

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

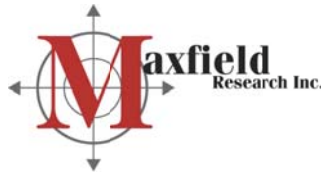
Prepared for:

City of Austin
Austin, Minnesota

July 2013



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July 18, 2013

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Austin Housing & Redevelopment Authority
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Dear Mr. Hoium:

Attached is the analysis titled, "A Comprehensive Housing Needs Analysis for the City of Austin, Minnesota". This market analysis examines current housing market conditions and determines the market potential for developing different types of owned and rented housing through 2020 in the City.

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

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

Sincerely,

MAXFIELD RESEARCH INC.

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

Matt Mullins
Vice President Business Development

A handwritten signature in black ink that reads 'Joe Hollman'.

Joe Hollman
Senior Analyst

Attachment

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Purpose and Scope of Study

- Maxfield Research Inc. was engaged by the City of Austin to conduct an update to a Comprehensive Housing Needs Analysis for the City. The scope of this study includes: an analysis of the demographic and economic characteristics of the City and surrounding area; a review of existing housing stock characteristics; an analysis of the for-sale housing market; an evaluation of rental market conditions in the City; and, a senior housing supply and demand analysis. Detailed recommendations are provided for the housing types identified as being needed in Austin. An assessment of other challenges associated with housing development in the City is provided.

Demographic Analysis

- Population growth in the Market Area is expected to be concentrated in Austin, and the population throughout the Remainder of the Market Area will likely decline. We project that Austin's population will grow 4.0% and the number of households will increase 4.2% between 2010 and 2020. The greatest growth is predicted to occur among older adults in the Market Area. Over the next five years, it is expected that the number of households between the ages of 25 and 34 and those over the age of 55 (the baby boomers) will increase while the number of households between the ages of 35 and 54 declines. This observation suggests that there will be increased demand for multifamily housing in the near future as the first-time homeowners category expands and the large baby boomer cohort ages into the years when they consider downsizing.
- Based on the median gross rent of \$649 for renter-occupied housing units in the City of Austin, a household would need to have an annual income of roughly \$26,000 or greater to not exceed 30% of its monthly income on rental housing costs. In 2013, approximately 67% of all City households are estimated to have incomes of at least \$26,000. It appears that many City residents could afford higher rents as the average weekly wage of \$824 paid by City employers equates to annual income of approximately \$43,000. A household with this income could afford a \$1,075 monthly rent.
- In Austin, 68.1% of all households owned their housing in 2010, giving it a lower home ownership rate in comparison to Minnesota (73.0% owned in 2010). The number of owner households in Austin declined by -5.5% between 2000 and 2010 with the largest decreases occurring in the 35 to 44 and 65 and older age groups while the 55 to 64 age group experienced a 37.4% increase. The number of renters increased for nearly all age cohorts between 2000 and 2010 as the total number of renters residing in Austin grew by 24.5%. The rapid increase in renter households was due, in large part, to the bursting of the housing bubble which pushed many occupants out of home ownership and into rental units.

- Shifting household types can drive demand for housing in a community. The number of married couples without children, which often generate demand for multifamily housing, declined by -217 households in Austin between 2000 and 2010. The number of married couples with children (typically demand single-family detached housing) dropped by -140 households during the decade. Other family households experienced a significant increase from 2000 to 2010, growing by 30.8% (+391 households) in Austin. Other family households often require affordable housing. Non-family households also increased in Austin, as the number of people living alone grew 2.3% and the number of roommate households increased by 24.1% during the decade. An increase in the percentage of non-family households indicates a shift in housing needs that favors rental development.

Employment Trends

- Roughly 1,370 jobs are projected to be added in Austin between 2010 and 2020, for a 10.1% gain compared to 14.3% in Region 10 and 13.0% in Minnesota.
- In Austin, total employment slipped -0.2% (-32 jobs) between 2011 and 2012. Professional and Business Services experienced a jump in employment, gaining 78 jobs (+5.9%). Notable jobs losses occurred in Trade, Transportation, and Utilities (-35 jobs for a -1.5% loss), Leisure and Hospitality which lost -33 jobs over the year (-2.9%), and the Manufacturing sector which experienced a -0.8% reduction in employment (-27 jobs). Manufacturing is the largest employment sector in Austin, providing 3,532 jobs in 2012 (26% of the total).
- At \$824, the average weekly wage across all industries in Austin is 5.2% higher than in Mower County (\$783), but -13.2% lower than the State average (\$949). Average wages are lower in Austin than in the State in all industry sectors, except Professional and Business Services (\$1,719 in Austin compared to \$1,308 across the State). The average Manufacturing wage of \$794 in Austin is -29.7% lower than the State average of \$1,130.
- Austin can be considered an importer of workers as a significantly higher number of nonresidents commute into the City for work. Roughly 6,090 workers come into Austin for work (inflow) while 4,102 leave (outflow) and 7,720 both live and work in Austin. In 2011, Austin experienced net job inflow of 1,988.
- A common opinion among the top employers is that there appears to be a short supply of modern rental units in the area as many new hires, particularly entry-level workers, have trouble finding housing with suitable amenities.

Housing Characteristics

- The City of Austin maintained a housing occupancy rate of 93.2% while occupancy throughout the Remainder of the Market Area was at 92.2% in 2010. Occupancy rates have decreased over the past decade. The City of Austin had a 2000 occupancy rate of 96.5% while housing units in the Remainder of the Market Area were 94.5% occupied. Over 63.5% of Austin's housing units were owner-occupied in 2010, 29.7% were renter-occupied, and the remaining 6.8% were vacant.
- The rapid rise in residential foreclosures experienced throughout the United States during the latter part of the 2000s impacted housing unit occupancy in the Market Area as indicated in the significant increase in vacant housing units from 2000 to 2010. The City of Austin experienced a 103% increase in vacant units (+375 units).
- Single-family (one-unit) detached units are the most common housing type in the Market Area, comprising 73% of the housing units in Austin. There is a limited supply of single-unit, attached housing in the Market Area with a total of 333 units in Austin (3.0% of all housing units) and only 38 units throughout the rest of the Market Area (0.6% of all units). Single-unit, attached housing represents over 7% of the total housing supply across Minnesota. Over 6% of Austin's housing units are located in structures containing 50 or more units and approximately 5% of Austin's supply of housing is comprised of two-unit (duplex) structures.
- Over 30% of the Market Area's housing units (5,410 units) were built prior to 1940. While many homes built before 1940 are in good condition, a high number of housing units this age increases the potential for the housing stock to become substandard and maintenance costs are generally higher. Roughly one-quarter of the homes in Austin were built prior to 1940. By comparison, approximately 18% of all homes in Minnesota were built prior to 1940. Austin appears to have been greatly impacted by the post-World War II housing boom, as 14% of Austin's housing units (1,564 units) were built in the 1940s and 26% (2,862 units) were built in the 1950s.
- Residential building activity dropped off sharply in Austin after 2006 when permits were issued for 86 units in the City. A total of 563 housing units were permitted between 2000 and 2006 (80 per year average) while only 88 units were permitted between 2006 and 2012 (15 per year average). Multifamily development activity has been essentially nonexistent since 2006 as nearly all the permitted units have been for single-family dwellings.
- The median owner-occupied home value was \$94,600 in Austin, roughly -53% lower than the statewide median of \$201,400. The Remainder of the Market Area, outside of Austin, had a median home value of \$143,991 which was -29% lower than Minnesota.

For-Sale Market Analysis

- From 2005 through June 2013, there were 3,328 residential sales in Austin, roughly 96% of which were for detached single-family homes. New construction comprised roughly 2% of all single-family sales and over 13% of multifamily sales since 2005. The 2012 median sale price for single-family homes in Austin was \$71,250. Between 2007 and 2012, the median price declined -20.7% in Austin. The median price for townhouse units dropped -18.3% to \$122,500. It appears that pricing for homes is stabilizing, as the median sale price for single-family homes jumped 27.5% to \$90,872 in Austin over the first six months of 2013. The median price for townhouse units slipped -3.6% to \$118,057 after climbing 7.3% in 2012.
- There appears to be a housing supply and demand imbalance in the City. Housing demand (as indicated by closed sale transactions since 2005) appears to be highest for lower-priced homes as 31% of the closed transactions were for homes priced below \$63,000, while only 16% of the homes listed for sale (supply) are priced lower than \$63,000. The greatest proportion of homes listed for sale are priced at \$156,900 or higher (28% of all listed homes), but sales activity was lowest in this price range as only 20% of the closed sales were for homes priced higher than \$156,899.
- Based on a foreclosure rate comparison, Mower County has maintained a lower level of foreclosures than Minnesota. Many foreclosed properties are neglected and in poor condition with extensive repairs needed. As such, they can be very difficult to sell and can have a negative impact home prices. Foreclosed homes are typically priced at a discount and they increase the supply of houses on the market, likely resulting in lower prices for other homes on the market. The presence of a foreclosed home in poor condition can lessen the desirability of a neighborhood for potential buyers and exert downward pressure on home prices. On average, the median sale price for a foreclosed property was roughly 40% lower than the price of a home sold in a traditional transaction in Austin.
- There have been a total of 565 lots platted in the City of Austin since the late 1990s. Nearly 38% of these platted lots remain undeveloped in the City. Based on the total average annual lot absorption of 34.2 lots per year, the 214 undeveloped lots could potentially take more than six years to be developed.
- Total demand from household growth and existing household turnover between 2013 and 2020 equates to 157 new for-sale housing units. We estimate that 75% of the householders seeking new housing will desire single-family housing, while the remaining 25% will be seeking multifamily units. We anticipate that there will be demand for approximately 118 general occupancy single-family home and 39 multifamily units in the City between 2013 and 2020.

Rental Market Analysis

- Our research of Austin's general occupancy rental market included a survey of 12 market rate apartment properties and seven affordable/subsidized communities in June 2013. These projects represent a combined total of 847 units, including 499 market rate units and 348 affordable/subsidized units.
- At the time of our survey, 21 market rate units and five affordable/subsidized units were vacant, resulting in an overall vacancy rates of 5.1% for market rate units and 1.4% for affordable/subsidized. The overall market rate vacancy rate of 3.4% is lower than the industry standard of 5% vacancy for a stabilized rental market, which promotes competitive rates, ensures adequate choice, and allows for unit turnover.
- Nearly 45% of the market rate units in Austin are one-bedroom units while 42% are two-bedroom units. Average monthly rents in Austin range from \$260 for efficiency units to \$955 for three-bedroom units. One-bedroom units have an average monthly rent of \$576 while two-bedroom units rent for an average of \$682 per month.
- We find demand for 284 renter households based on household growth and existing households between 2013 and 2020. Based on a review of household incomes and sizes and monthly rents at existing projects, we estimate that approximately 15% of the total demand will be for subsidized housing, 15% will be for affordable housing, and 70% will be for market rate housing.

Senior Housing Market Analysis

- The greatest population growth is predicted to occur among older adults in the Market Area. Aging of baby boomers led to an increase of 771 people (+39.1%) in the 55 to 64 population between 2000 and 2010 in Austin. As this group ages, the 55 to 64 and 65 to 74 cohorts are expected to continue increasing.
- As of June 2013, Maxfield Research identified 31 senior housing developments in the Austin Market Area. Combined, these projects contain a total of 1,031 units. There are a total of 456 units in 11 subsidized senior projects. As of June 2013, 23 units were vacant resulting in a vacancy rate of 5.0%. We also identified 575 market rate senior housing units, 68 of which are vacant representing an 11.8% vacancy rate. Of the market rate units, roughly 20% are in active adult projects and 23% are considered congregate units. Nearly 38% of the market rate units are in assisted living facilities while the remaining 19% are memory care units.
- We found excess demand for a total of 363 senior housing units in 2020. Of these senior units, roughly 70% would be market rate housing and the remaining 30% would be afford-

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

Conclusions

- In total, we find demand to support 442 general occupancy housing units between 2013 and 2020. Highest demand will likely be for rental housing, representing roughly 64% of the total general occupancy housing demand, while for-sale housing represents 36% of general occupancy housing demand. We also found excess demand for a total of 363 senior housing units in 2020. Of these senior units, roughly 70% would be market rate housing and the remaining 30% would be affordable or subsidized units.

SUMMARY OF HOUSING DEMAND CITY OF AUSTIN July 2013		
General-Occupancy Housing		
	2013-2020	
For-Sale Units	157	
Single-Family	118	
Multifamily	39	
Rental Units	285	
Market Rate	199	
Affordable	43	
Subsidized	43	
Total General Occupancy Housing Units	442	
Senior Housing		
	2013	2020
Market Rate Senior Housing		
Market Rate Active Adult	143	137
Renter-Occupied	143	137
Owner-Occupied	0	0
Market Rate Congregate	42	46
Assisted Living	25	44
Memory Care	15	28
Total Market Rate Senior Housing Units	225	255
Affordable/Subsidized Senior Housing		
Affordable Active Adult	63	60
Subsidized Active Adult	2	48
Total Affordable Senior Housing Units	65	108
Source: Maxfield Research, Inc.		

Purpose and Scope of Study

Maxfield Research Inc. was engaged by the City of Austin to conduct an update to a Comprehensive Housing Needs Analysis for the City. The Housing Needs Analysis updates findings from the previously completed housing study in 2005 and provides recommendations on the amount and types of housing that should be developed in order to meet the needs of current and future households residing in the City.

The scope of this study includes: an analysis of the demographic and economic characteristics of the City and surrounding area; a review of existing housing stock characteristics; an analysis of the for-sale housing market; an evaluation of rental market conditions in the City; and, a senior housing supply and demand analysis. Detailed recommendations are provided for the housing types identified as being needed in Austin in the short-term (2013 to 2017) and long-term (2017 to 2020). An assessment of other challenges associated with housing development in the City is provided.

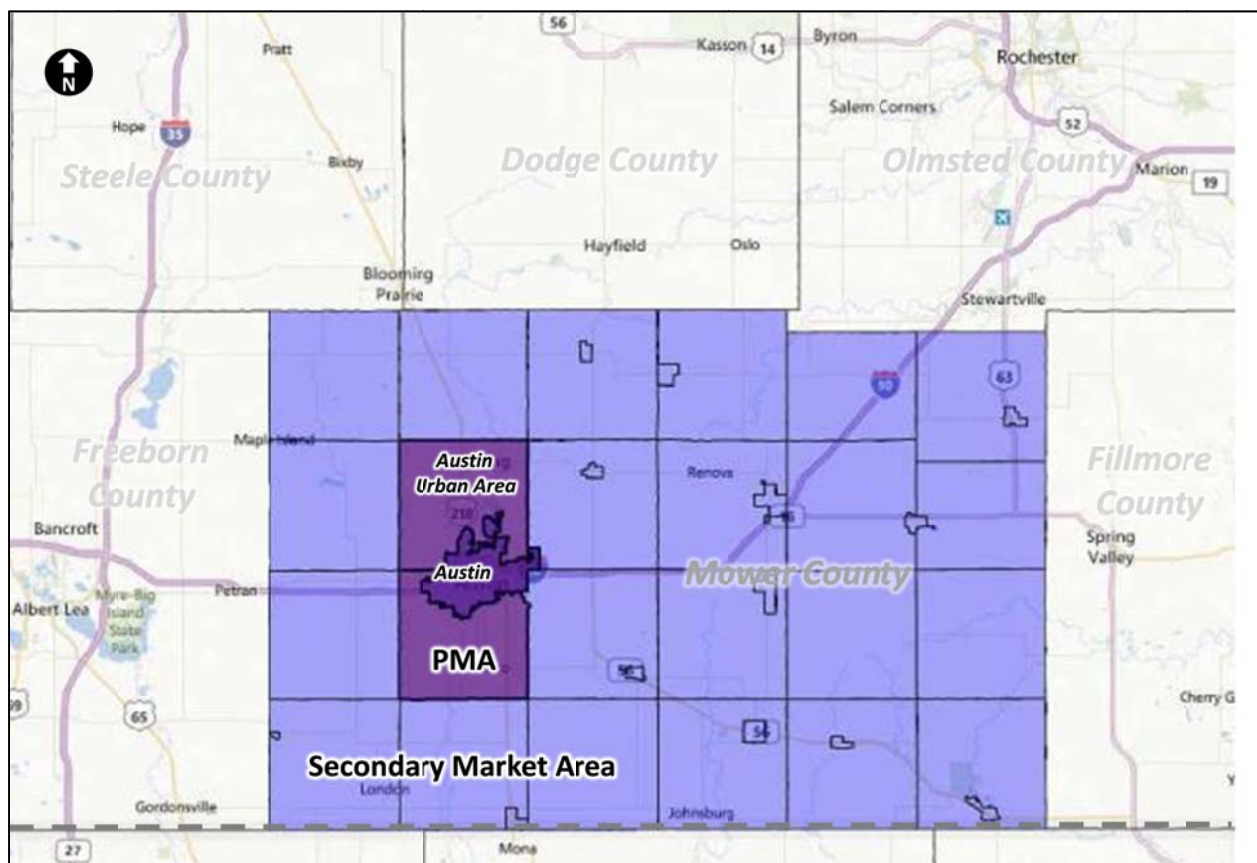
Introduction

Demographic characteristics and trends are an important factor when evaluating housing needs in any given market. This section of the report begins by delineating the draw area for housing products in Austin and examines the demographic and economic characteristics of this draw area. A review of these characteristics will provide insight into the demand for various types and styles of housing in Austin.

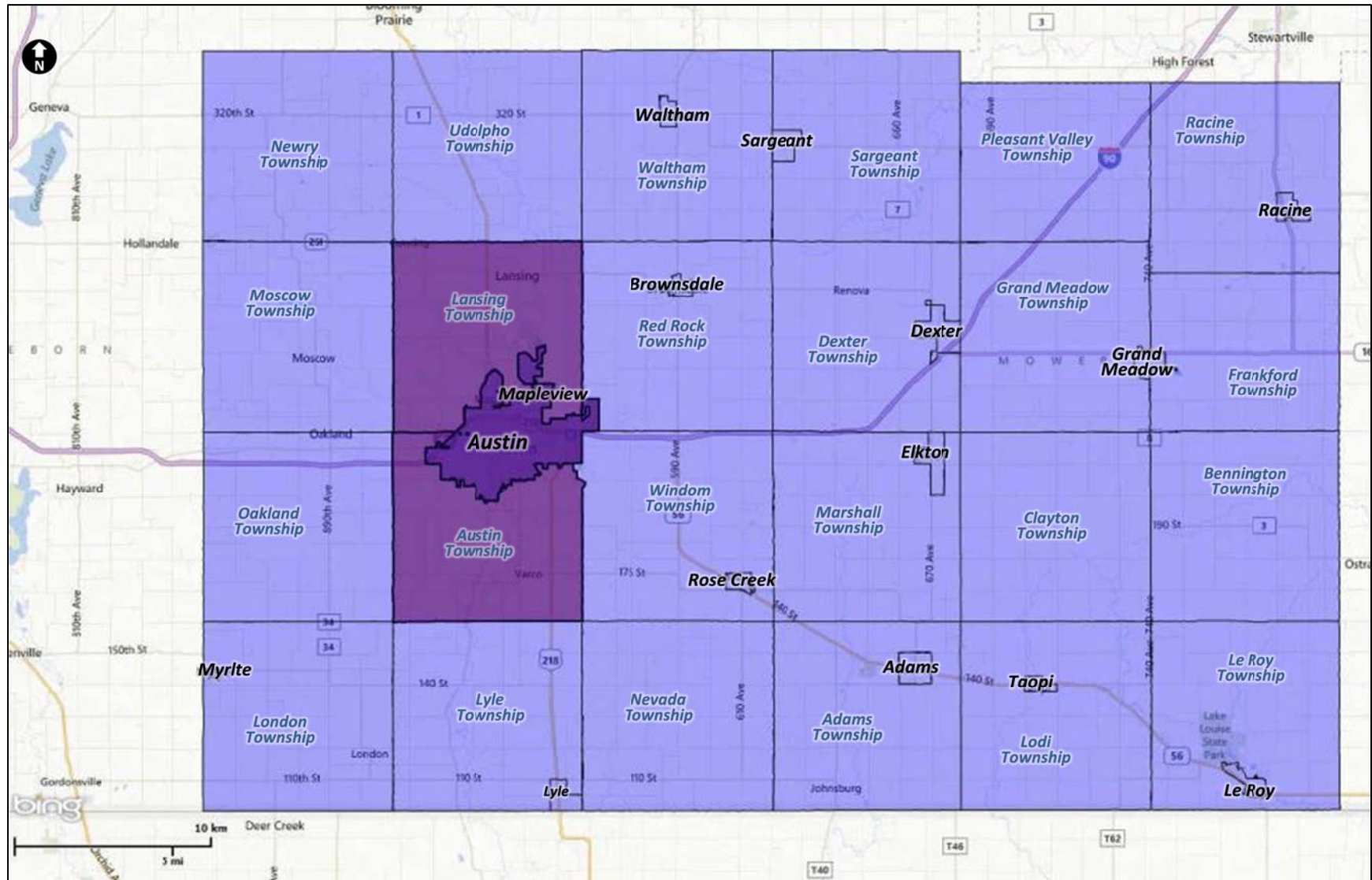
Market Area Definition

The draw area or “Market Area” for housing products in Austin was determined based on geographic and man-made boundaries, commuting patterns, community orientation, places of employment, and discussions with local officials. Based on these factors, we delineated a Primary Market Area (PMA) consisting of the City of Austin and the Austin Urban Area, which also includes the City of Maplevue as well as the Townships of Austin and Lansing. The remainder of Mower County along with the four townships along the eastern edge of Freeborn county represent a Secondary Market Area for housing products in Austin.

Primary and Secondary Market Area



Market Area



Population and Household Growth Trends

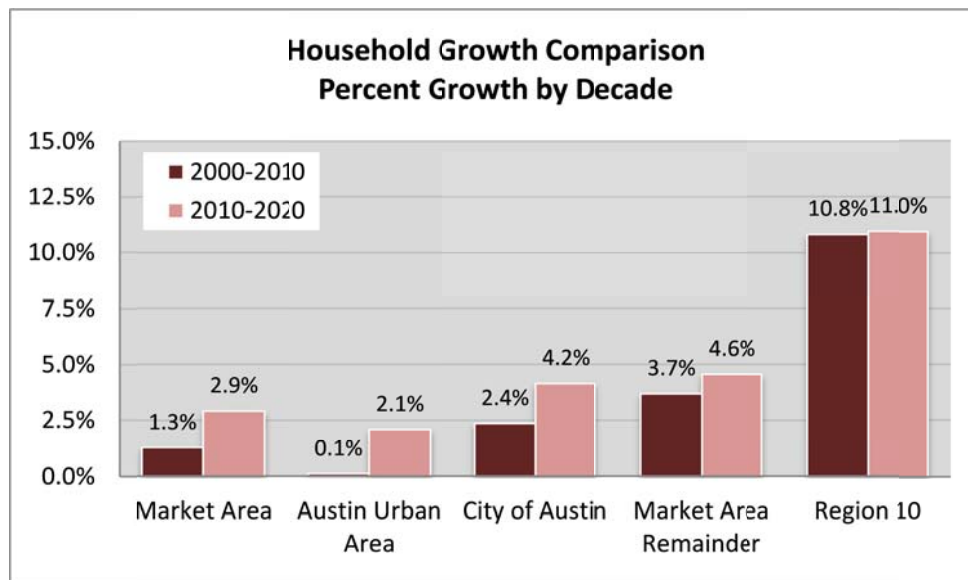
Table A-1 presents population and household growth trends in the Market Area from 1990 to 2020. The 1990, 2000 and 2010 figures are from the U.S. Census while data for 2013 and 2020 are based on projections from ESRI (a nationally recognized demographics firm) and the Minnesota State Demographic Center with adjustments made by Maxfield Research Inc. to reflect recent trends. Maxfield Research Inc. utilized the most recent (October 2012) projections from the Minnesota State Demographic Center to arrive at the 2020 forecast for the Market Area. Projections for the City of Austin and the Austin Urban Area were based on the distribution of the Market Area's population within these areas from 1990 to 2012, with adjustments made based on building permits, employment, and other growth trends.

The following are key figures from Table A-1.

- As of 2010, the Market Area contained 40,910 people and 16,519 households. Between 2000 and 2010, the population increased by 375 people (+0.9%) while the number of households expanded by 209 (+1.3%). The number of new households was high relative to the number of new people suggesting a trend toward decreasing household sizes in the Market Area.

TABLE A-1 POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS AUSTIN MARKET AREA 1990-2020									
						Change			
	Census			Estimate	Forecast	2000-2010		2010-2020	
	1990	2000	2010	2013	2020	No.	Pct.	No.	Pct.
Population									
Market Area Total	39,376	40,535	40,910	40,861	41,144	375	0.9%	234	0.6%
Austin Urban Area	25,161	26,191	26,839	26,777	27,361	648	2.5%	522	1.9%
City of Austin	22,446	23,314	24,718	24,590	25,715	1,404	6.0%	997	4.0%
Remainder of Urban Area	2,715	2,877	2,121	2,187	1,646	-756	-26.3%	-475	-22.4%
Market Area Remainder	14,215	14,344	14,071	14,083	13,783	-273	-1.9%	-288	-2.0%
Region 10 (SE Minnesota)	420,094	460,102	494,684	506,558	536,402	34,582	7.5%	41,718	8.4%
Households									
Market Area Total	15,750	16,310	16,519	16,538	17,002	209	1.3%	483	2.9%
Austin Urban Area	10,573	10,980	10,992	10,985	11,223	12	0.1%	231	2.1%
City of Austin	9,561	9,897	10,131	10,091	10,552	234	2.4%	421	4.2%
Remainder of Urban Area	1,012	1,083	861	894	671	-222	-20.5%	-190	-22.1%
Market Area Remainder	5,177	5,330	5,527	5,553	5,779	197	3.7%	252	4.6%
Region 10 (SE Minnesota)	155,422	174,764	193,690	199,937	214,939	18,926	10.8%	21,249	11.0%
Note: Region 10 consists of the Counties of: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona									
Sources: US Census Bureau; MN State Demographic Center; ESRI; Maxfield Research, Inc.									

- In 1990, the average household size in the Market Area was 2.50 persons per household. This number declined to 2.49 in 2000 and 2.48 in 2010. By comparison, the average household size throughout Southeast Minnesota declined from 2.70 in 1990 to 2.55 in 2010. This trend is an indication of an aging household base and is also a reflection of a general shift in demographic factors that favor smaller households, such as a declining proportion of married couple households with children. As of 2010, the average household size in the City of Austin was 2.44, while household sizes throughout the Remainder of the Market Area were notably higher at 2.55, suggesting that a higher proportion of households with children are living outside the City. The average household size in Austin increased from 2.35 in 1990 to 2.44 in 2010. This increase was due, in large part, to a change in the average family size, which climbed from 2.87 persons per family in 1990 to 3.05 in 2010.

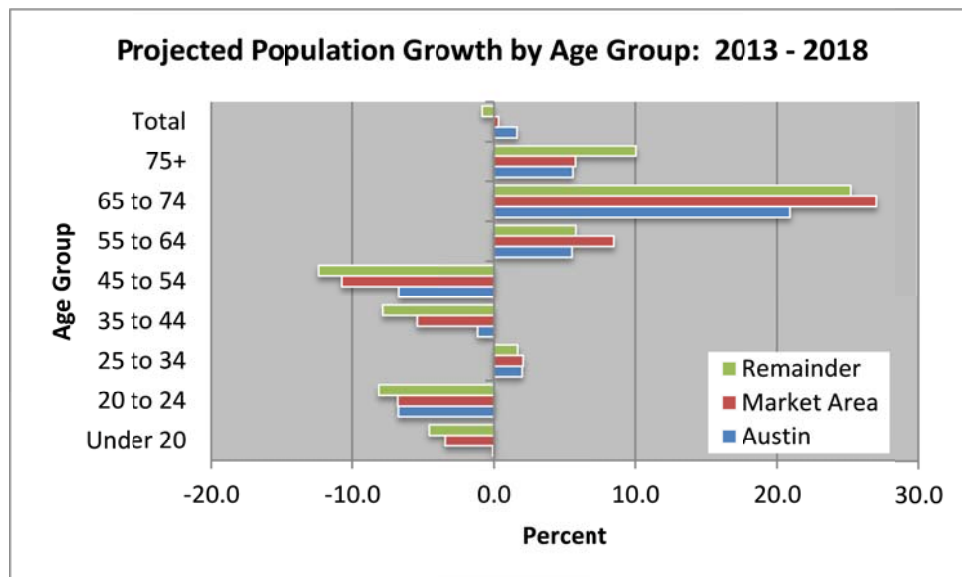


- By 2020, the Market Area is projected to add 234 people (+0.6%) and 483 households (+2.9%). This forecast is based on the projected rate of growth for Mower County from the Minnesota State Demographic Center. The pace of growth is not expected to match the growth experienced throughout the rest of Southeast Minnesota, which is projected to experience 8.4% population growth and 11.0% growth in households. Most of the region's growth will occur in the Rochester market area as employment opportunities will bring people to the area. Market Area growth is expected to be concentrated in Austin, and the population throughout the Remainder of the Market Area will likely decline.
- In 1990, roughly 57.0% of the Market Area's population was located in Austin. This percentage increased to 57.5% in 2000 and 60.4% in 2010, and we anticipate that it will climb to 62.5% by 2020. As such, we project that Austin's population will grow by 997 people (+4.0%) between 2010 and 2020. Based on the current household size of 2.44 persons per household, we anticipate that the number of households in Austin will grow 4.2% during the decade, equating to 421 new households.

Age Distribution

The age distribution of a community's population helps in assessing the type of housing needed. For example, younger and older people are more attracted to higher-density housing located near urban services and entertainment while middle-aged people (particularly those with children) traditionally prefer lower-density single-family homes. Table A-2 presents the age distribution of the Market Area population from 1990 to 2018. Information from 1990, 2000 and 2010 is sourced from the U.S. Census. The 2013 estimates and projections for 2018 were calculated by Maxfield Research Inc. based on information from ESRI.

- In 2010, the largest adult cohort in the Market Area was 45 to 54, totaling 5,858 people (14.3% of the total population). The 25 to 34 age group was the second largest cohort with 4,887 people. By comparison, the 25 to 34 age group was the largest cohort in the City of Austin with 3,266 people (13.2% of the total), followed by 45 to 54 with 3,050 people. The greatest growth is predicted to occur among older adults in the Market Area. Aging of baby boomers led to an increase of 771 people (+39.1%) in the 55 to 64 population between 2000 and 2010 in Austin. As this group ages, the 55 to 64 and 65 to 74 cohorts are expected to continue increasing, rising 5.5% and 20.9% between 2013 and 2018, respectively. Similar growth rates are anticipated throughout the Remainder of the Market Area.



- In Austin, there was a large decline in the 35 to 44 age group between 2000 and 2010 resulting in a loss of -370 people for a -11.9% decline. By comparison, the 35 to 44 age group experienced a -32.8% decline (-949 people) throughout the Remainder of the Market Area during that same time period. This age group is expected to continue declining over the next five years, but at a slower pace. Much of this population loss can be attributed to a phenomenon known as the "baby bust" which is often referred to the generation of children born between 1965 and 1980, an era when the United States birthrate dropped sharply.

TABLE A-2 AGE DISTRIBUTION AUSTIN MARKET AREA 2000-2018								
Age	Census		Estimate	Projection	Change			
					2000-2010		2013-2018	
	2000	2010	2013	2018	No.	Pct.	No.	Pct.
City of Austin								
Under 20	6,096	6,941	6,764	6,758	845	13.9	-6	-0.1
20 to 24	1,369	1,580	1,588	1,481	211	15.4	-108	-6.8
25 to 34	2,729	3,266	3,274	3,338	537	19.7	65	2.0
35 to 44	3,119	2,749	2,675	2,644	-370	-11.9	-31	-1.2
45 to 54	2,889	3,050	2,969	2,768	161	5.6	-201	-6.8
55 to 64	1,974	2,745	2,880	3,037	771	39.1	157	5.5
65 to 74	2,241	1,691	1,795	2,171	-550	-24.5	375	20.9
75+	2,897	2,696	2,644	2,791	-201	-6.9	146	5.5
Total	23,314	24,718	24,590	24,988	1,404	6.0	398	1.6
Remainder of Market Area								
Under 20	5,280	4,354	4,283	4,151	-926	-17.5	-203	-4.7
20 to 24	755	660	681	606	-95	-12.6	-54	-8.2
25 to 34	1,717	1,621	1,679	1,648	-96	-5.6	27	1.7
35 to 44	2,893	1,944	1,873	1,791	-949	-32.8	-153	-7.9
45 to 54	2,260	2,808	2,704	2,461	548	24.2	-347	-12.3
55 to 64	1,628	2,089	2,151	2,209	461	28.3	120	5.7
65 to 74	1,380	1,354	1,434	1,695	-26	-1.9	341	25.2
75+	1,308	1,362	1,465	1,499	54	4.1	137	10.0
Total	17,221	16,192	16,271	16,060	-1,029	-6.0	-132	-0.8
Market Area Total								
Under 20	11,376	11,295	11,047	10,909	-81	-0.7	-386	-3.4
20 to 24	2,124	2,240	2,269	2,087	116	5.5	-153	-6.8
25 to 34	4,446	4,887	4,952	4,987	441	9.9	100	2.0
35 to 44	6,012	4,693	4,549	4,435	-1,319	-21.9	-258	-5.5
45 to 54	5,149	5,858	5,673	5,230	709	13.8	-628	-10.7
55 to 64	3,602	4,834	5,031	5,246	1,232	34.2	412	8.5
65 to 74	3,621	3,045	3,229	3,865	-576	-15.9	820	26.9
75+	4,205	4,058	4,110	4,289	-147	-3.5	231	5.7
Total	40,535	40,910	40,861	41,048	375	0.9	138	0.3
Sources: U.S. Census Bureau; ESRI; Minnesota State Demographic Center; Maxfield Research, Inc.								

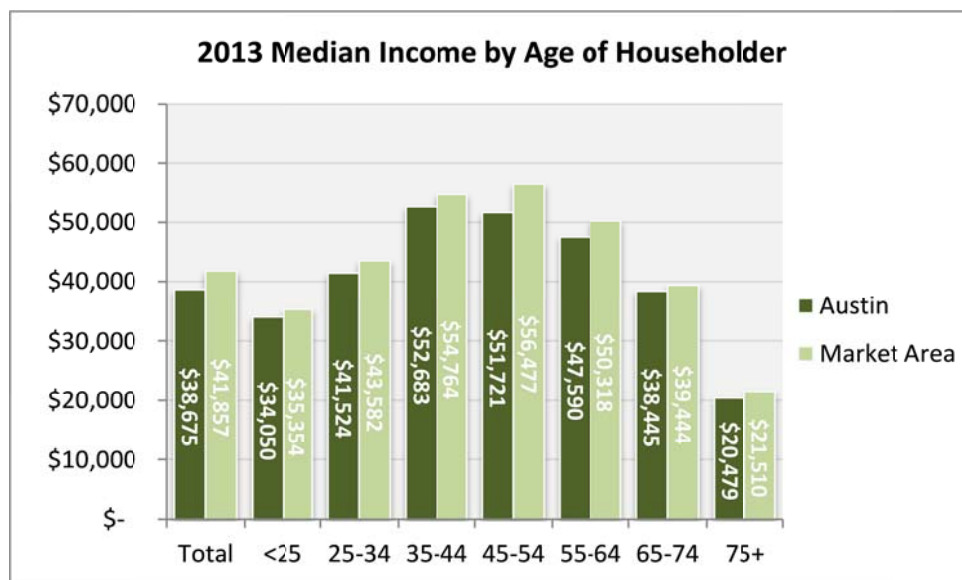
- Over the next five years, all age groups under the age of 55 are expected to experience declining population throughout the Market Area, except for the 25 to 34 age group. In Austin, the 25 to 34 age group is projected to grow 2.0% between 2013 and 2018. A similar pace of growth is expected throughout the Market Area. Projected growth in the 25 to 34 age group is the result of the “echo boom” which was caused by an increase in birth rates through the 1980s and into the 1990s as the baby boomers had children.

