210**	=	**12**	**100**	**209**
Total Market Rate Demand Potential		= 319				= 320		

		With Services "Congregate"		Without Services "Adult"		With Services "Congregate"		Without Services "Adult"
(times) % for housing w/services & w/o services	x	50%	x	50%	x	50%	x	50%
(equals) Demand potential	=	160	=	160	=	160	=	160
(plus) Demand from Outside Market Area (20%)	+	40	+	40		40		40
(equals) Total Long-Term Demand	=	199	=	199	=	200	=	200
(minus) Existing and Pending Competitive Units[2]	-	159	-	155	-	159	-	155
(equals) Total Demand Potential	=	40	=	44	=	41	=	45
(times) Percent capturable in Austin	x	75%	x	67%	x	75%	x	67%
(equals) Excess Demand	=	**30**	=	**30**	=	**31**	=	**30**

[1] 2009 income-qualified figures adjusted for inflation ($28K or more + homeowners w/ inc. of $22.5-28K)
[2] Competitive and pending units includes all rental units at 95% occupancy (market equilibrium) and 50% of Oaks Condominiums

Source: Maxfield Research Inc.

- Adjusting to include appropriate long-term capture rates for each age cohort (0.5% of households age 55 to 64, about 6.5% of households age 65 to 74, and 13.0% of households age 75 and over) results in a market rate demand potential for 319 independent senior rental units in 2004.

- Independent demand in the Market Area is split into housing that offers no basic support services "adult" and housing that offers meals and basic support services on an optional basis "congregate." Based on the age distribution of the Market Area population, we project that 50 percent of the Market Area demand will be for congregate housing (160 units) and 50 percent will be for adult housing without services (160 units).

- Some additional demand will come from outside the Market Area. We estimate that 20% of the long-term demand for independent senior rental housing will be generated by seniors currently residing outside the Market Area. This demand will consist 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, as well as former residents who desire to return. Together, the demand from Market Area seniors and demand from seniors who would relocate to the Market Area results in a total long-term demand for 199 congregate rental units and 199 adult rental units in 2004.

- Next, existing competitive market rate units available and any pending competitive units in the Market Area are subtracted (minus a vacancy factor of 5% to allow for sufficient consumer choice and turnover). Subtracting the existing and pending units' results in total demand potential for 40 congregate units and 44 adult units in 2004. Based on our calculations, it appears as if the current demand for independent housing with and without services both exceed supply in the Austin Market Area.

- Finally, we project that a congregate with services and independent without services project in Austin would capture three-quarters and two-thirds of the demand, respectively, from Market Area households. **This gives us total excess demand of 30 congregate housing units and 30 adult housing units as of 2004.**

- Adjusting for inflation, we have estimated that households with incomes of $28,000 or more and homeowners with incomes of $22,500 to $28,000 would best qualify for market rate independent senior housing in 2009. Considering the growth in the older adult base, the income distribution of the older adult population in 2009, and accounting for other pending senior projects in the development pipeline, our methodology projected that **excess demand will stabilize with 31 congregate units and 30 adult units by 2009.**

Assisted Living Demand Estimates

Table 27 presents our calculations for assisted living housing demand in the Market Area. The first step in determining the potential demand for assisted living units is to identify the age/income-qualified market, based on a senior's ability to pay the monthly fees.

The primary market for assisted living housing in the Market Area is seniors age 75 and over with incomes of $25,000 or more. An income of $25,000 and an 80% allocation of that income on housing translate to an affordable monthly fee of about $1,700, approximately the starting price for basic units with three daily meals at assisted living projects in rural Minnesota. A portion of senior homeowners with lower incomes could also afford assisted living housing upon allocating the proceeds from the sale of their homes toward assisted living housing. It should also be noted that there are a significant number of seniors who will spend down their assets in order to avoid institutional care. In addition, other prospective residents may be able to afford assisted living rents with financial assistance from family members or with assistance from long-term care insurance. Nationally, 20% of assisted living residents utilize these tools to assist in covering assisted living costs. For seniors with less means, Alternative Care Grants/Elderly Waivers are also available for those households who have spent down assets.

Because the vast majority (90% according to an ALFA survey) of assisted living residents are single, our demand methodology separates the number of senior households that live alone from those that live with a spouse or other relative. We have further broken down the number of senior households by household type and income. Those households living alone with incomes of $20,000 or less are those that would qualify based on a higher allocation of income to housing and the sale of assets to produce additional monthly income that could be allocated to assisted living housing. From these figures, we have applied acceptable capture rates to each income cohort and household type to derive the potential income-qualified market. As shown in Table 27, there were about 1,075 potential income-qualified households in the Austin Market Area in 2004.

Because demand for assisted living housing is need-driven, we then reduce the age/income-qualified market to account for the potential market needing assistance. Studies by several government agencies indicate that about 30% of all non-institutionalized seniors age 75 and over need assistance with at least three activities of daily living and would be a potential market for assisted living housing. Applying this proportion to the age/income-qualified household base yields a potential assisted living market base of 323 households in the Market Area.

From this total, existing assisted living housing in the Market Area must be subtracted. There are 155 assisted living units in the projects within the Austin Market Area. Subtracting these units, minus a 7% vacancy rate, reduces the potential market base to 168 units in 2004.

Due to the availability of home health care service providers, and the likelihood of family members providing limited assistance, we estimate that 70% of the age/income-qualified market needing assistance will be able to remain in their homes. The remaining 30% will need assisted living housing within the short-term. Applying this market penetration rate results in a local short-term demand of 50 units in 2004.

We estimate that 20% of the demand for assisted living at the proposed project would come from seniors currently living outside the Market Area. This supplemental demand would include seniors currently living just outside the Market Area, former residents desiring to return to the area or parents of adult children currently living in the Market Area. Thus, we calculate that demand exists for 63 units of market rate assisted living housing in Market Area in 2004. Since Austin is the Hub of Mower County and contains the majority of its population, **we estimate that Austin could capture about three-quarters of this demand, or about 47 units.**

We follow the same methodology and utilize the projected incomes of older senior households to estimate demand in 2009. We find a projected slight decline in the older senior population over the next five years in the Market Area, plus the 41-unit Our House is scheduled to open in 2005. The result is that total market rate assisted living demand in the Market Area is projected to decrease to 38 units in 2009. We are projecting that **Austin can capture three-quarters of the excess demand in 2009, or 29 units**.

TABLE 27
ASSISTED LIVING DEMAND
AUSTIN MARKET AREA
2004 & 2009

2004							**2009**						
Income	HHs 75+ Lvg. Alone	Capture Rate	Potential HHs	Non-single HH's 75+	Capture Rate	Potential HHs	Income	HHs 75+ Lvg. Alone	Capture Rate	Potential HHs	Non-single HH's 75+	Capture Rate	Potential HHs
Less than $20,000	927	25%	232	309	5%	15	< $25,000	1,076	25%	269	359	5%	18
$20-$34,999	502	75%	376	328	15%	49	$25-$39,999	398	75%	299	215	15%	32
$35,000+	247	100%	247	627	25%	157	$40,000+	196	100%	196	686	25%	171
Total	1,676		855	1,264		221		1,670		763	1,259		222

		2004		2009
Total potential income-qualified market		1,077		985
(times) Percent needing assistance w/ 3+ ADL/IADL's	x	30%	x	30%
(equals) Age/income qualified market needing assistance	=	323	=	296
(less) Existing assisted living units/beds (less 7% vacancy rate)	-	155	-	193
(equals) Net age/income qualified market needing assistance	=	**168**	=	**103**
(times) Short-term market penetration rate of 30%	x	30%	x	30%
(equals) Short-term demand from senior households	=	50	=	31
(plus) Proportion from outside the market area (20%)	+	13	+	8
(equals) Total potential assisted living demand	=	**63**		**38**
(times) Percent capturable in City of Austin	x	75%	x	75%
(equals) Total potential assisted living deman in Austin	=	**47**	=	**29**

Source: Maxfield Research Inc.

Memory Care Housing Demand Estimates

Table 28 shows the age/income-qualified market for memory care housing in the Austin Market Area in 2004 and projected to 2009.

Demand is calculated by starting with the estimated Market Area senior (65+) population in 2004 and multiplying by the estimated 8.0% incidence rate of Alzheimer's/dementia. This yields a potential market of 449 seniors in the Market Area. According to data from the National Institute of Aging, about one-quarter of all persons with memory care impairments are a market for memory care units. This figure takes into account only those seniors that are appropriate for memory care in an assisted living environment and excludes seniors in early stages of dementia who would be able to remain in their homes with assistance from a spouse or other caregivers as well as those in the latter stages of dementia who 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 112 seniors in the Market Area in 2004.

TABLE 28
MEMORY CARE DEMAND
AUSTIN MARKET AREA
2004 & 2009

		2004		**2009**
65 + Population		5,610		5,668
(times) 8% Dementia incidence rate	x	8%	x	8%
(equals) Estimated senior pop. with dementia	=	449	=	453
(times) Percent needing specialized memory care assistance	x	25%		25%
(equals) Total need for dementia care	=	112	=	113
(times) Percent income/assest-qualified	x	30%	x	30%
(equals) Total income-qualified market base	=	34	=	34
(plus) Demand from outside Market Area (25%)	+	11	+	11
Total Demand for memory care units		45		45
(minus) Existing memory care units*	-	28	-	28
(equals) Excess memory care demand in Market Area	=	17	=	17
(times) Percent capturable in Austin		80%		80%
(equals) Excess memory care demand in Austin		**14**		**14**

* Existing memory care units minus a 7.0% vacancy rate.