Household Income

Household income data helps ascertain the demand for different types of owned and rented housing based on the size of the market at specific cost levels. In general, housing costs of up to 30% of income are considered affordable by the Department of Housing and Urban Development (HUD). Tables A-3 and A-4 present data on household income by age of householder for the Market Area in 2013 and 2018. The data is estimated by ESRI and adjusted by Maxfield Research Inc. to reflect the most current local household estimates and projections.

The following are key points from Tables A-3 and A-4:

- In 2013, the median household income in the City of Austin is estimated to be \$38,675 and is projected to climb 17.4% to \$45,418 in 2018. By comparison, the estimated median household income in the Market Area is \$41,857 while Minnesota has an estimated median household income of \$54,550.
- As households age through the lifecycle, their household incomes tend to peak in their late 40s, 50s, and into their early 60s which explains why most upscale housing is targeted to persons in these age groups.
- As illustrated in the following graph, the median income in Austin is \$34,050 for households under the age of 25, increasing to \$52,683 in the 35 to 44 age group and \$51,721 in the 45 to 54 age group. After age 45 to 54, median household incomes decline with age as older households are more likely to only have one income per household and senior households often do not have income-producing employment.



DEMOGRAPHIC ANALYSIS

- Through 2018, it is expected that the number of households between the ages of 25 and 34 and those over the age of 55 (the baby boomers) will increase while the number of households between the ages of 35 and 54 declines. This observation suggests that there will be increased demand for multifamily housing in the near future as the first-time homeowners category expands and the large baby boomer cohort ages into the years when they consider downsizing.

TABLE A-3 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER CITY OF AUSTIN, MINNESOTA 2013 & 2018								
	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65-74	75+
2013								
Less than \$15,000	1,588	98	202	149	222	237	152	529
\$15,000 to \$24,999	1,583	72	215	142	197	203	136	619
\$25,000 to \$34,999	1,422	100	248	193	198	213	211	260
\$35,000 to \$49,999	1,448	84	301	200	196	238	242	188
\$50,000 to \$74,999	1,765	106	343	329	282	343	225	139
\$75,000 to \$99,999	997	19	186	210	231	193	69	90
\$100,000 or more	1,288	47	151	251	356	296	113	75
Total	10,091	525	1,644	1,473	1,680	1,721	1,147	1,900
Median Income	\$38,675	\$34,050	\$41,524	\$52,683	\$51,721	\$47,590	\$38,445	\$20,479
2018								
Less than \$15,000	1,554	86	191	126	192	224	172	563
\$15,000 to \$24,999	1,340	60	181	94	140	159	141	565
\$25,000 to \$34,999	1,249	81	211	144	152	183	225	252
\$35,000 to \$49,999	1,292	72	260	159	152	210	253	185
\$50,000 to \$74,999	2,115	116	411	366	301	415	318	189
\$75,000 to \$99,999	1,223	20	226	254	246	246	103	128
\$100,000 or more	1,460	49	175	288	357	348	150	92
Total	10,233	484	1,655	1,432	1,540	1,786	1,362	1,973
Median Income	\$45,418	\$37,310	\$48,821	\$60,274	\$58,694	\$54,906	\$42,113	\$21,439
Change 2013 - 2018								
Less than \$15,000	-35	-12	-11	-23	-30	-12	20	33
\$15,000 to \$24,999	-243	-12	-34	-47	-57	-43	5	-55
\$25,000 to \$34,999	-173	-19	-37	-49	-45	-30	15	-8
\$35,000 to \$49,999	-156	-12	-41	-40	-43	-28	11	-3
\$50,000 to \$74,999	350	10	69	37	19	73	93	50
\$75,000 to \$99,999	226	1	41	44	15	53	34	38
\$100,000 or more	173	2	24	38	2	53	37	17
Total	142	-41	11	-41	-140	65	215	73
Median Income	\$6,743	\$3,260	\$7,297	\$7,591	\$6,973	\$7,316	\$3,668	\$960

Sources: ESRI; US Census Bureau; Maxfield Research Inc.

- Based on the median gross rent of \$649 for renter-occupied housing units in the City of Austin, a household would need to have an annual income of roughly \$26,000 or greater to not exceed 30% of its monthly income on rental housing costs. In 2013, approximately 6,777 City households (67.2% of the total) are estimated to have incomes of at least \$26,000.
- By 2018, the total number of income-qualified households is projected to increase to about 7,052 households (+4.1%) after accounting for inflation. It appears that many City residents could afford higher rents. The average weekly wage of \$824 paid by City employers equates to annual income of approximately \$43,000. A household with this income could afford a \$1,075 monthly rent.
- New housing will likely have to be priced higher than the existing stock of rental housing. If a new apartment unit were priced at \$800 per month, a household would need to have an annual income of roughly \$32,000 or greater to not exceed 30% of its monthly income on rental housing costs. In 2013, approximately 5,900 City households (58.7% of the total) are estimated to have incomes of at least \$32,000.
- Households under the age of 35 are most likely to rent their housing. In 2013, 65.8% of households age 24 and below and 73.2% of households age 25 to 34 in the City have incomes of at least \$26,000. However, because younger householders are often willing to live with roommates, the percent income-qualified is likely somewhat higher.
- Between 2013 and 2018, the number of income-qualified households in Austin in the 34 and younger age group is expected to hold steady. Middle-aged household growth is projected to decline -2.2% over the next five years, but these age cohorts are less likely than younger households to rent. Income-qualified households in the 35 to 44 cohort are expected to increase by 16 (+1.4%) while the 45 to 54 cohort is expected to decline by -69 households (-5.5%).
- Another potential target market for rental housing in the City would be the senior population. The number of income-qualified households over the age of 65 is expected to increase by 222 households (+14.2%) between 2013 and 2018.
- The median gross rent throughout Mower County is \$645, similar to rents in Austin. Approximately 75.1% of the Market Area population can afford the median gross rent in the County in 2013. The number of income-qualified households is expected to increase by 1.9% in the Market Area over the next five years, with the greatest growth occurring in the 65 to 74 and 55 to 64 age groups, increasing 19.4% (303 households) and 5.9% (139 households), respectively. The 25 to 34 age group is projected to grow by ten (+0.5%) income-qualified households.

DEMOGRAPHIC ANALYSIS

TABLE A-4
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
AUSTIN MARKET AREA
2013 & 2018

	Age of Householder							
Total	<25	25-34	35-44	45-54	55-64	65 -74	75+	
2013								
Less than \$15,000	2,362	122	279	222	356	376	279	728
\$15,000 to \$24,999	2,370	80	303	216	293	348	198	932
\$25,000 to \$34,999	2,215	122	342	290	329	338	355	438
\$35,000 to \$49,999	2,455	104	459	343	364	414	419	350
\$50,000 to \$74,999	3,190	145	549	601	614	660	416	205
\$75,000 to \$99,999	1,765	23	284	373	467	358	136	123
\$100,000 or more	2,180	60	235	428	687	486	184	100
Total	16,538	657	2,451	2,473	3,111	2,982	1,988	2,876
Median Income	\$41,857	\$35,354	\$43,582	\$54,764	\$56,477	\$50,318	\$39,444	\$21,510
2018								
Less than \$15,000	2,257	106	257	178	293	344	309	770
\$15,000 to \$24,999	1,951	63	248	136	200	261	200	844
\$25,000 to \$34,999	1,887	96	284	207	240	280	361	419
\$35,000 to \$49,999	2,149	86	385	267	272	357	432	349
\$50,000 to \$74,999	3,777	155	647	655	648	801	592	278
\$75,000 to \$99,999	2,111	24	337	441	490	441	204	175
\$100,000 or more	2,437	61	266	482	684	568	247	129
Total	16,570	592	2,425	2,365	2,827	3,052	2,345	2,964
Median Income	\$50,225	\$39,163	\$50,869	\$62,175	\$63,183	\$56,275	\$44,322	\$22,664
Change 2013 - 2018								
Less than \$15,000	-105	-16	-22	-44	-63	-32	30	42
\$15,000 to \$24,999	-419	-17	-55	-80	-93	-87	2	-88
\$25,000 to \$34,999	-328	-26	-58	-83	-89	-58	6	-19
\$35,000 to \$49,999	-306	-18	-73	-76	-92	-57	12	-1
\$50,000 to \$74,999	587	10	98	54	34	141	176	73
\$75,000 to \$99,999	346	1	53	67	23	82	67	51
\$100,000 or more	257	1	31	54	-4	82	63	29
Total	32	-65	-26	-108	-285	71	357	88
Median Income	\$8,368	\$3,809	\$7,287	\$7,411	\$6,706	\$5,957	\$4,878	\$1,154

Sources: ESRI; US Census Bureau; Maxfield Research Inc.

Sources: ESRI; US Census Bureau; Maxfield Research Inc.

Net Worth

Table A-5 on the following page shows the estimated net worth by age of household in the Austin Market Area for 2013. Household net worth data was compiled by ESRI based on the Federal Reserve Board "Survey of Consumer Finances" and adjusted by Maxfield Research Inc. with consideration given to current U.S. Census figures as well as population and household estimates for 2013.

DEMOGRAPHIC ANALYSIS

- In 2013, the median net worth is estimated to be \$58,128 in Austin and \$75,570 throughout the Market Area. By comparison, the median net worth is estimated to be \$100,850 across Minnesota.
- The net worth distribution of households in Austin shows concentrations of net worth at the low and high ends of the spectrum. The largest concentration (33.8%) of households has a net worth of less than \$15,000 while 22.8% of all households have a net worth of \$250,000 or more. In total, roughly 41% of all households have a net worth of \$100,000 or higher.
- Median net worth is highest in the age 65 to 74 cohort at \$203,110 in Austin and \$207,859 throughout the Market Area.

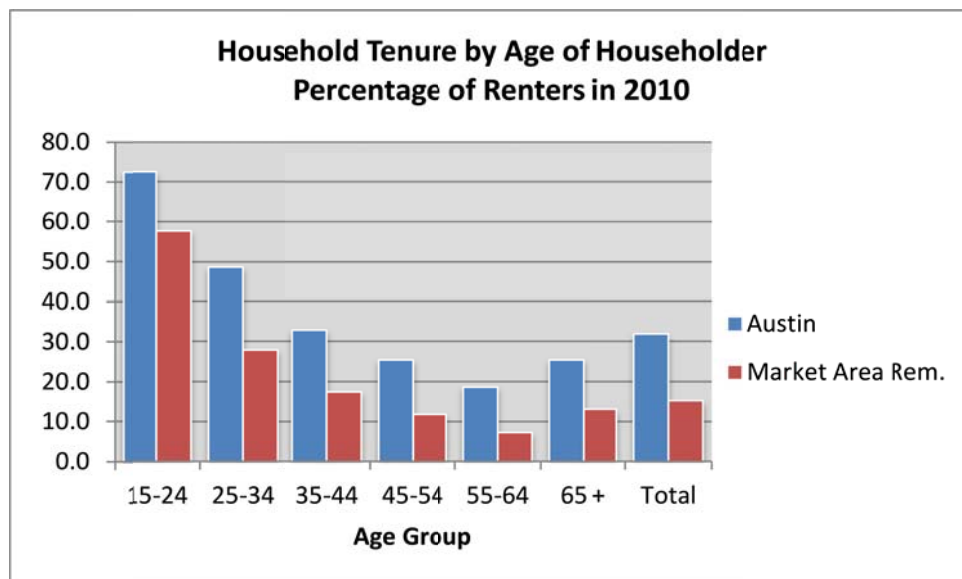
TABLE A-5 NET WORTH BY AGE OF HOUSEHOLDER AUSTIN MARKET AREA 2013									
			Age of Householder						
			<25	25-34	35-44	45-54	55-64	65 -74	75+
Total	% of Total								
CITY OF AUSTIN									
Less than \$15,000	3,410	33.8%	302	969	641	535	376	150	437
\$15,000 to \$34,999	874	8.7%	100	190	171	155	104	41	114
\$35,000 to \$49,999	493	4.9%	30	76	144	71	73	43	56
\$50,000 to \$99,999	1,160	11.5%	42	187	222	245	184	117	164
\$100,000 to \$149,999	796	7.9%	17	102	100	132	167	99	180
\$150,000 to \$249,999	1,057	10.5%	8	63	85	153	233	196	320
\$250,000 or more	2,300	22.8%	28	57	111	391	583	502	628
Total	10,091	100%	526	1,643	1,474	1,681	1,719	1,147	1,898
Median Net Worth	\$58,128		\$13,088	\$12,719	\$23,502	\$61,212	\$133,960	\$203,110	\$149,632
MARKET AREA									
Less than \$15,000	4,897	29.6%	363	1,323	973	854	579	260	543
\$15,000 to \$34,999	1,338	8.1%	133	283	281	261	162	67	151
\$35,000 to \$49,999	818	4.9%	38	117	253	133	121	74	82
\$50,000 to \$99,999	2,023	12.2%	59	335	397	435	326	209	261
\$100,000 to \$149,999	1,390	8.4%	21	179	197	258	287	161	286
\$150,000 to \$249,999	1,897	11.5%	10	111	166	340	413	332	524
\$250,000 or more	4,135	25.0%	35	84	196	831	1,073	887	1,027
Total	16,538	100%	659	2,433	2,464	3,113	2,962	1,991	2,875
Median Net Worth	\$75,570		\$13,616	\$13,787	\$32,479	\$80,085	\$150,875	\$207,859	\$164,882
Data Note: Net Worth is total household wealth minus debt, secured and unsecured. Net worth includes home equity, equity in pension plans, net equity in vehicles, IRAs and Keogh accounts, business equity, interest-earning assets and mutual fund shares, stocks, etc. Examples of secured debt include home mortgages and vehicle loans; examples of unsecured debt include credit card debt, certain bank loans, and other outstanding bills. Forecasts of net worth are based on the Survey of Consumer Finances, Federal Reserve Board. Detail may not sum to totals due to rounding.									
Sources: ESRI; Maxfield Research, Inc.									

Household Tenure

Table A-6 shows household tenure by age of householder in the Market Area during 2000 and 2010 from the U.S. Census Bureau. The tables show the number and percent of renter- and owner-occupied housing units in the Market Area. All data excludes unoccupied units and group quarters such as nursing homes.

Household tenure information is important in understanding households' preferences to either rent or own their housing. Other factors that contribute to these proportions include mortgage interest rates, household age, and lifestyle considerations, among others. Also, many people come to Austin and the surrounding area for employment and may want to test out their position before permanently settling into the community which drives demand for temporary and rental housing. The following are key points from Table A-6.

- In Austin, 68.1% of all households owned their housing in 2010, resulting in a lower home ownership rate in comparison to Minnesota (73.0% owned in 2010). Throughout the Remainder of the Market Area, 84.7% of all households owned in 2010, substantially higher than the State.



- Nearly 77% of all Market Area renter-occupied households were located in the City of Austin in 2010, compared to 56% of the Market Area's owner-occupied households. All age groups rented at higher rates in Austin than in the Market Area.
- Typically, the youngest and oldest households rent their housing in greater proportions than middle-age households. This pattern is apparent in the Market Area, particularly in Austin as 72.5% of households age 15 to 24, 48.8% of age 25 to 34 households, and 25.5% of 65 and older households rented in 2010. By comparison, 25.5% of the age 35 to 64 households rented.

DEMOGRAPHIC ANALYSIS

- The number of owner households in Austin declined by -402 (-5.5%) between 2000 and 2010. The largest decreases occurred in the 35 to 44 (-285 households for a -21.8% loss) and 65 and older (-366 households for a -14.0% loss) age groups while the 55 to 64 age group experienced a 37.4% increase (+365 owner households).
- The number of renters increased for nearly all age cohorts between 2000 and 2010 as the total number of renters residing in Austin grew by 636 during the decade, an increase of 24.5%. The age 25 to 34 cohort experienced the largest increase, gaining 250 renters (+45.0%). The 45 to 54 and 55 to 64 age groups also experienced large increases, gaining 155 (+54.2%) and 128 (+71.1%) renter households, respectively. The 15 to 24 age group was the only cohort to experience contraction in the number of renters during the decade, losing -40 renter households for a -8.9% decline. The rapid increase in renter households was due, in large part, to the bursting of the housing bubble which pushed many occupants out of home ownership and into rental units.
- While the Remainder of the Market Area experienced a decline in households during the decade, the number of renter households increased 9.0% (+81 households). This gain was offset by a decline of -106 owner households (-1.9%).
- The younger age groups contracted during the decade throughout the Remainder of the Market Area, most notably the 35 to 44 age group, which experienced a -34.1% decline (-441 households) in owner households and a -7.7% decline (-15) in renter households. The 25 to 34 age group lost -70 owner households (-11.4%) while gaining 14 renter households (+7.1%). The under-25 cohort contracted by -37 owner households (-35.2%) and -31 renter households (-25.0%).
- The largest growth occurred in the 55 to 64 age group, which experienced a 35.4% increase in owner households (294 households) and a 34.8% increase in renter households (23 households). The 45 to 54 cohort also experienced notable gains, as the number of owner households increased by 16.4% (186) while renter households jumped 61.8% (68 households).

DEMOGRAPHIC ANALYSIS

**TABLE A-6
TENURE BY AGE OF HOUSEHOLDER
AUSTIN MARKET AREA
2000 & 2010**

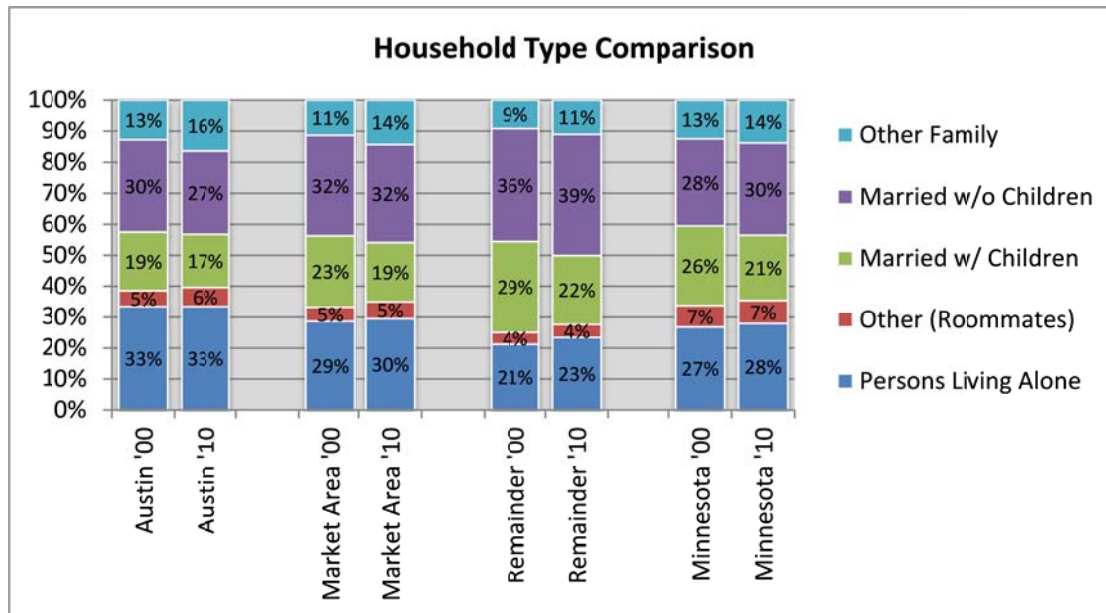
Age		City of Austin				Remainder of Market Area				Market Area			
		2000		2010		2000		2010		2000		2010	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
15-24	Own	178	28.4	155	27.5	105	45.9	68	42.2	283	33.1	223	30.8
	Rent	448	71.6	408	72.5	124	54.1	93	57.8	572	66.9	501	69.2
	Total	626	100.0	563	100.0	229	100.0	161	100.0	855	100.0	724	100.0
25-34	Own	869	61.0	847	51.2	616	75.8	546	72.1	1,485	66.4	1,393	57.8
	Rent	556	39.0	806	48.8	197	24.2	211	27.9	753	33.6	1,017	42.2
	Total	1,425	100.0	1,653	100.0	813	100.0	757	100.0	2,238	100.0	2,410	100.0
35-44	Own	1,305	75.9	1,020	67.1	1,295	86.9	854	82.5	2,600	81.0	1,874	73.4
	Rent	414	24.1	499	32.9	196	13.1	181	17.5	610	19.0	680	26.6
	Total	1,719	100.0	1,519	100.0	1,491	100.0	1,035	100.0	3,210	100.0	2,554	100.0
45-54	Own	1,365	82.7	1,294	74.6	1,135	91.2	1,321	88.1	2,500	86.3	2,615	80.9
	Rent	286	17.3	441	25.4	110	8.8	178	11.9	396	13.7	619	19.1
	Total	1,651	100.0	1,735	100.0	1,245	100.0	1,499	100.0	2,896	100.0	3,234	100.0
55-64	Own	976	84.4	1,341	81.3	831	92.6	1,125	92.7	1,807	88.0	2,466	86.1
	Rent	180	15.6	308	18.7	66	7.4	89	7.3	246	12.0	397	13.9
	Total	1,156	100.0	1,649	100.0	897	100.0	1,214	100.0	2,053	100.0	2,863	100.0
65 +	Own	2,611	78.6	2,245	74.5	1,534	88.3	1,496	86.9	4,145	81.9	3,741	79.0
	Rent	709	21.4	767	25.5	204	11.7	226	13.1	913	18.1	993	21.0
	Total	3,320	100.0	3,012	100.0	1,738	100.0	1,722	100.0	5,058	100.0	4,734	100.0
TOTAL	Own	7,304	73.8	6,902	68.1	5,516	86.0	5,410	84.7	12,820	78.6	12,312	74.5
	Rent	2,593	26.2	3,229	31.9	897	14.0	978	15.3	3,490	21.4	4,207	25.5
	Total	9,897	100.0	10,131	100.0	6,413	100.0	6,388	100.0	16,310	100.0	16,519	100.0

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

Household Type

Table A-7 on the following page shows household type trends in the City of Austin and the Market Area, as well as Minnesota in 2000 and 2010. The data is collected from the U.S. Census. The following are key points from Table A-7:

- Family households were the most common type of household in the Market Area in 2000, comprising 61.4% of all households in Austin and 74.9% of all households throughout the Remainder of the Market Area. By 2010, these proportions had dropped slightly, to 60.3% in Austin and 72.3% in the Remainder of the Market Area.
- Married couples without children comprised 29.6% of Austin's households in 2000, dropping to 26.7% in 2010. Married couple families with children comprised 19.0% of Austin's households in 2000 and 17.2 % in 2010. Throughout the Remainder of the Market Area, the percentage of married couples without children households increased from 36.3% in 2000 to 39.1% in 2010, while the proportion of married couple households with children dropped from 29.4% in 2000 to 22.2% in 2010.
- Other family households experienced a significant increase from 2000 to 2010, growing by 391 households (+30.8%) in Austin and 115 households (+19.6%) throughout the Remainder of the Market Area.



- Non-family households comprised 38.6% of Austin's households in 2000, increasing to 39.7% in 2010. The percentage of roommates and unmarried couples climbed from 5.2% in 2000 to 6.2% in 2010, while the proportion of people living alone held steady at 33.4% from 2000 to 2010.

DEMOGRAPHIC ANALYSIS

- Throughout the Remainder of the Market Area, the percentage of people living alone increased from 21.3% in 2000 to 23.5% in 2010, and the proportion of roommate households rose from 3.8% in 2000 to 4.2% in 2010.
- Compared to Minnesota, in 2010 the Market Area had slightly higher proportions of persons living alone (29.6% in the Market Area compared to 28.0% in Minnesota), married couple households without children (31.5% in the Market Area versus 29.6% in the State), and other family households (14.3% compared to 13.8%). The percentage of households with roommates is higher in Minnesota (7.4%) than in the Market Area (5.5%). Minnesota also has a higher proportion of married couples with children (21.2% in Minnesota compared to 19.1% in the Market Area).

TABLE A-7 HOUSEHOLD TYPE AUSTIN MARKET AREA 2000 & 2010												
Total Households		NON-FAMILY HHs				FAMILY HHs						
		Persons Living Alone		Other (Roommates)		Married w/ Children		Married w/o Children		Other Family		
2000												
City of Austin	9,897	3,307	510			1,883	2,926			1,271		
Market Area Remainder	6,413	1,367	245			1,884	2,330			587		
Market Area Total	16,310	4,674	755			3,767	5,256			1,858		
Minnesota	1,895,127	509,468	130,518			488,415	529,830			236,896		
2010												
City of Austin	10,131	3,384	633			1,743	2,709			1,662		
Market Area Remainder	6,388	1,500	271			1,418	2,497			702		
Market Area Total	16,519	4,884	904			3,161	5,206			2,364		
Minnesota	2,087,227	584,008	154,204			443,212	617,297			288,506		
Change (2000-2010)												
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
City of Austin	234	2.4%	77	2.3%	123	24.1%	-140	-7.4%	-217	-7.4%	391	30.8%
Market Area Remainder	-25	-0.4%	133	9.7%	26	10.6%	-466	-24.7%	167	7.2%	115	19.6%
Market Area Total	209	1.3%	210	4.5%	149	19.7%	-606	-16.1%	-50	-1.0%	506	27.2%
Minnesota	192,100	10.1%	74,540	14.6%	23,686	18.1%	-45,203	-9.3%	87,467	16.5%	51,610	21.8%
Sources: U.S. Census Bureau: ESRI: Maxfield Research Inc.												

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

- Changes in households living alone and households composed of unrelated roommates will drive demand for rental housing in the Market Area. Between 2000 and 2010, these household types collectively increased by 200 households (+5.2%) in Austin and by 159 households (+9.9%) throughout the Remainder of the Market Area. An increase in the percentage of these household types indicates a shift in housing needs that favors rental development. Other factors contributing to the shift toward rental housing includes a decrease in home values since the recession and economic uncertainty among prospective homeowner that may convert to for-sale housing after better job certainty.

- Married couple families without children are generally made up of younger couples that have not had children and older couples with adult children that have moved out of the home. There is also a growing trend toward married couples choosing not to have children. Older couples with adult children often desire multifamily housing options for convenience reasons but older couples in rural areas typically hold onto their single-family homes until they need services. The number of married couple households without children increased by 167 (+7.2%) between 2000 and 2010 in the Market Area outside of Austin. In Austin, married couple without children households declined by -7.4% (-217 households).
- Married couple families with children typically generate demand for single-family detached ownership housing. The number of married couple families with children dropped by -140 households (-7.4%) in Austin and by -466 (-24.7%) in the Remainder of the Market Area between 2000 and 2010, which indicates declining demand for single-family detached ownership housing from this segment. Minnesota experienced a similar trend as the number of married couple households with children slipped -9.3% during the decade. Within the Market Area, single-family detached housing demand is likely being driven by other household types such as married couples without children and non-family households due to a lack of multifamily and rental options.
- Other Family households, defined as a male or female householder with no spouse present (typically single-parent households), often require affordable housing. The 30.8% increase in other family households in Austin (19.6% increase in the Remainder of the Market Area) suggests a growing need for affordable housing options in the City and throughout the Market Area.

Summary of Demographic Trends

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

- As of 2010, the Market Area contained 40,910 people and 16,519 households. Between 2000 and 2010, the population increased by 375 people (+0.9%) while the number of households expanded by 209 (+1.3%). The number of new households was high relative to the number of new people suggesting a trend toward decreasing household sizes in the Market Area. By 2020, the Market Area is projected to add 234 people (+0.6%) and 483 households (+2.9%). Population growth in the Market Area is expected to be concentrated in Austin, and the population throughout the Remainder of the Market Area will likely decline. We project that Austin's population will grow 4.0% and the number of households will increase 4.2% between 2010 and 2020.
- The greatest growth is predicted to occur among older adults in the Market Area. Aging of baby boomers led to a 39.1% increase in the 55 to 64 population between 2000 and 2010 in Austin. As this group ages, the 55 to 64 and 65 to 74 cohorts are expected to continue in-

creasing. Over the next five years, all age groups under the age of 55 are expected to experience declining population throughout the Market Area, except for the 25 to 34 age group. In Austin, the 25 to 34 age group is projected to grow 2.0% between 2013 and 2018. A similar pace of growth is expected throughout the Market Area. Projected growth in the 25 to 34 age group is the result of the “echo boom” which was caused by an increase in birth rates through the 1980s and into the 1990s as the baby boomers had children.

- Through 2018, it is expected that the number of households between the ages of 25 and 34 and those over the age of 55 (the baby boomers) will increase while the number of households between the ages of 35 and 54 declines. This observation suggests that there will be increased demand for multifamily housing in the near future as the first-time homeowners category expands and the large baby boomer cohort ages into the years when they consider downsizing.
- Based on the median gross rent of \$649 for renter-occupied housing units in the City of Austin, a household would need to have an annual income of roughly \$26,000 or greater to not exceed 30% of its monthly income on rental housing costs. In 2013, approximately 6,777 City households (67.2% of the total) are estimated to have incomes of at least \$26,000. It appears that many City residents could afford higher rents. The average weekly wage of \$824 paid by City employers equates to annual income of approximately \$43,000. A household with this income could afford a \$1,075 monthly rent.
- In Austin, 68.1% of all households owned their housing in 2010, giving it a lower home ownership rate in comparison to Minnesota (73.0% owned in 2010). Throughout the Remainder of the Market Area, 84.7% of all households owned in 2010, substantially higher than the State. The number of owner households in Austin declined by -5.5% between 2000 and 2010 with the largest decreases occurring in the 35 to 44 and 65 and older age groups while the 55 to 64 age group experienced a 37.4% increase. The number of renters increased for nearly all age cohorts between 2000 and 2010 as the total number of renters residing in Austin grew by 24.5%. The rapid increase in renter households was due, in large part, to the bursting of the housing bubble which pushed many occupants out of home ownership and into rental units.
- Shifting household types can drive demand for housing in a community. The number of married couples without children, which often generate demand for multifamily housing, declined by -217 households in Austin between 2000 and 2010. The number of married couples with children (typically demand single-family detached housing) dropped by -140 households during the decade. Other family households experienced a significant increase from 2000 to 2010, growing by 30.8% (+391 households) in Austin. Other family households often require affordable housing. Non-family households also increased in Austin, as the number of people living alone grew 2.3% and the number of roommate households increased by 24.1% during the decade. An increase in the percentage of non-family households indicates a shift in housing needs that favors rental development.

Introduction

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

Employment Forecast

The 2000, 2005 and 2010 employment data in Table B-1 is derived from the Minnesota Department of Employment and Economic Development (DEED) for City of Austin, Mower County, the southeast Minnesota economic development region (Region 10), and Minnesota. The 2020 forecast is based on 2010-2020 industry projections published by DEED. This is the most recent employment forecast available for the State.

Maxfield Research applied the projected ten-year growth rates of 14.3% for Region 10 and 13.0% for the State to the 2010 employment data to arrive at the 2020 forecast for those two areas. We arrived at the 2020 forecast for Mower County based on the average proportion of Region 10 jobs located in the County from 2010 through 2012. We then projected 2020 employment for Austin based on the proportion of the County's growth expected to occur in the City.

The following are key figures from Table B-1.

- In 2000, there were 13,128 jobs in Austin. By 2005, employment in the City increased by 305 jobs (+2.3%). Despite the economic recession, employment grew by 109 jobs between 2005 and 2010, representing growth of 0.8%. In total, Austin gained 414 jobs (+3.2%) between 2000 and 2010. Mower County also experienced job growth during the decade, but at a slower pace as employment in the County declined in the second half of the decade. Total employment in Mower County increased by 1.2% during the decade after adding 188 jobs.
- A similar patterned emerged throughout Region 10, with employment increasing 1.9% between 2000 and 2005, then declining -2.0% from 2005 to 2010 for a -0.1% loss over the decade (-298 jobs). Total job loss was more pronounced throughout Minnesota, declining roughly -1.7% during the decade.

EMPLOYMENT TRENDS

- The employment situation has improved significantly in the Region and the State, as Region 10 employment expanded by 3.5% (+7,900 jobs) while Statewide employment increased by 3.2% between 2010 and 2012. However, Austin and Mower County did not experience the same level of job growth. Employment in Austin increased 0.2% (+23 jobs) while Mower County added 74 jobs (+0.5%) during that same the time period.
- Roughly 1,370 jobs are projected to be added in Austin while Mower County adds 1,645 jobs between 2010 and 2020. Employment over the decade is anticipated to increase 10.1% in Austin and 10.2% in the County, compared to 14.3% in Region 10 and 13.0% in Minnesota.
- Region 10 includes Olmsted County and the City of Rochester. Olmsted County comprised over 35% of the Region's employment in 2012, and it will continue to attract a higher proportion of jobs than other areas of the Region due to the large base of employers in Rochester, most notably Mayo Clinic and IBM. By comparison, Mower County represented 6.9% of the Region's employment in 2012.
- In 2000, Mower County employment represented 7.1% of all Region 10 jobs. The proportion held relatively steady through the first half of the decade, then increased slightly to 7.2% in 2010 as other areas of Region 10 lost jobs. Mower County's share of Region 10 employment dropped 0.3 percentage points to 6.9% over the past two years. Due to projected hiring at several major employers in the County (notably Hormel), we expect that Mower County's share of Region 10 jobs will stop declining and stabilize. By 2020, we project that the proportion of Region 1 jobs in the County will hold at approximately 6.9%.
- Austin contained 82.5% of Mower County's jobs in 2000. The proportion increased steadily to 84.1% in 2010, before dropping slightly to 83.8% in 2012. We expect that Austin's share of County employment will climb back to 84.0% by 2020.

TABLE B-1 EMPLOYMENT GROWTH TRENDS AUSTIN MARKET AREA 2000 - 2020									
	2000	2005	2010	Estimate 2012	Forecast 2020	Change			
						2000-2010		2010-2020	
						No.	Pct.	No.	Pct.
City of Austin	13,128	13,433	13,542	13,565	14,912	414	3.2	1,370	10.1
Mower County	15,919	16,201	16,107	16,181	17,752	188	1.2	1,645	10.2
Region 10*	225,388	229,647	225,090	232,995	257,278	-298	-0.1	32,188	14.3
Minnesota	2,608,844	2,637,323	2,563,391	2,644,895	2,896,632	-45,453	-1.7	333,241	13.0
*Region 10 consists of the Counties of: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona									
Sources: Minnesota Department of Employment and Economic Development; Maxfield Research, Inc.									

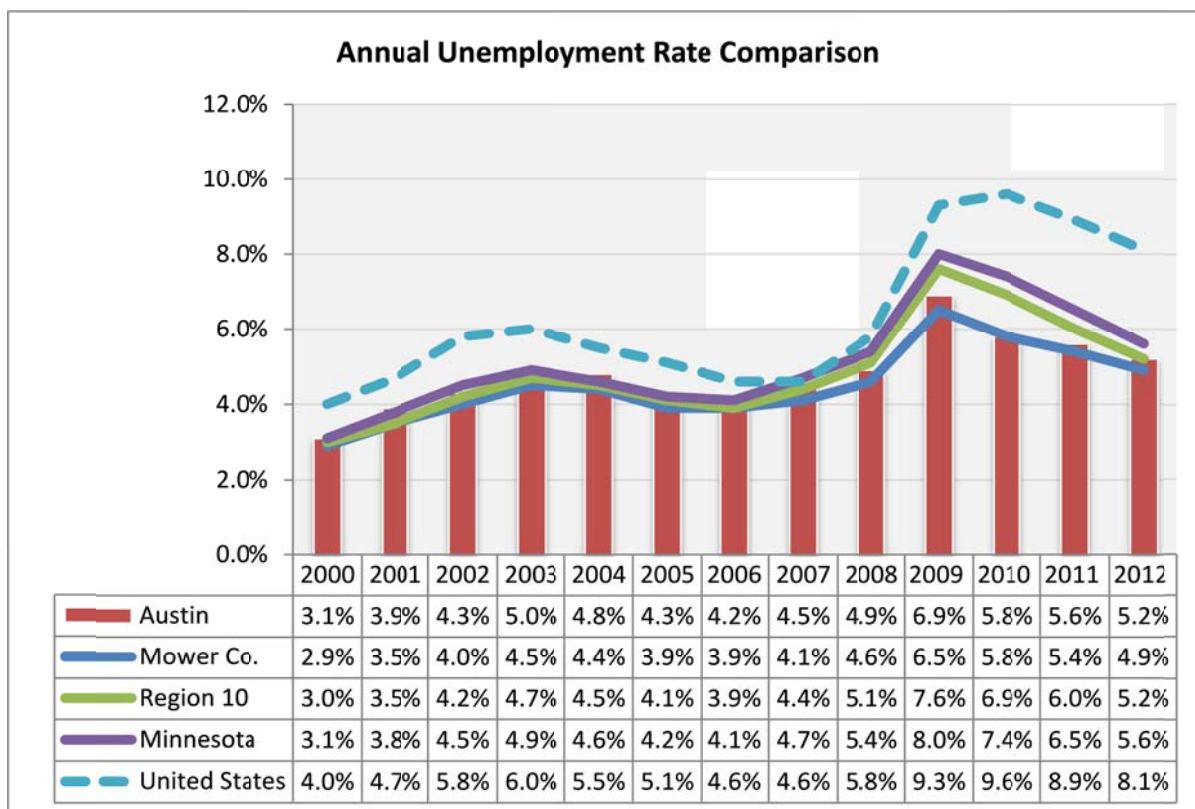
Resident Employment

Table B-2 shows information on the resident labor force and employment in Austin compared to Mower County, Region 10, Minnesota, and the United States. The data is sourced from DEED. Resident employment data reveals the work force and number of employed people living in the area. It is important to note that not all of these individuals necessarily work in the area.

Declining unemployment driven by job growth often stimulates demand for housing in a community, as households generally prefer to live near work for convenience. Many households, however, will commute greater distances to work if their housing is affordable enough to offset the additional transportation costs. In rural areas, other factors such as lifestyle choice and housing availability impact this decision.

The following points summarize key employment trends that will impact the demand potential for housing in Austin.

- The following chart illustrates how unemployment in Austin and Mower County has improved at a pace similar to the Region and State of Minnesota, but at a much faster pace than the United States, since massive job losses were incurred in 2008 and 2009.



EMPLOYMENT TRENDS

- The decline in Austin's unemployment rate in recent years can be partially attributed to a declining labor force. Austin's labor force contracted from 13,808 in 2010 to 13,210 in 2012, a loss of roughly -4.3%. Employment also contracted, dropping -3.7% during that same time period. Because the labor force has declined at a faster pace than the number of employed residents, the unemployment rate has decreased.
- Low unemployment in combination with a shrinking labor force can restrain economic expansion in a community, as it becomes difficult for employers in the area to hire workers and increase production or services.
- Despite increasing 0.2 percentage point over the past year to 4.8%, the unemployment rate in Mower County remains lower than the Region (5.0%), the State of Minnesota (5.4%), and the United States (7.1%). Austin's unemployment rate is also at 4.8%.
- Between April 2012 and April 2013, Austin's labor force grew by 2.4% (+313) while the number of employed residents increased 2.5% (+310), causing Austin's unemployment rate to dip -0.1% over the year to 4.8%. By comparison, the labor force in Mower County slipped -0.1% against a -0.4% drop in employment. The Region 10 labor force grew 0.8% as employment in the Region increased by 0.7%, resulting in a 0.1 percentage point increase in the unemployment rate. Minnesota's labor force increased 0.5% while employment in the State expanded by 1.2%.

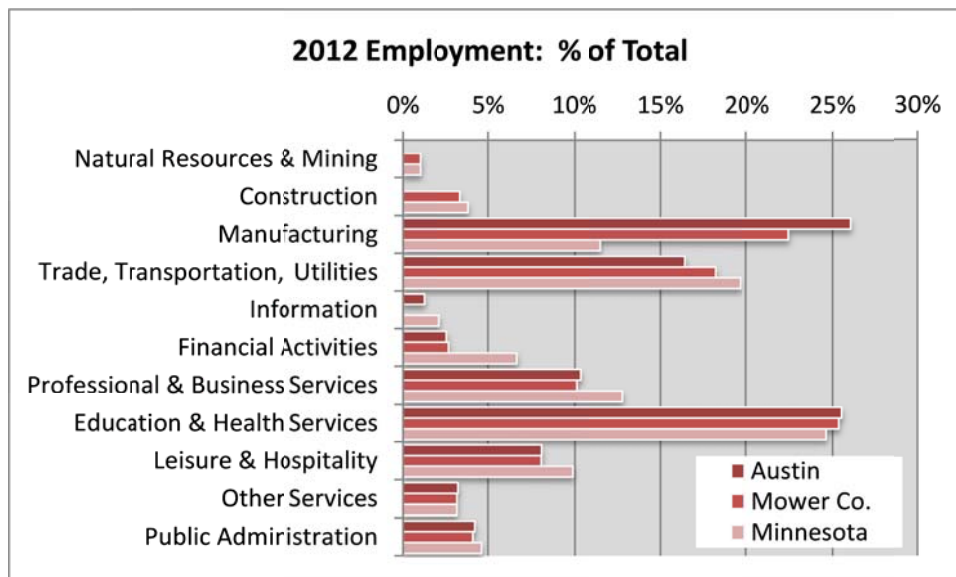
TABLE B-2 LOCAL AREA UNEMPLOYMENT STATISTICS AUSTIN MARKET AREA						
	April 2013			April 2012		
	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>
City of Austin	13,489	12,835	4.8%	13,176	12,525	4.9%
Mower County	21,363	20,336	4.8%	21,391	20,412	4.6%
Region 10	272,911	259,181	5.0%	272,646	259,269	4.9%
Minnesota	2,978,412	2,818,639	5.4%	2,955,970	2,797,863	5.3%
United States	154,739,000	143,724,000	7.1%	153,905,000	141,995,000	7.7%
Notes: Data not seasonally adjusted; Region 10 includes Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steel, Wabasha, and Winona Counties						
Sources: MN Department of Employment and Economic Development; Maxfield Research, Inc.						

Industry Employment and Wage Data

Table B-3 displays information on the employment and wage situation in Austin compared to Mower County and the State of Minnesota. The Quarterly Census of Employment and Wages (QCEW) data is sourced from Minnesota DEED for 2011 and 2012, the most recent data available. All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics quarterly to DEED. Federal government establishments are also covered by the QCEW program.

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

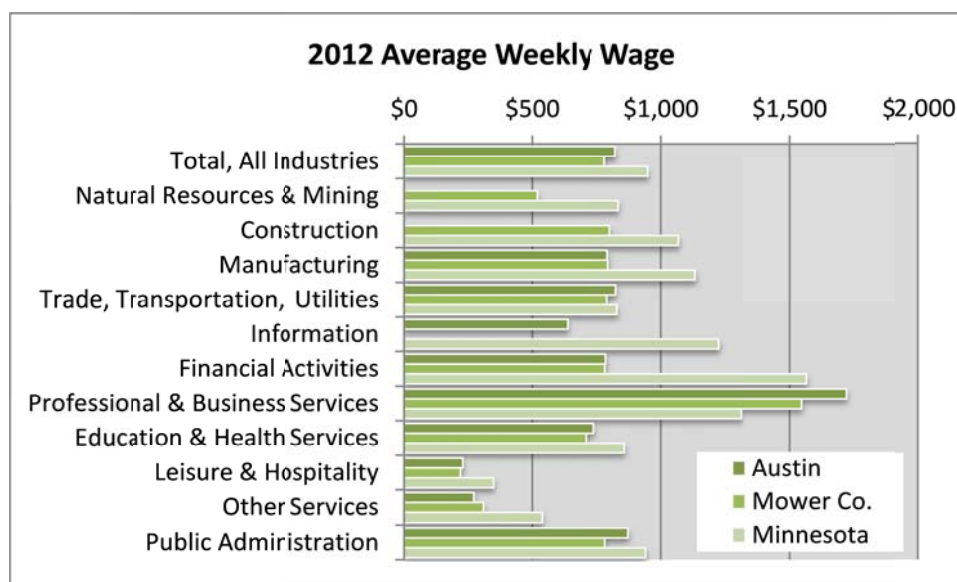
- The Manufacturing industry is the largest employment sector in Austin, providing 3,532 jobs in 2012 (26% of the total). The Education and Health Services and Trade, Transportation and Utilities sectors are also major employers with 3,463 jobs (25.5%) and 2,225 jobs (16.4%), respectively.
- The Education and Health Services industry is the largest employer throughout Mower County with over 4,100 jobs (25.4% of the total), followed by Manufacturing with 3,634 jobs (22.5%). The Education and Health Services sector is also the largest employer in the State, representing 24.6% of total employment.



- While Austin contains nearly 84% of all Mower County jobs, over 97% of the County's Manufacturing jobs are located in Austin.

EMPLOYMENT TRENDS

- In Austin, total employment slipped -0.2% (-32 jobs) between 2011 and 2012. Professional and Business Services experienced a jump in employment, gaining 78 jobs (+5.9%). Notable jobs losses occurred in Trade, Transportation, and Utilities (-35 jobs for a -1.5% loss), Leisure and Hospitality which lost -33 jobs over the year (-2.9%), and the Manufacturing sector which experienced a -0.8% reduction in employment (-27 jobs).
- Mower County experienced 0.2% job growth over the year (+34 jobs). This increase was due, in large part, to growth in the Professional and Business Services sector which gained 141 jobs (+9.4%). This gain was partially offset by losses in Manufacturing (-44 jobs) and Trade, Transportation, and Utilities (-41 jobs).
- The number of business establishments in Austin also declined modestly, losing nine businesses over the year (-1.6%). The most substantial change occurred in the Trade, Transportation, and Utilities sector, which lost six business establishments. The number of businesses operating throughout Mower County declined by ten, most notably in Trade, Transportation, and Utilities (-9 business establishments).
- At \$824, the average weekly wage across all industries in Austin is 5.2% higher than in Mower County (\$783), but -13.2% lower than the State average (\$949). Average wages are lower in Austin than in the State in all industry sectors, except Professional and Business Services (\$1,719 in Austin compared to \$1,308 across the State). The average Manufacturing wage of \$794 in Austin is -29.7% lower than the State average of \$1,130.
- Wages increased over the year, rising 2.7% in Austin, 2.6% in Mower County, and 3.2% across Minnesota. Nearly all industry sectors experienced wage growth during the year.



EMPLOYMENT TRENDS

TABLE B-3
QUARTERLY CENSUS OF EMPLOYMENT AND WAGES
AUSTIN MARKET AREA

Industry	2011			2012			Change 2011 - 2012			
	Establish-ments	Employ-ment	Weekly Wage	Establish-ments	Employ-ment	Weekly Wage	Employment #	%	Wage #	%
CITY OF AUSTIN										
Total, All Industries	546	13,597	\$802	537	13,565	\$824	-32	-0.2%	\$22	2.7%
Natural Resources & Mining	--	--	--	--	--	--	--	--	--	--
Construction	--	--	--	--	--	--	--	--	--	--
Manufacturing	19	3,559	\$783	19	3,532	\$794	-27	-0.8%	\$11	1.4%
Trade, Transportation, Utilities	138	2,260	\$764	132	2,225	\$826	-35	-1.5%	\$62	8.1%
Information	--	--	--	9	166	\$636	--	--	--	--
Financial Activities	59	350	\$790	61	351	\$788	1	0.3%	(\$2)	-0.3%
Professional & Business Services	53	1,324	\$1,753	52	1,402	\$1,719	78	5.9%	(\$34)	-1.9%
Education & Health Services	53	3,458	\$729	56	3,463	\$742	5	0.1%	\$13	1.8%
Leisure & Hospitality	72	1,128	\$229	69	1,095	\$232	-33	-2.9%	\$3	1.3%
Other Services	70	449	\$272	71	442	\$275	-7	-1.6%	\$3	1.1%
Public Administration	25	588	\$885	24	573	\$874	-15	-2.6%	(\$11)	-1.2%
MOWER COUNTY										
Total, All Industries	893	16,147	\$763	883	16,181	\$783	34	0.2%	\$20	2.6%
Natural Resources & Mining	25	142	\$506	27	162	\$519	20	14.1%	\$13	2.6%
Construction	112	510	\$782	110	544	\$803	34	6.7%	\$21	2.7%
Manufacturing	34	3,678	\$788	34	3,634	\$797	-44	-1.2%	\$9	1.1%
Trade, Transportation, Utilities	231	2,982	\$733	222	2,941	\$793	-41	-1.4%	\$60	8.2%
Information	--	--	--	--	--	--	--	--	--	--
Financial Activities	80	442	\$780	82	440	\$785	-2	-0.5%	\$5	0.6%
Professional & Business Services	82	1,494	\$1,628	80	1,635	\$1,546	141	9.4%	(\$82)	-5.0%
Education & Health Services	82	4,100	\$693	84	4,102	\$707	2	0.0%	\$14	2.0%
Leisure & Hospitality	95	1,355	\$219	91	1,304	\$224	-51	-3.8%	\$5	2.3%
Other Services	94	527	\$305	95	518	\$312	-9	-1.7%	\$7	2.3%
Public Administration	43	669	\$808	42	665	\$786	-4	-0.6%	(\$22)	-2.7%
MINNESOTA										
Total, All Industries	164,802	2,603,638	\$920	168,334	2,644,895	\$949	41,257	1.6%	\$29	3.2%
Natural Resources & Mining	2,556	25,027	\$801	2,711	26,364	\$836	1,337	5.3%	\$35	4.4%
Construction	16,992	98,594	\$1,029	17,280	101,526	\$1,067	2,932	3.0%	\$38	3.7%
Manufacturing	8,376	300,876	\$1,106	8,195	305,555	\$1,130	4,679	1.6%	\$24	2.2%
Trade, Transportation, Utilities	38,645	514,249	\$806	39,258	518,501	\$832	4,252	0.8%	\$26	3.2%
Information	3,422	57,204	\$1,240	3,492	57,231	\$1,221	27	0.0%	(\$19)	-1.5%
Financial Activities	15,994	172,251	\$1,441	15,988	175,976	\$1,565	3,725	2.2%	\$124	8.6%
Professional & Business Services	28,208	332,353	\$1,270	29,445	339,380	\$1,308	7,027	2.1%	\$38	3.0%
Education & Health Services	17,375	641,157	\$838	17,979	651,701	\$860	10,544	1.6%	\$22	2.6%
Leisure & Hospitality	14,270	255,802	\$345	14,656	261,527	\$350	5,725	2.2%	\$5	1.4%
Other Services	14,190	84,394	\$525	14,896	84,565	\$538	171	0.2%	\$13	2.5%
Public Administration	4,352	121,475	\$948	4,302	122,346	\$941	871	0.7%	(\$7)	-0.7%

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

Commuting Patterns of Area Workers

Proximity to employment is often a primary consideration when choosing where to live, particularly for younger and lower income households since transportation costs often account for a greater proportion of their budgets. For the purposes of this analysis, we reviewed commuting patterns in the City of Austin. Table B-4 highlights the commuting patterns of workers in Austin based on data from the U.S. Census Bureau Local Employment Dynamics data for 2011, the most recent data available.

- As the table illustrates, Austin is the top home destination for workers in the City with a 55.9% share, while 44.1% of Austin's workers reside outside the City, with most commuting from Albert Lea (3.5%), Rochester (2.4%), and Owatonna (1.5%) for employment.
- Approximately 66% of the workers in Austin reside within ten miles of their place of employment while nearly 11% travel greater than 50 miles. Roughly 13% of workers in the City travel 10 to 24 miles for employment and 9% commute a distance ranging from 25 to 50 miles.

TABLE B-4 COMMUTING PATTERNS CITY OF AUSTIN MINNESOTA 2011					
Home Destination			Work Destination		
<u>Place of Residence</u>	<u>Count</u>	<u>Share</u>	<u>Place of Employment</u>	<u>Count</u>	<u>Share</u>
Austin city, MN	7,720	55.9%	Austin city, MN	7,720	65.3%
Albert Lea city, MN	483	3.5%	Rochester city, MN	707	6.0%
Rochester city, MN	331	2.4%	Albert Lea city, MN	468	4.0%
Owatonna city, MN	202	1.5%	Owatonna city, MN	211	1.8%
Brownsdale city, MN	171	1.2%	Minneapolis city, MN	116	1.0%
Le Roy city, MN	104	0.8%	St. Paul city, MN	111	0.9%
Rose Creek city, MN	103	0.7%	Mankato city, MN	102	0.9%
Adams city, MN	82	0.6%	Edina city, MN	97	0.8%
Blooming Prairie city, MN	66	0.5%	Adams city, MN	75	0.6%
Winona city, MN	62	0.4%	Dodge Center city, MN	72	0.6%
All Other Locations	4,486	32.5%	All Other Locations	2,143	18.1%
<u>Distance Traveled</u>			<u>Distance Traveled</u>		
Total Primary Jobs	13,810	100.0%	Total Primary Jobs	11,822	100.0%
Less than 10 miles	9,173	66.4%	Less than 10 miles	8,075	68.3%
10 to 24 miles	1,843	13.3%	10 to 24 miles	857	7.2%
25 to 50 miles	1,286	9.3%	25 to 50 miles	1,324	11.2%
Greater than 50 miles	1,508	10.9%	Greater than 50 miles	1,566	13.2%
Home Destination = Where workers live who are employed in the selection area					
Work Destination = Where workers are employed who live in the selection area					
Sources: US Census Bureau Local Employment Dynamics; Maxfield Research, Inc.					

EMPLOYMENT TRENDS

- Roughly 65.3% of the workers living in Austin also have jobs in Austin. The remaining 34.7% commute to other communities, most notably to Rochester (6.0%). Albert Lea (4.0%) and Owatonna (1.8%) are also common work destinations for residents of Austin.
- Over 68% of Austin's residents travel less than ten miles to their place of employment, while 13% have a commute distance of more than 50 miles. Over 11% commute between 25 and 50 miles to get to work and 7% travel from 10 to 24 miles.

Table B-5 provides a summary of the inflow and outflow characteristics of the workers in Austin. Outflow reflects the number workers living in Austin but employed outside the City while inflow measures the number of workers that are employed in the City but live outside Austin. Interior flow reflects the number of workers that both live and work in Austin.

- As the table shows, Austin can be considered an importer of workers as a significantly higher number of nonresidents commute into the City for work. Roughly 6,090 workers come into Austin for work (inflow) while 4,102 leave (outflow) and 7,720 both live and work in Austin. In 2011, Austin experienced net job inflow of 1,988.
- The highest proportion of workers coming into Austin is aged 30 to 54 (53%), earning between \$1,251 and \$3,333 per month (40%), and employed in the "All Other Services" industry category (51%).

TABLE B-5 COMMUTING INFLOW/OUTFLOW CHARACTERISTICS CITY OF AUSTIN MINNESOTA 2011						
	Outflow		Inflow		Interior Flow	
City Total	4,102	100.0%	6,090	100.0%	7,720	100.0%
<u>By Age</u>						
Workers Aged 29 or younger	1,162	28.3%	1,569	25.8%	1,970	25.5%
Workers Aged 30 to 54	2,219	54.1%	3,250	53.4%	4,147	53.7%
Workers Aged 55 or older	721	17.6%	1,271	20.9%	1,603	20.8%
<u>By Monthly Wage</u>						
Workers Earning \$1,250 per month or less	1,229	30.0%	1,546	25.4%	2,171	28.1%
Workers Earning \$1,251 to \$3,333 per month	1,571	38.3%	2,454	40.3%	3,398	44.0%
Workers Earning More than \$3,333 per month	1,302	31.7%	2,090	34.3%	2,151	27.9%
<u>By Industry</u>						
"Goods Producing"	1,027	25.0%	1,605	26.4%	2,190	28.4%
"Trade, Transportation, and Utilities"	804	19.6%	1,378	22.6%	1,227	15.9%
"All Other Services"	2,271	55.4%	3,107	51.0%	4,303	55.7%
Sources: US Census Bureau Local Employment Dynamics; Maxfield Research, Inc.						

Major Employers

The following list provides a summary of the major employers in the City of Austin, as of 2012. This data is sourced from ReferenceUSA, an Infogroup company with a database of 24 million businesses across the United States that is updated monthly.

TABLE B-6 MAJOR EMPLOYERS CITY OF AUSTIN, MINNESOTA		
Employer	Industry	Employees
Hormel Foods Corp	Agricultural Production - Livestock	1,950
Quality Pork Processors Inc	Meat Packing	1,500
Austin Medical Ctr-Mayo Health	Health Services	900
Hy-Vee	Grocery Store	350
Cedar Valley Services	Social Services	300
Riverland Community College	Educational Services	280
St Mark's Lutheran Home	Nursing Care Facility	230
Independent School Dist 492	Educational Services	200
Austin Packaging Co	Business Services	180
Adams Health Care Ctr	Health Services	150
Sacred Heart Care Ctr	Nursing Care Facility	150
Target	Department Stores	150
Walmart Supercenter	Department Stores	150
International Paper Co	Manufacturing - Paper and Allied Prod	145
City of Austin	Public Administration	140
Ellis Middle School	Educational Services	125
Holiday Inn	Hotel/Lodging	120
Austin Utilities	Electric, Gas, and Other Utilities	100
KAAL	Communications - Television	100
McFarland Truck Lines	Trucking and Courier Services	100
Mower County Courthouse	Public Administration	100
Shopko	Department Stores	100
Sources: ReferenceUSA; Maxfield Research, Inc.		

- Hormel, Quality Pork Processors, and Austin Medical Center are, by far, the largest employers in the City. Combined, these three establishments employ approximately 32% of all workers in the City.
- The list of major employers represents several industry sectors, but the highest concentrations of large employers are in the Manufacturing and Education and Health Services sectors.
- This finding is supported by the 2012 Quarterly Census of Employment and Wages data presented earlier in this section. Based on that data, the Manufacturing sector employs an average of 186 workers per business establishment in the City while the Education and

EMPLOYMENT TRENDS

Health Services sector employs an average of 62 workers per establishment. The average across all industries is 25 workers per business.

- By comparison, the Manufacturing industry has the largest employers across the State with an average of 37 workers per business establishment, significantly lower than in Austin. The Education and Health Services industry averages 36 workers per business across Minnesota.

Employer Survey

Maxfield Research surveyed representatives of the largest employers in Austin during July 2013. The questions covered topics such as recent trends in job growth, average wages and salaries, employee turnover, projected job growth. In addition, representatives were asked their opinion about issues related to housing in the area. Specifically, they were asked whether the current supply of housing in the area matches the needs of their workforce. The following points summarize the findings of this survey process.

- While a majority of the City workforce comes from Austin, many employees commute from other communities, most notably Albert Lea, Rochester, and Owatonna .
- Hiring is expected to increase over the next five years as service needs and business conditions dictate.
- There was a general consensus that most employees in the City currently own their homes, but many new employees relocating to Austin from other areas tend to rent at first. Hormel employees many entry-level young adults that seek rental housing in the area.
- There appears to be a short supply of rental units in the area, particularly properties with modern features and amenities that would appeal to the younger age cohorts.
- Also, many of the for-sale homes on the market are older, smaller, and/or needing repair and don't fit the family housing needs of the workforce.

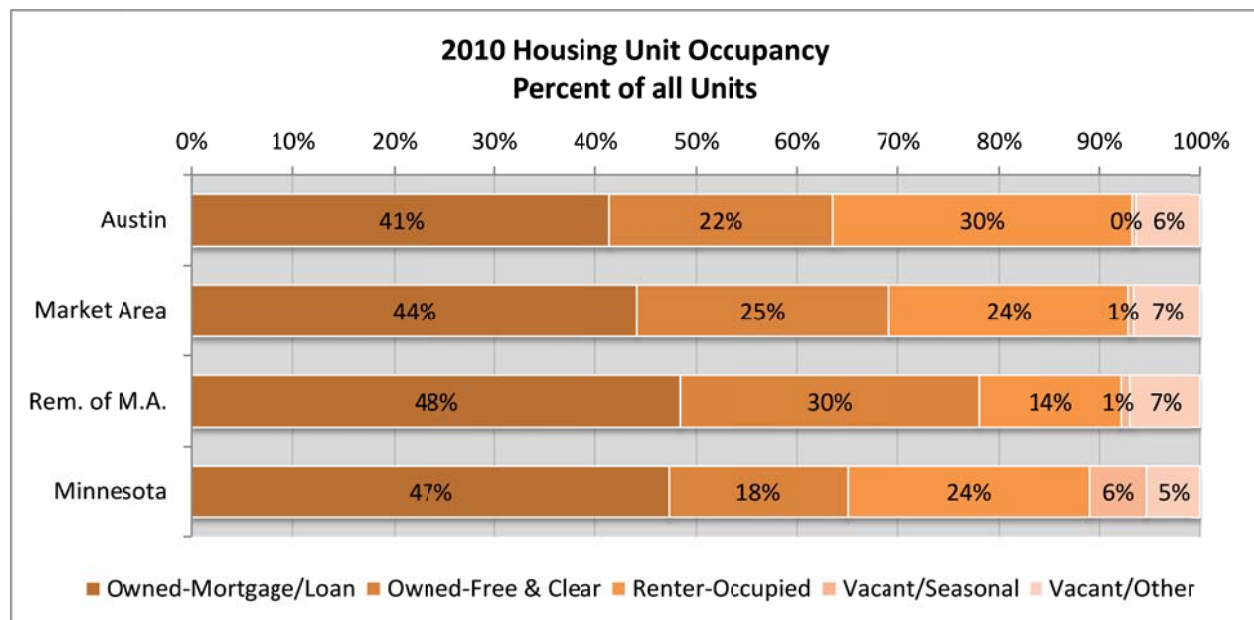
Introduction

The variety and condition of the housing stock in a community provides the basis for an attractive living environment. We examined the housing market in Austin and the surrounding Market Area in comparison to Minnesota by reviewing data on the total number of housing units by occupancy status, housing types, age of the housing supply, and residential construction trends since 2000. Housing unit is defined as a house, an apartment, a group of rooms, or a single room occupied or intended for occupancy as separate living quarters. Householder refers to the person in whose name the housing unit is owned or rented.

Housing Occupancy

Housing occupancy is a key variable used to assess neighborhood stability. Table C-1 on the following page shows the total number of housing units, as well as the occupancy status in 2000 and 2010. This data is sourced from the U.S. Census. It is important to note, that the Census' definition of a vacant housing unit includes: Units that were listed for sale or for rent at the time of the Census survey; Units that have been rented or sold, but were not yet occupied; Seasonal housing (vacation or second homes); and, "Other" vacant housing. Other vacant housing units include housing for migratory workers, housing units held for occupancy of a caretaker, and units in the foreclosure process.

- As of the 2010 Census, the Market Area contained 17,802 housing units, roughly 61% of which were located in the City of Austin with the remaining 39% located elsewhere in the Market Area.



HOUSING CHARACTERISTICS

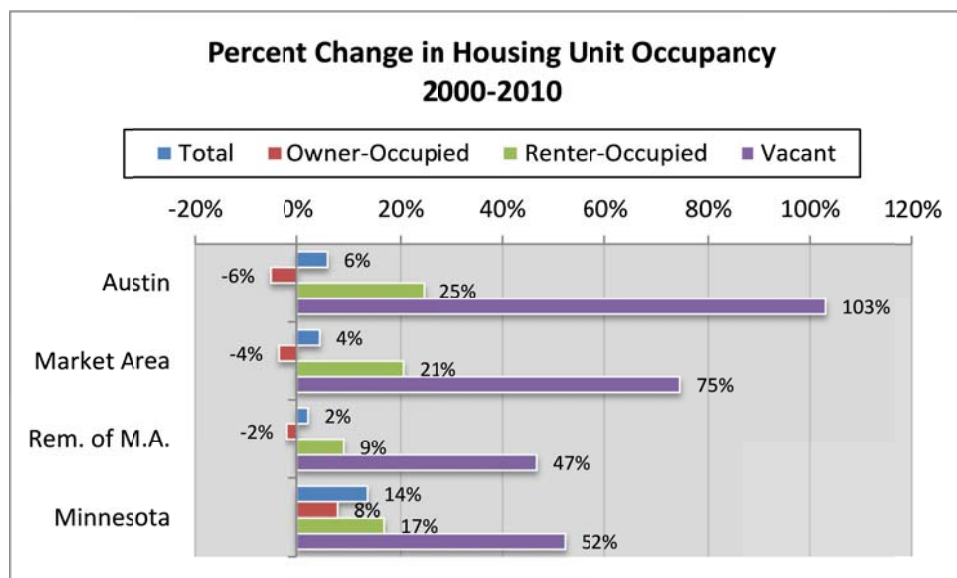
- As illustrated in the preceding graph, approximately 93% of the Market Area's housing stock was occupied in 2010, compared to 89% in Minnesota. The City of Austin maintained an occupancy rate of 93.2% while occupancy throughout the Remainder of the Market Area was at 92.2% in 2010.
- Occupancy rates have decreased over the past decade. In 2000, occupancy was at 96% throughout the Market Area, compared to 92% throughout Minnesota. The City of Austin had a 2000 occupancy rate of 96.5% while housing units in the Remainder of the Market Area were 94.5% occupied.

TABLE C-1 HOUSING UNIT OCCUPANCY AUSTIN MARKET AREA								
		City of Austin		Market Area		Remainder of M.A.		Minnesota
		#	%	#	%	#	%	%
2010	Total Housing Units	10,870	100%	17,802	100%	6,932	100%	100%
	Occupied Units	10,131	93.2%	16,519	92.8%	6,388	92.2%	88.9%
	Owner-Occupied	6,902	63.5%	12,312	69.2%	5,410	78.0%	64.9%
	mortgage or loan	4,500	41.4%	7,856	44.1%	3,356	48.4%	47.3%
	free and clear	2,402	22.1%	4,456	25.0%	2,054	29.6%	17.7%
	Renter-Occupied	3,229	29.7%	4,207	23.6%	978	14.1%	24.0%
	Vacant Units	739	6.8%	1,283	7.2%	544	7.8%	11.1%
	Seasonal/Recreational	43	0.4%	101	0.6%	58	0.8%	5.6%
	For Rent	284	2.6%	384	2.2%	100	1.4%	2.0%
	For Sale Only	180	1.7%	283	1.6%	103	1.5%	1.3%
2000	Rented/Sold, Not Occupied	51	0.5%	79	0.4%	28	0.4%	0.3%
	Other	181	1.7%	436	2.4%	255	3.7%	1.8%
	Total Housing Units	10,261	100%	17,045	100%	6,784	100%	100%
	Occupied Units	9,897	96.5%	16,310	95.7%	6,413	94.5%	91.7%
	Owner-Occupied	7,304	71.2%	12,820	75.2%	5,516	81.3%	68.4%
	Renter-Occupied	2,593	25.3%	3,490	20.5%	897	13.2%	23.3%
	Vacant Units	364	3.5%	735	4.3%	371	5.5%	8.3%
	Seasonal/Recreational	24	0.2%	56	0.3%	32	0.5%	5.1%
	For Rent	129	1.3%	183	1.1%	54	0.8%	1.0%
For Sale Only	66	0.6%	151	0.9%	85	1.3%	0.6%	
Rented/Sold, Not Occupied	116	1.1%	194	1.1%	78	1.1%	0.4%	
Other	29	0.3%	151	0.9%	122	1.8%	1.1%	
Sources: US Census Bureau; ESRI; Maxfield Research, Inc.								

- Over 63.5% of Austin's housing units were owner-occupied in 2010, 29.7% were renter-occupied, and the remaining 6.8% were vacant. Approximately 41.4% of all housing units in the City were owner-occupied with a mortgage or loan while 22.1% were owned free and clear.

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- The Remainder of the Market Area had a higher rate of owner-occupied units in 2010, at 78.0% of the total. Roughly 48.4% of all housing units were owned with a mortgage or loan and 29.6% were owned free and clear. Only 14.1% of the housing units in the Remainder of the Market Area were renter-occupied, compared to 24% throughout Minnesota. Roughly 7.8% of the housing units in the remainder of the Market Area were vacant in 2010.
- Compared to Minnesota, the Market Area has a relatively low housing vacancy rate, as 7.2% of the housing units were vacant in 2010 while Minnesota had an 11.1% vacancy rate. The Market Area had a significantly lower proportion of vacant seasonal/recreational housing units (0.6% compared to 5.6% in Minnesota). However the percentage of “Other” vacant housing units was notably higher in the Market Area (2.4%) than in Minnesota (1.8%).
- Approximately 757 housing units were added in the Market Area between 2000 and 2010 for a 4.4% increase. The number of renter-occupied units grew 20.5% (+717 units) during the decade while the number of owner-occupied units declined -4.0% (-508 units) as the number of vacant units jumped by 74.6% (+548) in the Market Area. By comparison, Minnesota’s housing stock increased 13.6% during the decade: Owner-occupied units increased 7.9%; Renter-occupied units grew 16.8%; and the number of vacant units expanded 52.2%. The rapid rise in residential foreclosures experienced throughout the United States during the latter part of the 2000s impacted housing unit occupancy in the Market Area as indicated in the significant increase in vacant housing units from 2000 to 2010.
- The City of Austin experienced a 103% increase in vacant units (+375 units), most notably in the other vacant category which increased by 152 units (+524%). Vacant-for rent units jumped 120% (+155 units) and vacant-for sale units increased 173% (+114 units). In total, Austin gained 609 housing units during the decade (+5.9%).