Source: Maxfield Research Inc.

Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing start at about $3,000. This would require an annual income of about $40,000 is seniors were willing to allocate about 90% of their income on memory care housing. Some of the income-qualified seniors will have high monthly incomes, however, most will be seniors willing to spend down assets and/or receive financial assistance from family members to afford memory care housing. Based on income data in Tables 5 and 6, we estimate that 30% of Market Area seniors would be income-qualified for memory care housing (this figures takes into account married couple households where one spouse may have memory care needs and allows for a sufficient income for the spouse to live independently). Multiplying the potential market (112 seniors) by 30% results in a total of 34 income-qualified seniors in the Market Area in 2004.

Memory Care housing is highly specialized and therefore, there are fewer such projects – particularly in smaller communities that do not have sufficient demand to support a memory care building. Therefore, we estimate that 25% of the demand for memory care housing in Market Area would come from individuals currently residing out of the Market Area. Including demand from outside the Market area, total demand potential is for 45 memory care units in 2004. We estimate that a facility in Austin could capture nearly all of this demand.

We then subtract current existing and pending memory care units in the Austin Market Area (28 units) to get excess demand for 17 memory care units in the Austin Market Area. **We project that Austin can capture 80% of excess demand, for a total of 14 units in 2004.**

We apply the same calculations to the age/income-qualified base in 2009 and get stabilized excess demand for 17 memory care units in the Austin Market Area. **We project that Austin can capture 80% of excess demand, for a total of 14 units in 2009.**

Introduction

This section recommends housing development concepts for the Austin Urban Area over the remainder of the decade, based on the demand analysis and interviews with persons knowledgeable about the Austin housing market. A summary of these development concepts is shown in Table 29, along with the number of units supportable over the remainder of the decade. Detailed recommendations for each housing type follow the table. It is important to note that these proposed concepts are intended to act as a development guide and that similar product could be successful as well.

TABLE 29
RECOMMENDED HOUSING DEVELOPMENT
CITY OF AUSTIN
2005 to 2010

	Purchase Price/ Monthly Rent Range	No. of Units	Pct. of Total
Owner-Occupied Housing			
Single-Family			
Entry-level	\$135,000 - \$175,000	25 - 35	14%
Move-up	\$175,000 - \$275,000	55 - 60	31%
Executive	\$275,000+	95 - 105	54%
Total		**175 - 200**	100%
Condominium/Townhomes			
Entry-level	\$155,000 - \$200,000	80 - 85	70%
Upper-end	\$200,000+	35 - 40	30%
Total		**115 - 125**	100%
General OccupancyRental Housing			
Market Rate Rental housing	\$550 - \$750	15 - 35	100%
Total		**15 - 35**	100%
Senior Housing			
Independent	\$800 - \$1,300	50 - 60	59%
Assisted Living	\$2,100 - \$2,600	25 - 30	29%
Memory Care	\$3,300 - \$3,500	10 - 15	12%
Total		**85 - 105**	41%

Source: Maxfield Research Inc.

Single-Family Housing

We estimate a demand for 175 to 200 new single-family homes in Austin between 2005 and 2010 – or about 35 to 40 new homes per year. Based on recent building trends and interviews with Realtors and builders, we find that strong demand exists for homes in all price ranges. We find however, that existing homes in the community will accommodate the majority of the entry-level demand for single-family homes (priced at under $175,000). Most of the demand for new homes will be for move-up and executive homes. We estimate that about 30% of the single-family home demand, or 55 to 60 homes, will be for move-up homes priced at between $175,000 and $275,000. About 55% of the demand will be for executive homes (95 to 105 homes) priced at $275,000 and above.

It should be noted that if mortgage interest rates increase substantially – to about 7.5% or higher – for an extended period of time, the overall demand for single-family homes will decrease somewhat. The biggest impact would be on entry-level demand, since many of these buyers have very little down payment money and must finance nearly the entire cost of a home, plus many would not be able to take on a greater housing cost burden and still be under the qualifying cost burden required by lenders.

We recommend maintaining a three year lot supply (110 lots based on demand for 35 new homes per year), which ensures adequate consumer choice without excessively prolonging developer-carrying costs. Austin currently has a supply of about 135 available lots – or an adequate amount to accommodate current demand levels. There are also an additional 190 single-family lots that are scheduled to come online by 2006. **Thus, overall, there appears to be an adequate supply of lots in the pipeline to accommodate projected demand for single-family homes over the remainder of this decade.**

Entry Level Lots
Based on absorption of about 6 entry-level homes per year, we recommend that Austin maintain a lot supply of at least 20 entry-level lots. These entry-level lots should be priced at about $25,000 or less. **Murphy's Creek 2nd addition, with 42 proposed lots, should accommodate entry-level demand through the remainder of the decade.**

Murphy's Creek is an excellent example of the public and private sectors partnering to achieve the goal of providing affordable entry-level homes in the community. Without this partnership, the City of Austin would likely be unable to satisfy its demand potential for new entry-level single-family homes by the remainder of the decade. Therefore, we recommend that the City support the second phase of Murphy's Creek.

Since existing homes will accommodate most of the entry-level demand and considering the older age of the housing stock (half of the City's owned housing stock was built before 1950), we recommend that the City also promote the availability of home rehab programs to low and moderate income homeowners. (See Appendix of available housing programs).

Move-up Lots
With a projected annual absorption of about 12 move-up homes per year, we recommend that Austin maintain a lot supply of at least 35 move-up lots. These lots should be priced at about $30,000 to $50,000. With only about 20 move-up lots currently available in the City, we find that at least 15 move-up lots could be platted immediately in Austin. The Meadows, scheduled to come online in 2006, should accommodate a portion of this demand. Most of these units, however, will likely be priced towards executive home-buyers. In addition to The Meadows, **an additional 30 move-up lots should be platted in the City by the end of the decade to maintain an adequate supply.**

Executive Lots
We project annual absorption of about 20 executive homes in Austin over the remainder of the decade. It should be noted that a portion of the demand for executive homes in Austin will be captured by subdivisions just outside of Austin's city limits – in Austin and Lansing Townships. Active subdivisions in these townships include Turtle Creek Estates, Seven Springs, Cedar Ridge and Olson/Hirsch. These subdivisions are in very close proximity to Austin and offer lot sizes ranging from 1.5 to 3.0 acres. Overall, we recommend that the Austin Urban Area maintain an available lot supply of at least 60 executive lots. **Currently, the Austin Urban Area has about 200 executive lots platted and/or approved. Based on projected absorption, these lots will accommodate demand through the remainder of the decade.**

Housing Rehabilitation

In addition to new single-family homes, there is also the potential to improve the existing supply to meet Austin's housing needs. While the majority of Austin's homes appear to be in good condition, many might not be energy efficient or there may be issues with heating, electrical, or plumbing systems simply because of their older age. **We believe that Austin could benefit from a home rehabilitation program to assist lower income homeowners improve their homes. We also recommend that the City pursue a program to purchase and demolish smaller single-family homes beyond repair and replace them with new affordable single-family homes.**

It is our understanding through interviews that the City had demolished or moved most of the single-family homes in floodplains. In the September 2004 flood, however, there were still some single-family homes (and a few rental housing units) in low lying areas near the Cedar River that received water damage. While none of the homes that were flooded in 2004 were identified as needing to be demolished, **the City may investigate the potential to remove some additional homes that remain in flood plains.**

For-Sale Multifamily Housing

A growing number of households desire alternative housing types such as townhouses, twin-homes and condominiums. Most often, the target market is empty nesters and young seniors who want to own their residence but do not want the responsibility of maintenance. Over the past several years, townhomes in the Oak Park Village and Orchard Creek developments have accommodated much of this demand. Some younger households (typically without children) also find the lack of maintenance required at these projects desirable. In larger housing markets with high housing costs, younger households also find purchasing multifamily units to be generally more affordable than purchasing new single-family homes. Since this is not the case in Austin, nearly all of the demand is from empty-nesters and active seniors.

Based on the level of owned multifamily development that occurred in Austin during the past several years and the growing number of empty-nesters, we believe that an increased amount of multifamily housing could be supported over the remainder of the decade. **We estimate that Austin can support the development of 115 to 125 units between 2005 and 2010 – or about 20 to 25 units per year**. We also estimate that just about 30% of the buyers will be empty nesters seeking upper-end units (35 to 40 units) priced at $200,000+. We estimate the remaining demand (70%) for 80 to 85 multifamily units priced between $155,000 to $200,000.

We find a current available supply of about 180 townhomes in five active developments in Austin, including almost 100 in the Fox Pointe subdivision (or Oak Park Village). We project that these developments will satisfy demand for one-level townhome units in Austin through the remainder of the decade – particularly for upper-end units. **Because of limited demand from younger households, we do not recommend developing two-story townhome units.** The vast majority of younger buyers will opt for existing single-family homes which would be priced similar to or lower than new two-story townhome units.