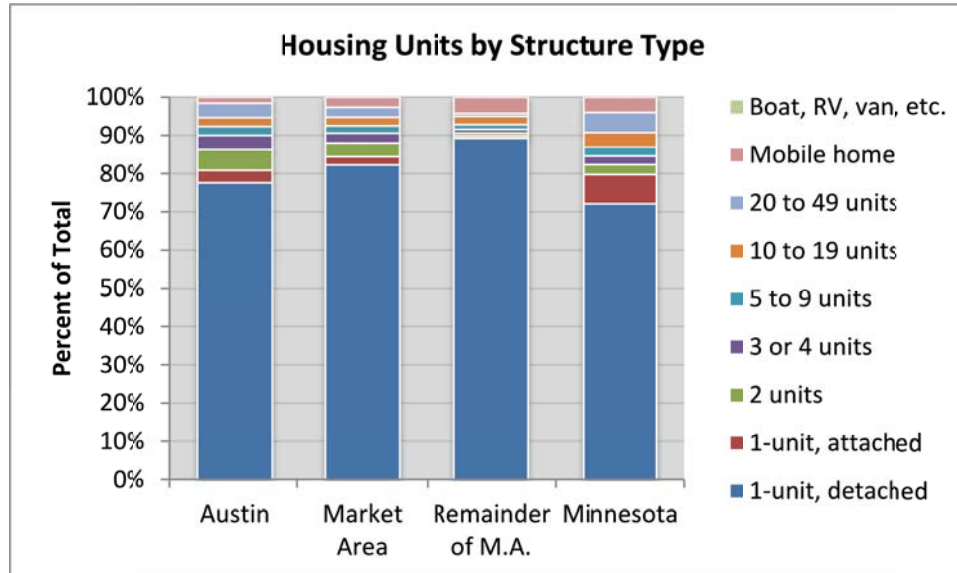


Housing Stock by Structure Type

The data in Table C-2 sourced from the American Community Survey (“ACS”) which is an ongoing statistical survey administered by the U.S. Census Bureau that is sent to approximately three million addresses annually. The survey gathers data previously contained only in the long form of the decennial census. As a result, the survey is ongoing and can provide a more “up-to-date” portrait of demographic, economic, social, and household characteristics every year, not just every ten years. The current ACS highlights data collected between 2007 and 2011, the most recent data available.

Because of the difference in methodology between the decennial census and the ACS, there are slight differences in the total number of housing units presented between the two surveys. Census data indicates that there were 17,802 housing units in the Market Area in 2010 while the ACS shows 17,815 housing units in the Market Area. The following points summarize key findings from Table C-2.

- Single-family (one-unit) detached units are the most common housing type in the Market Area, comprising 79% of all occupied housing units. By comparison, 68% of all housing units are single-family detached throughout Minnesota. Roughly 73% of the housing units in Austin are single-unit, detached structures, while over 89% of the housing units in the remainder of the Market Area are detached single-unit homes.



- There is a limited supply of single-unit, attached housing in the Market Area with a total of 333 units in Austin (3.0% of all housing units) and only 38 units throughout the rest of the Market Area (0.6% of all units). Single-unit, attached housing represents over 7% of the total housing supply across Minnesota.

HOUSING CHARACTERISTICS

TABLE C-2
HOUSING UNITS BY STRUCTURE TYPE AND TENURE
AUSTIN MARKET AREA

	City of Austin		Market Area		Remainder of M.A.		Minnesota
	#	%	#	%	#	%	%
Total Housing Units	10,931	100%	17,815	100%	6,884	100%	100%
1-unit, detached	7,955	72.8%	14,095	79.1%	6,140	89.2%	67.5%
1-unit, attached	333	3.0%	371	2.1%	38	0.6%	7.2%
2 units	562	5.1%	614	3.4%	52	0.8%	2.4%
3 or 4 units	377	3.4%	448	2.5%	71	1.0%	2.1%
5 to 9 units	241	2.2%	323	1.8%	82	1.2%	2.2%
10 to 19 units	239	2.2%	388	2.2%	149	2.2%	3.6%
20 to 49 units	384	3.5%	440	2.5%	56	0.8%	5.0%
50 or more units	674	6.2%	680	3.8%	6	0.1%	6.4%
Mobile home	166	1.5%	454	2.5%	288	4.2%	3.7%
Boat, RV, van, etc.	0	0.0%	2	0.0%	2	0.0%	0.0%
Total Occupied Housing Units	10,398	100%	16,762	100%	6,364	100%	100%
Owner-Occupied	6,945	66.8%	12,363	73.8%	5,418	85.1%	73.6%
1-unit, detached	6,375	61.3%	11,593	69.2%	5,218	82.0%	62.6%
1-unit, attached	249	2.4%	279	1.7%	30	0.5%	5.6%
2 units	49	0.5%	52	0.3%	3	0.0%	0.5%
3 or 4 units	48	0.5%	68	0.4%	20	0.3%	0.4%
5 to 9 units	21	0.2%	21	0.1%	0	0.0%	0.3%
10 to 19 units	0	0.0%	0	0.0%	0	0.0%	0.2%
20 to 49 units	9	0.1%	9	0.1%	0	0.0%	0.5%
50 or more units	32	0.3%	32	0.2%	0	0.0%	0.9%
Mobile home	162	1.6%	309	1.8%	147	2.3%	2.6%
Boat, RV, van, etc.	0	0.0%	0	0.0%	0	0.0%	0.0%
Renter-Occupied	3,453	33.2%	4,399	26.2%	946	14.9%	26.4%
1-unit, detached	1,180	11.3%	1,685	10.1%	505	7.9%	5.1%
1-unit, attached	61	0.6%	69	0.4%	8	0.1%	2.0%
2 units	478	4.6%	508	3.0%	30	0.5%	1.8%
3 or 4 units	276	2.7%	313	1.9%	37	0.6%	1.7%
5 to 9 units	220	2.1%	302	1.8%	82	1.3%	1.9%
10 to 19 units	239	2.3%	369	2.2%	130	2.0%	3.4%
20 to 49 units	353	3.4%	409	2.4%	56	0.9%	4.6%
50 or more units	642	6.2%	648	3.9%	6	0.1%	5.6%
Mobile home	4	0.0%	94	0.6%	90	1.4%	0.5%
Boat, RV, van, etc.	0	0.0%	2	0.0%	2	0.0%	0.0%

Sources: 2007-2011 American Community Survey; Maxfield Research, Inc.

- Mobile homes are the second most common housing structure in the Market Area, outside of Austin, comprising 4.2% of all housing units and 20% of all renter-occupied units.

HOUSING CHARACTERISTICS

- In Austin, mobile homes represent 1.5% of the housing inventory. Over 6% of Austin's housing units are located in structures containing 50 or more units and approximately 5% of Austin's supply of housing is comprised of two-unit (duplex) structures.
- Based on ACS data, it appears that 73.8% of the Market Area's occupied housing units are owner-occupied and 26.2% are renter-occupied. These proportions are comparable to the State. Austin has a lower percentage of owner-occupied housing units (66.8%), while 85.1% of the occupied housing units in the Market Area outside of Austin are owner-occupied.
- Of the owner-occupied housing units in Austin, roughly 61% are single-unit, detached structures (6,375 units), 2.4% are attached single-unit structures (249), and 1.6% are mobile homes (162). Over 11% of the renter-occupied housing units in Austin are detached single-unit structures (1,180 units), while 6% of the renter-occupied units are in structures with 50 or more units (642).
- Compared to Minnesota, the Market Area has a relatively high proportion of renter-occupied detached single-unit structures. Roughly 5% of Minnesota's renter-occupied units are detached single-unit structures, compared to 11% in Austin and 8% throughout the remainder of the Market Area. Austin also has a relatively high proportion of renter-occupied duplexes, as 4.6% of all renter-occupied units are two-unit structures, compared to 1.8% in Minnesota.

Age of Housing Stock

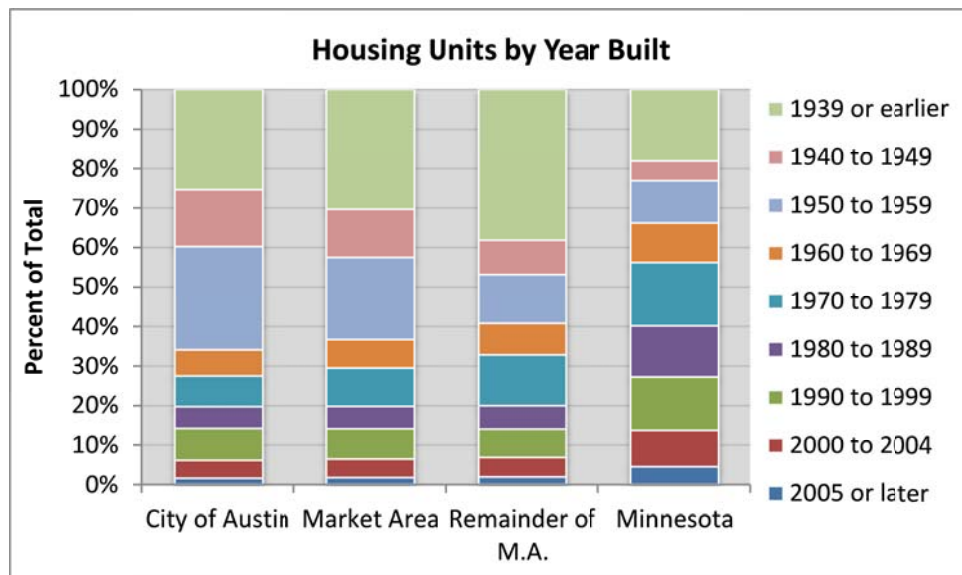
Similar to the structure type data presented in Table C-2, housing age data presented in Table C-3 is also sourced from the ACS. The table includes the number of housing units built in the Market Area prior to 1940 and during each subsequent decade. The Census Bureau began collecting year-built data in 1940.

- Much of the Market Area's housing stock is over 60 years old, as approximately 42% of the housing units (7,576 units) were constructed prior to 1950. Roughly 3,715 housing units were built in the 1950's, representing 21% of the Market Area's housing stock. Approximately 7% of the units were built during the 2000s.
- Over 30% of the Market Area's housing units (5,410 units) were built prior to 1940. While many homes built before 1940 are in good condition, a high number of housing units this age increases the potential for the housing stock to become substandard and maintenance costs are generally higher. Roughly one-quarter of the homes in Austin were built prior to 1940, while 38% of the housing stock outside of Austin was built before 1940. By comparison, approximately 18% of all homes in Minnesota were built prior to 1940. Older housing is common in counties where shrinking populations and slower economic activity generates less demand for new housing.

TABLE C-3 HOUSING UNITS BY YEAR STRUCTURE BUILT AUSTIN MARKET AREA							
	City of Austin		Market Area		Remainder of M.A.		Minnesota
	#	%	#	%	#	%	%
Total	10,931	100%	17,815	100%	6,884	100%	100%
2005 or later	163	1%	291	2%	128	2%	4%
2000 to 2004	500	5%	839	5%	339	5%	9%
1990 to 1999	891	8%	1,389	8%	498	7%	14%
1980 to 1989	596	5%	1,002	6%	406	6%	13%
1970 to 1979	847	8%	1,730	10%	883	13%	16%
1960 to 1969	724	7%	1,273	7%	549	8%	10%
1950 to 1959	2,862	26%	3,715	21%	853	12%	11%
1940 to 1949	1,564	14%	2,166	12%	602	9%	5%
1939 or earlier	2,784	25%	5,410	30%	2,626	38%	18%

Sources: 2007-2011 American Community Survey; Maxfield Research, Inc.

- Austin appears to have been greatly impacted by the post-World War II housing boom, as 14% of Austin's housing units (1,564 units) were built in the 1940s and 26% (2,862 units) were built in the 1950s. Following the end of World War II in 1945, housing construction accelerated to accommodate returning troops and the ensuing baby boom. Housing construction in Austin slowed to 724 units (7% of the total) in the 1960s, and construction activity has steadily delivered between 600 and 900 new units in each decade since 1960.



- Aside from the number of homes built prior to 1940, the 1970s was the most active decade in the Market Area outside of Austin in terms of residential building activity, followed by the

HOUSING CHARACTERISTICS

1950s. Nearly 13% of the Market Area's housing stock (outside of Austin) was built from 1970 to 1979 while 12% was constructed in the 1950s.

- Compared to the rest of Minnesota, the Market Area's housing stock is relatively old as 63% of the housing inventory was built prior to 1960 while 34% of Minnesota's housing units were constructed prior to 1960. Approximately 14% of Minnesota's housing units were built in the 1990s and another 13% were constructed in the 2000s. By comparison, 8% of the Market Area's housing inventory was built in the 1990s and 7% of the units were added during the 2000s.

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



Example of pre-1940's housing in Austin



Older neighborhood in Austin



Newer, attached housing in Fox Pointe



Newer, single-family home in the Orchard Creek subdivision

Residential Construction Trends

Building permit data for Austin was provided by the City while data for the Remainder of Mower County was obtained from the U.S. Census Building Permits Survey (BPS) and the U.S. Department of Housing and Urban Development (HUD) State of the Cities Data Systems (SOCDS). The purpose of the BPS is to provide statistics on new privately-owned housing units authorized by building or zoning permits in the United States. Statistics from the BPS are based on reports submitted by local permit officials and the survey covers all “permit-issuing places” which are jurisdictions that issue building or zoning permits. The HUD SOCDS takes information from the BPS and includes any subsequent Census revisions to achieve higher quality data. Areas for which no authorization is required to construct new housing units are not included in the survey. We use information for Mower County because permit data was not available for the Freeborn County Townships of Newry, Moscow, Oakland, and London.

Table C-4 displays the number of units permitted for single-family homes and multifamily structures (includes duplexes, structures with three or four units, and structures with five or more units) from 2000 through 2012. Multifamily housing includes both for-sale and rental units, and is defined as residential buildings containing units built one on top of another and those built side-by-side which do not have a ground-to-roof wall and/or have common facilities. Single-family is defined as fully detached, semi-detached (semi-attached, side-by-side), row houses, and townhouses. For attached units, each unit must be separated from the adjacent unit by a ground-to-roof wall and they must not share systems or utilities to be classified as single-family.

TABLE C-4
RESIDENTIAL BUILDING PERMIT TRENDS
CITY OF AUSTIN AND MOWER COUNTY, MINNESOTA
2000 - 2012

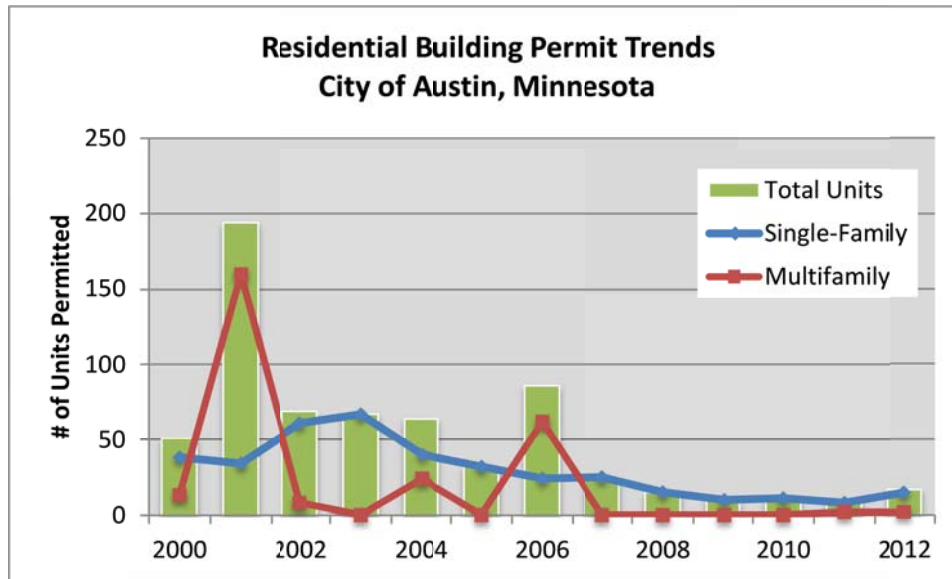
	City of Austin					Mower County					Remainder of County				
	Single-family	----- Multifamily ----- MF Total DTQ MF5	Total Units			Single-family	----- Multifamily ----- MF Total DTQ MF5	Total Units			Single-family	----- Multifamily ----- MF Total DTQ MF5	Total Units		
2012	15	2 0 2	17			30	2 0 2	32			15	0 0 0	15		
2011	8	2 0 2	10			36	2 0 2	38			28	0 0 0	28		
2010	11	0 0 0	11			29	0 0 0	29			18	0 0 0	18		
2009	10	0 0 0	10			30	0 0 0	30			20	0 0 0	20		
2008	15	0 0 0	15			40	0 0 0	40			25	0 0 0	25		
2007	25	0 0 0	25			66	0 0 0	66			41	0 0 0	41		
2006	24	62 0 62	86			81	62 0 62	143			57	0 0 0	57		
2005	32	0 0 0	32			101	0 0 0	101			69	0 0 0	69		
2004	40	24 6 18	64			132	24 6 18	156			92	0 0 0	92		
2003	67	0 0 0	67			141	4 4 0	145			74	4 4 0	78		
2002	61	8 8 0	69			131	8 8 0	139			70	0 0 0	70		
2001	34	160 8 152	194			82	160 8 152	242			48	0 0 0	48		
2000	38	13 8 5	51			107	13 8 5	120			69	0 0 0	69		

SF = Single-family; DTQ = Duplex, Triplex, or Fourplex; MF5 = Multifamily with 5+ units

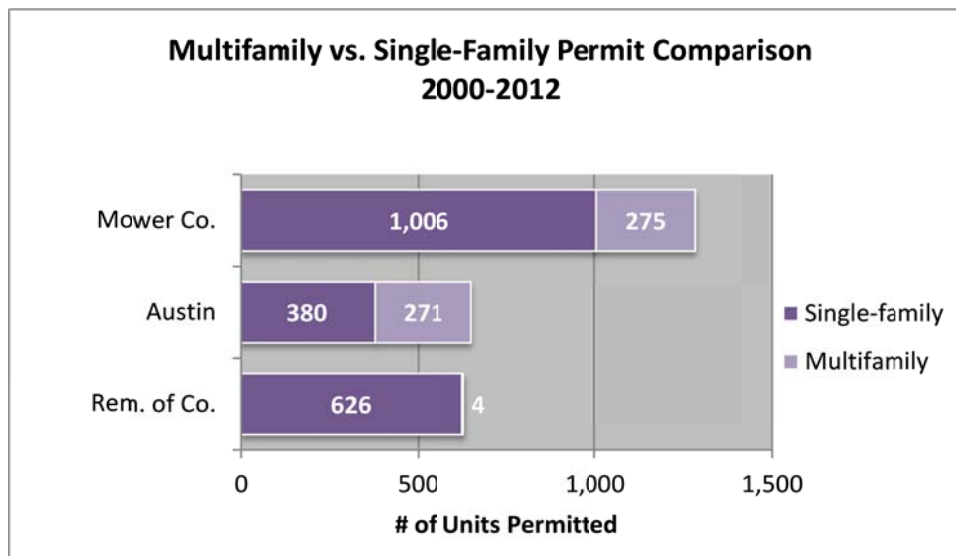
Sources: US Dept. of HUD; US Census Bureau; City of Austin; Maxfield Research, Inc.

HOUSING CHARACTERISTICS

- Residential building activity dropped off sharply in Austin after 2006 when permits were issued for 86 units in the City. A total of 563 housing units were permitted between 2000 and 2006 (80 per year average) while only 88 units were permitted between 2006 and 2012 (15 per year average). Multifamily development activity has been essentially nonexistent since 2006 as nearly all the permitted units have been for single-family dwellings.



- Between 2000 and 2012, permits were issued for a total of 1,006 single-family homes and 275 multifamily units in the County. Nearly all the multifamily units were permitted in the City of Austin with 271 units. Roughly 38% of Mower County's single-family homes were permitted in Austin while the remaining 62% were scattered around the remainder of the County.

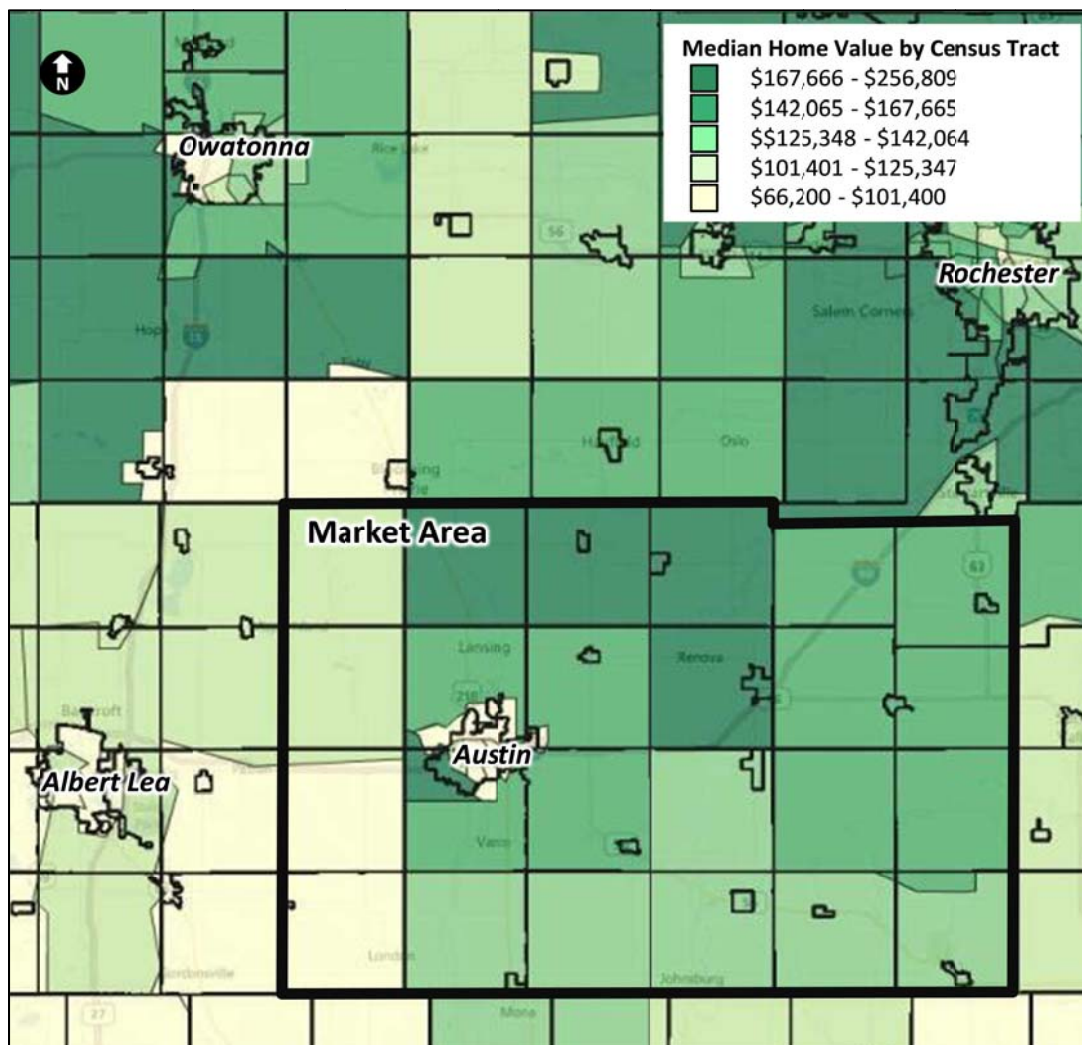


Owner-Occupied Housing Units by Value

Table C-5 and the following map present data on housing values summarized in ranges and median value. Housing value refers to the estimated price point the property would sell if the property were for sale. For single-family and townhome properties, value includes both the land and the structure. For condominium units, value refers to only the unit. The following are the main points from Table C-5.

- As illustrated on the following map, median home values are highest in the Census Tracts adjacent to the Southwest corner of Austin and in the northern section of the Market Area. Lowest home values can be found in Austin and in some of the less-populated townships in Freeborn County.

**Austin Market Area
2012 Median Home Value by Census Tract**

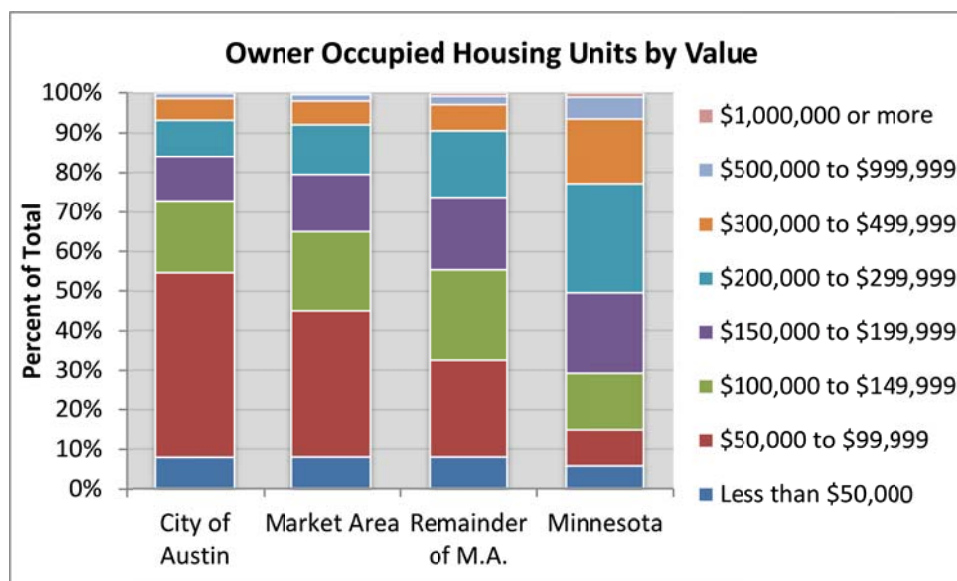


HOUSING CHARACTERISTICS

- The median owner-occupied home value was \$94,600 in Austin, roughly -53% lower than the statewide median of \$201,400. The Remainder of the Market Area, outside of Austin, had a median home value of \$143,991 which was -29% lower than Minnesota.

TABLE C-5 OWNER OCCUPIED HOUSING UNITS BY VALUE AUSTIN MARKET AREA							
	City of Austin		Market Area		Remainder of M.A.		Minnesota
	#	%	#	%	#	%	%
Total	6,945	100%	12,363	100%	5,418	100%	100%
Less than \$50,000	544	8%	972	8%	428	8%	6%
\$50,000 to \$99,999	3,249	47%	4,577	37%	1,328	25%	9%
\$100,000 to \$149,999	1,249	18%	2,492	20%	1,243	23%	14%
\$150,000 to \$199,999	785	11%	1,768	14%	983	18%	20%
\$200,000 to \$299,999	643	9%	1,561	13%	918	17%	27%
\$300,000 to \$499,999	378	5%	740	6%	362	7%	16%
\$500,000 to \$999,999	90	1%	203	2%	113	2%	5%
\$1,000,000 or more	7	0%	50	0%	43	1%	1%
Median Value	\$94,600		\$116,245		\$143,991		\$201,400
Sources: 2007-2011 American Community Survey; Maxfield Research, Inc.							

- The largest proportion of owner-occupied housing units in Austin is estimated to be valued in the \$50,000 to \$99,999 range with 47% of all owner-occupied units in the City (3,249 units), followed by homes valued in the \$100,000 to \$149,999 range (18%). Approximately 11% of Austin's housing units are valued between \$150,000 and \$199,999 and 9% have values between \$200,000 and \$299,999. Roughly 8% of the homes in Austin (544) are valued at less than \$50,000, while 1% (97 homes) have values of \$500,000 or more.



HOUSING CHARACTERISTICS

- Outside of Austin, the largest proportion of owner-occupied housing units in the Market Area is also estimated to be valued in the \$50,000 to \$99,999 range but with 25% of all owner-occupied units (1,328 units), followed by homes valued in the \$100,000 to \$149,999 range (23%). Approximately 18% of the housing units in the Market Area outside of Austin are valued between \$150,000 and \$199,999 and 17% have values between \$200,000 and \$299,999. Roughly 8% of the homes (428) are valued at less than \$50,000, while 3% (156 homes) have values of \$500,000 or more.

Renter-Occupied Units by Contract Rent

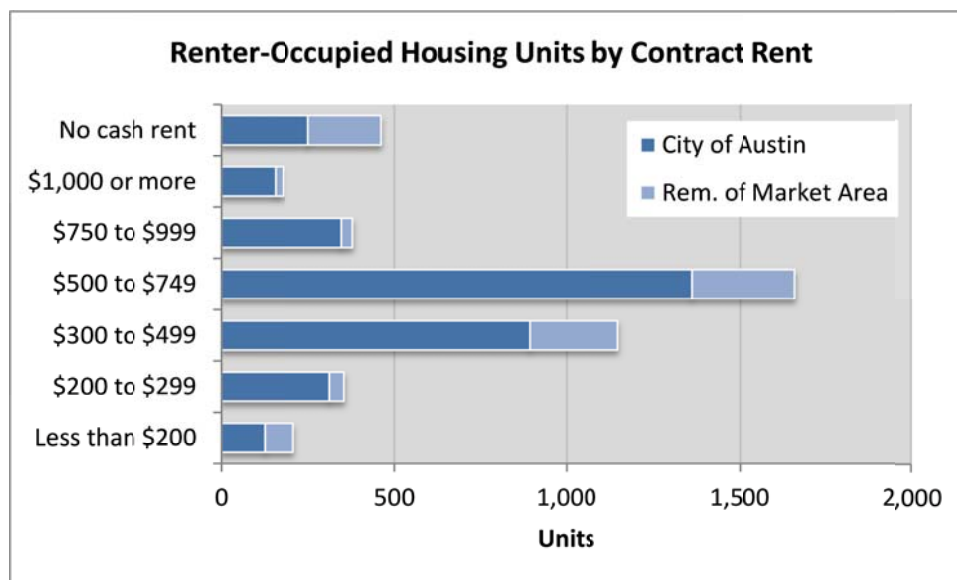
Table C-6 presents information on the monthly housing costs for renters called contract rent (also known as asking rent). Contract rent is the monthly rent agreed to regardless of any utilities, furnishings, fees, or services that may be included. The following are key points from Table C-6.

- The City of Austin contains approximately 78% of the Market Area's supply of renter-occupied housing units, while the remaining 22% are scattered around the Remainder of the Market Area.
- The median contract rent in Austin was \$548, roughly -22% lower than the statewide median of \$704. Based on a 30% allocation of income to housing, a household in Austin would need an income of about \$22,000 to afford an average monthly rent of \$548. The median rent outside of Austin is significantly lower, at \$492.

TABLE C-6 RENTER-OCCUPIED HOUSING UNITS BY CONTRACT RENT AUSTIN MARKET AREA 2011							
	City of Austin		Market Area		Market Area Rem.		Minnesota
	#	% of Total	#	% of Total	#	% of Total	% of Total
Total:	3,453	100%	4,399	100%	946	100%	100%
Median Contract Rent	\$548		\$537		\$492		\$704
Less than \$200	124	4%	211	5%	87	9%	5%
\$200 to \$299	315	9%	357	8%	42	4%	6%
\$300 to \$499	894	26%	1,150	26%	256	27%	13%
\$500 to \$749	1,362	39%	1,661	38%	299	32%	29%
\$750 to \$999	349	10%	381	9%	32	3%	23%
\$1,000 or more	155	4%	177	4%	22	2%	19%
No cash rent	254	7%	462	11%	208	22%	5%
Sources: 2007-2011 American Community Survey; Maxfield Research, Inc.							

HOUSING CHARACTERISTICS

- Approximately 89% of Market Area renters are paying cash rent, with most units renting for between \$500 and \$749 per month (38%).
- Housing units without payment of rent (“no cash rent”) comprise roughly 7% of Austin’s renters and 22% of the renters elsewhere in the Market Area. Statewide, renter-occupied housing units without a rent payment comprise about 5% of all renter-occupied units. Typically, these units may be owned by a relative or friend who lives elsewhere whom allow occupancy without charge. Other sources may include caretakers or ministers who may occupy a residence without charge.
- In Austin, over 39% (1,362 units) of all renter-occupied housing units have monthly contract rents in the \$500 to \$749 range, while 26% (894 units) have rents from \$300 to \$499 per month. Roughly 10% of the units have monthly rents in the \$750 to \$999 range and 9% rent for between \$200 and \$299 per month. Approximately 4% of the renter-occupied units have monthly rents of \$1,000 or more, and another 4% have rents of less than \$200 per month.



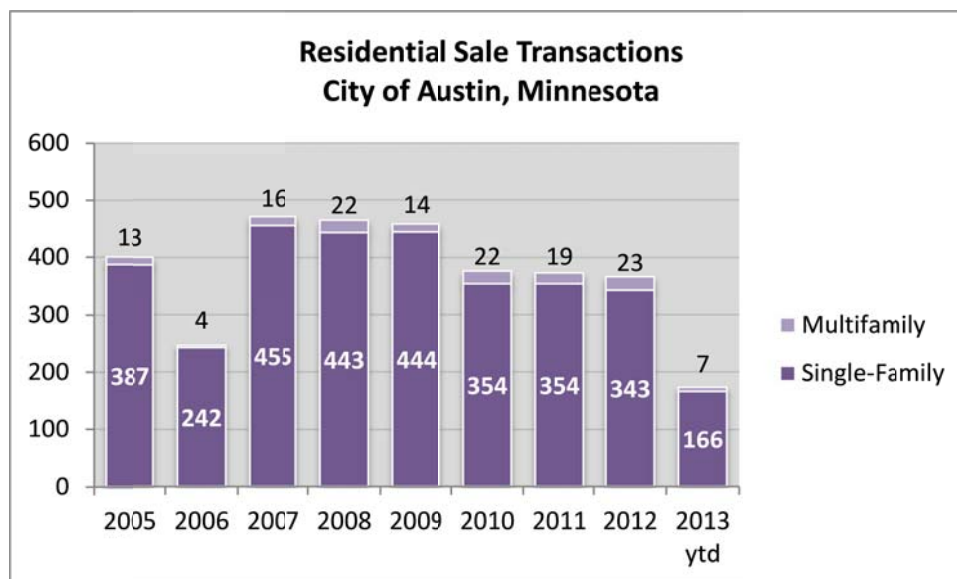
Introduction

Maxfield Research analyzed the for-sale housing market in Austin by collecting data on home sales, foreclosures, the supply of residential lots in the area, and conducting interviews with area real estate professionals. Demand calculations for general occupancy for-sale housing in the Market Area between 2013 and 2020 are also provided.

Home Sales

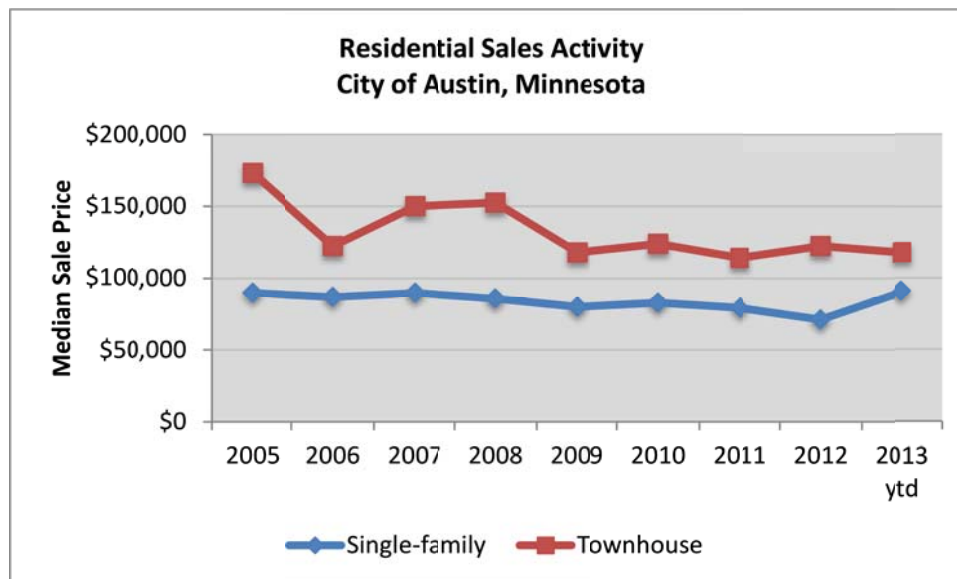
Table D-1 presents home sale data from 2005 through June 2013 for the City of Austin and Mower County. This data was obtained from 10K Research and Marketing, a subsidiary of the Minneapolis Area Association of Realtors which provides data reporting services for the South-east Minnesota Association of Realtors. The following points summarize key findings:

- From 2005 through June 2013, there were 3,328 residential sales in Austin, representing approximately 81% of all Mower County sales. Within Austin, roughly 96% of all sales were for detached single-family homes. The multifamily market appears to be relatively small in Austin, as there have been only six condominium sales since 2005 (0.2% of the total) and 134 townhouse sales (4.0% of the total). Throughout the Remainder of Mower County, nearly 99% of all sales were for detached single-family homes while only 11 of the sales were for townhouse units.
- Residential sales activity peaked in 2007, with 471 total sales in Austin. Between 2007 and 2012, the number of home sales in declined -22% with a total of 366 closed transactions in 2012. The number of single-family detached sales dropped -25% while multifamily sale transactions increased 44%.