In addition to single-level townhomes, we also project that a small condominium development featuring one-bedroom plus den units and two-bedroom units would be successful in Austin. The target market for these units will be older adults and seniors who wish to sell their single-family home to move into maintenance-free housing but prefer not to rent. Most will prefer to use the equity from an existing home sale dollar-for-dollar to purchase a new multifamily unit – without having to take out a mortgage to purchase the new unit. Based on home values of the existing housing stock in Austin, we believe that most of the condominium units would need to have base prices under $175,000 in order for the building to capture the majority of the target market. We recommend all condominium units be either one-bedroom plus den (with about 900 to 1,000 square feet) or two-bedroom units (with 1,100 to 1,250 square feet). We do not recommend one-bedroom units, since the majority of buyers, even if they are single, will prefer a den or second bedroom for increased space. We recommend prices range from $140,000 to $150,000 for one-bedroom plus den units and $165,000 to $175,000 for two-bedroom units. To be competitive, units should include either underground or enclosed parking in the purchase price. The most appropriate location for a condominium building would be in or near Austin's downtown, where residents could walk to services, entertainment, and shopping.

A condominium project in downtown Austin could capture a portion of the calculated for-sale multifamily demand plus a portion of the calculated independent senior demand. In total, we project support for a condominium project in the downtown with up to 30 units by the end of the decade.

General-Occupancy Rental Housing

We calculate demand for 15 to 35 rental units in Austin through the remainder of this decade. Based on our research, we find that the product type with the greatest need in Austin is market rate units for young professionals and other transferees to the community who wish to rent until they are more established in the community.

To appeal to young professionals and transferees, **we recommend developing townhome units that feature an attached two car garage and an in-unit washer/dryer. We suggest a project with 10 to 12 units and rents of approximately $750 to $775 for two-bedroom units and $800 to $825 for three-bedroom units.**

We also find potential for market rate rental units located in second story space above existing businesses in the downtown. These units would be unique spaces appealing to younger people, including professionals and some students. Because these units would not likely have an elevator entrance, they will appeal exclusively to younger buyers, versus seniors. To be competitive and attract young professionals, monthly rents should range from about $550 to $575 for one-bedroom units, $725 to $750 for two-bedroom units, and $800 to $825 for three-bedroom units. Rents may vary significantly depending on the size of the unit, layout, views, and location of the building. Parking may be an issue for rental units above downtown stores. To be competitive, adequate private parking for residents must be provided. **We project that Austin could support 10 to 12 market rate rental units located in converted second-story space above existing downtown businesses through the remainder of the decade.**

Subsidized Rental Housing

Based on existing vacancies among subsidized rental projects and older market rate projects with modest rents in Austin, we do not recommend the development of additional affordable/subsidized rental housing in the short-term. In addition, based on our research, we project that demand for affordable rental housing has become stabilized as there is less turnover among production jobs at local industries, and many of the workers who are/were renters are pursuing home ownership. We believe that future residents of affordable single-family homes will include existing residents of moderate-rent apartments in Austin. As they move to owned homes, their current rental units will become available to satisfy new demand generated during the remainder of this decade. The vacancy rate of subsidized/affordable rental projects should be monitored over the long-term and the potential for new development should be assessed if the overall vacancy rate decreases to well below 5.0%.

While we do not recommend the development of additional subsidized general-occupancy rental housing in Austin through the remainder of this decade, **we find that some of the market rate projects with modest rents are older buildings that may benefit from improvements. We recommend that landowners of these older buildings be made aware of the availability of these programs**, such as those offered by the Minnesota Housing Finance Agency, including the Rental Rehabilitation Loan Program, HOME Rental Rehabilitation Program, and Affordable Rental Investment Program (See Appendix of available housing programs).

Senior Housing

Independent Housing

We find about equal demand of about 30 units for both senior housing units with no services ("Adult") and with services available ("Congregate"). Our recommendation for a 30-unit condominium building (See *For-Sale Multifamily* recommendations on Page 98) in or near downtown will primarily attract seniors. We believe that **the recommended condominium project would satisfy most of the demand for adult senior housing in Austin through the remainder of the decade. We do not recommend developing an additional market rate adult rental project.**

We believe that there is a need for a congregate project for seniors in need of some services – but who do not need the level of care provided in an assisted living facility. Currently, only two senior housing developments with congregate units are located in Austin, with a total of 127 units. Our research indicates that **Austin could support an additional congregate project with up to 30 units by the end of the decade. However, it may be financially difficult to develop a congregate project with only 30 units. These units may need to be a component of an existing senior housing facility or of a new development that would also include assisted living and/or memory care housing.**

We recommend that a congregate project have, at most, a daily noon meal, bi-weekly housekeeping, transportation, and activities included in the rent. Personal care services should be available on an optional basis either through the project or a home health care agency. The unit mix should be roughly 60% one-bedroom units and 40% two-bedroom units. Monthly rents should be about $975 for one-bedroom units and $1,300 for two-bedroom units.

Assisted Living Housing

Currently, four senior housing developments with assisted living units are located in Austin, with a total of 114 units. In addition, another 41 units currently under construction (Our House) are expected to open in July/August of 2005. After accounting for these additional units, we found that excess demand remains for up to 30 assisted living units in Austin through 2009.

We would recommend a new assisted living project contain about 25 units and consist mostly of studio and one-bedroom units with kitchenettes and private bathrooms with base fees (in 2005 dollars) ranging from $2,100 to $2,300 per month for studio units and $2,300 to $2,600 for one-bedroom units. The base fee would include three meals plus snacks daily, weekly light housekeeping and linen services, local transportation, activities program, health monitoring, 24-hour staff, medication reminders, and limited personal care. Additional personal care services would be available in packages, based upon the care level of the resident. Common area amenities should feature a congregate dining room, activity room, beauty shop, lounge, library, free laundry, and sunroom.

Memory Care Housing

Currently, there is only one specialized housing project for seniors with memory loss in Austin (Our House – 24 units). In our demand calculations, we found that up to an additional 14 units of memory care housing could be supported in Austin through 2009.

We would suggest adding a memory care project with up to 10 to 14 units. To accomplish this, it may be appropriate to develop these units as a wing to an existing or new assisted living facility since it would likely be financially difficult to develop a stand alone building with 14 or fewer units. To be price sensitive to overall moderate incomes in the Market Area, we recommend a memory care project with all studio units, each with 300 to 350 square feet and base fees of $3,300 to $3,500 per month. A few one bedroom units could also be developed, which should have about 450 to 500 square feet and base fees of $3,500 to $3,800 per month.

Base fees in memory care housing should include all utilities except telephone, three meals per day plus snacks, weekly housekeeping, medication management, initial nursing assessment and periodic wellness checks. In addition, memory care fees should also include personal laundry, linen services, passive and stimulating programming, basic personal care services and some hygiene care (we recommend assistance with two baths/showers per week). Additional personal care package should be made available through a tiered pricing system, to allow for aging-in-place.

Subsidized Senior Housing

Based on our interviews, we find that demand for subsidized senior housing in Austin is stable. Therefore, **we do not recommend the development of additional subsidized senior housing in Austin**, as existing projects will likely accommodate demand throughout the remainder of the decade.

Housing for Special Populations

Developmentally Disabled

Based on our interviews, Austin has a substantial supply of housing for people with developmental disabilities. While there may be a need for a small number of additional group homes, the greater need is for funding of the State's *Waiver* programs to help cover the housing costs for developmentally disabled people. Without an increase in funding to the Waiver program, adding to the supply of homes for developmentally disabled people will be difficult. In addition to new housing, an identified need is **funds geared toward making existing affordable homes more accessible to people with physical or developmental disabilities would be beneficial, since many developmentally disabled people are able to function in private housing with minimal support services.**

Mentally Ill

With the State decentralizing its services for mentally ill people (including closing of St. Peter facility in summer 2005) and eliminating funding for *Rule 36* facilities, there will most likely be an increased need for local facilities providing supervised permanent housing for mentally ill people. While the impact on Mower County is unknown at this time, there will likely be a need for more adult foster care and other board and lodging facilities for mentally ill people. Based on our interviews, we estimate **that there may be a need to increase the supply of housing for mentally ill people by 20 beds in Austin over the remainder of the decade.** We suggest that over the remainder of the decade, **the Mower County Department of Human Services monitor the demand for such facilities and issue request for proposals to add new facilities on an incremental basis as demand warrants.**

Homeless

While Austin does not have a homeless shelter, our interviews indicate that there is a small homeless population at any given time. We estimate that an average of about five to seven families/individuals are homeless each month in Austin, with a greater number seeking assistance in the winter months than summer months. It is likely, however, that this incident rate of homelessness in Austin would not justify the development of a homeless shelter. **As an alternative, we suggest increasing funding for existing homeless prevention programs operated by the Mower County Department of Human Services, SEMCAC, and other agencies.**

Domestic Violence Victims

The need for housing for battered women and their children in Austin is difficult to assess due to the relative inability to identify these populations. However, according to those interviewed, the level of demand within Mower County does not justify the development of a battered women's shelter in Austin. Currently, **services provided by the Crime Victims Resource Center, including the exclusive use of two of the Austin HRA’s family housing units are adequately serving the shelter needs of domestic violence victims in Austin.**

Potential for Housing in Downtown Austin

Austin is projected to add over 400 households between 2005 and 2010. This housing growth is an important component of the revitalization of a downtown. Simply stated, strong population and household growth will create opportunities to enhance and expand the downtown business base that otherwise would not exist. These new households are a market for downtown goods and services and recreation opportunities that will bring people into the downtown area.

While most of the new housing units added in Austin will be located in fringe growth areas of the community where there is ample land for new development, an opportunity also exists to create new housing in and near the downtown area. Residents of this downtown housing have a greater propensity to support downtown businesses. New housing developments can also improve/enhance the overall appearance of the downtown.

Currently, we identified five rental housing projects in the Downtown, four of which are owned by the Austin HRA and combine for 463 units. The fifth project, Austin Apartments, is a privately owned building located at 3rd Avenue NE and 2nd Street NE and has 17 market rate units and very modest rents. Based on the appearance of Austin Apartments, we believe that there is potential to achieve higher rent levels by improving this building (including its first floor retail frontage). It has a good location near shopping and entertainment in the Downtown.

In addition to the existing downtown housing, demand was identified to support two types of additional housing in the Downtown through the remainder of the decade. **We recommend a condominium building with up to 30 units and market rate rental housing above downtown businesses.** (See recommendations for each product type on Pages 98 and 99).

In addition to increasing the number of people who are potential retail customers, adding second story rental units in downtown buildings is also a way to increase cash flow of the buildings. Because retail rents are often low in downtowns, it is sometimes difficult to make a two-story building economically feasible through leasing out only the first floor space, especially if the building requires rehabilitation.

The site for a new condominium building in the downtown will be critical to its success. It should be in close proximity to the core of downtown, to minimize walking distance to goods and services. Neighboring buildings should be of quality appearance as prospective condominium buyers will be apprehensive to purchase units with unattractive views. A location between the existing Austin Courtyard and Chauncey Apartment buildings and the retail core is one potential site for condominiums. We understand that there is the potential to develop a new building/buildings in the downtown to house uses such as a community center, community classroom space, workforce center, and/or daycare. As long as a condominium building would have its own separate entrance and adequate underground/enclosed parking, we believe that it could be compatible in a building with these uses. A mixed-use building may actually improve the appeal of a condominium project, since the units would be located higher, overall, and therefore would have greater views. It should be noted that because of the costs of redevelopment, participation by the city with private developers may be necessary to achieve economic viability of downtown housing. We recommend development on an existing vacant lot, such as the former USEM Auto dealership, as it would likely be less costly than redeveloping a site with an existing use.

While new housing has the potential to enhance the vitality of retail in the downtown, the appearance and vitality of the retail also impacts the demand for housing. Investments to improving the appearance of commercial buildings may enhance the overall appeal for downtown housing. We suggest examining the downtown building conditions/appearance and potentially offering programs or incentives to private owners to make building improvements.

Introduction

The private market is most likely to develop housing that will meet demand and generate an appropriate return on investment. The development of "affordable" housing is currently more problematic. Rising land and construction costs have combined to lower or nullify appropriate returns for the private sector. In order to spur entry-level and/or moderate cost housing development, the public sector can often assist private developers with programs that will help meet housing demand through public/private partnerships. We have compiled information on a variety of programs and financing mechanisms available to local governments, housing and redevelopment authorities, property owners, and public and private housing developers for the purpose of new housing construction, as well as rehabilitation and improvement of existing housing units in Minnesota communities.

Demand was quantified for various housing products in Austin over the next five years. This appendix provides summaries of selected programs operated by or available at the Housing and Redevelopment Authority of Austin, Minnesota as well as from various government agencies that we feel could assist the development of projects that are not likely to be feasible without some level of assistance.

<u>Housing programs currently being utilized by the Austin HRA are as follows</u>:

1. **Public Housing**

The Austin City HRA owns and operates three subsidized buildings in which rent is based on 30% of the resident's income.

a. <u>Twin Towers Apartments</u> – (Opened 3/10/1973) Residents must meet income guidelines in order to be eligible. The 204 units are restricted to seniors, disabled, and any other income eligible people. No children are allowed. Rent includes all utilities, community room, pool table, and a noon meal offered through SEMCAC. See Table 22 on page 63 for more details.

b. <u>Pickett Place Apartments</u> – (Opened 3/20/1982) Residents must meet income guidelines in order to be eligible. The 100 units are restricted to seniors, disabled, and any other income eligible people. No children are allowed. Rent includes all utilities, community room, pool table, and a noon meal offered through SEMCAC. See Table 22 on page 63 for more details.

c. <u>Scattered Sites</u> – The Austin HRA also provides 56 Family HUD Houses that are scattered throughout Austin. These houses are restricted to families that meet the income guidelines.

2. Market Rate Rental Housing

The Austin City HRA owns and operates two general occupancy market rate buildings:

a. Austin Courtyard – This 78-unit project was built in 1996 and is open to the general public. Rent includes all utilities except electricity and phone, an underground parking spot, satellite TV, washer & dryer, dishwasher, and microwave. See Table 20 on page 54 for more details.

b. Chauncey Apartments – This 81-unit project was built in 2001 and is open to the general public. Rent includes all utilities except electricity and phone, an underground parking spot, satellite TV, washer & dryer, dishwasher, and microwave. See Table 20 on page 54 for more details.

3. Section 8 Housing Choice Voucher Program – 177 Vouchers

The HRA gives tenants rental assistance to persons who rent private units. The assistances are paid directly to a tenant's landlord. Basically, the tenant pays 30% of their income to the landlord and the HRA pays the remaining balance of the rent. See the *Subsidized Housing Assistance Program* section on page 58 for more details.

4. Transitional Housing

The Austin HRA owns a four-plex house that is used as a battered women's shelter and other transitional housing. The HRA coordinates two of the units with the Victim's Crisis Center. See page 78 for more details on transitional housing.

5. Community Development

The following programs are on-going as part of the HRA services.

a. Acquisition of substandard properties and redeveloping for re-sale.
b. Minnesota Housing and Finance Agency (MHFA) Residential Rehabilitation Loans and Grants.
c. MHFA community rehabilitation money.
d. Secure first time home buyer money for participating banks.

6. Homeownership

The HRA administers two homeownership programs:

a. Section 8 homeownership vouchers coupled with CASA program. The CASA program offers down-payment assistance with GAP financing.

Minnesota Housing Finance Agency

Homeownership Programs

1. Minnesota Mortgage Program

Provides first mortgage loans at below-market interest rates for low- and moderate-income first-time homebuyers. The program, administered by MHFA, is provided in cooperation with private mortgage lenders throughout Minnesota. Interest rates are typically 1% below market. Loans are made to moderate-income buyers who have not owned a home during the past three years. The maximum home purchase price in Greater Minnesota is $189,682 for a new or existing home. Additional financing of up to $3,000 is available through the Home-ownership Assistance Fund (HAF) to help with down payment and closing costs.

2. Entry Cost Homeownership Opportunity (ECHO) Program

Provides funds for "entry-cost assistance" (i.e. down payment and closing costs) for low- to moderate-income homebuyers. The "entry-cost assistance" is provided in the form of a loan, which is then purchased by MHFA after the loan closing. ECHO is a 5% simple interest deferred loan with a maximum interest accrual of 10 years. The loan can be deferred for the entire term of the first mortgage, which is typically 30 years. Maximum assistance is $3,000 or $7,000 for a family with a member who is disabled as defined by the American Disability Act. ECHO funds can also provide an additional $10,000 for structural repairs to an existing home for repairs required for the appraisal or pre-closing housing inspection. The maximum home price in Greater Minnesota (excluding Goodhue and Olmstead Counties) is about $189,700. Program requirements state that "projects must address housing needs created by existing economic development."

3. Minnesota City Participation Program

Provides a set-aside of mortgage revenue bonds for a six-month period to assist communities in meeting their identified homeownership goals. Cities and counties, housing and redevelopment authorities, and economic development authorities are eligible for funding. The funds can be used to target specific properties, areas, or population groups to meet locally identified needs.

4. Community Activity Set-Aside (CASA) Program

Provides assistance to local government and/or non-profit housing providers in cooperation with MHFA participating lenders. Like the ECHO program, CASA require that "projects must address housing needs created by existing economic development." MHFA encourages unique "project-oriented" approaches and collaborative efforts to increase homeownership and strengthen the relationship between housing and economic development. The maximum purchase price of homes for which funding under the CASA program can be applied is $189,700 for new construction and existing homes. Households targeted for this program can earn up to $52,800 per year, for a family of one to four people, or up to $69,700 for a family of eight.

5. Community Revitalization Fund

Provides grants for cities and non-profit organizations for single-family construction, demolition, permanent financing and refinancing. Funds are provided in the form of a grant or 2% interim Construction/Rehabilitation Loan. This program is particularly attractive because grants are also available for financing the difference between the cost of redevelopment (acquisition, demolition, rehabilitating, and new construction) and the market value of the housing upon its sale. Gap financing will be a key issue in redevelopment projects, since the costs associated with redevelopment are often higher than the market value of the end product, especially redevelopment projects that target lower-income homebuyers.

6. Community Fix-up Fund Program

Provides assistance to participating lenders for extending rehabilitation loans to households with incomes of $88,000 or less to finance rehabilitation and qualified home-improvement projects. Most improvements to the livability, accessibility, or energy efficiency of a home are eligible. Some eligible improvements are electrical wiring, a new roof, room additions, a garage, and septic repairs. The maximum loan amount is $35,000. Fixed interest rates range from 5.0 to 8.5%, based on the income of the household. The program provides a unique opportunity to target households with higher incomes than those eligible for most MHFA programs.