FOR-SALE MARKET ANALYSIS

- In Austin, new construction comprised roughly 2% of all single-family sales and over 13% of multifamily sales since 2005. A total of 53 new single-family homes, 18 new townhouse units, and six new condominium units were purchased in Austin during that time period.
- Through the first six months of 2013, sales activity is essentially on pace to match 2012 as a total of 173 transactions have closed (29 per month average), compared to an annual average of 30 per month in 2012. By the end of the year, activity may surpass 2012, as summer tends to be a busy residential real estate season.
- The 2012 median sale price for single-family homes in Austin was \$71,250, slightly lower than the County (\$75,000), suggesting that higher-priced homes were sold outside the City. Between 2007 and 2012, the median price declined -20.7% in Austin. The median price for townhouse units dropped -18.3% to \$122,500 in Austin.
- It appears that pricing for homes is stabilizing in Austin, as the median sale price for single-family homes jumped 27.5% to \$90,872 in Austin over the first six months of 2013. The median price for townhouse units slipped -3.6% to \$118,057 after climbing 7.3% in 2012.



- According to the Minnesota Association of Realtors, existing home sales in Minnesota increased approximately 14.9% between 2007 and 2012, while the median sale price dropped -21.6% to \$149,000. It appears that sale prices have bottomed and are beginning to increase, as the median price increased 10.4% between 2011 and 2012. Through May 2013 (the most recent data available), the median sale price in Minnesota climbed 7.4% since year-end to \$160,000. Low inventory, limited new housing starts, and increasing demand are primarily responsible for the price increase.

TABLE D-1
RESIDENTIAL SALES ACTIVITY
AUSTIN MARKET AREA
2005 through June 2013

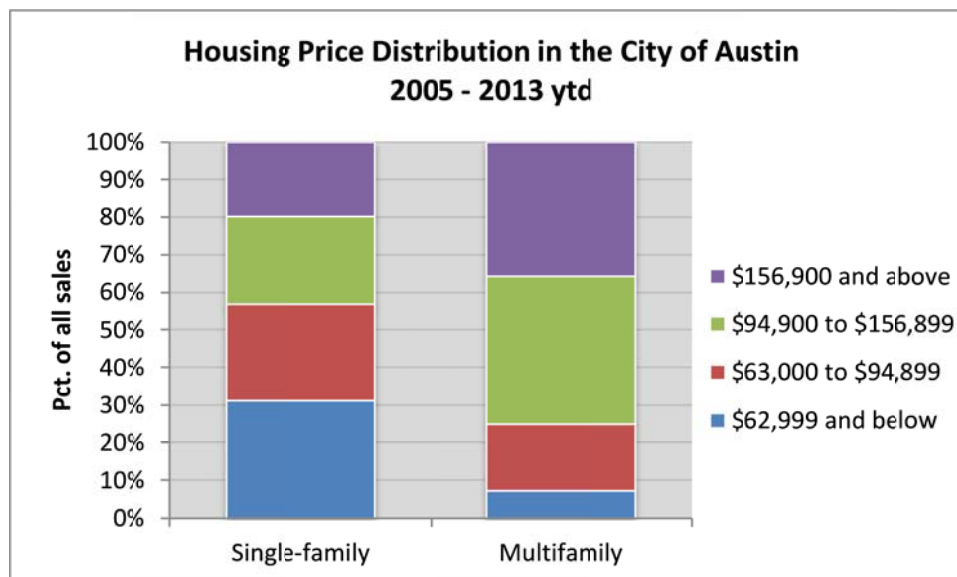
	City of Austin				Mower County			
	Median Sale Price	% Change	Closed Sales	% Change	Median Sale Price	% Change	Closed Sales	% Change
Single-family Detached								
June 2013 ytd	\$90,872	27.5%	166	--	\$83,816	11.8%	220	--
2012	\$71,250	-10.4%	343	-3.1%	\$75,000	-5.1%	440	-2.2%
2011	\$79,500	-4.2%	354	0.0%	\$79,000	-6.0%	450	-3.0%
2010	\$83,000	3.8%	354	-20.3%	\$84,000	5.0%	464	-15.8%
2009	\$80,000	-6.9%	444	0.2%	\$80,000	-7.0%	551	-3.5%
2008	\$85,900	-4.4%	443	-2.6%	\$86,000	-4.3%	571	4.2%
2007	\$89,900	3.3%	455	88.0%	\$89,900	2.5%	548	86.4%
2006	\$87,000	-3.2%	242	-37.5%	\$87,720	-2.5%	294	-33.5%
2005	\$89,900	--	387	--	\$90,000	--	442	--
Townhouse								
June 2013 ytd	\$118,057	-3.6%	7	--	\$118,057	-0.4%	7	--
2012	\$122,500	7.3%	22	15.8%	\$118,500	8.2%	24	14.3%
2011	\$114,190	-7.9%	19	-9.5%	\$109,500	-11.7%	21	-8.7%
2010	\$124,000	5.1%	21	110.0%	\$124,000	19.8%	23	91.7%
2009	\$117,950	-22.7%	10	-54.5%	\$103,500	-32.1%	12	-45.5%
2008	\$152,500	1.7%	22	37.5%	\$152,500	1.7%	22	37.5%
2007	\$150,000	22.4%	16	300.0%	\$150,000	22.4%	16	166.7%
2006	\$122,500	-29.1%	4	-69.2%	\$122,500	-29.1%	6	-57.1%
2005	\$172,900	--	13	--	\$172,900	--	14	--
Condominium								
June 2013 ytd	--	--	0	--	--	--	0	--
2012	\$105,000	--	1	--	\$105,000	--	1	--
2011	--	--	0	--	--	--	0	--
2010	\$170,000	41.1%	1	-75.0%	\$170,000	41.1%	1	-75.0%
2009	\$120,450	--	4	--	\$120,450	--	4	--
2008	--	--	0	--	--	--	0	--
2007	--	--	0	--	--	--	0	--
2006	--	--	0	--	--	--	0	--
2005	--	--	0	--	--	--	0	--

Sources: SE Minnesota Association of Realtors; 10K Research and Marketing; Maxfield Research, Inc.

- As depicted in Table D-2 and in the chart following the table, single-family detached homes priced below \$63,000 were the most popular in Austin since 2005, representing 31% of all sales. Homes priced between \$63,000 and \$94,899 and between \$94,900 and \$156,899 represented 26% and 23% of all single-family detached sales, respectively, while homes priced above \$156,900 represented 20% of all transactions.

TABLE D-2 RESIDENTIAL SALES ACTIVITY PRICE DISTRIBUTION CITY OF AUSTIN											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total	Pct.
Single-family Detached											
\$62,999 and below	94	60	142	143	131	102	138	133	53	996	31.2%
\$63,000 to \$94,899	112	73	106	111	123	102	67	87	32	813	25.5%
\$94,900 to \$156,899	104	63	107	103	103	78	84	62	43	747	23.4%
\$156,900 and above	77	46	100	86	87	72	65	61	38	632	19.8%
Total	387	242	455	443	444	354	354	343	166	3,188	100%
Multifamily											
\$62,999 and below	0	0	1	2	0	1	2	3	1	10	7.1%
\$63,000 to \$94,899	3	1	3	1	4	4	4	5	0	25	17.9%
\$94,900 to \$156,899	1	3	4	9	7	8	10	9	4	55	39.3%
\$156,900 and above	9	0	8	10	3	9	3	6	2	50	35.7%
Total	13	4	16	22	14	22	19	23	7	140	100%
Sources: SE Minnesota Association of Realtors; 10K Research and Marketing; Maxfield Research, Inc.											

- Of the multifamily units sold in Austin since 2005, 39.3% were priced in the \$94,900 to \$156,899 range, while 35.7% were priced at \$156,900 or higher. Roughly 17.9% of the multifamily units sold were priced between \$63,000 and \$94,899 while 7.1% of the sales were for units priced below \$63,000.



Active Listings

Table D-3 presents a summary of single-family detached and multifamily homes currently listed for sale in Austin on the Southeast Minnesota Association of Realtors Multiple Listing Service (MLS). Multifamily includes condominiums, townhouses, twin homes, and patio homes.

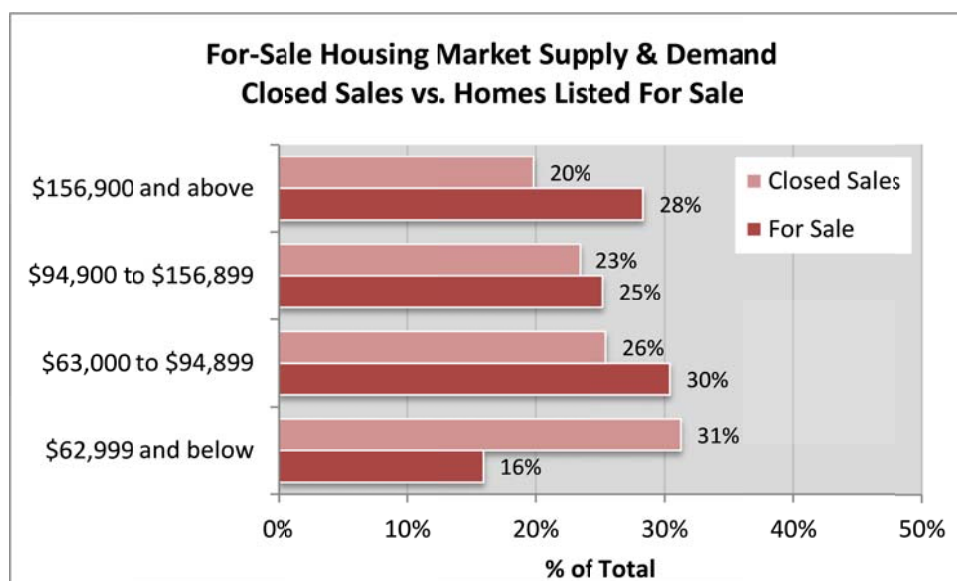
- There are 194 homes listed for sale on the MLS as of July 2013. Over 94% of the for-sale listings (183 homes) are single-family detached housing units and the remaining 6% (11 homes) are multifamily units. The median asking price for single-family homes in the City is \$99,750, which is 40% higher than the median price of closed sales in 2012 and 10% higher than the median price of sales closed through the first six months of 2013. The median asking price for multifamily units is \$115,000, roughly 3% lower than the median price of closed townhouse sales in 2012.

TABLE D-3 RESIDENTIAL HOMES LISTED FOR SALE CITY OF AUSTIN July 2013						
	Listings	% of Total	Average Year Built	Average Size	Median Price	Price per Sq. Ft.
Single-family Detached						
\$62,999 and below	30	15.5%	1932	1,086	\$49,900	\$45.95
\$63,000 to \$94,899	56	28.9%	1937	1,548	\$79,700	\$51.49
\$94,900 to \$156,899	46	23.7%	1952	1,828	\$119,900	\$65.59
\$156,900 and above	51	26.3%	1973	3,157	\$237,000	\$75.07
Subtotal	183	94.3%	1950	1,991	\$99,750	\$50.10
Multifamily						
\$62,999 and below	1	0.5%	1984	756	\$49,000	\$64.81
\$63,000 to \$94,899	3	1.5%	1984	1,044	\$73,500	\$70.40
\$94,900 to \$156,899	3	1.5%	1995	1,189	\$115,000	\$96.72
\$156,900 and above	4	2.1%	1993	1,629	\$182,400	\$111.97
Subtotal	11	5.7%	1990	1,270	\$115,000	\$90.55
Market Total	194	100%	1952	1,950	\$99,900	\$51.23
Sources: SE Minnesota Association of Realtors; Maxfield Research, Inc.						

- The average size of homes listed for sale is 1,950 square feet which equates to a median price per square foot of \$51.23. With an average size of 1,991 square feet, the average price per square foot for single-family homes is \$50.10. Multifamily units are significantly smaller, at 1,270 square feet, but higher-priced with an average price per square foot of \$90.55.

FOR-SALE MARKET ANALYSIS

- Approximately 8% of the listed homes were built in the year 2000 or more recently while 6% were built in the 1990s, 5% in the 1980s, 7% in the 1970s, and 5% in the 1960s. Roughly one-quarter of all the listed homes were built in the 1950s and 16% were built in the 1940s. Nearly 29% of the listed homes were built prior to 1940 and may be in need of some improvements. All of the homes built in the 1970s or earlier are single-family detached housing units. Multifamily units represent 60% of the for-sale homes that were built in the 1980s and 27% of the homes built in the 1990s.
- There is a fairly direct relationship between the pricing, age, and size of homes in Austin. The older homes tend to be smaller and have a lower asking price per square foot than newer homes. Single-family homes with asking prices below \$63,000 are the smallest with sizes ranging from as small as 480 square feet to nearly 1,600 square feet with an average size of 1,086 square feet. Homes in this price range are also the oldest, as over half of these houses were built prior to 1940. Single-family homes with asking prices at \$156,900 or higher are, by far, the largest with sizes ranging from 1,472 square feet to as large as 8,457 square feet (average size of 3,157 square feet). All of the newer homes (built since 2000) in Austin are in the high price range.
- As illustrated in the following graph, there appears to be a housing supply and demand imbalance in the City. Housing demand (as indicated by closed sale transactions since 2005) appears to be highest for lower-priced homes as 31% of the closed transactions were for homes priced below \$63,000, while only 16% of the homes listed for sale (supply) are priced lower than \$63,000. The greatest proportion of homes listed for sale are priced at \$156,900 or higher (28% of all listed homes), but sales activity was lowest in this price range as only 20% of the closed sales were for homes priced higher than \$156,899.



Foreclosures

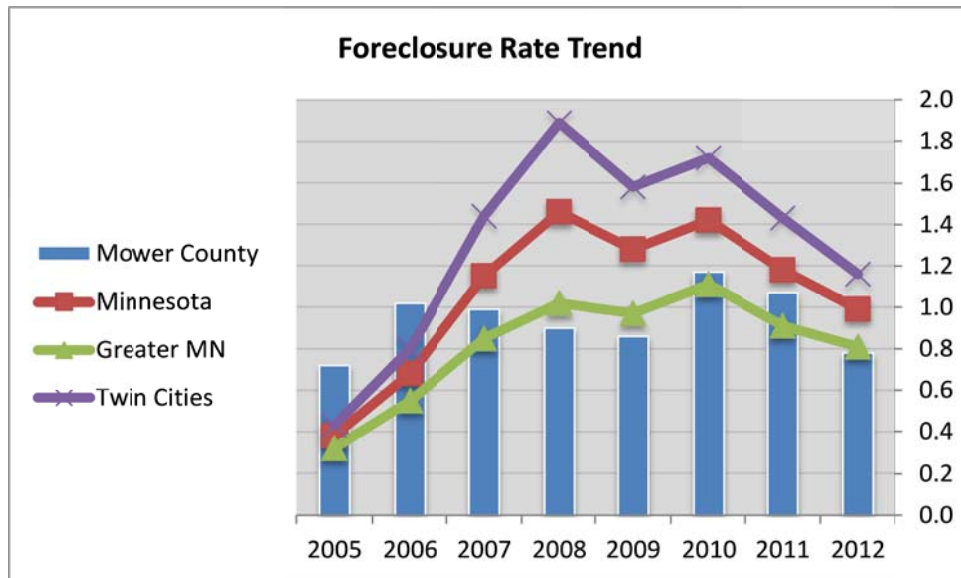
Table D-4 presents sheriff's sale foreclosure data compiled by HousingLink for the Minnesota Homeownership Center. Sheriff's sale records do not necessarily reflect the total number of properties that enter the foreclosure process as some portion of properties identified in sheriff's sale records do not result in actual loss of title and occupancy for borrowers because they are redeemed within the allowed timeframe. Foreclosure rate is defined as the number of foreclosed mortgages as a percent of total residential parcels.

- There were 17,895 foreclosures in Minnesota during 2012 which was down -16% from 2011 and the lowest statewide total since 2006. Mower County had 114 foreclosures in 2012, down -27% from 2011 and -33% from 2010 when foreclosures peaked at 170.

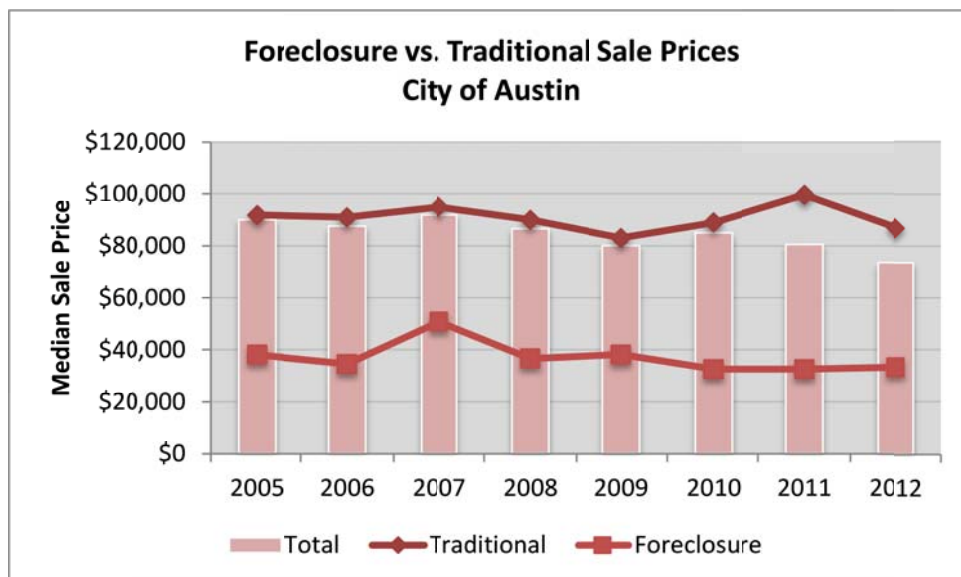
TABLE D-4 SHERIFF'S SALE FORECLOSURES IN MINNESOTA 2005 - 2012								
	Mower County		Minnesota		Greater MN		Twin Cities	
Foreclosures	Count	% Change	Count	% Change	Count	% Change	Count	% Change
2012	114	-26.5%	17,895	-16.0%	7,209	-11.2%	10,686	-18.9%
2011	155	-8.8%	21,298	-17.0%	8,117	-18.0%	13,181	-16.5%
2010	170	36.0%	25,673	11.5%	9,894	15.6%	15,779	9.1%
2009	125	-3.8%	23,019	-12.3%	8,560	-4.8%	14,459	-16.2%
2008	130	-8.5%	26,251	28.7%	8,987	21.0%	17,264	33.1%
2007	142	-2.7%	20,398	71.3%	7,430	55.5%	12,968	81.9%
2006	146	41.7%	11,907	84.0%	4,777	76.5%	7,130	89.4%
2005	103	--	6,472	--	2,707	--	3,765	--
Foreclosure Rate	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change
2012	0.78	-27.1%	0.99	-16.1%	0.81	-11.0%	1.16	-18.9%
2011	1.07	-8.5%	1.18	-16.9%	0.91	-18.0%	1.43	-16.9%
2010	1.17	36.0%	1.42	10.9%	1.11	14.4%	1.72	8.9%
2009	0.86	-4.4%	1.28	-12.3%	0.97	-4.9%	1.58	-16.4%
2008	0.90	-9.1%	1.46	27.0%	1.02	20.0%	1.89	31.3%
2007	0.99	-2.9%	1.15	69.1%	0.85	54.5%	1.44	80.0%
2006	1.02	41.7%	0.68	78.9%	0.55	71.9%	0.80	86.0%
2005	0.72	--	0.38	--	0.32	--	0.43	--
Foreclosure rate = the number of foreclosed mortgages as a percent of total residential parcels								
Sources: HousingLink; Maxfield Research, Inc.								

- Based on a foreclosure rate comparison, Mower County has maintained a lower level of foreclosures than Minnesota. In 2012, Mower County's foreclosure rate was 0.78 compared to 0.99 in Minnesota. Greater Minnesota had a foreclosure rate of 0.81 while the Twin Cities Metropolitan Area had a foreclosure rate of 1.16 in 2012. Mower County's foreclosure rate peaked at 1.17 in 2010 while Minnesota's rate peaked in 2008 at 1.46.

- Many foreclosed properties are neglected and in poor condition with extensive repairs needed. As such, they can be very difficult to sell and can have a negative impact home prices. Foreclosed homes are typically priced at a discount and they increase the supply of houses on the market, likely resulting in lower prices for other homes on the market. The presence of a foreclosed home in poor condition can lessen the desirability of a neighborhood for potential buyers and exert downward pressure on home prices.



- Table D-5 on the following page examines the number of lender-mediated transactions that occurred in Austin from 2005 to 2012 and the impact of those sales on pricing. As illustrated below, the median sale price for foreclosed homes is significantly lower than homes sold in traditional transactions, and the relatively high number of foreclosures that occurred in 2011 and 2012 exerted downward pressure on pricing.



- On average, the median sale price for a foreclosed property is roughly 40% lower than the price of a home sold in a traditional transaction.
- The number of lender-mediated sale transactions (foreclosures and short sales) peaked at 120 in 2011, representing 32% of all residential sales. During 2012, lender-mediated transactions represented 22% of all sales in Austin.

TABLE D-5 LENDER-MEDIATED VS. TRADITIONAL SALES CITY OF AUSTIN 2005 - 2012							
Closed Sale Transactions							
	Total	Traditional		Foreclosure		Short Sales	
	Number	Number	% of Tot.	Number	% of Tot.	Number	% of Tot.
2012	369	286	77.5%	76	20.6%	7	1.9%
2011	374	254	67.9%	108	28.9%	12	3.2%
2010	377	327	86.7%	43	11.4%	7	1.9%
2009	460	426	92.6%	29	6.3%	5	1.1%
2008	470	440	93.6%	30	6.4%	0	0.0%
2007	471	451	95.8%	20	4.2%	0	0.0%
2006	246	238	96.7%	8	3.3%	0	0.0%
2005	400	387	96.8%	13	3.3%	0	0.0%
Median Sale Price							
	Total	Traditional		Foreclosure		Short Sales	
2012	\$73,500	\$86,950		\$33,250		\$48,500	
2011	\$80,500	\$99,600		\$32,505		\$55,000	
2010	\$85,000	\$89,000		\$32,500		\$84,000	
2009	\$80,000	\$83,050		\$38,151		\$110,000	
2008	\$86,500	\$90,000		\$36,650		NA	
2007	\$91,750	\$95,000		\$50,800		NA	
2006	\$87,500	\$91,000		\$34,510		NA	
2005	\$90,000	\$91,888		\$38,100		NA	
Sources: 10K Research and Marketing; Maxfield Research, Inc.							

Foreclosures are properties in which the financial institution has repossessed the home from the owner due to non-payment of mortgage obligations. A short sale refers to an arrangement where the financial institution and in-default homeowner work together in an attempt to sell the home before it is foreclosed upon. Foreclosures and short sales (lender-mediated properties) are different than traditional real estate sales because a lender is involved by acting directly as the current owner/seller or as an intermediary with approval powers.

Residential Lots for Sale

Table D-6 provides a summary of the residential lots currently listed for sale in Austin on the regional Multiple Listing Service (MLS).

- There are currently 71 residential lots listed for sale in Austin (or just outside the City limits), divided between eight separate subdivisions. There is also one lot listed that is not located in one of the platted subdivisions. Seven Springs Third Addition is currently the most active subdivision, with 16 listings (22.5% of the total), followed by The Meadows and Turtle Creek Estates, both with 15 lots listed.

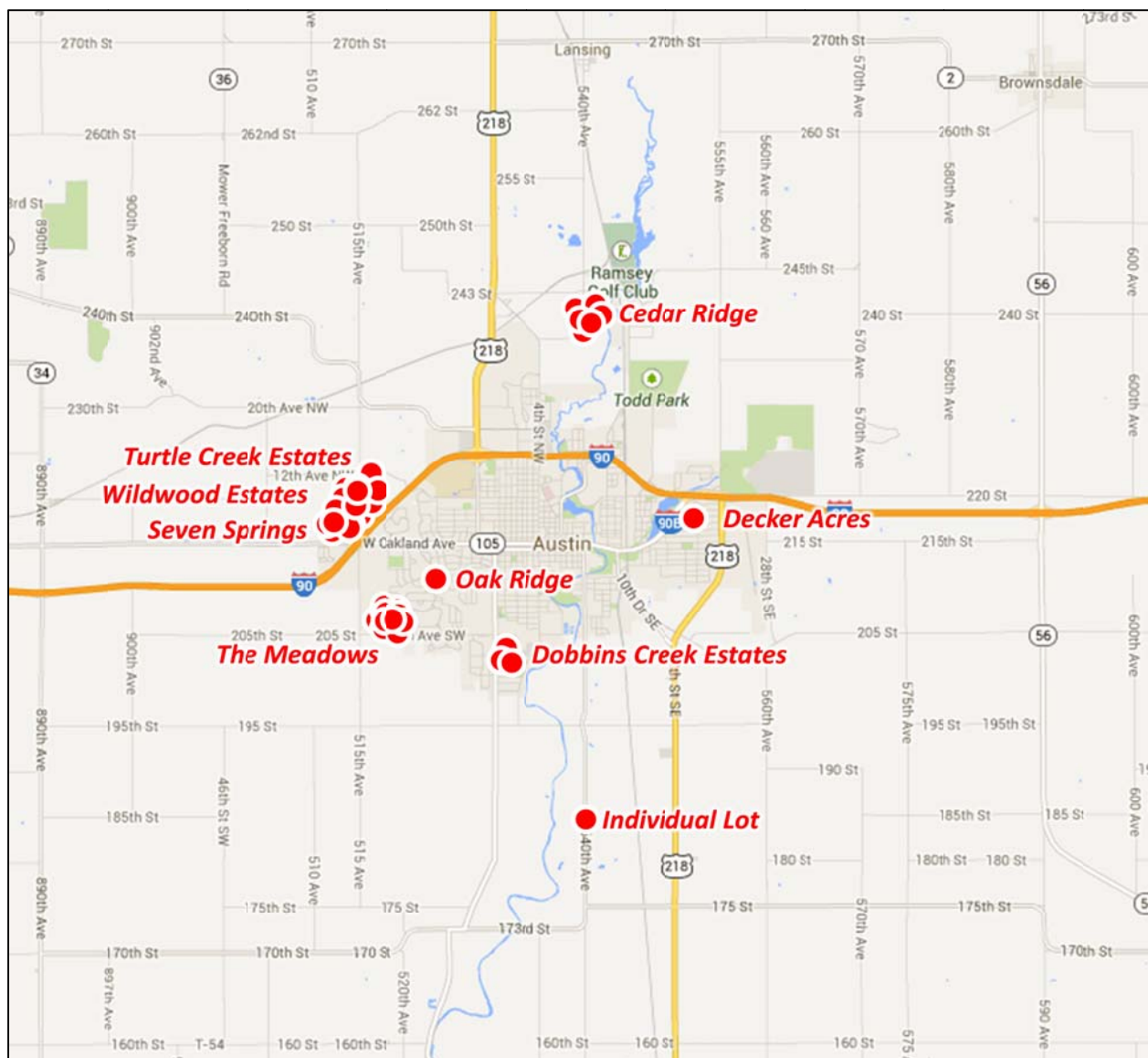
TABLE D-6 RESIDENTIAL LOTS LISTED FOR SALE BY SUBDIVISION CITY OF AUSTIN July 2013									
		Residential Subdivision							
	Total	Cedar Ridge	Decker Acres	Dobbins Creek Estates	Oak Ridge	Seven Springs	The Meadows	Turtle Creek Estates	Wildwood Estates
Lots for Sale	71	10	1	3	1	16	15	15	9
Min. Size (Sq. Ft.)	6,970	72,745	25,700	21,780	17,424	47,916	6,098	70,567	48,787
Max. Size (Sq. Ft.)	143,748	117,612	25,700	78,408	17,424	52,272	16,988	143,748	56,192
Average Size	50,604	81,360	25,700	49,949	17,424	45,302	9,903	83,809	49,223
Min. Price	\$29,900	\$31,500	\$34,900	\$26,900	\$30,000	\$39,900	\$29,900	\$42,900	\$64,900
Max. Price	\$86,000	\$73,500	\$34,900	\$86,000	\$30,000	\$49,900	\$42,900	\$74,900	\$74,900
Median Price	\$49,900	\$53,500	\$34,900	\$86,000	\$30,000	\$47,400	\$32,900	\$54,900	\$69,900
Price/Sq. Ft.	\$0.99	\$0.66	\$1.36	\$1.72	\$1.72	\$1.05	\$3.32	\$0.66	\$1.42
Est. Home Value*	\$249,500	\$267,500	\$174,500	\$430,000	\$150,000	\$237,000	\$164,500	\$274,500	\$349,500
*Home value represents the anticipated value of homes built in the subdivision, based on the assumption that land values equate to 20% of total home value.									
Sources: SE Minnesota Association of Realtors; Maxfield Research, Inc.									

- Lot prices vary depending on location, features and community amenities. List prices range from as low as \$0.37 per square foot for a 3.3-acre site in Turtle Creek Estates to a high of \$7.03 per square foot for a 6,098 square foot (.14 acre) lot in The Meadows. Throughout Austin, the average per square foot cost for residential lots is \$0.99 while the median lot price is \$49,900.
- Sizes range from as small as 6,098 square feet (.14 acre) for lots in The Meadows to over 143,000 square feet (3.3 acres) for a lot in Turtle Creek Estates. The average lot size throughout Austin is 50,604 square feet (1.16 acres).

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- Based on the median list price in each subdivision and assuming that land values equate to 20% of the total home value, we estimate the anticipated value of homes in these subdivisions. Values range from as low as \$150,000 in the Oak Ridge subdivision to over \$400,000 in Dobbins Creek. However, the median value for new construction homes in these subdivisions is estimated to be \$249,500.
- As depicted in the following map, most of the available lots are located in the western and northern sides of Austin.

Residential Lots for Sale by Subdivision



Residential Lot Supply

Table D-7 identifies residential lots and subdivisions in Austin. Information in the table includes year platted, total number of lots, the number of lots developed, and the number of lots remaining undeveloped. This information was provided by the City of Austin.

- There have been a total of 565 lots platted in the City of Austin since the late 1990s. The majority of the subdivision activity occurred in 2006 and 2007, as over 59% of the lots were platted during that two year time period. Roughly 23% of the lots were platted prior to 2003 and 18% were platted between 2003 and 2005.
- Nearly 38% of these platted lots remain undeveloped in the City, with over 54% of the lots platted between 2006 and 2007 and 28% of the lots platted between 2003 and 2005 remaining undeveloped. In total, there are 214 undeveloped lots in the City of Austin.
- On average, these subdivisions have lots absorbed at a rate of roughly 3.4 lots per year, with Orchard Creek Addition being absorbed at the fastest pace (16.4 lots per year). Based on the total average annual lot absorption of 34.2 lots per year, the 214 undeveloped lots could potentially take more than six years to be developed. This assumption does not take into account the quality and marketability of specific lots.
- Based on the information presented in Table D-6 (Residential Lots Listed for Sale by Subdivision), it appears that many of these undeveloped lots are not being actively marketed as they are not listed on the MLS.

TABLE D-7 RESIDENTIAL LOT SUPPLY CITY OF AUSTIN					
Subdivisions	Year Platted	Total Lots	Lots Developed	Average Annual Lot Absorption	Undeveloped Lots
SoutPoint Addition	1997	60	56	3.5	4
Rosenthal Addition	2001	26	26	2.2	0
Orchard Creek Twinhomes	2001	25	24	2.0	1
Orchard Creek Addition	2006	130	115	16.4	15
Meadows Addition	2004	42	25	2.8	17
Murphy Creek 2nd Addition	2007	11	11	1.8	0
Murphy Creek Meadows Addition	2007	18	2	0.3	16
Natures Ridge	2007	47	9	1.5	38
Fox Point Condominiums	2006	99	12	1.7	87
Mike Olson Plat	Post-2005	26	2	NA	24
Cresthaven Addition	Pre-2005	60	48	NA	12
Keenan Acres	2002	21	21	1.9	0
Austin Total:		565	351	34.2	214
Sources: City of Austin, Maxfield Research, Inc.					

New Construction Pricing

Table D-8 identifies residential subdivisions in Austin that are currently marketing new construction homes for sale or have had new construction homes sold in the past year. Information in the table includes subdivision name, asking price ranges, the finished square feet of new construction homes, and the style of homes sold. This information was derived from new construction homes listed for sale on the regional MLS as of July 2013 and data on new construction homes sold since 2012 from the Southeast Minnesota Association of Realtors.

- New construction pricing within these subdivisions ranges from a low of \$189,900 in Austin Acres to a high of \$256,900 in Nature Ridge. On average, the price for these new construction homes is \$213,172.
- The average size (based on finished square feet) for new homes in Austin is 1,797 square feet, with a range of 924 square feet for a home in Murphy Creek to nearly 2,600 square feet in Rosenthal.
- On average, new residential construction in Austin is priced at roughly \$119 per square foot. Per square foot pricing is lowest at \$80 in Austin Acres and highest at \$148 in Nature Ridge.
- Most of the recent new construction in Austin has been bi-level split entry homes, although some single-story houses have also been built.

TABLE D-8 NEW CONSTRUCTION PRICING BY SUBDIVISION AUSTIN, MINNESOTA July 2013								
Subdivision	List Price Range			Finished Square Feet			\$/Sq. Ft.	Style
	Low	High	Average	Low	High	Average		
Austin Acres	\$189,900 - \$189,900		\$189,900	2,384 - 2,384		2,384	\$79.66	bi-level split
Keenan Acres	\$199,900 - \$199,900		\$199,900	1,525 - 1,525		1,525	\$131.08	bi-level split
Murphy Creek	\$134,900 - \$223,168		\$179,034	924 - 1,682		1,303	\$137.40	bi-level split
Nature Ridge	\$254,900 - \$256,900		\$255,900	1,728 - 1,728		1,728	\$148.09	one-story
Orchard Creek	\$225,900 - \$225,900		\$225,900	1,588 - 1,588		1,588	\$142.25	bi-level split
Rosenthal	\$226,900 - \$229,900		\$228,400	1,914 - 2,592		2,253	\$101.38	one-story
Total	\$189,900 - \$256,900		\$213,172	924 - 2,592		1,797	\$118.64	
Sources: SE Minnesota Association of Realtors; Maxfield Research, Inc.								