7. Minnesota Urban and Rural Homesteading Program (MURL)

Provides homeownership opportunities to homebuyers who will assist in stabilizing declining neighborhoods. The Program is designed to prevent the spread of blight and preserve the existing housing stock or replace dilapidated properties by providing financing to purchase, rehabilitate properties or for demolition/new construction of a new single family unit. Under the program, the MHFA provides grants, to eligible organizations to acquire single-family residences to rehabilitate and/or demolish the existing structure and construct a new single family unit and sell them by way of a zero-percent Contract for Deed to homebuyers who are considered to be "at-risk" and are willing to strengthen the neighborhood by adhering to a good neighbor policy. The maximum amount to be allocated by MHFA is $121,510 for a two-bedroom home up to $172,548 for a four-bedroom home in southeastern Minnesota.

Rental Housing Programs

1. Low Income Housing Tax Credit Program (Section 42)

Provides a federal income tax credit to investors who invest in the construction or substantial rehabilitation of rental housing. Housing must meet income and rent restrictions for at least 15 years.

The Low Income Housing Tax Credit (LIHTC) program was created by the Tax Reform Act of 1986 as a funding resource for private developers interested in building affordable rental housing serving low- and moderate-income households. Each state receives an annual tax credit allocation of $1.25 per person from the Internal Revenue Service. These tax credits are administered by the State's housing finance agency and are awarded to developers through a competitive process with one or two funding rounds each year. The tax credits – which actually represent a ten year credit for up to 9% of the cost of constructing affordable housing – are then syndicated to private investors. The proceeds of this syndication process provide equity for the development of affordable housing. The process therefore reduces the debt a qualified property must carry, in turn reducing the rents required to support project debt.

*Type of Housing***:**
Qualified low-income buildings include residential property that is either an apartment building, single family dwelling, townhouse, rowhouse, or duplex.

Qualified projects where at least 20% of the housing units must be set aside for tenants whose incomes are 50% or less of the area's median income; or projects where at least 40% of the housing units must be set aside for tenants whose incomes are 60% or less of the area's median income.

However, because the tax credit allocation process is extremely competitive, most projects receiving allocations maintain much higher affordable percentages. It is also important to note that because of the increases in land and construction costs that have been witnessed over the past decade, as well as the fact the income restrictions imposed by the program are somewhat liberal, tax credit rents are typically only 10 to 15% below market rate rents.

Eligibility Requirements:
Nonprofit and for-profit sponsors. Gross rents (including tenant paid utilities) cannot exceed 30% of the applicable income ceiling, adjusted for family size. Owners of qualified residential projects must satisfy the minimum set-aside and gross rent requirements for a 15-year period.

*Finance Terms***:**
Credits may be taken annually for ten years and are based on a percentage of the qualified costs of the building. For new construction and substantial rehabilitation the applicable rate is approximately 9%. For acquisition of existing buildings and buildings with federal subsidies the applicable rate is approximately 4%.

2. Rental Rehabilitation Loan Program

The purpose of the Rental Rehabilitation Loan Program is to assist owners of smaller rental properties finance improvements to their investment properties, occupied by persons or families that have an income less than 80% of the statewide median income. The loan is a 6% annual percentage rate, with a term of up to 15 years. The loan is non-assumable, and due on sale. You may receive up to $25,000 for a one or two unit property, or $10,000 per unit for larger properties, with a maximum amount of $100,000.

3. HOME Rental Rehabilitation Program

This program provides grants to rehabilitate privately-owned rental properties that are not federally subsidized, but are affordable to lower-income families. Zero-percent deferred payment loans may be in the $3,000 to $14,000 per unit range. For projects requiring $100,000 or more in HOME financing, borrowers may obtain 100% of the financing. For projects requiring less than $100,000, borrowers must contribute 25% of the financing and the loan is forgiven after a five-year period of compliance with affordability and property standards.

4. Affordable Rental Investment Program

Provides zero-percent interest first mortgages or deferred loans to help cover the costs of the acquisition and rehabilitation, or new construction of affordable rental housing. The thrust of the program is to provide rental housing affordable to households at or below 80% of median income. Maximum gross rents are based on unit size and geography. Individuals, for-profit, and non-profit entities may apply.

5. Economic Development and Housing Challenge Program

The purpose of the program is to provide zero-percent interest first mortgages or deferred loans to assist in the provision of affordable permanent rental housing that supports economic development and redevelopment activities or job creation or job preservation by meeting locally identified housing needs. The program will serve rental households with incomes at or below 80% of state or area median income. The thrust of the program, however, is to provide housing that is affordable to the local workforce based upon the: wages of the jobs being created or retained in the local area, fastest growing jobs in the local area, jobs with the most openings in the local area, or wages of the workforce employed by organizations making contributions under the Challenge program. Half of the program funds must be used for economically viable rental housing proposals that: include a financial or in-kind contribution from an area employer and either a unit of local government or a private philanthropic, religious or charitable organization; and address the housing needs of the local work force.

6. Housing Trust Fund Program

The Minnesota Legislature established the Housing Trust Fund in 1988 to support the development of affordable housing for low-income persons and families, earning at or below 60% the median income as determined by HUD. A priority is given to projects who serve household at or below 30% of the median income. The Housing Trust Fund may be used to fund three general types of activities: capital funding, operating subsidy, and rental assistance. For capital funding, the Agency will provide construction and permanent financing for rental housing. For operating subsidy funding, the Agency may provide an operating subsidy for rental housing for which the Agency has provided capital funding. For rental assistance funding, there are three options: tenant-based, sponsor-based, and project-based rental assistance. Housing Trust Fund rental assistance is intended to be temporary in nature and to provide assistance through an Administrator to an individual household or through the owner of an Agency-financed development approved to receive project-based rental assistance. Eligible Uses of Funds**:** Tenant-Based Rental Assistance; Sponsor-Based Rental Assistance; Project-Based Rental Assistance; Security deposits; and Administrative Fees to Administrators of Tenant-Based and Sponsor-Based Rental Assistance.

7. Low and Moderate Income Rental Program

The purpose of this program is to provide financing for rental housing for low/moderate income households. Long term/fixed rate mortgage funds will be provided to finance new construction of rental housing and help stabilize existing properties. The Program is an ongoing pipeline of financing which allows for the acquisition and rehabilitation or new construction of rental housing. This program may be used in conjunction with HOME funds, City Participation, Federal Tax Credits, or other funding sources, thereby providing rents affordable to low and moderate income households. Resources will be targeted to two basic development types: 1) Multifamily developments utilizing federal housing tax credits; 2) Multifamily developments where 80% of the units' rents are at MHFA determined "market" rates and the remaining 20% are affordable to Section 8 certificate holders.

The Income Restrictions are: 40% of the units must be occupied by individuals/families whose income is 60% or less of the area median income, or 20% of the units must be occupied by individuals/families whose income is 50% or less than the area median income which income. 25% of the units may have unrestricted incomes. The balance of units must be occupied by tenants with incomes equal to or less than 100% of the area median income. Developments financed with multifamily residential bonds must maintain the income and rent limits as long as the mortgage is outstanding, or 15 years, whichever is longer.

All information and applications can be found on the MHFA website at www.mhfa.state.mn.us.

U.S. Department of Housing and Urban Development (HUD)

1. Supportive Housing For The Elderly Program: Section 202

Summary:
Section 202 provides capital advances to finance the construction and rehabilitation of structures that will serve as supportive housing for very low-income elderly persons and provides rent subsidies for the projects to help make them affordable.

Purpose:
This program helps expand the supply of affordable housing with supportive services for the elderly. It provides low-income elderly with options that allow them to live independently but in an environment that provides support activities such as cleaning, cooking, transportation, etc.

Type of Assistance:
This program provides capital advances to finance property acquisition, site improvement, conversion, demolition, relocation, and other expenses associated with supportive housing for the elderly. The capital advance does not have to be repaid as long as the project serves very low-income elderly persons for 40 years. Project Rental Assistance is used to cover the difference between the HUD-approved operating cost per unit and the tenant's rent. Project Rental Assistance contract payments can be approved up to 5 years. However, contracts are renewable based on the availability of funds. Construction on projects must start within 18 months of the date of fund reservation, with limited exceptions up to 24 months. Funds are advanced on a monthly basis during construction.

Eligible Grantees:
To be eligible for funding under Section 202 the applicant must be a private, nonprofit organization with prior experience in housing or related social service activities. As a minimum capital investment, the owner must deposit in a special escrow account 0.5% of the HUD-approved capital advance, up to a maximum of $25,000 for national sponsors or $10,000 for other sponsors. Government entities are not eligible for funding under this program.

Criteria for allocation of program funding include the number of elderly rental households served, the number of very low-income elderly renters in the area, and the number of very low-income elderly renters with housing problems who pay more than 30% of their incomes for rent.
Eligible Customers:
The program benefits any low-income residents age 62 years and older.

2. Rental Housing For The Elderly: Section 231

Summary:
The Section 231 program insures mortgage loans for construction or rehabilitation of rental housing for elderly persons.

Purpose:
Section 231 seeks to increase the supply of housing for elderly persons and/or persons with disabilities by insuring mortgages to finance the construction or rehabilitation of buildings that will provide rental apartments for them. The HUD insurance for a Section 231 project covers the private lender—such as a bank, a mortgage company, or a savings and loan association—against the risk of default on the mortgage loan. However, few projects have been insured under Section 231 in recent years: nonprofit sponsors have used Section 221(d)(3) instead, while for-profit developers have turned to Section 221(d)(4).

Type of Assistance:
HUD insures mortgages under Section 231 to finance the construction or rehabilitation of buildings with eight or more rental units that are specifically designed for the use and occupancy of elderly persons or persons with disabilities. For nonprofit or public sponsors, the

maximum loan is 100% of the estimated replacement cost of the building. For all other sponsors, the maximum loan is 90% of the replacement cost (or 90% of project value for rehabilitation projects).

Eligible Grantees:
Eligible borrowers under Section 231 include private for-profit developers, public agencies, and nonprofit organizations.

Eligible Customers:
Elderly persons (62 or older) or persons with disabilities are eligible to occupy an apartment in a building whose mortgage is insured under the Section 231 program.

3. Mortgage Insurance for Nursing Homes, Intermediate Care, Board & Care and Assisted-living Facilities: Section 232 and Section 232/223(f)

Summary:
Section 232 insures mortgage loans to facilitate the construction and substantial rehabilitation of nursing homes, intermediate care facilities, board and care homes, and assisted-living facilities. Section 232/223(f) allows for the purchase or refinancing with or without repairs of existing projects not requiring substantial rehabilitation.

Purpose:
Section 232 insures lenders against the loss on mortgage defaults. Section 232 insures mortgages that cover the construction and rehabilitation of nursing homes and assisted living facilities for people who need long-term care or medical attention. The program allows for long-term, fixed rate financing (up to 40 years) for new and rehabilitated properties and (up to 35 years) for existing properties without rehabilitation that can be financed with Government National Mortgage Association (GNMA) Mortgage Backed Securities.

Type of Assistance:
FHA mortgage insurance for HUD-approved lenders.

Eligible Activities:
Insured mortgages may be used to: 1) finance the construction and rehabilitation of nursing homes, intermediate care facilities, board and care homes, and assisted living facilities; 2) enable borrowers to buy or refinance (with or without repairs) projects that do not need substantial rehabilitation; 3) install fire safety equipment.

Facilities must accommodate 20 or more residents who require skilled nursing care and related medical services, or those who while not in need of nursing home care, are in need of minimum but continuous care provided by licensed or trained personnel.
The maximum amount of the loan for new construction and substantial rehabilitation is equal to 90% (95% for nonprofit sponsors) of the estimated value of physical improvements and major movable equipment. For existing projects, the maximum is 85% (90% for nonprofit sponsors) of the estimated value of the physical improvements and major movable equipment.

Eligible Borrowers:
Eligible mortgagors include investors, builders, developers, public entities (nursing homes) and private nonprofit corporation and associations. For nursing homes only, applicants may be public agencies that are licensed or regulated by a State to care for convalescents and people who need nursing or intermediate care. A potential applicant must submit a certificate of need from the State agency designated by the Public Health Service Act. (If no State agency exists, an alternative study is required.) No Certificate of Need is required for board and care homes or assisted living facilities; instead, the applicant needs a statement from the appropriate State agency. The applicant must also provide documents that demonstrate the appropriateness of the property and the qualifications of the lender.

Eligible Customers:
Residents requiring skill nursing, custodial care, and assistance with activities of daily living are eligible to live in facilities insured under this program.

4. Mortgage Insurance For Rental and Cooperative Housing: Section 221(d)(3) and Section 221(d)(4)

Summary:
Section 221(d)(3) and 221(d)(4) insures mortgage loans to facilitate the new construction or substantial rehabilitation of multifamily rental or cooperative housing for moderate-income families, elderly, and the handicapped. Single Room Occupancy (SRO) projects may also be insured under this section.

Purpose:
Section 221(d)(3) and Section 221(d)(4) insures lenders against loss on mortgage defaults. Section 221(d)(3) is used by nonprofit sponsors and Section 221(d)(4) is used by profit-motivated sponsors. Both programs assist private industry in the construction or rehabilitation of rental and cooperative housing for moderate-income and displaced families by making capital more readily available. The program allows for long-term mortgages (up to 40 years) that can be financed with Government National Mortgage Association (GNMA) Mortgage Backed Securities.

Type of Assistance:
FHA mortgage insurance for HUD-approved lenders.

Eligible Activities:
Insured mortgages may be used to finance the construction or rehabilitation of detached, semidetached, row, walkup, or elevator-type rental or cooperative housing containing 5 or more units. The program has statutory mortgage limits which vary according to the size of the unit, the type of structure, and the location of the project. The principal difference between the (d)(3) and (d)(4) programs is the amount of insured mortgage available to non-profit and profit motivated sponsors. Under Section 221(d)(3), nonprofit sponsors or cooperatives may receive an insured mortgage up to 100% of HUD/FHA estimated replacement cost of the project. Profit motivated sponsors using Section 221(d)(4) and all types of sponsors under Section 221(d)(4) can receive a maximum mortgage of 90% of the HUD/FHA replacement cost estimate. Contractors for new construction and substantial rehabilitation projects must comply with prevailing wage standards under the Davis-Bacon Act. Section 221(d)(3) mortgages require appropriated credit subsidy, which is limited.

Eligible Borrowers:
Eligible mortgagors include public, profit-motivated sponsors, limited distribution, nonprofit cooperatives, builder-seller, investor-sponsor, and general mortgagors.

Eligible Customers:
All families are eligible to occupy dwellings in a structure whose mortgage is insured under this program, subject to normal tenant selection. There are no income limits. Projects may be designed specifically for the elderly or handicapped.

5. Mortgage Insurance for Cooperative Housing: Section 213

Summary:
Section 213 insures mortgage loans to facilitate the construction, substantial rehabilitation, and purchase of cooperative housing projects. Each member shares in the ownership of the whole project with the exclusive right to occupy a specific unit and to participate in project operations through the purchase of stock.

Purpose:
Section 213 insures lenders against loss on mortgage defaults. Section 213 enables nonprofit cooperative housing corporations or trusts to develop or sponsor the development of housing projects to be operated as cooperatives. Section 213 also allows investors to provide good quality multifamily housing to be sold to non-profit corporations or trusts upon completion of construction or rehabilitation. Alternatively, cooperatives may use Section 221(d)(3) to insure construction or substantial rehabilitation of cooperative projects.

Type of Assistance:
FHA mortgage insurance for HUD-approved lenders.

Eligible Activities:
Insured mortgages may be used to finance construction, acquisition of existing or rehabilitated detached, semidetached, row, walk-up, or elevator type housing projects consisting of five or more units. The program has statutory per unit mortgage limits which may vary according to the size of the unit, the type of structure, and the location of the project. There are also loan-to-replacement cost limitations. Contractors for new construction and substantial rehabilitation housing projects must comply with prevailing wage requirements under the Davis-Bacon Act.

Eligible Borrowers:
Non-profit cooperative ownership housing corporations or trusts are eligible to use Section 213. They may either sponsor projects directly, sell individual units to cooperative members, or purchase projects from investor-sponsors.

Eligible Customers:
HUD imposes no restrictions on the income or characteristics of individual shareholders/residents in an insured cooperative.

6. Mortgage Insurance For Manufactured Home Parks: Section 207

Summary:
Section 207 Program insures mortgage loans to facilitate the construction or substantial rehabilitation of multifamily manufactured home parks.

Purpose:
Section 207 promotes the creation of manufactured home communities by increasing the availability of affordable financing and mortgages.

Type of Assistance:
FHA mortgage insurance for HUD-approved lenders.

Eligible Activities:
The program insures lenders against loss on mortgage defaults. Insured mortgages may be used to finance the construction or rehabilitation of manufactured home parks. Home parks must consist of 8 or more spaces. Contractors for new construction and substantial rehabilitation projects must comply with prevailing wage requirements under the Davis-Bacon Act.

Eligible Borrowers:
Eligible mortgagors include investors, builders, developers and others who meet HUD requirements for mortgagors.

Eligible Customers:
Families, individuals, or elderly persons owning manufactured homes or desiring to lease spaces in a manufactured park.

All information can be found through the HUD website at http://www.hud.gov/funds/index.cfm.

U. S. Department of Agriculture, Rural Development Department

1. Rural Homeownership Program, Direct Loan Program: Section 502

Summary:
Section 502 loans are primarily used to help low-income individuals or households purchase homes in rural areas. Funds can be used to build, repair, renovate or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities.

Eligibility:
Applicants for loans may have an income of up to 115% of the median income for the area. Families must be without adequate housing, but be able to afford the mortgage payments, including taxes and insurance. In addition, applicants must have reasonable credit histories.

Terms:
Loans are for 30 years. The promissory note interest rate is set by the lender. There is no required down payment. The lender must also determine repayment feasibility, using ratios of repayment (gross) income to PITI and to total family debt.

Standards:
Under the Section 502 program, housing must be modest in size, design, and cost. Houses constructed, purchased, or rehabilitated must meet the voluntary national model building code adopted by the state and RHS thermal and site standards. New Manufactured housing must be permanently installed and meet the HUD Manufactured Housing Construction and Safety Standards and RHS thermal and site standards. Existing manufactured housing will not be guaranteed unless it is already financed with an RHS direct or guaranteed loan or it is Real Estate Owned (REO) formerly secured by an RHS direct or guaranteed loan.