Real Estate Agent Interviews

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

- Interviews with local real estate agents reveal that there is demand for a variety of housing types and there is a relatively tight supply of homes on the market currently.
- There seems to be demand for new construction in Austin, but there is very little new product available to buy. Demand for retirement homes and multifamily living options is expected to expand over the next several years.
- Due to growth at the major employers in Austin, there seems to be a solid mix of first-time home buyers, move-up buyers, and higher-end buyers.
- Post World War II homes that are generally 1.5 stories and have three bedrooms are the most commonly sold home in Austin and they usually sell in the \$70,000 to \$90,000 range. The market for this product is typically first-time home buyers.
- Many foreclosed properties that have been neglected are being purchased by investors and first-time home owners, and these properties are being updated, improving the quality of the housing stock in Austin.

Mobile Home Parks

Mobile home park data presented in Table D-9 was sourced from the Housing Preservation Project which compiled information on parks throughout Minnesota licensed by the Minnesota Department of Health and various county health departments. There are an estimated 900 licensed parks in Minnesota containing approximately 48,500 households. Lot availability and other information were obtained by Maxfield Research through telephone interviews with the various park managers.

- Information was obtained on seven mobile home parks in the Market Area, containing a total of 336 lots.
- Three of the parks, with 256 lots (76% of the total) are located in Austin, while 9% of the lots are in Brownsdale and 7% are in Le Roy. Approximately 5% of these lots are located in or near Grand Meadow and the remaining 3% are in Dexter.

FOR-SALE MARKET ANALYSIS

- Based on information available, there are a total of 135 mobile home lots available throughout the Market Area, with the highest concentration (117 lots) at Oakland Park in Austin.
- A common issue in many mobile home parks, particularly older parks, is that they're served with aging infrastructure and have smaller lot sizes that would not be large enough to accommodate newer double-wide mobile homes, making them difficult to rent or sell.

TABLE D-9 MOBILE HOME PARKS AUSTIN MARKET AREA July 2013				
Project Name/ Address	Total Pads	Vacant	Rent Range	Comments
Countryside Park 17686 US Highway 218 Austin	8	n/a	n/a	Not available for comments.
Austin Mobile Home Park 21990 582nd Avenue Austin	31	n/a	n/a	Not available for comments.
Oakland Park, Inc. 3700 3rd Place SW Austin	217	117	\$273 (pad only)	Rent includes garbage; wide mix of unit ages and styles. One-hundred occupied lots at this time.
Vista Village 265th Street Brownsdale	29	n/a	n/a	Not available for comments.
Pleasant Acres 249 Pleasant St Dexter	9	2	\$200 (pad only)	Rent includes garbage. Owner does not plan to build anymore homes because of cost.
Meadow Mobile Home Park 211 3rd St. SE Grand Meadow	17	n/a	n/a	Not available for comments.
Parkside Mobile Home Court Mather St Le Roy	25	18	\$170	No utilities included in pad rental. \$36 charge for water.
Source: Maxfield Research Inc.				

For-Sale Housing Market Demand Analysis

Table D-10 presents our demand calculations for general occupancy for-sale housing in Austin between 2013 and 2020. This analysis identifies potential demand for general occupancy for-sale housing that is generated from both new households and turnover households. The following points summarize our findings.

- According to our projections, Austin is expected to grow by 461 households between 2013 and 2020. Because the 65 and older cohort is typically not a target market for new general occupancy for-sale housing, we limit demand from household growth to only those households under the age of 65. In the City, 15% of the projected household growth will occur among households age 64 and younger which results in projected demand for 69 general occupancy for-sale units.
- Based on household tenure data from the US Census, we expect that 65% of the demand will be for owner-occupied housing units, equating to a potential 45 owner households from household growth. An additional proportion is added for households that would move into ownership housing in the City who currently reside outside the area. We estimate that 30% of the demand potential for general occupancy ownership housing in Austin would be derived from outside the area, increasing total demand from household growth to 64 units.
- As of 2013, there are approximately 4,627 owner households under the age of 65 in the City. Based on household turnover data from the 2011 American Community Survey, we estimate that 40% of these under-65 owner households will experience turnover between 2013 and 2020. This estimate results in anticipated turnover of approximately 1,851 existing households by 2020.
- We then estimate the percent of existing owner households turning over that would prefer to purchase new housing. In the Market Area, roughly 2.3% of all home sales were for new construction since 2005. Throughout the United States, approximately 8% of all home sales were for new homes over the past three years while nearly 5% of Midwest sales were for new homes. Considering the age of Austin's housing stock along with the limited supply of new housing units for sale, we estimate that 5% of the households turning over in the City will desire new housing. This estimate results in demand from existing households for 93 new residential units in Austin between 2013 and 2020.
- Total demand from household growth and existing household turnover between 2013 and 2020 equates to 157 new for-sale housing units. Based on new construction sales data from 2005 to present, we estimate that 75% of the householders seeking new housing will desire single-family housing, while the remaining 25% will be seeking multifamily units. We anticipate that there will be demand for approximately 118 general occupancy single-family home and 39 multifamily units in the City between 2013 and 2020.

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- A total of 118 new single-family housing units over the seven-year period equates to a growth rate of approximately 17 units per year. This pace of growth would be slightly higher than the rate of single-family residential development activity that occurred in the City between 2006 and 2012 (15 units per year), but it is well-below the pace of growth that occurred in the period from 2000 through 2005 (45 units per year).
- The 39 new multifamily units equates to an annual average of roughly six units per year, slightly lower than the average of nine new units per year between 2006 and 2012 and substantially lower than the average of 34 units per year from 2000 through 2005. However, the building permit data includes rental units while the multifamily demand presented in Table D-8 is for for-sale housing only. According to the new construction sales data, 16 new multifamily units were sold in the seven years since 2006 (roughly two per year), so multifamily demand is projected to outpace historical demand.

TABLE D-10 GENERAL OCCUPANCY FOR-SALE HOUSING DEMAND CITY OF AUSTIN, MINNESOTA 2013 to 2020			
DEMAND FROM PROJECTED HOUSEHOLD GROWTH			
Projected household growth in Austin 2013 to 2020 ¹			461
(times) Pct. of HH growth for general occupancy housing ²	x	15%	
(equals) Projected demand for general occupancy units	=		69
(times) Propensity to Own ³	x	65%	
(equals) Number of potential owner households from HH growth	=		45
(times) Ownership demand generated from outside Market Area	+	30%	
(equals) Total demand potential for ownership housing in Market Area	=		64
DEMAND FROM EXISTING OWNER HOUSEHOLDS			
Number of owner households (age 64 and younger) in Market Area, 2013	=		4,627
(times) Estimated % of owner turnover (age 64 and younger, 2013 to 2020) ⁴	x	40%	
(equals) Total existing households projected to turnover between 2013 and 2020	=		1,851
(times) Estimated % desiring new owner housing	x	5%	
(equals) Demand from existing households	=		93
Total Demand From Household Growth and Existing Households, 2013 to 2020	=		157
		SF	MF
(times) Percent desiring for-sale single family (SF) vs. multifamily (MF) ⁵	x	75%	25%
(equals) Total demand potential for new for-sale housing	=	118	39
¹ Estimated household growth based per ESRI and Maxfield Research Inc.			
² Pct. of household growth under age 65			
³ Pct. Owner households under age 65 in 2010			
⁴ Based on household turnover and mobility data (2011 American Community Survey, Five Year Estimates).			
⁵ Based on new construction sales data from 2005 to present			
* Multifamily demand includes demand for townhomes, twinhomes, and condominium units.			
Source: Maxfield Research Inc.			

Introduction

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

Overview of Rental Market Conditions

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

Table E-1 shows estimated rental vacancy rates by community from the 2007-2011 ACS (the most recent data available) compared to estimated vacancies from the 2006-2010 ACS and the 2005-2009 ACS. This vacancy estimate is typically higher than what is found in apartment buildings due to the inclusion of other types of rentals. Based on the ACS definition, a housing unit is considered vacant if no one is living in it at the time of the interview. Also, units occupied at the time of interview entirely by persons who are staying two months or less and who have a more permanent residence elsewhere are considered to be temporarily occupied and are classified as vacant. Vacant units are excluded from the housing inventory if they are open to the elements (roof, walls, windows, and/or doors no longer protect the interior), if they have been condemned, or if they are to be demolished.

- In 2011, it was estimated that the rental vacancy rate in Austin was 2.8%, significantly lower than the 5.8% vacancy estimated for Minnesota. Austin also has a lower vacancy rate than several comparable communities in southern Minnesota. Albert Lea's rental vacancy is estimated at 6.9%, while Owatonna and Rochester are 5.4% and 8.4% vacant, respectively.
- Compared to the 2005-2009 ACS, the estimated rental vacancy in Austin declined 1.8 percentage points from 4.6% while Minnesota experienced a 1.0 percentage point drop from 6.8%. However, vacancy in Austin is slightly higher than the 2006-2010 ACS estimate of 1.9%. Albert Lea, Owatonna, and Rochester all experienced declining vacancy rates between 2010 and 2011.
- The equilibrium vacancy rate for rental housing is considered to be 5.0% which allows for normal turnover and an adequate supply of alternatives for prospective renters. As such, there appears to be pent-up demand for rental units in Austin.

TABLE E-1 RENTAL HOUSING VACANCY ESTIMATES CITY OF AUSTIN AND SURROUNDING COMMUNITIES 2009 - 2011						
	2011		2010		2009	
	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent
City of Austin	2.8%	\$649	1.9%	\$611	4.6%	\$581
Mower County	3.2%	\$645	2.6%	\$608	4.6%	\$578
Albert Lea	6.9%	\$556	9.8%	\$506	9.5%	\$554
Owatonna	5.4%	\$678	8.6%	\$651	10.3%	\$659
Rochester	8.4%	\$770	9.3%	\$727	9.7%	\$706
Minnesota	5.8%	\$783	6.3%	\$759	6.8%	\$746
Note: Rent equals median gross rent						
Sources: American Community Survey; Maxfield Research, Inc.						

Table E-2 on the following page presents a breakdown of median gross rent and monthly gross rent ranges by number of bedrooms in renter-occupied housing units from the 2007-2011 ACS in Austin and the Remainder of the Market Area in comparison to Minnesota. Gross rent is defined as the amount of the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, wood, etc.) if these are paid by the renter.

- Because of the difference in methodology between the decennial census and the ACS, there are slight differences in the total number of renter-occupied units presented between the two surveys. Census data indicates that there were 3,229 renter-occupied housing units in Austin in 2010 while the ACS shows 3,453 renter-occupied housing units.
- As presented in Table C-2 in an earlier section of this study, 34% of the renter-occupied units in Austin are in single-family (1-unit), detached structures while 19% are in structures with 50 or more units. Approximately 14% of the renter-occupied units are in duplexes and 10% are in structures containing 10 to 19 units.
- Austin has relatively affordable rents when compared to Minnesota. The median gross rent in the City is at \$649 which is 17% lower than the median rent of \$783 in Minnesota. Rural communities often have lower rents than metropolitan areas due to wage rates and the age of rental properties in rural areas.

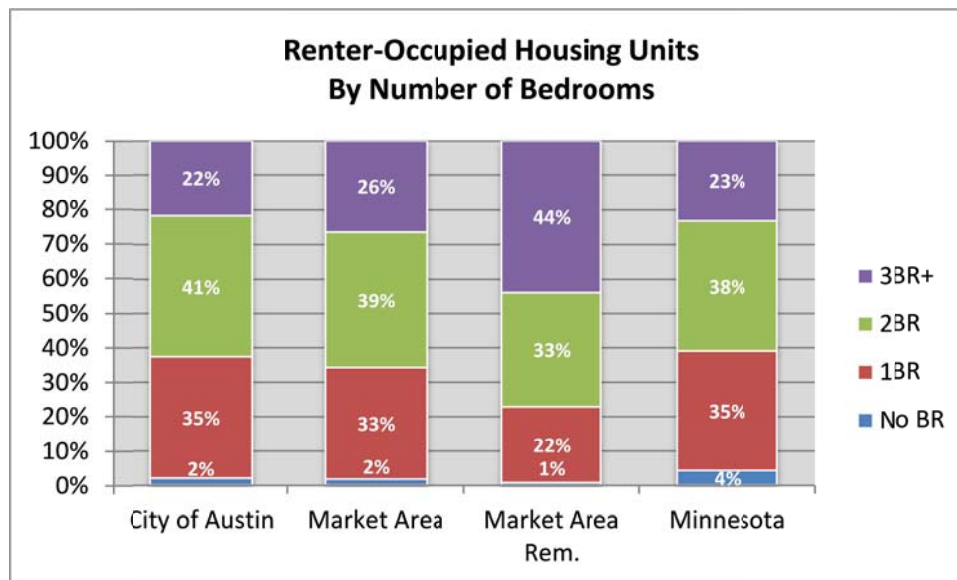
TABLE E-2
BEDROOMS BY GROSS RENT, RENTER-OCCUPIED HOUSING UNITS
AUSTIN MARKET AREA
2011

	City of Austin		Market Area		Market Area Rem.		Minnesota
	#	% of Total	#	% of Total	#	% of Total	% of Total
Total:	3,453	100%	4,399	100%	946	100%	100%
Median Gross Rent	\$649		\$646		\$635		\$783
No Bedroom	70	2%	77	2%	7	1%	4%
Less than \$200	8	0%	8	0%	0	0%	0%
\$200 to \$299	16	0%	16	0%	0	0%	0%
\$300 to \$499	46	1%	46	1%	0	0%	1%
\$500 to \$749	0	0%	0	0%	0	0%	2%
\$750 to \$999	0	0%	0	0%	0	0%	0%
\$1,000 or more	0	0%	3	0%	3	0%	0%
No cash rent	0	0%	4	0%	4	0%	0%
1 Bedroom	1,221	35%	1,430	33%	209	22%	35%
Less than \$200	37	1%	71	2%	34	4%	2%
\$200 to \$299	201	6%	242	6%	41	4%	3%
\$300 to \$499	328	9%	395	9%	67	7%	5%
\$500 to \$749	381	11%	415	9%	34	4%	12%
\$750 to \$999	165	5%	179	4%	14	1%	8%
\$1,000 or more	59	2%	69	2%	10	1%	4%
No cash rent	50	1%	59	1%	9	1%	0%
2 Bedrooms	1,413	41%	1,728	39%	315	33%	38%
Less than \$200	47	1%	52	1%	5	1%	1%
\$200 to \$299	7	0%	7	0%	0	0%	1%
\$300 to \$499	120	3%	194	4%	74	8%	3%
\$500 to \$749	548	16%	662	15%	114	12%	9%
\$750 to \$999	431	12%	517	12%	86	9%	13%
\$1,000 or more	124	4%	133	3%	9	1%	11%
No cash rent	136	4%	163	4%	27	3%	1%
3 or More Bedrooms	749	22%	1,164	26%	415	44%	23%
Less than \$200	14	0%	14	0%	0	0%	0%
\$200 to \$299	25	1%	25	1%	0	0%	0%
\$300 to \$499	29	1%	57	1%	28	3%	2%
\$500 to \$749	196	6%	311	7%	115	12%	3%
\$750 to \$999	233	7%	305	7%	72	8%	4%
\$1,000 or more	184	5%	216	5%	32	3%	11%
No cash rent	68	2%	236	5%	168	18%	3%

Sources: 2007-2011 American Community Survey; Maxfield Research, Inc.

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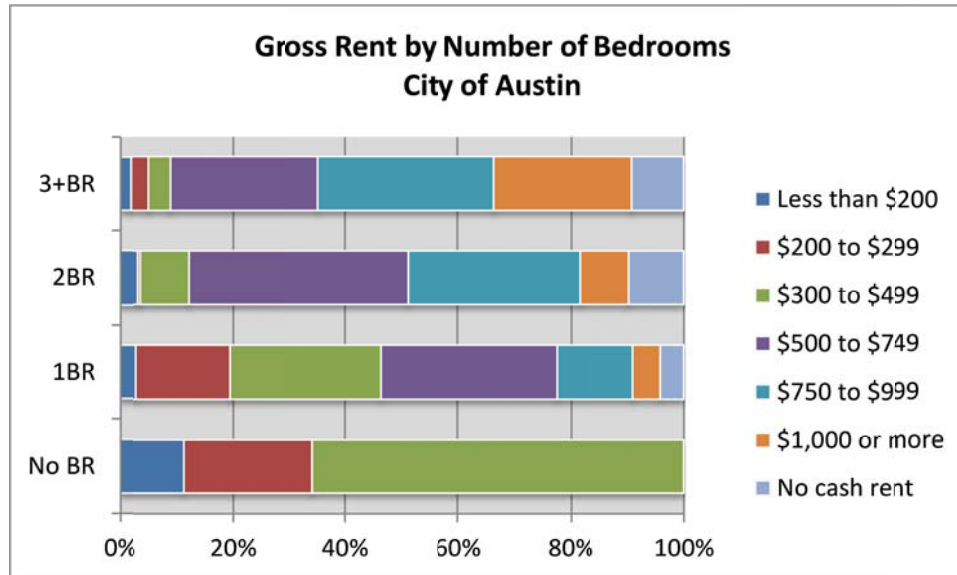
- Two-bedroom units are the most common rental unit type in Austin, representing 41% of all occupied rental units in the City. However, in the Remainder of the Market Area, units with three or more bedrooms are the most common (44% of the total).



- Approximately 22% of the renter-occupied housing units in Austin have three or more bedrooms compared to 23% in Minnesota. One-bedroom units comprise 35% of Austin's renter-occupied housing supply and units while only 2% of the renter-occupied units have no bedrooms. By comparison, roughly 35% of Minnesota's renter-occupied housing units are one-bedroom and 4% have no bedrooms.
- Monthly gross rents in one-bedroom units in Austin range from less than \$200 to over \$1,000 with over 31% renting for between \$500 and \$749 per month. Approximately 27% have gross monthly rents between \$300 and \$499 while 17% have rents between \$200 and \$299. Nearly 14% of the units have monthly rents ranging from \$750 to \$999 while 5% rent for \$1,000 or more per month and 3% rent for less than \$200 per month.
- Nearly 39% of the two-bedroom units in Austin have gross monthly rents ranging from \$500 to \$749, and 31% have a rental rate range of \$750 to \$999. Units with rents ranging from \$300 to \$499 per month and with rents of \$1,000 or more each represent roughly 9% of all renter-occupied units in Austin. Slightly over 3% have rents of less than \$200 per month and relatively few (0.5%) have monthly rents between \$200 and \$299.
- Roughly 31% of the units with three or more bedrooms in Austin rent for between \$750 and \$999 per month. Over 26% have a rental rate range of \$500 to \$749 and 25% rent for \$1,000 or more per month. Roughly 4% have rents ranging from \$300 to \$499 and 3% rent for between \$200 and \$299 per month. Less than 2% have monthly rents below \$200.

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- Approximately 66% of the units without a bedroom in Austin have gross monthly rents between \$300 and \$499 while 23% have rents between \$200 and \$299 and 11% rent for less than \$200 per month. No units without a bedroom have rents that are higher than \$499 per month.



- Roughly 4% of the one-bedroom units, 10% of the two-bedroom units, and 9% of the units with three or more bedrooms were reported as having no cash rent. These units may be owned by friends or relatives who live elsewhere and who allow occupancy at no charge. Rent-free houses or apartment units may be provided to compensate caretakers, ministers, tenant farmers, or other.

General Occupancy Rental Projects

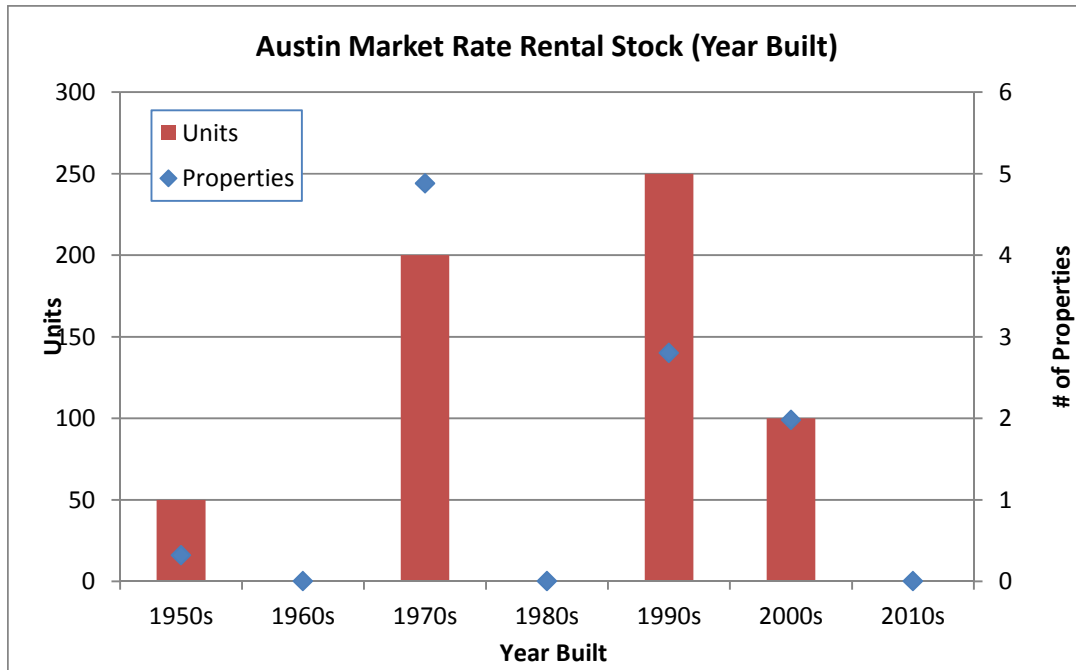
Our research of Austin's general occupancy rental market included a survey of 12 market rate apartment properties (8 units and larger) and seven affordable/subsidized communities in June 2013. These projects represent a combined total of 847 units, including 499 market rate units and 348 affordable/subsidized units. Although we were able to contact and obtain up-to-date information on the majority of rental properties, there were some projects we were unable to reach.

At the time of our survey, 21 market rate units and 5 affordable/subsidized units were vacant, resulting in an overall vacancy rates of 5.1% for market rate units and 1.4% for affordable/subsidized. The overall market rate vacancy rate of 3.4% is lower than the industry standard of 5% vacancy for a stabilized rental market, which promotes competitive rates, ensures adequate choice, and allows for unit turnover.

Table E-3 summarizes information on market rate projects, while Table E-4 summarizes information affordable and subsidized projects.

Market Rate

- *Burr Oaks Villas*, constructed in 2005, is the newest market rate rental building in Austin. Overall, Austin's rental housing stock is newer as the median year built for all units is 1992. About 58% of Austin's market rate rental properties were constructed after 1990.



- A total of 21 vacancies were found, resulting in a vacancy rate of 5.1% as of June 2013. This compares to a vacancy rate of 15.9% in the February 2005 housing study. In our previous study, the high vacancy rate was attributed to several rental properties in the midst of renovation projects.
- Nearly 45% of the market rate units in Austin are one-bedroom units. The unit breakout by unit type is summarized below.
 - Efficiency units: 33 | 6.8%
 - One-bedroom units: 214 | 44.3%
 - Two-bedroom units: 201 | 41.6%
 - Three-bedroom units: 30 | 6.2%
 - Four-bedroom units: 5 | 1.0%
- The following is the monthly rent ranges and average rent for each unit type:
 - Efficiency units: \$260 to \$260 | Avg. \$260
 - One-bedroom units: \$320 to \$765 | Avg. \$576

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- Two-bedroom units: \$425 to \$925 | Avg. \$682
- Three-bedroom units: \$810 to \$985 | Avg. \$955
- The average monthly rent per square foot among those surveyed properties was \$0.82. Rent per square foot varied by unit type as illustrated below:
 - Efficiency units: \$0.78
 - One-bedroom units: \$0.84
 - Two-bedroom units: \$0.82
 - Three-bedroom units: \$0.73
- Square footages averages by unit type are as follows:
 - One-bedroom units: 614 square feet
 - Two-bedroom units: 869 square feet
 - Three-bedroom units: 1,202 square feet
- The majority of the properties surveyed have a common laundry room with coin-operated washers and dryers. Only a few properties have either in-unit washer and dryers or hook-ups. In-unit washer and dryers has become the norm in new apartment developments constructed today.
- Compared to the last housing study completed in February 2005, monthly rents have not increased as much inflation. The average annual increase over the past eight years has been about 2.0%, lower than inflationary gains.

Unit Type	February 2005	June 2013	Pct. Change
Efficiency	\$220	\$260	18.2%
One-Bedroom	\$482	\$576	19.5%
Two-Bedroom	\$606	\$682	12.5%
Three-Bedroom	\$819	\$955	16.6%

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TABLE E-3
MARKET RATE GENERAL OCCUPANCY RENTAL HOUSING
AUSTIN MARKET AREA
June 2013

Project Name/ Address	Year Built	Total Units	Vacant	Unit Mix	Rent Range	Unit Size	Comments
Burr Oak Villas 400 10th Ave. NW	2005	18	N/A	4 - 1BR 10 - 2BR 4 - 3BR	N/A N/A N/A	600 - 700 750 - 1,000 1,200	Central A/C, kitchens, dishwasher, coin-laundry, elevator, parking lot, secured entry.
Chauncey Apartments 310 2nd Ave. NE	2001	81	0	21 - 1BR 38 - 1BR/D 17 - 2BR 2 - 2BR/D 3 - 3BR	\$765 - \$765 \$810 - \$855 \$900 - \$925 \$925 \$985	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.
Whittier Place Townhomes 414 4th Street SE	1999	8	0	4 - 2BR 4 - 3BR	\$760 \$810	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	0	25 - 1BR 15 - 1BR/D 35 - 2BR 3 - 2BR/D	\$735 - \$735 \$780 - \$885 \$860 - \$885 \$955	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.
Webster School Apartments 403 12th St. NE	1994/95	12	1	2 - 1BR 10 - 2BR	\$620 N/A	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 1209 1st St. NE	1992	12	N/A	1 - 2BR 6 - 3BR 5 - 4BR	N/A N/A N/A	N/A N/A N/A	All utilities included in rent; off-street parking; wall-unit A/C; balcony; microwave, some in-unit storage; coin-op laundry; Profile: families.
CONTINUED							

RENTAL MARKET ANALYSIS

TABLE E-3, cont.
MARKET RATE GENERAL OCCUPANCY RENTAL HOUSING
AUSTIN MARKET AREA
June 2013

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	3	26 - 1BR 4 - 2BR	\$600 \$635	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.
Key Apartments 900 14th Street NW	1972	126	6	33 - Studio 77 - 1BR 16 - 2BR	\$260 \$320 - \$350 \$425 - \$465	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: seniors, singles, students, others are mostly workers from Austin.
Center Court 200 25th Street SW	1970	46	4	37 - 1BR 4 - 1BR/D 5 - 2BR	\$400 \$425 \$500	471 555 555	Tenant pays heat/electricity; off-street parking ; coin-op laundry; picnic area; Profile: mostly single workers from Austin, couple of families.
Fair Oaks Apartments 200 11th Avenue NW	1965	33	7	33 - 2BR	\$650 - \$710	850 - 900	Heat included in rent; detached garage; disposals; 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	N/A	22 - 1BR 9 - 2BR 8 - 3BR	N/A N/A N/A	N/A N/A N/A	Heat, water, wall A/C included in 1BR's. Water, central A/C, dishwasher in 2BR's & 3BR's. Coin-op. laundry, garages for extra fee.
Austin Apartments 611 2nd St NW	1954	16	N/A	N/A - 1BR N/A - 2BR	N/A N/A	N/A N/A	Two stories above ground floor retail in downtown.
Total		499	21	5.1%*			
*Vacancy Rate excludes properties that did not provide current vacancy information.							
Source: Maxfield Research Inc.							

RENTAL MARKET ANALYSIS

TABLE E-4
AFFORDABLE/ SUBSIDIZED GENERAL-OCCUPANCY RENTAL HOUSING
AUSTIN MARKET AREA
June 2013

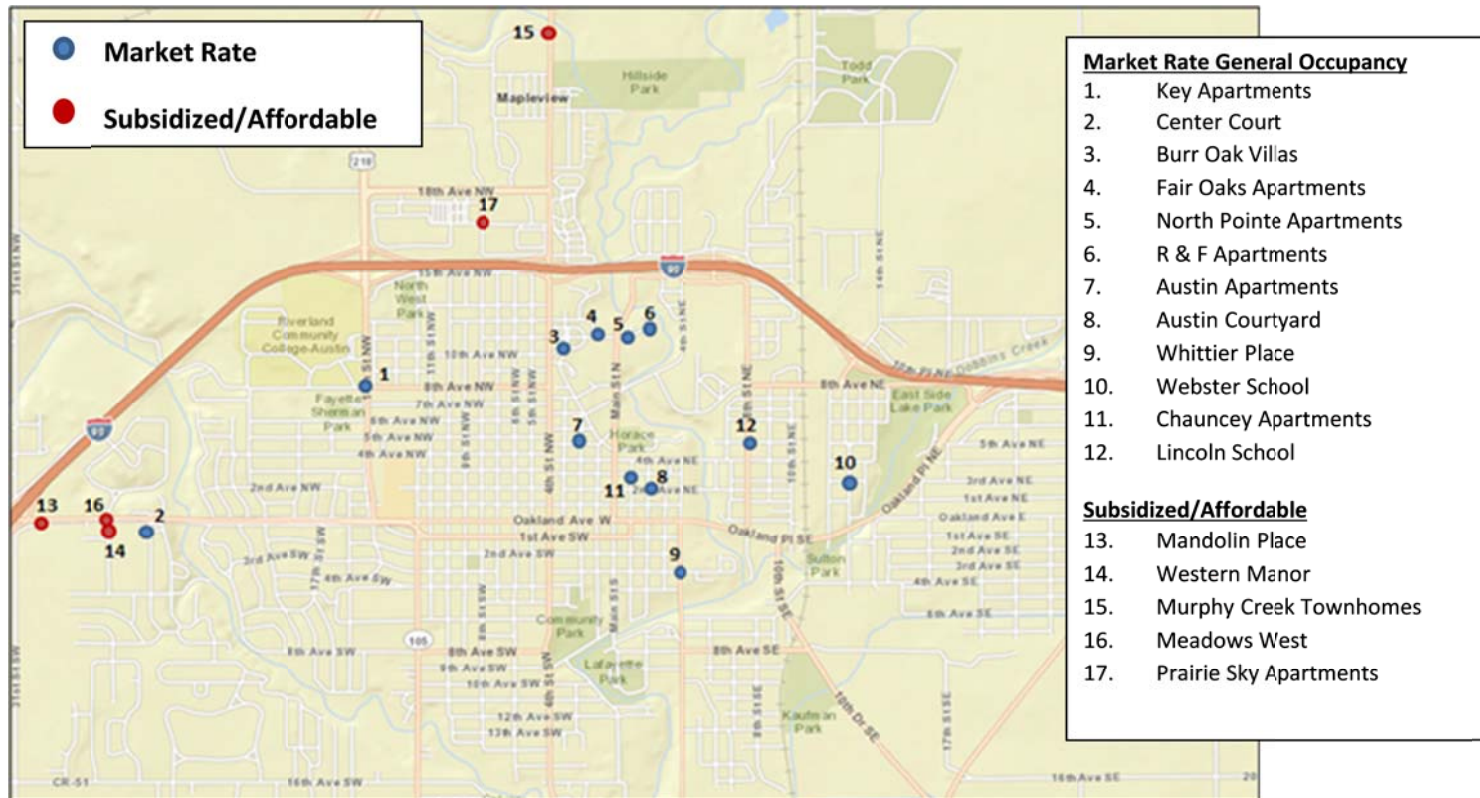
Project Name/ Address	Year Built	Total Units	Vacant	Unit Mix	Rent Range	Unit Size	Comments
Murphy Creek Townhomes 502 25th Street <i>Austin</i>	2001	88	0	34 - 2BR 54 - 3BR	\$635 \$775 (market) \$695 \$830 (market)	540 645	About 56 units are Section 42 tax credit lots, with the remaining 32 lots are market 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 <i>Austin</i>	1995	24	1	20 - 1BR 4 - 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 <i>Austin</i>	1999	24	0	8 - 2BR 16 - 3BR	\$635 (market) \$685 (market)	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 <i>Austin</i>	1994	72	4	12 - 1BR 39 - 2BR 21 - 3BR	\$515 (market) \$615 (market) \$715 (market)	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/ Meadows West 300 27th Street SW <i>Austin</i>	1980	60	0	2 - 1BR 42 - 2BR 16 - 3BR	\$689 (market) \$765 - \$806 (market) \$863 (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.

RENTAL MARKET ANALYSIS

TABLE E-4, cont.
AFFORDABLE/ SUBSIDIZED GENERAL-OCCUPANCY RENTAL HOUSING
AUSTIN MARKET AREA
June 2013

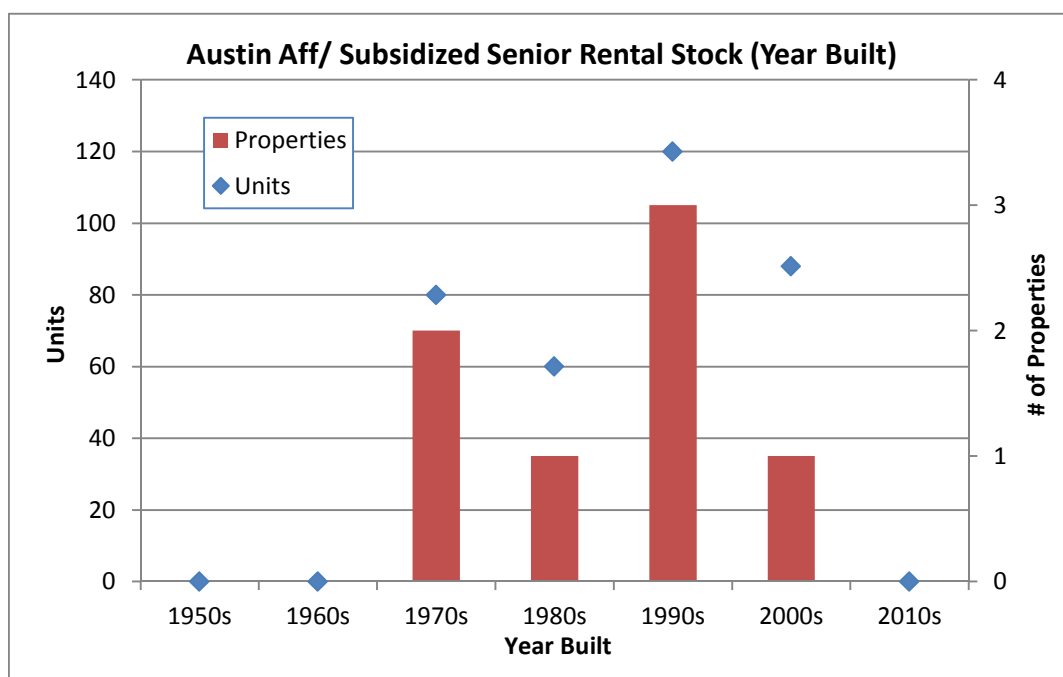
Project Name/ Address	Year Built	Total Units	Vacant	Unit Mix	Rent Range	Unit Size	Comments
Western Manor Apartments 303 27th Street SW <i>Austin</i>	1978	72	0	20 - 1BR	\$431 (market)	N/A	HUD Section 236 project; all utilities included in rent; off-street parking w/ plug-ins (\$15/mo.); wall-unit A/C sleeves; coin-op laundry; disposals; playground/picnic area; Profile: mostly younger workers & sgl. Mothers; about 6 seniors; roughly 60% pay market rent.
				40 - 2BR	\$510 (market)	N/A	
				12 - 3BR	\$572 (market)	N/A	
Colonial Manor 803 Hollerud Street <i>Lyle</i>	1975	8	0	1 - 1BR	\$379 (market)	725	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
				7 - 2BR	\$409 (market)	800	
Total		348	5	1.4%			
Source: Maxfield Research Inc.							