Approval:
Rural Development officials have the authority to approve most Section 502 loan guarantee requests.

2. Rural Homeownership Program, Guaranteed Rural Housing Loan Program: Section 502

Summary:
Variant of the Section 502 Direct Loan program. In this case, the Rural Housing Service does not make a loan directly to an eligible borrower, but instead guarantees a loan made by a commercial lender.

3. Rural Rental Housing Program: Section 515

Summary:
Rural Rental Housing Loans are direct, competitive mortgage loans made to provide affordable multifamily rental housing for very low-, low-, and moderate-income families; the elderly; and persons with disabilities. This is primarily a direct mortgage program, but its funds may also be used to buy and improve land and to provide necessary facilities such as water and waste disposal systems.

In new Section 515 projects, 95% of tenants must have very low incomes. In existing projects 75% of new tenants must have very low incomes.

Variations: There are four variations of the Section 515 loan program. They are Cooperative Housing, Downtown Renewal Areas, Congregate Housing or Group Homes for Persons with Disabilities, and the Rural Housing Demonstration Program.

Loans are for up to 50 years at an effective 1% interest rate. A current rate is used for the promissory note but thereafter is used only to determine maximum rent payments.

The program is adaptable for participation by a wide variety of owners. Loans can be made to individuals, trusts, associations, partnerships, limited partnerships, State or local public agencies, consumer cooperatives, and profit or nonprofit corporations.

In new Section 515 projects, 95% of tenants must have very low incomes. In existing projects 75% of new tenants must have very low incomes.

Eligibility:

- Ownership -- Individuals, partnerships, limited partnerships, for-profit corporations, nonprofit organizations, limited equity cooperatives, Native American tribes, and public agencies are eligible to apply. For-profit borrowers must agree to operate on a limited-profit basis (currently 8% on initial investment). Borrowers must be unable to obtain credit elsewhere that will allow them to charge rents affordable to low- and moderate-income tenants.

- Tenancy -- Very low-, low-, and moderate-income families; the elderly; and persons with disabilities are eligible for tenancy of Section 515-financed housing. Very low income is defined as below 50% of the area median income (AMI); low income is between 50 and 80% of AMI; moderate income is capped at $5,500 above the low-income limit. Those living in substandard housing are given first priority for tenancy. When rental assistance is used top priority is given to very low-income households.

- Competitive Applications -- Rural Development State Directors use needs criteria to establish a list of targeted communities for which applicants may request loan funds. A list of these communities is published yearly in the *Federal Register* in the form of a Notice of Funding Availability (NOFA). The applications are then rated competitively in order to select recipients.

Fund Uses:
Rural Rental Housing Loans are direct, competitive mortgage loans made to provide affordable multifamily rental housing for very low-, low-, and moderate-income families; the elderly; and persons with disabilities. This is primarily a direct mortgage program, but its funds may also be used to buy and improve land and to provide necessary facilities such as water and waste disposal systems.

4. Rural Housing Site Loans: Sections 523 and 524

Rural Housing Site Loans are loans made by RHS to provide financing for the purchase and development of affordable housing sites in rural areas for low- and moderate-income families. Loans are made to acquire and develop sites for housing to be constructed by the self-help method, or for site development to build a home for any low- or moderate-income family.

Eligible organizations include nonprofit organizations, public bodies and Federally-recognized Indian groups.

This program provides Government funding for a public or private non-profit organization to buy and develop building sites, including the construction of access roads, streets, and utilities. Sites developed under this program may be sold to individual households, non-profit organizations, public agencies, and cooperatives that provide financial assistance for housing to low- and moderate-income families.

Purpose:
Rural Housing Site Loans are made to provide financing for the purchase and development of housing sites for low- and moderate-income families. Section 523 loans are made to acquire and develop sites only for housing to be constructed by the self-help method. Section 524 loans are made to acquire and develop sites for any low- or moderate-income family. Low income is defined as between 50 and 80% of the area median income (AMI); the upper limit for moderate income is $5,500 above the low-income limit.

Eligibility:
Section 523 loans are limited to private or public nonprofit organizations that will provide sites solely for self-help housing. Section 524 loans are made to private or public nonprofit organizations. Section 524 sites may be sold to low- or moderate-income families utilizing RHS or any other mortgage financing program which serves the same eligible families.

Terms:
Loans are for two years. Section 523 loans bear 3% interest. At the discretion of the customer, Section 524 loans bear the market rate of interest either at the time of approval or at the time of the loan closing.

5. Housing Preservation Grant Program: Section 533

The Housing Preservation Grant Program makes grants to nonprofit organizations, local governments and Native American tribes to renovate existing low-income multifamily rental units. Funds may also be used by recipients to help individuals make repairs to private homes.

Funds can be used to upgrade a number of individual housing units, which in some cases affects the housing options in an entire community. Recipients of Housing Preservation Grants are often able to leverage the funds with additional resources from private sources or local governments.

Eligibility:
The Housing Preservation Grant (HPG) program provides grants to sponsoring organizations for the repair or rehabilitation of low- and very low-income housing. The grants are competitive and are made available in areas where there is a concentration of need.

Those assisted must own very low- or low-income housing, either as homeowners, landlords, or members of a cooperative. Very low income is defined as below 50% of the area median income (AMI); low income is between 50 and 80% of AMI. Eligible sponsors include state agencies, units of local government, Native American tribes, and nonprofit organizations.

HPG funds received by the sponsors are combined with other programs or funds and used as loans, grants, or subsidies for recipient households based on a plan contained in the sponsor's application. Funds must be used within a two-year period.

Fund Uses:
The objective of the HPG program is to repair or rehabilitate individual housing, rental properties, or co-ops owned and/or occupied by very low- and low-income rural persons. Housing Preservation Grant assistance is available from grantees to assist very-low and low-income homeowners to repair and rehabilitate their homes. Assistance is also available to rental property owners to repair and rehabilitate their units providing they agree to make such units available to very-low and low-income families. Financial assistance provided by the grantee may be in the form of a grant, loan, interest reduction on commercial loans, or other comparable assistance.

The population limit of towns served is 20,000.

6. Rural Rental Housing Guaranteed Loan Program: Section 538

This program is intended to fund construction, acquisition, or rehabilitation of rural multi-family housing for low-income occupants.

Residents of the completed housing facility must be very low- to moderate-income households; or elderly, handicapped, or disabled persons with income not in excess of 115% of the median income of the surrounding area.

The terms of the loans guaranteed may be up to 40 years, and the loans must be fully amortized. Rates of the loans guaranteed must be fixed, as negotiated between lender and borrower, within the maximum established under the Notice of Fund Availability (NOFA) RHS publishes each year in the Federal Register.

Eligibility:
The Rural Housing Service guarantees loans under the Rural Rental Housing Guaranteed loan program for development of multi-family housing facilities in rural areas of the United States. Loan guarantees are provided for the construction, acquisition, or rehabilitation of rural multi-family housing.

An applicant must be: A citizen of the United States or a legally admitted alien for permanent residence in the United States; a nonprofit organization such as a local government, community development group or American Indian tribe, band, group, or nation (including Alaskan Indians, Aleuts, Eskimos, and any Alaskan native village); or a for-profit corporation.

Eligible lenders are those currently approved and considered eligible by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank members, or the Department of Housing and Urban Development for guaranteed programs supporting multifamily housing. State Housing Finance Agencies may also be considered eligible lenders. Other lenders have the opportunity to enter into a correspondent bank relationship with approved lenders in order to participate in the program.

Occupants must be very- low-, low- or moderate-income households, elderly, handicapped, or disabled persons with income not in excess of 115% of the area median income. Very low income is defined as below 50% of the area median income (AMI); low income is between 50 and 80% of AMI; moderate income is capped at $5,500 above the low-income limit. The average rent of all units is 30% of 100% of the median income of the surrounding area (adjusted for family size).

Fund Uses:
The program has been designed to increase the supply of affordable multifamily housing through partnerships between RHS and major lending sources, as well as State and local finance agencies and bond issuers.

The terms of the loans guaranteed may be up to 40 years, and the loans must be fully amortized. Rates of the loans guaranteed must be fixed, as negotiated between lender and borrower, within the RHS maximum established under the Notice of Fund Availability (NOFA). The rate is based on the 30-year Treasury Bond rate on the day prior to date of loan closing. Maximum rent is 30% of 115% of median income, and average rent of all units is 30% of 100% of the median income adjusted for family size.

The program is limited to rural areas. Generally, communities are eligible if they have populations of not more than 10,000, or more than 20,000 if there is a serious lack of mortgage credit.

All information on these housing programs can be found on the Rural Development website at: www.rurdev.usda.gov.

Greater Minnesota Housing Fund

1. Multifamily Gap Loan Program

This program is designed to increase production of quality rental housing for low- and moderate-income families and provide more affordable housing opportunities to stabilize the workforce in communities experiencing economic vitality throughout Greater Minnesota.

Types of Projects:
- New construction, including modular and manufactured construction.
- Priority will be given to permanent housing designed for families with children.
- Limited funding is available for rehabilitation of affordable rental housing and preservation of federally-subsidized rental housing.
- Limited funding is available for new construction or rehabilitation of permanent supportive housing or transitional housing.

Proposal Review:
Projects are selected for funding by staff and the GMHF Board of Directors based on GMHF Project Selection Criteria. Proposals will be accepted primarily in conjunction with the Minnesota Housing Finance Agency's (MHFA) Super Request for Proposals (RFP) process each

spring and fall. Projects received outside of the process will be evaluated on a case by case basis and may be referred to the RFP process.

Minimum Project Requirements:
- Assisted units must be restricted to households with a gross household income that does not exceed 80% of the statewide median income, adjusted for family size.
- Community must have a demonstrated need for affordable rental housing, documented through a recent housing needs assessment or a market study.
- Leveraging of additional funds from other agencies such as local governments, state agencies, or other funding agencies.
- Local participation from organizations such as local governments, businesses and/or lenders through financial contributions or in-kind assistance.
- Project must support the local community's comprehensive plan and be consistent with the region's Economic Vitality and Housing Initiative guidelines.
- Project must demonstrate sound financial structuring according to established underwriting criteria.
- Design of project must be attractive, functional, cost-effective, complementary to existing neighborhood design, energy-efficient and able to maintain value over the life of the funding commitment and beyond.
- The development team must possess the expertise and technical capacity sufficient to complete the project in compliance of all codes and requirements of all funding, including GMHF.
- All other sources of funding must be committed prior to GMHF approval of funding.

Additional Project Selection Priorities:
In addition to meeting the minimum eligibility requirements, projects will be awarded priority points based upon demonstration of the following:
- Employer involvement ranging from planning (low priority) to in-kind assistance (medium priority) to cash assistance (high priority).
- Reduced fees for developer.
- Mixed-income development, offering units for a variety of incomes. (However, GMHF will only fund that portion of the project that is affordable to the target population.)
- Project site located near neighborhood amenities, e.g. schools, parks, libraries and retail.
- Integration of the new rental development with the surrounding area.
- Use of innovative building techniques that reduce costs or improve livability.
- Rental units constructed with materials that lower energy and maintenance costs.
- Inclusion of common public space to promote resident interaction.

2. Single-Family Homeownership Programs

Proposals for these programs will be accepted in conjunction with the Minnesota Housing Finance Agency's (MHFA) Super Request for Proposals (RFP) process. These programs will be administered through local lenders, local and regional organizations, and the MHFA. To be selected, local and regional organizations applying for program funding must demonstrate capacity to effectively administer homeownership programs. Non-profit and for-profit developers, local government agencies, employers, lenders and local or regional non-profits. Approved applicants will administer funds to individual homebuyers.

The following are brief summaries of the single-family financing programs.

Single-family Interim Financing Program:

Program Goals:

- Fill gaps in availability of interim (land acquisition, infrastructure, and construction) financing for development of new affordable homes
- Increase production of affordable starter homes

Terms of Funding:
Interim financing available for land acquisition, infrastructure, or construction financing at two% interest rate with a maximum loan term of three years

Basic Program Requirements:
Priority is given to projects meeting GMHF's Building Better Neighborhoods program guidelines. Limited funding is available for projects meeting Single-Family New Construction program guidelines. Developer's ability to obtain other viable (reasonable) options for private interim financing will be considered.

Single-family New Construction Gap Financing Program:

Program Goals:

- Promote homeownership opportunities for low- and moderate-income families in Greater Minnesota
- Encourage the production of affordable starter homes in communities with an identified housing need

Basic Program Requirements:

- Need-based gap funds (up to $15,000 per homebuyer) are provided through an approved local sponsor who applies for and administers the funds. Local program sponsors are often involved in the development of the new housing and able to facilitate homebuyer education and determine homebuyer gap financing needs.
- Funds are available to families purchasing newly constructed homes in Greater Minnesota (outside of the 7-county Twin Cities Metro Area).

- The acquisition cost limit of a new home may not exceed current GMHF limits ($131,000 in 2004). Slightly higher limits are allowed for larger families.
- Homes must be connected to city sewer and water.
- Homebuyers must have incomes at or below 80% of statewide median income, adjusted for family size.
- First mortgages utilized by the homebuyers must meet GMHF's approved mortgage criteria.
- Homebuyers must complete an approved homebuyer education curriculum.
- GMHF gap financing can only be used in combination with GMHF downpayment assistance when the downpayment match is from an employer.

Single-family Downpayment Assistance:

Program Goals:

- Help low- to moderate-income households achieve homeownership.
- Encourage local involvement in affordable housing.
- Assist communities and employers in stabilizing their workforce.

Eligible Applicants:
Local government agencies, non-profit developers, for-profit developers, and local non-profits. For employer-matching downpayment assistance, please refer to GMHF's Employer Assisted Housing Program Guidelines.

Type of Assistance:
GMHF will match local downpayment assistance funds, up to $2,500 per homebuyer. GMHF funds are in the form of a grant to the homebuyer.
Program Requirements:

- Downpayment assistance funds are provided through an approved local sponsor who applies for and administers the funds. Local sponsors can be local government agencies, non-profit developers, for-profit developers or local non-profits.
- Application must be made for a downpayment assistance program, not for individual homebuyers.
- Local funding source must be in place to provide matching downpayment dollars. Local dollars must be in the form of a grant or zero-interest forgivable or deferred loan.
- Downpayment assistance funds are available to families purchasing new or existing homes in Greater Minnesota (outside of the 7-county Twin Cities metropolitan area).
- The acquisition cost limit of a new home or sale price of an existing home may not exceed current GMHF limits ($131,000 in 2004). Slightly higher limits are allowed for larger families; contact GMHF for more information.
- Homebuyers must have incomes below 80% of the statewide median income, adjusted for family size.

- Homebuyers must complete an approved homebuyer education course.
- First mortgages available to the homebuyers must meet GMHF's approved mortgage criteria.
- GMHF downpayment assistance may not be used in combination with GMHF gap funding, unless the match is from an employer. Please refer to GMHF's Employer Assisted Housing Program Guidelines.

3. Employer Assisted Housing Programs

These programs respond to affordable housing needs created in Greater Minnesota experiencing job growth. Employers seeking assistance from GMHF must comply with the following guidelines.

Common types of employer assistance:

- Downpayment assistance in the form of a grant or forgivable loan that will help employees buy homes in the community. To promote affordability, loans that are not forgiven typically have 0-percent interest and repayment is deferred until the owner sells the home.
- Donation of land to a new single-family or rental project.
- Cash contribution to an affordable housing project directly or to a nonprofit organization.
- Deferred loan to a new housing development that provides capital to a project resulting in lower loan payment and reduced rents.

GMHF involvement in employer assisted housing:

- **New Construction Rental Housing**: GMHF matches and employer's contribution to an affordable rental housing development. GMHF will provide up to $15,000 of gap financing and match up to another $5,000 of employer assistance on a 1:1 basis. Projects with larger employer contributions will receive more favorable funding consideration. The GMHF assistance is in the form of a 0-percent interest deferred loan with a typical term of 30 years. There are no regular payments on the loan. A deferred loan reduces the amount of amortizing first-mortgage debt a project must obtain, which reduces expenses and the amount of rent that must be charged to tenants.

- **Single-family Downpayment Assistance**: GMHF provides gap financing, downpayment assistance and interim financing to employer-assisted homeownership initiatives. GMHF will match an employer's contribution with a grant of up to $2,500 towards downpayment assistance for employees. (Only employees earning less than 80% of the statewide median income are eligible) Homeownership education is required for participants. Downpayment applications from employers are accepted throughout the year.
- **Single-family New Construction**: GMHF provides up to $15,000 per unit for single-family new construction through a 0-percent interest deferred loan to the homebuyer. The loan has no regular payments and does not have to be repaid until the

owner sells the home. Gap financing may be combined with downpayment assistance resulting in a maximum GMHF funding of $17,500 per family. Interim financing for infrastructure and home construction may also be available on a limited basis. Applications for single-family new construction financing are accepted twice a year through the MHFA's Super RFP.

- **Program Development**: GMHF advises employers interested in affordable housing on the strategies available and connects them to resources.

All information and applications for GMHF programs are available on their website at: www.gmhf.com.

Financing and Bonding Powers of the Economic Development Agency

Essential function bonds, or revenue bonds, may be issued by economic development agencies to fund the development of housing. The revenues generated by the projects to be financed and/or other revenues of the EDA may be pledged to the payment of the revenue bonds. Bonds may also be secured by a mortgage on certain EDA property.

Without the use of essential function bonds or other government assistance, it is often difficult for the private market to develop rental properties at a cost that allows for rents to be affordable to the majority of the intended market. The advantage of essential function bonds, versus other programs, such as Low-Income Housing Tax Credits, is that there is no income qualification for potential residents, thus, the potential renter market is broader. The EDA does have, however, the choice of imposing income-limits on rental projects financed with essential function bonds.

Essential function bonds are not backed by the full faith and credit or tax base of the community, but are repaid through the income generated from the development. Due to the fact that the bonds are revenue bonds, public sale of the bonds is difficult. The sale of essential function bonds in southwestern Minnesota has been sold to local financial institutions – in most cases to a consortium of Lenders. The terms, interest rates and conditions are negotiated at each sale. This approach has proven to be flexible and cost effective. In all cases the financing has been established with "adjustment windows" that allow interest rate adjustments to occur in five, seven or ten years pursuant to a pre-agreed to formula. If properly structured the interest on the bonds are tax exempt and the bonds are "bank qualified" under Section 265 (b)(3) of the Internal Revenue Code.