General-Occupancy Rental Housing Location Map



Affordable/Subsidized

- There are a total of seven income-restricted projects in Austin with 348 total units. Combined, only five units are vacant posting a vacancy rate of only 1.4%. Typically, subsidized and affordable rental properties should be able to maintain vacancy rates of 3% or less in most housing markets. The low vacancy rates in the market indicate pent-up demand for affordable and subsidized units and also are an indication of the current economic climate in the area.
- About 60% of the affordable/subsidized rental units were constructed in the 1990s and 2000s. The remaining housing stock was built in the 1970s and 1980s.



- Of all the subsidized apartments, 16% are one-bedroom units, 50% are two-bedroom units, and 34% are three-bedroom units.
- All of the subsidized projects are either 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*, which has a high percentage of market rate tenants, they pay \$775 per month for two-bedroom units and \$830 per month for three-bedroom units. *Bremerton Townhomes* is also a Section 8 project, with a small percentage of their residents paying market rate. Market rate rents for Bremerton range from \$689 for a one-bedroom to \$863 for a three-bedroom. The third project, *Western Manor Apartments* has a moderate amount of the residents paying market rate. Market rate rents for Western Manor start at \$431 for one-bedrooms and range up to \$572 for three-bedrooms.
- Table E-5 on the following page shows the maximum allowable incomes by household size to qualify for affordable housing and maximum gross rents that can be charged by bedroom size in Mower County. Fair market rent is the amount needed to pay gross monthly rent at modest rental housing in a given area. This figure is used as a basis for determining the payment standard amount used to calculate the maximum monthly subsidy for families on at financially assisted housing.
- 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 an extra fee per 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).

Due to the economic downturn over the last few years, subsidized rental housing is increasingly becoming more desirable. Recent trends show that vacancies rates have been dropping in some communities, even though these units are typically smaller sized and have a lack of present-day amenities. However, in the City of Austin, subsidized units are larger sized and have many modern amenities to attract all types of tenants.

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 Housing and Redevelopment Authority. 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 below, which are set by HUD on an annual basis (50% of the median family income for a geographical area – or “Very Low-Income”).

Table E-5
MHFA/HUD INCOME AND RENT LIMITS
MOWER COUNTY - 2013

	Income Limits by Household Size							
	1 pph	2 pph	3 pph	4 pph	5 pph	6 pph	7 pph	8 pph
30% of median	\$13,050	\$14,910	\$16,770	\$18,630	\$20,130	\$21,630	\$23,130	\$24,600
50% of median	\$21,750	\$24,850	\$27,950	\$31,050	\$33,550	\$36,050	\$38,550	\$41,000
60% of median	\$26,100	\$29,820	\$33,540	\$37,260	\$40,260	\$43,260	\$46,260	\$49,200
80% of median	\$34,800	\$39,800	\$44,750	\$49,700	\$53,700	\$57,700	\$61,650	\$65,650
	Maximum Gross Rent							
	EFF	1BR	2BR	3BR	4BR			
30% of median	\$326	\$349	\$419	\$484	\$540			
50% of median	\$543	\$582	\$698	\$807	\$901			
60% of median	\$652	\$699	\$838	\$969	\$1,081			
80% of median	\$869	\$994	\$1,118	\$1,242	\$1,342			
	Fair Market Rent							
	EFF	1BR	2BR	3BR	4BR			
Fair Market Rent	\$446	\$511	\$670	\$903	\$1,095			
	Rent at 30% of Income (by Max. Occupancy)							
	0 BR	1BR	2BR	3BR	4BR			
30% of median	\$326	\$373	\$419	\$466	\$503			
50% of median	\$544	\$621	\$699	\$776	\$839			
60% of median	\$653	\$746	\$839	\$932	\$1,007			
Sources: MHFA, HUD, Maxfield Research Inc.								

Sources: MHFA, HUD, Maxfield Research Inc.

RENTAL MARKET ANALYSIS

The following are photographs of select general occupancy rental properties in Austin.



Burr Oak Villas



Chauncey Apartments



Whittier Place Townhomes



Austin Courtyard



Mandolin Place



Western Manor

Pending Rental Developments

Maxfield Research Inc. interviewed City staff in Austin to determine pending and planned rental developments. As of June 2013, there have been no formal applications, but the following projects are considered speculative at this time:

- 30 market rate rental units at the old Austin Utilities power plant building; and
- 10 to 12 market rate rental units at the Downtown fire site.

Because these projects are still in the concept phases, we do not account for them in our demand projections.

Rental Housing Demand Analysis

Table E-6 presents our calculation of general-occupancy rental housing demand in Austin. This analysis identifies potential demand for rental housing that is generated from both new households and turnover households. A portion of the demand will be drawn from existing households in Austin that want to upgrade their housing situations.

First, we calculate potential demand from new household growth by age group based on the propensity of households to rent their housing. For the purposes of our analysis, we focus on households between the ages of 18 and 64 that will account for the vast majority of general-occupancy rental demand. Based on our analysis of household growth forecast in specific age cohorts, household growth is projected in the age 25 to 34 age cohort and the 45 to 64 age cohort. The under-25 and 35 to 44 age groups are expected to experience little to no growth. Next, we calculate the percentage of household growth that will likely rent their housing based on 2010 Census data by age group. In 2010 the percentage of renters ranged from about 73% among the under-25 age cohort to 22% among the 45 to 64 age cohort.

The second part of our analysis calculates demand from existing households, or turnover demand. Younger households tend to be highly mobile, relative to older households. Mobility rates were calculated for the renter population based on 2007-2011 American Community Survey data and were applied to the existing renter household base. Finally, we estimate the percentage of the existing renter households will seek new rental housing by age cohort resulting in demand for 199 units by 2020.

We estimate that 30% of the total demand for new rental housing units in Austin will come from people currently living outside of the City. As a result, we find demand for 284 renter households based on household growth and existing households between 2013 and 2020. Based on a review of household incomes and sizes and monthly rents at existing projects, we

estimate that approximately 15% of the total demand will be for subsidized housing, 15% will be for affordable housing, and 70% will be for market rate housing.

Next we would subtract housing projects that are under construction or pending at this time, since these projects will satisfy some of the calculated demand for general occupancy rental housing. However, there are no general occupancy rental developments under construction at this time. Therefore, there is demand in Austin for 43 subsidized units, 43 affordable units, and 199 market rate units through 2020.

RENTAL MARKET ANALYSIS

TABLE E-6
DEMAND FOR GENERAL OCCUPANCY RENTAL HOUSING
CITY OF AUSTIN
2013 to 2020

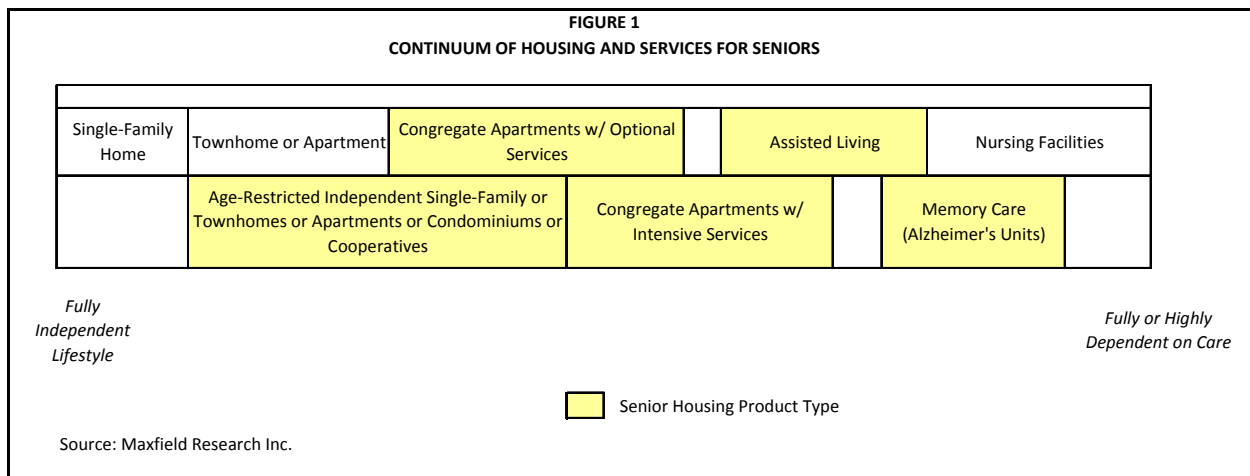
		Number of Households				
		Under 25	Age 25 to 34	Age 35 to 44	Age 45 to 64	Age 65 & Over
Demand From Household Growth						
Projected Growth in Household Base by 2020		0	62	4	29	391
(times) Proportion Estimated to Be Renting Their Housing ¹	x	73%	49%	33%	22%	26.0%
(equals) Projected Demand for Rental Housing Units	=	0	30	1	6	102
Demand From Existing Households						
Number of renter households in 2013		381	802	484	749	777
(times) Estimated % of renter turnover between 2013 & 2020 ²	x	93%	93%	80%	80%	64%
(equals) Total Existing Renter Households Projected to Turnover	=	354	746	387	599	497
(times) Estimated % Desiring New Rental Housing	x	5%	10%	10%	5%	5%
(equals) Demand From Existing Households	=	18	75	39	30	25
Total Demand From Household Growth and Existing Households		18	105	40	36	127
Total Demand from Household Growth and Existing Households		199				
(plus) Demand from outside Market Area (30%)		85				
(equals) Total Demand for Rental Housing in Austin		284				
		Subsidized	Affordable	Market Rate		
(times) Percent of rental demand by product type ³	x	15%	15%	70%		
(equals) Total demand for new general occupancy rental housing units	=	43	43	199		
(minus) Units under construction or approved*	-	0	0	0		
(equals) Excess demand for new general occupancy rental housing in Austin	=	43	43	199		
¹ Based on 2010 Census data.						
² Based on household turnover and mobility data (2011 American Community Survey, Five Year Estimates).						
³ Based on the combination of current rental product and household incomes of area renters (non-senior households)						
*Pending/proposed competitive units at 95% occupancy.						
Source: Maxfield Research Inc.						

Introduction

This section provides an assessment of the market support for senior housing (active adult, congregate, assisted living, and memory care) in Austin, Minnesota. An overview of the demographic and economic characteristics of the senior population in Austin is presented along with an inventory of existing and pending senior housing developments in the City. Demand for senior housing is calculated based on demographic, economic and competitive factors that would impact demand for additional senior housing units in the City.

Senior Housing Defined

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



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

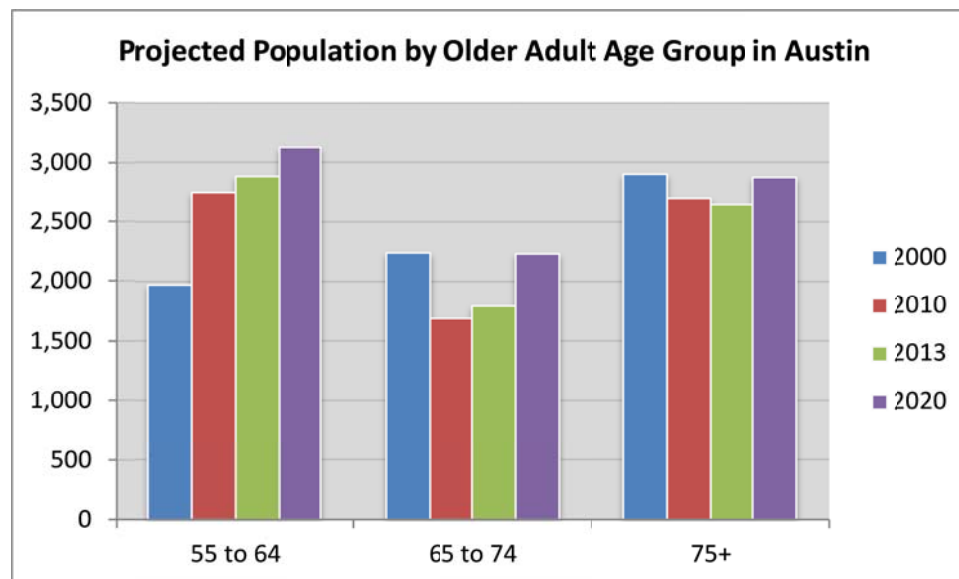
service-enriched senior housing. Active adult properties can have a rental or owner-occupied (condominium or cooperative) format.

- Congregate properties (or independent living with services available) offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties often dedicate a larger share of the overall building area to common areas, in part, because the units are smaller than in adult housing and in part to encourage socialization among residents. Congregate properties attract a slightly older target market than adult housing, typically seniors age 75 or older. Rents are also above those of the active adult buildings. Sponsorship by a nursing home, hospital or other health care organization is common.
- Assisted Living properties come in a variety of forms, but the target market for most is generally the same: very frail seniors, typically age 80 or older (but can be much younger, depending on their particular health situation), who are in need of extensive support services and personal care assistance. Absent an assisted living option, these seniors would otherwise need to move to a nursing facility. At a minimum, assisted living properties include two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or for an additional cost). Assisted living properties also have either staff on duty 24 hours per day or at least 24-hour emergency response.
- Memory Care properties, designed specifically for persons suffering from Alzheimer's disease or other dementias, is one of the newest trends in senior housing. Properties consist mostly of suite-style or studio units or occasionally one-bedroom apartment-style units, and large amounts of communal areas for activities and programming. In addition, staff typically undergoes specialized training in the care of this population. Because of the greater amount of individualized personal care required by residents, staffing ratios are much higher than traditional assisted living and thus, the costs of care are also higher. Unlike conventional assisted living, however, which addresses housing needs almost exclusively for widows or widowers, a higher proportion of persons afflicted with Alzheimer's disease are in two-person households. That means the decision to move a spouse into a memory care facility involves the caregiver's concern of incurring the costs of health care at a special facility while continuing to maintain their home.
- Skilled Nursing Care, or long-term care facilities, provides a living arrangement that integrates shelter and food with medical, nursing, psychosocial and rehabilitation services for persons who require 24-hour nursing supervision. Residents in skilled nursing homes can be funded under Medicare, Medicaid, Veterans, HMOs and private insurance as well as use of private funds.

Older Adult (Age 55+) Population and Household Trends

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

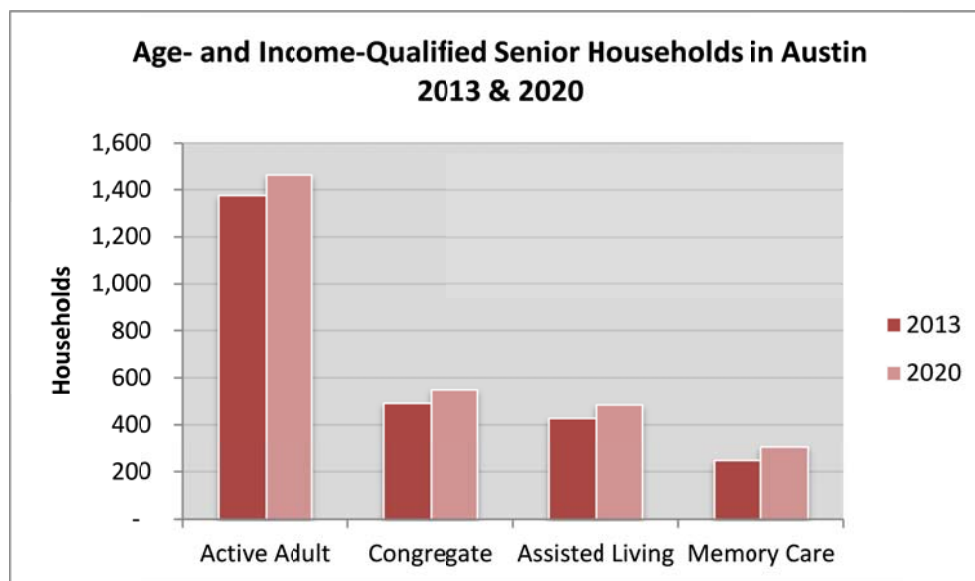
- The greatest growth is predicted to occur among older adults in the Market Area. Aging of baby boomers led to an increase of 771 people (+39.1%) in the 55 to 64 population between 2000 and 2010 in Austin. As this group ages, the 55 to 64 and 65 to 74 cohorts are expected to continue increasing.



- The primary market for service-enhanced housing is senior households age 75 and older. While individuals in their 50s and 60s typically do not comprise the market base for service-enhanced senior housing, they often have elderly parents to whom they provide support when they decide to relocate to senior housing. Since elderly parents typically prefer to be near their adult caregivers, growth in the older adult age cohort (age 55 to 64) generally results in additional demand for senior housing products.
- The frailer the senior, the greater the proportion of their income they will typically spend on housing and services. Studies have shown that seniors are willing to pay increasing proportions of their incomes on housing with services, beginning with an income allocation of 40% to 50% for market rate adult senior housing with little or no services, increasing to 65% for congregate housing and to 80% to 90% or more for assisted living housing. The proceeds from the sales of their homes, as well as financial assistance from their adult children, are often used as supplemental income in order to afford senior housing alternatives.
- The key market for active adult/few services housing is comprised of senior households (age 65+), with incomes of \$30,000 or more. The age threshold increases to 70+ if in an apart-

ment-style building. In 2013, we estimate there are 1,375 age- and income-qualified households in the City that comprise the key market for active adult housing. Including all households with incomes of \$35,000 and over (adjusted for inflation), the number of 65+ senior households projected to income-qualify for active adult/few services housing is expected to grow to 1,462 households in 2020 (+6.3%).

- Congregate housing demand is driven by senior households (age 75+) with incomes of \$35,000 or more. We estimate the number of age- and income-qualified households in the City as of 2013 to be 492 householders, increasing to 549 (+11.7%) householders in 2020.
- The target market for assisted living housing is senior households age 75 and older with incomes of at least \$40,000 (plus senior homeowners with lower incomes). There are about 428 older senior households (age 75+) in the City with incomes of at least \$40,000. Including all households with incomes of \$45,000 and over (adjusted for inflation), the number of older senior households projected to income-qualify for senior housing with services is expected to grow to 485 households in 2020 (+13.5%).
- Memory care housing has a target market of senior households age 75 and older with incomes of at least \$60,000. As of 2013, there are approximately 248 age 75+ households in the City with incomes of at least \$60,000. The number of income-qualified (\$65,000 adjusted for inflation) households is projected to increase to 305 by 2020 (+23.0%).



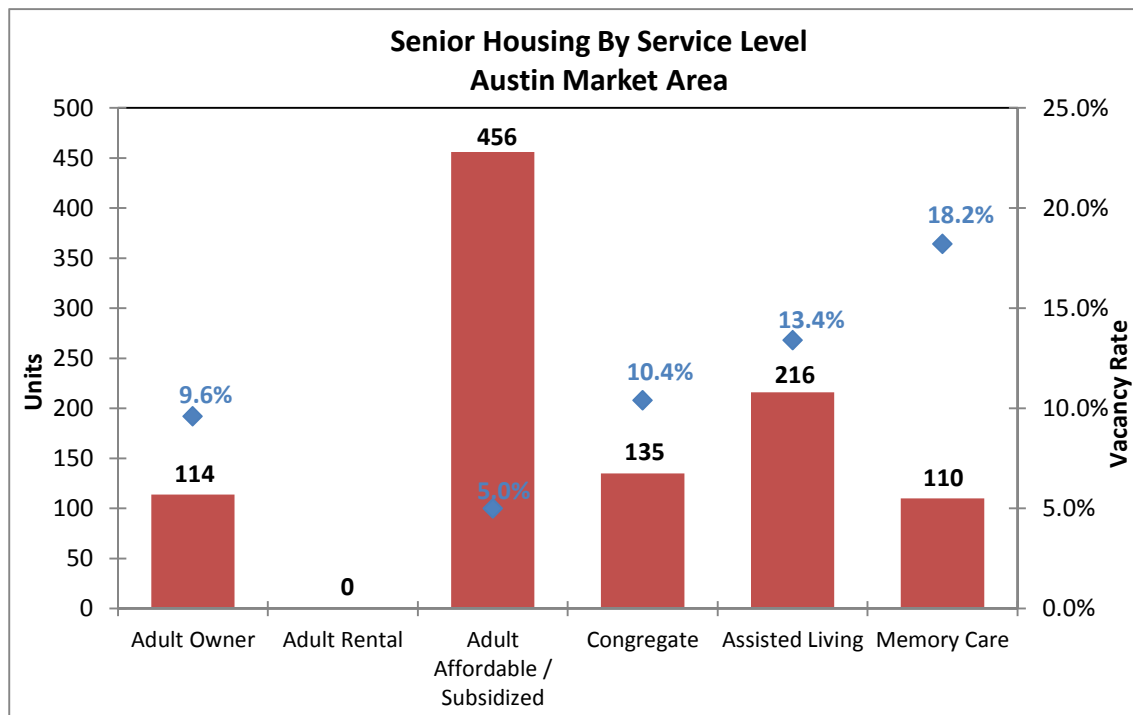
- Since senior housing with services is need-driven, seniors with low incomes are still candidates for private pay housing, provided they have home equity or other financial assistance that they can utilize to pay for the costs. Very low-income seniors who are Medicaid-qualified also could live in assisted living or memory care facilities that accept Elderly Waivers. Due to the limited availability of facilities that accept Elderly Waivers, demand from low-income seniors is often substantial.

- Homeownership information lends insight into the number of households that may still have homes to sell and could potentially supplement their incomes from the sales of their homes to support monthly fees for alternative housing.
- The City maintains relatively high rates of homeownership in the older adult age cohorts. The homeownership rate in 2010 was 81% for age 55 to 64 households compared to 85% throughout Minnesota. The City homeownership rate increases to 85% for age 65 to 74 households compared to 85% in Minnesota. Seniors typically begin to consider moving into senior housing alternatives or more convenient housing such as apartment buildings or twin homes in their early to mid-70s. This movement pattern is demonstrated by the drop in homeownership between the 65 to 74 age cohort (85%) and the 75+ age cohort (68%). This pattern is similar throughout the State which has a homeownership rate drop from 85% (age 65 to 74) to 70% (age 75+).
- With a homeownership rate of 75% for all households over the age of 65, a large number of residents would be able to use proceeds from the sales of their homes toward senior housing alternatives. The resale of single-family homes would allow additional senior households to qualify for market rate housing products, since equity from the home sale could be used as supplemental income for alternative housing. These considerations are factored into our demand calculations.
- Based on the 2012 median sale price for single-family homes in Austin (\$72,150), a senior household could generate approximately \$1,340 of additional income annually (about \$112 per month), if they invested in an income-producing account (2.0% interest rate) after accounting for marketing costs and/or real estate commissions (6.0% of home sale price).
- Should a senior utilize the home proceeds dollar for dollar to support living in senior housing with services, the proceeds of this home would last nearly four years in congregate housing (monthly rent approximated at \$1,500), roughly two and one-half years in assisted living (monthly rent approximated at \$2,250), or nearly two years in memory care housing (monthly rent approximated at \$3,000). Seniors in service-intensive housing typically have lengths of stays between two and three years indicating that a significant portion of City seniors will be financially prepared to privately pay for their housing and services.
- Due to the recent decline in home values, some seniors – particularly those in the market for independent housing products – may delay their moves to housing alternatives until the housing market exhibits solid improvement.

Supply of Senior Housing in the Austin Market Area

As of June 2013, Maxfield Research identified 31 senior housing developments in the Austin Market Area. Combined, these projects contain a total of 1,031 units. Eleven of the projects are subsidized, while the remaining are market rate. Table F-1 provides information on both the senior housing product type by service-level. Information in the table includes year built, number of units, unit mix, number of vacant units, rents, and general comments about each project.

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



Affordable/Subsidized Senior Housing Projects

- Subsidized senior housing offers affordable rents to qualified lower income seniors and handicapped/disabled persons. Typically, rents are tied to residents' incomes and based on 30% of adjusted gross income (AGI), or a rent that is below the fair market rent. For those households meeting the age and income qualifications, subsidized senior housing is usually the most affordable rental option available. Affordable projects are typically tax-credit projects that are limited to households earning less than 80% of Mower County's area median income.
- There are a total of 456 units in 11 subsidized senior projects. As of June 2013, 23 units were vacant resulting in a vacancy rate of 5.0%.

SENIOR HOUSING ANALYSIS

TABLE F-1 UNIT MIX/SIZE/COST & OCCUPANCY COMPARISON SENIOR HOUSING - ACTIVE ADULT AUSTIN MARKET AREA JUNE 2013										
Project Name/ Location	Occp. Date	No. of Units	No. Vac.	Unit Mix/Sizes/Pricing					Comments	
				Unit Mix	Size (Sq. Ft.)	Entry Fee/ Sale Price	Monthly Rent/ Fee	Rent/Fee Per Square Foot		
ACTIVE ADULT - COOPERATIVES										
Village Cooperative of Austin 2301 10th St. NW Austin	2007	62	n/a	N/A - 1BR N/A - 1BR/D N/A - 2BR/1BA N/A - 2BR/2BA	870 1,105 1,048 1,244 - 1,456	N/A N/A N/A N/A	N/A N/A N/A N/A	N/A N/A N/A N/A	Spacious community room, clubroom, woodworking shop, underground parking with a car wash bay, and full secured building. City officials have indicated this complex is currently selling units and renting units to active adults 55 and older.	
ACTIVE ADULT - CONDOMINIUMS										
Fox Pointe Condos 2201 7th St Austin	2005	12	1	12 - 2BR	1,338 - 1,732	\$189,900	\$150 - \$170	-- --	Newly completed condo complex. Stainless steel appliances, full basement, two car garage, 9 ft. ceilings, walk-in closets, ceiling fans, washer/dryer hookup, and natural woodwork. Project is expected to total 98 units. Age restricted 55 and over.	
Oaks Condominiums 1200 18th Ave NW Austin	1984	40	4	10 - 1BR/1BA 8 - 1BR/Dlx. 12 - 2BR/1BA 8 - 2BR/2BA 2 - 2BR/Dlx.	702 868 1,036 1,092 1,372	N/A N/A N/A N/A N/A	\$258 \$319 \$381 \$402 \$484 - \$504	-- -- -- -- -- -- -- -- -- --	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, wood shop; some have garages. Secured building.	
ACTIVE ADULT - RENTAL										
None										
ACTIVE ADULT - AFFORDABLE/SUBSIDIZED										
Golden Terrace 281 Pine Street E Dexter	1983	10	0	10 - 1BR	725	-- --	\$346 (market)	\$0.48	HUD public housing project; off-street parking; wall-unit A/C; coin-op laundry; disposals; decks; community room with kitchen.	
Mill Street Apts. 301 North Mill St. Brownsdale	1983	11	3	11 - 1BR	550	-- --	\$590 (market)	\$1.07	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; Avg. age 73 years, from surrounding area.	
North Side Apts. 310 Lincoln St. NW Adams	1983	14	0	14 - 1BR	725	-- --	\$346 (market)	\$0.48	Rural Development project; one-story building; off-street parking; wall-unit A/C; disposals; decks; community room with kitchen; coin-op laundry.	
Pickett Place 808 1st Drive NW Austin	1983	100	0	97 - 1BR 3 - 2BR	561 767	-- -- -- --	30% AMI 30% AMI	-- -- -- --	Public Housing project; rent based on 30% of AGI; all utilities included in rent; off-street parking; wall-unit A/C sleeves; coin-op laundry; large community room w/pool table, library, & kitchen; noon meal offered through SEMCAC; picnic area; 100% seniors & disabled.	
CONTINUED										

SENIOR HOUSING ANALYSIS

TABLE F-1 (Con't)											
UNIT MIX/SIZE/COST & OCCUPANCY COMPARISON											
SENIOR HOUSING - ACTIVE ADULT											
AUSTIN MARKET AREA											
JUNE 2013											
Project Name/ Location	Occp. Date	No. of Units	No. Vac.	Unit Mix/Sizes/Pricing							
				Unit Mix	Size (Sq. Ft.)	Entry Fee/ Sale Price		Monthly Rent/ Fee	Rent/Fee Per Square Foot	Comments	
ACTIVE ADULT - AFFORDABLE/SUBSIDIZED (Cont.)											
Grandview Apts. 205 Grand Ave. W Grand Meadow	1979	15	0	14 - 1BR	725	--	--	\$460 (market)	\$0.63	MHFA project; one-story building; off-street parking; wall-unit A/C; disposals; decks; community room with kitchen; coin-op laundry.	
				1 - 2BR	900	--	--	\$551 (market)	\$0.61		
Riverside Apts. 310 Lowell St. W Le Roy	1979	15	1	14 - 1BR	725	--	--	\$477 (market)	\$0.66	MHFA project; one-story building; off-street parking; wall-unit A/C; disposals; decks; community room with kitchen; coin-op laundry.	
				1 - 2BR	900	--	--	\$542 (market)	\$0.60		
Friendship Village 403 Main St. W Brownsdale	1978	10	0	9 - 1BR	725	--	--	\$486 (market)	\$0.67	Rural Development project; one-story building; off-street parking; wall-unit A/C; disposals; decks; community room with kitchen; coin-op laundry.	
				1 - 2BR	950	--	--	\$571 (market)	\$0.60		
Heritage House 809 2nd Street E Lyle	1978	14	0	13 - 1BR	725	--	--	\$486 (market)	\$0.67	Rural Development project; one-story building; off-street parking; wall-unit A/C; disposals; decks; community room with kitchen; coin-op laundry.	
				1 - 2BR	950	--	--	\$571 (market)	\$0.60		
Rose Haven 300 4th St. NW Rose Creek	1978	14	1	13 - 1BR	725	--	--	\$565 (market)	\$0.78	Rural Development project; one-story building; off-street parking; wall-unit A/C; disposals; decks; community room with kitchen; coin-op laundry.	
				1 - 2BR	950	--	--	\$666 (market)	\$0.70		
Twin Towers 200 1st Avenue NE Austin	1973	205	18	205 - 1BR	500	--	--	30% AMI	--	--	Public Housing project; rent based on 30% of AGI; all utilities included in rent; off-street parking; wall-unit A/C sleeves; coin-op laundry; large community room w/pool table, library, & kitchen; noon meal offered through SEMCAC; picnic area; seniors, disabled, and 25% income-eligible adults.
St. Mark's Apts. 1401 4th Street SW Austin	1970	48	0	7 - Studio	438	--	--	30% of Income	--	--	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; coin-operated laundry facilities, foot care/blood care optional.
				26 - 1BR/BA	450	--	--	30% of Income	--	--	
				15 - 1BR/2BA	516	--	--	30% of Income	--	--	
Active Adult Total/Average		570	28								
		5.5%	(Vacancy rate excludes Village Cooperative of Austin)								
CONTINUED											

SENIOR HOUSING ANALYSIS

TABLE F-1 (Con't)										
UNIT MIX/SIZE/COST & OCCUPANCY COMPARISON										
SENIOR HOUSING - CONGREGATE										
AUSTIN MARKET AREA										
JUNE 2013										
Project Name/ Location	Occp. Date	No. of Units	No. Vac.	Unit Mix/Sizes/Pricing					Comments	
				Unit Mix	Size (Sq. Ft.)	Entry Fee/ Sale Price	Monthly Rent/ Fee	Rent Per Square Foot		
CONGREGATE										
Primrose 1701 22nd Ave. SW Austin	2002	40	6	12 - 1BR	775	--	--	\$1,995	\$2.57	Independent living. All utilities included, except phone, free surface parking lot w/ garages available, central A/C, kitchen, some walk-in closets/shower, balcony, emergency call system, dining and community room, laundry facilities, transportation, activities, one meal included, 24-hour personal assistance.
				28 - 2BR	985	--	--	\$2,145	\$2.18	
Wildwood Grove 410 East Main Street Le Roy	2001	12	0	2 - 1BR	709	--	--	\$775	\$1.09	Large kitchens, updated appliances, in-unit washer/dryer, individual climate control, large bay windows, 24-hour staff, amd emergency call system. 3 meals available, housekeeping/laundry options available as well for an additional fee.
				10 - 2BR	1,032	--	--	\$925	\$0.90	
Cedar Court 18 10th Street NW Adams	1991	28	0	20 - 1BR	556	--	--	\$550 - \$600	\$0.99	Congregate/optional service project connected to Adams Health Care Center. Tenant pays electric (heat); attached garages available; 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.
				8 - 2BR	700	--	--	\$700 - \$755	\$1.00	
Cedars of Austin 700 1st Drive NW	1985	55	8	2 - Studio	291	--	--	\$1,095	\$3.76	Unit A/C; some units with patios, walk-in showers, disposals, & storage space; emergency call system; dining, community, exercise, & craft rooms; library; billiards; barber/beauty shop; FT activities director; 3 meals available; 24-hr. staffing; hskpng/laundry incl. available.
				28 - 1BR	507 - 795	--	--	\$1,575	\$1.98 - \$3.11	
				25 - 2BR	821 - 991	--	--	\$1,975	\$1.99 - \$2.41	
Total/Average		135	14							
		10.4%								
CONTINUED										

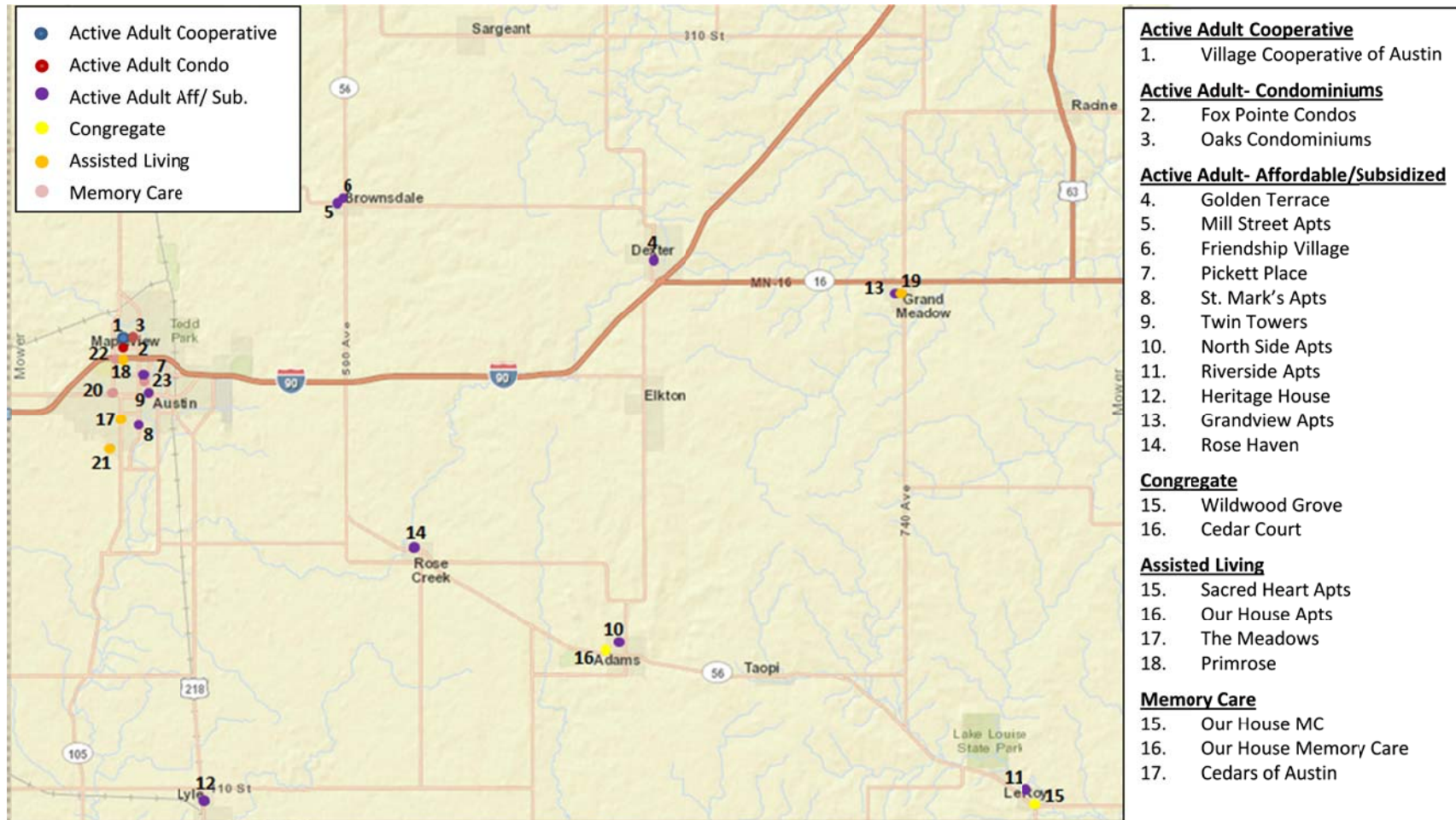
SENIOR HOUSING ANALYSIS

TABLE F-1 (Con't)											
UNIT MIX/SIZE/COST & OCCUPANCY COMPARISON											
SENIOR HOUSING - ASSISTED LIVING											
AUSTIN MARKET AREA											
JUNE 2013											
Project Name/ Location	Occp. Date	No. of Units	No. Vac.	Unit Mix/Sizes/Pricing						Comments	
				Unit Mix	Size (Sq. Ft.)	Entry Fee/ Sale Price	Monthly Rent/ Fee	Rent Per Square Foot			
ASSISTED LIVING											
Our House Apts 1313 15th Ave NW Austin	2005	40	0	40 - 1BR	N/A	-- --	\$3,175 (single) \$3,275 (double)	-- --		Walk-in showers, balconies; handicap accessible; laundry services; housekeeping services available; 3 meals a day option; medication management available; health status monitoring available; emergency response system.	
Primrose 1701 22nd Ave. SW Austin	2002	24	4	4 - Studio 20 - 1BR	540 575	-- -- -- --	\$3,085 \$3,115	\$5.71 \$5.42		Assisted living. All utilities included, except phone, free surface parking lot w/ garages available, central A/C, kitchen, some walk-in closets/shower, emergency call system, dining and community room, laundry facilities, transportation, activities, 24-hour personal assistance. Rates effective July 1st.	
Wildwood Grove 410 East Main Street Le Roy	2001	16	0	8 - Studio 8 - 1BR	476 546	-- -- -- --	\$2,050 \$2,292	\$4.31 \$4.20		All utilities included, unit A/C; balconies; emergency call system; dining, community, exercise, & activity rooms; barber/beauty shop; transportation, activities director; in-unit laundry; 3 meals included; 24-hr. staffing; hskpng/laundry included. Avg. age is roughly 80.	
The Meadows 117 2nd St. SE Grand Meadow	2000	28	4	5 - Studio 15 - 1BR 6 - 2BR 2 - 2BR suites	N/A N/A N/A N/A	-- -- -- -- -- -- -- --	\$2,115 \$2,240 \$2,515 \$2,865	-- -- -- -- -- -- -- --		Assisted Living facility connected to nursing home. All utilities except phone/cable included; kitchen; walk-in showers; emergency calls; dining room; library; chapel; computer with high-speed internet; fireplace lounge; transportation; activities and outings; housekeeping/laundry; 24-hour supervision; bathing assistance; medication management; dressing/grooming, escort assistance; physical, occupational and speech therapy. Avg. age is 87.	
Sacred Heart Apts. 1200 12th Street SW Austin	1997	26	1	26 - Studio	420	-- --	\$2,150 (Base rate)	\$5.12		Assisted Living units are connected to nursing home; off-street parking; unit A/C; kitchen; walk-in showers; emergency call system; community room; dining room; activities; 3 daily meals+snacks; 2 hrs./wk of personal assistance with bathing assistance; weekly housekeeping/ laundry. Health assessments based on point system, rates increase based on amount of services needed. Avg. age is mid-late 80s.	
Cedar Court 18 10th Street NW Adams	2001	9	0	9 - Studio	N/A	-- --	\$2,300 (Base rate)	-- --		9 unit AL wing added in 2001. Tenant pays electric (heat); attached garages available; 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. Includes 3 meals/day, hskp/laundry, 24-hour nurse, aids. Avg. age is mid-80's.	
Cedars of Austin 700 1st Drive NW Austin	1985	48	8	27 - Studio 13 - 1BR 8 - 2BR	291 - 390 507 - 600 821	-- -- -- -- -- --	\$2,395 \$3,250 \$3,975	\$6.14 - \$8.23 \$5.42 - \$6.41 \$4.84		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; chapel; barber/beauty shop; FT activities director; 3 meals incl.; 24-hr. staffing; hskpng/laundry incl. Rents shown are base rates. Avg. age 85.	
St. Mark's Assisted Living 1401 4th Street SW Austin	1970	25	12	N/A - 1BR N/A - 2BR	373 - 455 N/A	-- -- -- --	\$2,800 \$3,000	\$7.51 -- --		Assisted Living are on same campus as Independent Living units. Amenities include: community room, hobby/craft room, barbershop, chapel, and laundry services. There are daily activities, exercise program, and public transportation available as well.	
Total/Average		216	29								
		13.4%									
CONTINUED											

SENIOR HOUSING ANALYSIS

TABLE F-1 (Con't)											
UNIT MIX/SIZE/COST & OCCUPANCY COMPARISON											
SENIOR HOUSING - MEMORY CARE											
AUSTIN MARKET AREA											
JUNE 2013											
Project Name/ Location	Occp. Date	No. of Units	No. Vac.	Unit Mix/Sizes/Pricing						Comments	
				Unit Mix	Size (Sq. Ft.)	Entry Fee/ Sale Price	Monthly Rent/ Fee	Rent Per Square Foot			
MEMORY CARE											
Our House Memory Care 1401 15th Ave. NW <i>Austin</i>	2002	24	0	24 - Private	235 - 250	--	--	\$3,905	\$15.62 - \$16.62	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. Avg. age is 89.	
Wildwood Grove 410 East Main Street <i>Le Roy</i>	2001	6	0	6 - Private	308	--	--	\$3,037	\$9.86	Offers all same features as assisted living but also accommodates the needs of people with memory loss. All utilities included.	
Our House MC 204 14th Street NW <i>Austin</i>	2000	19	0	19 - Private	200	--	--	\$3,905	\$19.53	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. Avg. age 88.	
Cedars of Austin 700 1st Drive NW <i>Austin</i>	1985	40	8	40 - 1BR (MC)	500	--	--	\$3,400 - \$4,100	\$6.80 - \$8.20	Secured unit, 3 meals a day, daily housekeeping, weekly laundry, 24-staff, emergency system, activities, religious services. Utilities included. Wellness checks, snacks throughout the day, individualized care plan.	
St. Mark's Memory Care 1401 4th Street SW <i>Austin</i>	1970	21	12	N/A - 1BR N/A - 2BR	N/A N/A	--	--	\$4,000 \$4,150	--	--	Memory Care are on same campus as Independent Living units. Amenities include: community room, hobby/craft room, barbershop, chapel, and laundry services. There are daily activities and public transportation available as well.
Total/Average		110	20								
		18.2%									
TOTAL - ALL SERVICE LEVELS		1,031	91	9.4%	(Vacancy rate excludes Village Cooperative of Austin)						
Source: Maxfield Research Inc.											

Austin Market Area Senior Housing Projects Location Map



SENIOR HOUSING ANALYSIS

The following are photographs of select senior housing facilities in Austin:



Village Cooperative



Oaks Condominiums



Twin Towers



Pickett Place



Our House



St. Mark's

- There are seven studio units, 426 one-bedroom units, and 23 two-bedroom units. Typically unit sizes at subsidized senior projects are smaller than many of the market rate senior rental projects, but this is not the case in the Austin Market Area. One-bedroom units range from 450 to 725 square feet and two-bedroom units range 516 to 950 square feet.

Active Adult Projects

- *Village Cooperative of Austin* is the only active adult cooperative in the Austin area. Cooperative products involve purchasing a unit (or share) and then paying monthly fees which includes all utilities, of property and commons areas, and future building maintenance. The 62-unit project was unable to provide vacancy, sale price, and rent range numbers. However, Austin city officials have specified that this facility is now renting and selling units to active adults age 55 and older.

Active Adult- Condominium Projects

- *Fox Pointe Condos* and *Oaks Condominiums* are two active adult condominium projects in the area. Fox Pointe currently has one vacancy, while Oaks Condominiums has four vacancies, resulting in a vacancy rate of 9.6%. Fox Pointe expects to expand its condo development in the coming years.
- There are a total of 52 units between the two projects. There are 30 one-bedroom units and 22 two-bedroom units.

Congregate Senior Projects

- There are four congregate senior rental developments located in Austin Market Area. *Primose* has six vacancies and *Cedars of Austin* has eight vacancies. *Wildwood Grove* and *Cedar Court* do not have any vacancies at this time. Combined, the four projects have a 10.4% vacancy rate. Unit sizes range from 507 to 795 square feet for a one-bedroom unit and 700 to 1,032 square feet for a two-bedroom unit.
- The four projects combine for 135 units. There are two studio units, 62 one-bedroom units, and 71 two-bedroom units. Rents range from \$550 to \$1,995 for a one-bedroom unit and \$700 to \$2,145 for a two-bedroom unit. The wide rent range is credited to the various service packages available.

Assisted Living

- The Austin Market Area has a total of eight assisted living facilities with 216 units. Combined, the projects have 29 openings, resulting in a vacancy rate of 13.4%. However, excluding *St. Mark's Assisted Living*, the vacancy rate is 8.9%.

- Monthly rents range from \$2,050 to \$3,085 for a studio unit, \$2,240 to \$3,250 for a one-bedroom unit, and \$2,515 to \$3,975 for a two-bedroom unit. Unit sizes range from 291 to 540 square feet for a studio and 373 to 600 square feet for a one-bedroom unit. Rent ranges for two-bedroom units are unavailable.
- All of the assisted living projects include scheduled activities, weekly housekeeping, laundry, 24-hour staff, and at least one meal daily. Base monthly fees vary from project to project, depending largely on the personal care package and health services that are included in the monthly rent.

Memory Care

- A total of five memory care facilities with 80 units are located in the Austin Market Area. Memory care housing is one of the newest trends in senior housing, which caters to seniors with Alzheimer's and other dementia. All of the memory care facilities have been built in 1970 or after. Combined the five properties have 20 vacancies, resulting in a vacancy rate of 18.2%. However, excluding *St. Mark's Memory Care*, the vacancy rate is 8.9%.
- *Our House Memory Care*, *Wildwood Grove*, and *Our House MC* have no vacancies currently. *Cedars of Austin* has eight vacancies and *St. Mark's Memory Care* has 12 vacancies at this time.
- Monthly rents range from \$3,037 to \$4,000 for one-bedroom units. This price includes all the same amenities and features of assisted living but also has additional services that accommodate to the needs of people with memory loss.

Pending Senior Housing Developments

Maxfield Research Inc. interviewed City staff in Austin to determine pending and planned rental developments. As of June 2013, there are no senior housing projects planned at this time. However, the Fox Pointe Addition was initially platted as a 99 unit age-restricted condominium development, but only 12 units have been built to date. This project is being considered for a replat consisting of single-family units, townhomes and a memory care facility. Because the project is conceptual, we do not account for these units in the demand projections for memory care housing.

Market Rate Adult/Few Services Senior Housing Demand

Table F-2 presents our demand calculations for market rate active adult/few services housing in the City in 2013 and 2020. The market for active adult/few services housing is comprised of older adult (age 55 to 64), younger senior (age 65 to 74) and older senior (age 75+) households, with market demand weighted most heavily toward older seniors. In order to arrive at the potential age-, income- and asset-qualified base for active adult housing, we include all age-qualified households with incomes of \$30,000 or more plus homeowner households with incomes between \$20,000 and \$29,999 who would qualify with the proceeds from a home sale. The number of qualifying homeowner households is estimated by applying the appropriate homeownership rate to each age cohort. We estimate there are 3,165 age-, income- and asset-qualified City households that comprise the market for active adult housing in 2013, increasing to 3,246 qualified households in 2020.

Adjusting to include appropriate capture rates for each age cohort (0.5% of households age 55 to 64, 5.5% of households age 65 to 74, and 12.0% of households age 75 and older) results in a demand potential for 167 active adult housing units in 2013 and 159 units in 2020. These capture rates reduce the total number of age/income/asset-qualified households to consider only the portion of older adult and senior households who would be able, willing, and inclined to move to senior housing alternatives, including both owner- and renter-occupied housing.

We estimate that seniors currently residing outside the City will generate 30% of the demand for active adult housing – increasing demand to 238 active adult units in 2013. Demand from outside the City includes parents of adult children living in the area, individuals who live outside the City but have an orientation to the area and former residents who desire to return upon retirement.

Demand for active adult/few services housing in the City is apportioned between ownership and rental product types. Based on the age distribution of the population, homeownership rates and trends for senior ownership product, we project that 40% of the demand will be for owner-occupied active adult housing (95 units in 2013), and the remaining 60% of demand will be for rental active adult housing units (143 units in 2013).

From the demand potential, we subtract existing and pending active adult units in Austin at 95% occupancy. In total, there are 114 owner-occupied units in Austin located at Oaks Condominiums, Fox Pointe, and Village Cooperative. We did not identify any active adult rental units in the City.

In total, we find that the current supply of owner-occupied active adult units is adequate to meet current and future demand, but we calculate pent-up demand for 143 renter-occupied units in 2013. Adjusting for inflation, we estimate that households with incomes of \$35,000 or more and home-owners with incomes of \$25,000 to \$34,999 would be candidates for active

SENIOR HOUSING MARKET ANALYSIS

adult housing in 2020. Following the same methodology, we project a slight drop-off in demand by 2020.

TABLE F-2 MARKET RATE ADULT/FEW SERVICES HOUSING DEMAND CITY OF AUSTIN 2013 & 2020						
	2013			2020		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of >\$30,000 ¹	1,175	754	621	1,258	849	613
# of Households w/ Incomes of \$20,000 to \$29,999 ¹	+ 208	173	440	+ 188	232	260
(times) Homeownership Rate	x 81%	85%	68%	x 81%	85%	68%
(equals) Total Potential Market Base	= 1,343	901	920	= 1,410	1,046	790
(times) Potential Capture Rate	x 0.5%	5.5%	12.0%	x 0.5%	5.5%	12.0%
(equals) Demand Potential	= 7	50	110	= 7	58	95
Potential Demand from City Residents	= 167			= 159		
(plus) Demand from Outside City (30%) ²	+ 71			+ 68		
(equals) Total Demand Potential	= 238			= 228		
	Owner-Occupied	Renter-Occupied		Owner-Occupied	Renter-Occupied	
(times) % by Product Type	x 40%	x 60%		x 40%	x 60%	
(equals) Demand Potential by Product Type	= 95	= 143		= 91	= 137	
(minus) Existing and Pending MR Active Adult Units ³	- 108	- 0		- 108	- 0	
(equals) Excess Demand for MR Active Adult Units	= 0	= 143		= 0	= 137	
¹ 2020 calculations define income-qualified households as all households with incomes greater than \$35,000 and homeowner households with incomes between \$25,000 and \$34,999. ² Based on interviews and historical trends. We estimate that roughly 30% of demand will come from outside the City. ³ Existing and pending are deducted at market equilibrium (95% occupancy).						
Source: Maxfield Research Inc.						

Demand for Congregate Senior Housing

Table F-3 presents our demand calculations for congregate living senior housing in Austin in 2013 and 2020. This analysis focuses on the potential private pay/market rate demand for congregate living units in the City. In order to arrive at the potential age-income qualified base for congregate senior housing, we include all senior households with incomes of \$35,000 or more and homeowners with incomes between \$25,000 and \$35,000 who would qualify with the proceeds from a home sale (this proportion was estimated based on the homeownership rates for each age cohort). Senior householders with incomes of \$35,000 allocating 65% of their income toward base housing cost could afford beginning rents of \$1,900. We estimate the number of age/income/asset-qualified households in the Market Area to be 1,498 householders in 2013, increasing to 1,614 in 2020.

Demand for congregate housing is need-driven, which reduces the qualified market to only the portion of seniors who need some assistance. Thus, the age/income-qualified base is multiplied by the percentage of seniors who need some assistance with IADLs (at least three), but not six or more ADLs/IADLs, as these frailer seniors would need the level of care found in service-intensive assisted living. According to the Summary Health Statistics of the U.S. Population: National Health Interview Survey, 2007 (conducted by the U.S. Department of Health and Human Services), the percentage of seniors having limitation in activities of daily living (bathing, dressing, toileting, transferring, eating) and instrumental activities of daily living (using the telephone, shopping, food preparation, housekeeping, laundry, transportation, taking medication, handling finances) are as follows:

Limitation in ADLs & IADLs

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

It is most likely that seniors who need assistance with ADLs also need assistance with multiple IADLs, and are more likely to be candidates for service-intensive assisted living. The prime candidates for congregate living are seniors needing assistance with IADLs, but not ADLs. We derive the capture rate for congregate housing by subtracting the percentage of seniors needing assistance with ADLs from those needing assistance with IADLs, which equates to 3.0% of seniors age 65 to 74 and 9.0% of seniors 75+. For the purposes of this report and understanding current market conditions and a sluggish housing market, we have reduced the potential capture rates for the 65 to 74 age group to 1.5% while increasing the capture rate of the 75+ age group to 12.0%. Multiplying the senior household base by these capture rates results in Market Area demand potential for 93 congregate housing units in 2013 and 96 units in 2020.

We estimate that seniors currently residing outside the City will generate 30% of the demand for congregate senior housing – increasing total demand by 40 congregate units. This demand consists primarily of parents of adult children living in the City, individuals who live just outside the City and have an orientation to the area, retirees who wish to relocate to the area and former residents who desire to return upon retirement. Together, the demand from Austin seniors and demand from seniors who would relocate to the area totals about 132 congregate units.

Next, existing congregate units are subtracted from overall demand. There are two market rate properties with a total of 95 competing units in Austin. Overall, we subtract 90 competitive units (after accounting for a 5% vacancy rate) from the demand potential, resulting in excess demand potential for 42 congregate units in 2013, increasing to 46 units in 2020.

TABLE F-3 CONGREGATE LIVING DEMAND CITY OF AUSTIN 2013 & 2020				
	2013		2020	
	Age of Householder		Age of Householder	
	65-74	75+	65-74	75+
# of Householders w/ Incomes of \$35,000+ in 2013 / \$40K in 2020 (plus)	648	492	761	548
	+		+	
# of Hhldrs w/ Incomes of \$25K - \$35K in 2013 / \$30K - \$40K in 2020 (times) Homeownership Rate	211	260	202	193
(equals) Potential Market	x 86%	68%	x 86%	68%
	= 181	177	= 174	131
(equals) Total Potential Market Base	= 829	669	= 935	679
(times) Potential Capture Rate of Congregate Living Demand ¹	x 1.5%	12.0%	x 1.5%	12.0%
(equals) Potential Demand	= 12 + 80		= 14 + 82	
	= 93		= 96	
Total Local Demand Potential (plus) Demand from Outside the City (30%)	+ 40		+ 41	
(equals) Total Demand Potential	= 132		= 136	
(minus) Existing Competitive Units ²	- 90		- 90	
(equals) Excess Limited-Care Demand Potential	= 42		= 46	

¹ The potential capture rate is derived from data from the Summary Health Statistics for the U.S. Population: National Health Interview Survey, 2007 by the U.S. Department of Health and Human Services. The capture rate used is the percentage of seniors needing assistance with IADLs, but not ADLs (seniors needing assistance with ADLs typically need assistance with multiple IADLs and are primary candidates for service-intensive assisted living.).

² Competitive existing and pending units at 95% occupancy (market equilibrium).

Source: Maxfield Research Inc.

Assisted Living Demand Estimate

Table F-4 presents our demand calculations for assisted living housing in Austin in 2013 and 2020. This analysis focuses on the potential *private pay/market rate* demand for assisted living units in the City.

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

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age 75. In 2013, there are an estimated 2,644 seniors ages 75 and over in the City. We project that this number will increase to 2,872 in 2020.

TABLE F-4 MARKET RATE ASSISTED LIVING DEMAND CITY OF AUSTIN 2013 & 2020						
Age group	2013			2020		
	People	Percent Needing Assistance ¹	Number Needing Assistance ¹	People	Percent Needing Assistance ¹	Number Needing Assistance ¹
75 - 79	827	19.5%	161	944	19.5%	184
80 - 84	777	31.2%	242	790	31.2%	246
85+	1,040	49.5%	515	1,138	49.5%	563
Total	2,644		918	2,872		994
Percent Income-Qualified ²			40%			42%
Total potential market			367			417
(times) Percent living alone			x 61%			61%
(equals) Age/income-qualified singles needing assistance			= 224			255
(plus) Proportion of demand from couples (12%) ³			+ 31			35
(equals) Total age/income-qualified market needing assistance			= 255			289
(times) Potential penetration rate ⁴			x 40%			40%
(equals) Potential demand from City residents			= 102			116
(plus) Proportion from outside the City (30%)			+ 44			50
(equals) Total potential assisted living demand			= 146			165
(minus) Existing market rate assisted living units ⁵			- 121			121
(equals) Total excess market rate assisted living demand			= 25			44
¹ The percentage of seniors needing assistance with ADLs, based on the 1990 & 1991 panels of the Survey of Income and Program Participation (SIPP) files, conducted by the U.S. Census Bureau.						
² Includes households with incomes of \$40,000 or more (who could afford monthly rents of \$3,000+ per month) plus 40% of the estimated owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing).						
³ The 2009 Overview of Assisted Living (a collaborative project of AAHSA, ASHA, ALFA, NCAL & NIC) found that 12% of assisted living residents are couples.						
⁴ We estimate that 60% of the qualified market needing assistance with ADLs could either remain in their homes or reside at less advanced senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility.						
⁵ Existing and pending units at 93% occupancy, minus units estimated to be occupied by Elderly Waiver residents.						
Source: Maxfield Research Inc.						

Demand for assisted living housing is need-driven, which reduces the qualified market to only the portion of seniors who need assistance. According to a study completed by the U. S. Census Bureau (1990 & 1991 panels of the Survey of Income and Program Participation (SIPP) files), about 30% of seniors needed assistance with everyday activities (from 19.5% of 75-to-79-year-olds, to 31.2% of 80-to-84-year-olds and 49.5% of 85+ year olds). Applying these percentages

to the senior population yields a potential assisted living market of an estimated 918 seniors in the City in 2013 and 994 in 2020.

Due to the supportive nature of assisted living housing, most daily essentials are included in monthly rental fees which allow seniors to spend a higher proportion of their incomes on housing with basic services. Therefore, the second step in determining the potential demand for assisted living housing in the City is to identify the income-qualified market based on a senior's ability to pay the monthly rent. We consider seniors in households with incomes of \$40,000 or greater to be income-qualified for assisted living senior housing in the City. Households with incomes of \$40,000 could afford monthly assisted living fees of \$2,600 by allocating a high proportion of their income toward the fees.

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

Sixty eight percent of age 75+ households in the City are homeowners and the median sale price of single family homes in the City in 2012 was \$71,250. Seniors selling their homes for the median price would generate about \$67,000 in proceeds after selling costs. Using an average monthly fee of \$2,600, these proceeds would last approximately 2.2 years (26 months) in assisted living housing, which is longer than the average length of stay in assisted living (20 months according to the 2009 Overview of Assisted Living).

We estimate the income-qualified percentage to be all seniors in households with incomes at or above \$40,000 (who could afford monthly rents of \$2,600+ per month) plus 40% of the estimated seniors in owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing). This results in a total potential market for about 367 units from the City in 2013.

Because the vast majority of assisted living residents are single (88% according to the 2009 Overview of Assisted Living), our demand methodology multiplies the total potential market by the percentage of seniors age 75+ in the City living alone, or 61% based on Census data. This results in a total base of about 224 age/income-qualified singles. The 2009 Overview of Assisted Living found that 12% of residents in assisted living were couples. Including couples results in a total of 255 age/income-qualified seniors needing assistance in the City in 2013.

We estimate that 60% of the qualified market needing significant assistance with ADLs could either remain in their homes or less service-intensive senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care

facility. The remaining 40% could be served by assisted living housing. Applying this market penetration rate of 40% results in demand for 102 assisted living units in 2013.

We estimate that a portion of demand for assisted living units in Austin (30%) will come from outside the City. This secondary demand will include seniors currently living just outside the City, former residents, and parents of adult children who desire supportive housing near their adult children. Applying this figure results in total potential demand for 146 assisted living units in 2013.

Next, existing and pending assisted living units are subtracted from overall demand. There are five existing assisted living properties in the City with a total of 163 competing units. However, we exclude estimated units occupied by low-income seniors utilizing Elderly Waivers (33 units). Subtracting these existing competitive units (minus a 7% vacancy factor) from the total demand equates to excess demand potential for 25 market rate assisted living units in the City in 2013, increasing to 44 units in 2020.

Demand for Memory Care Senior Housing

Table F-5 presents our demand calculations for memory care housing in Austin in 2013 and 2020. Demand is calculated by starting with the estimated City senior (ages 65+) population in 2013 and multiplying by the incidence rate of Alzheimer's/dementia among this population's age cohorts. This yields a potential market of about 777 seniors in the City. We project that this number will climb to 852 in 2020.

According to data from the National Institute of Aging, about 25% of all individuals with memory care impairments are a market for memory care housing units. This figure considers that seniors in the early stages of dementia will be able to live independently with the care of a spouse or other family member, while those in the latter stages of dementia will require intensive medical care that would only be available in skilled care facilities. Applying this figure to the estimated population with memory impairments yields a potential market of about 194 seniors in the City in 2013 and 213 in 2020.

Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing start at about \$4,000. Although some of the seniors will have high monthly incomes, most will be willing to spend down assets and/or receive financial assistance from family members to afford memory care housing. Based on our review of senior household incomes in the City, homeownership rates, and home sale data, we estimate that 35% of all seniors in the City have incomes and/or assets to sufficiently cover the costs for memory care housing. This figure takes into account married couple households where one spouse may have memory care needs and allows for a sufficient income for the other spouse to live independently. Multiplying the potential market (194 seniors) by 35% results in a total of about 68 income-qualified seniors in the City in 2013.

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We estimate that 30% of the overall demand for memory care housing in Austin would come from outside the area, for a total demand for 97 units in 2013. Currently, there are four facilities with competing memory care units in the City. We subtract 15% of these units (excluding public Elderly Waivers) and allocate a 7% vacancy factor for a total of 82 existing units. This reduced excess demand potential in the City to 15 units in 2013. Excess demand is expected to grow to approximately 28 units in 2020. Rural areas often have more seniors relying on adult family caregivers than in urban areas, a trend that can limit demand for memory care housing in rural communities.

TABLE F-5 MEMORY CARE DEMAND CITY OF AUSTIN 2013 & 2020		
	2013	2020
65 to 74 Population	1,795	2,234
(times) Dementia Incidence Rate ¹	x <u>2%</u>	x <u>2%</u>
(equals) Estimated Senior Population with Dementia	= 36	= 45
75 to 84 Population	1,604	1,734
(times) Dementia Incidence Rate ¹	x <u>19%</u>	x <u>19%</u>
(equals) Estimated Senior Population with Dementia	= 305	= 329
85+ Population	1,040	1,138
(times) Dementia Incidence Rate ¹	x <u>42%</u>	x <u>42%</u>
(equals) Estimated Senior Population with Dementia	= 437	= 478
(equals) Total Population with Dementia	777	852
(times) Percent Needing Specialized Memory Care Assistance	x <u>25%</u>	<u>25%</u>
(equals) Total Need for Dementia Care	= 194	= 213
(times) Percent Income/Asset-Qualified ²	x <u>35%</u>	x <u>36%</u>
(equals) Total Income-Qualified Market Base	= 68	= 77
(plus) Demand from Outside the Market Area (30%)	+ <u>29</u>	+ <u>33</u>
Total Demand for Memory Care Units	97	110
(minus) Existing and Pending Memory Care Units	- <u>82</u>	- <u>82</u>
(equals) Excess Memory Care Demand Potential	= 15	= 28
¹ Alzheimer's Association: Alzheimer's Disease Facts & Figures (2007)		
² Income greater than \$60,000 in 2013 and greater than \$65,000 in 2020, plus some lower-income homeowners.		
Source: Maxfield Research Inc.		

Estimated Demand for Affordable Independent Senior Housing

Table F-6 presents our demand calculations for affordable independent senior housing in Austin in 2013 and 2020.

While the methodology used to calculate demand for affordable housing closely mirrors the methodology used to calculate demand for market rate housing, we make adjustments to more precisely quantify demand among this market segment. The following points summarize these adjustments:

- **Income-Qualifications:** In order to arrive at the potential age and income-qualified base for low-income and affordable housing, we include all senior households age 55+ that qualify for the income guidelines for two-person households in 2013 between 30% and 60% of AMI. The income-restriction for a two-person household at 30% AMI is \$14,910 and the income-restriction for a two-person household at 60% AMI is \$29,820.
- **Capture Rates:** Households in a need-based situation (either requiring services or financial assistance) more readily move to housing alternatives than those in non-need based situations. Hence, the capture rate among each age group is higher than for market rate housing. Capture rates are employed at 1.5% for households age 55 to 64, 7.0% for households age 65 to 74 and 17.0% for households age 75 and older.

TABLE F-6 AFFORDABLE INDEPENDENT SENIOR HOUSING DEMAND CITY OF AUSTIN 2013 & 2020						
	2013			2020		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of \$15,000 to \$30,000 ¹	309	241	749	259	262	712
(times) Percent Renter Households	x 19%	15%	32%	x 19%	15%	32%
(equals) Total Potential Market Base	= 59	36	240	= 49	39	228
(times) Potential Capture Rate	x 1.5%	7.0%	17.0%	x 1.5%	7.0%	17.0%
(equals) Demand Potential	= 1	3	41	= 1	3	39
Total Affordable Demand Potential	= 44			= 42		
(plus) Demand from Outside City (30%)	+ 19			+ 18		
(equals) Total Demand Potential	= 63			= 60		
(minus) Existing and Pending Affordable Units ¹	- 0			- 0		
(equals) Total Demand Potential in Austin	= 63			= 60		
¹ 2020 calculations define income-qualified households as all households with incomes between \$16,275 and \$32,550						
¹ Includes existing and pending units at 95% occupancy, or market equilibrium. No additional units are planned through 2020.						
Source: Maxfield Research Inc.						

Using the methodology described above results in a demand potential for 44 affordable active adult housing units in 2013. We estimate that seniors currently residing outside Austin will generate 30% of the demand for affordable active adult housing – increasing demand to 63 affordable units. Demand for outside Austin includes parents of adult children living in the City, individuals who live just outside the City and have an orientation to the area and former residents who desire to return upon retirement.

Next we subtract existing competitive units. There are no affordable independent projects in the City. Thus, demand remains at 63 units in 2013.

Adjusting for inflation, we estimate that households with incomes between \$16,275 and \$32,550 would qualify for affordable housing in 2020. Although growth in senior households is projected, the age-income qualified base for affordable housing is shown to decline in Austin through 2020. Following the same methodology, we project that excess demand will decline slightly to 60 affordable independent senior housing units by 2020.

Estimated Demand for Subsidized Senior Housing

Table F-7 presents our demand calculations for subsidized senior housing in Austin in 2013 and 2020.

The target market for subsidized senior housing is senior households with incomes below 30% AMI. The 2013 income qualification for a two-person household earning 30% AMI or less in Mower County is \$14,910.

We deduct senior homeowners who earn between \$12,500 and \$15,000 from the potential market since these seniors will likely have home equity that may cause them to disqualify for subsidized senior housing. In total, we estimate the number of age/income-qualified older adult and senior households in Austin in 2013 is 802 households.

A portion of seniors who are age- and income-qualified for subsidized senior housing will choose other housing options (i.e. market rate projects with the financial assistance of family members) or will delay moving to senior housing alternatives until they need greater levels of care. Therefore, only a portion of the age- and income-qualified market will choose to reside at a subsidized senior housing community. We estimate that approximately 30% of the total age/income-qualified market would both need and desire subsidized senior housing. Applying a 30% capture rate, results in an estimated potential demand for 241 subsidized senior housing units in Austin in 2013.

We anticipate that 30% of the demand for subsidized senior housing in will be generated by seniors currently residing outside the City. This additional demand includes seniors residing in just outside the City, seniors who have an orientation to the area (i.e. church, doctor, etc.),

SENIOR HOUSING MARKET ANALYSIS

seniors who previously lived in the area and desire to move back, or seniors who desire to move near their adult children who already live in the area. Including demand from outside of the City increases total demand potential to 344 units in 2013.

From this potential demand, we subtract the existing number of competitive housing units in Austin. Currently, there are three subsidized senior buildings in the City with a total of 353 units. Subtracting these units, minus a 3% vacancy factor, results in excess demand from local seniors for about two units in 2013. To calculate demand in 2020, we increase the income-qualifications to account for inflation. Following the same methodology and holding constant the number of competitive units (we did not identify any new product proposed to come online); demand is forecast to increase to 48 units in 2020.

TABLE F-7 SUBSIDIZED INDEPENDENT SENIOR HOUSING DEMAND CITY OF AUSTIN 2013 & 2020						
	2013			2020		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
Households w/Incomes < \$15,000 ¹	237	152	529	251	194	650
(minus) Households w/Incomes of \$12,500 - \$15,000	- 40	26	90	- 43	33	110
(times) Homeownership Rate	x 81%	85%	68%	x 81%	85%	68%
(equals) Disqualified Homeowner Households	= 32	22	61	= 35	28	75
Potential Market by Age	205	130	468	208	161	540
Potential Market Total in the PMA	802			909		
(times) Percent Needing/Desiring Subsidized Senior Housing	x 30%			x 30%		
(equals) Demand Potentital from City residents	= 241			= 273		
(plus) Demand From Outside the City (30%)	+ 103			+ 117		
(equals) Total Demand Potential for Subsidized Senior Housing	344			390		
(minus) Existing & Pending Subsidized Senior Units in City ²	- 342			- 342		
(equals) Total Market Area Subsidized Senior Housing Demand Potential	= 2			= 48		
¹ 2020 calculations define income-qualified households as all households with incomes less than \$16,200						
² Competitive subsidized units, minus a 3% vacancy rate.						
Source: Maxfield Research Inc.						

Introduction

This section summarizes demand calculated for specific housing products in Austin and recommends development concepts to meet the housing needs forecast for the City. All recommendations are based on findings of the *Comprehensive Housing Needs Analysis*.

Demographic Profile and Housing Demand

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

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

CONCLUSIONS AND RECOMMENDATIONS

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

Source: Maxfield Research Inc.

CONCLUSIONS AND RECOMMENDATIONS

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

Source: Maxfield Research Inc.

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.

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 49 to 67, and as they age over this decade, they will increase the population in the age groups 55 to 74. Some of these baby boomers will prefer more expensive single-family homes, while many 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 45 to 54 will decline, somewhat decreasing the overall demand for move-up housing.

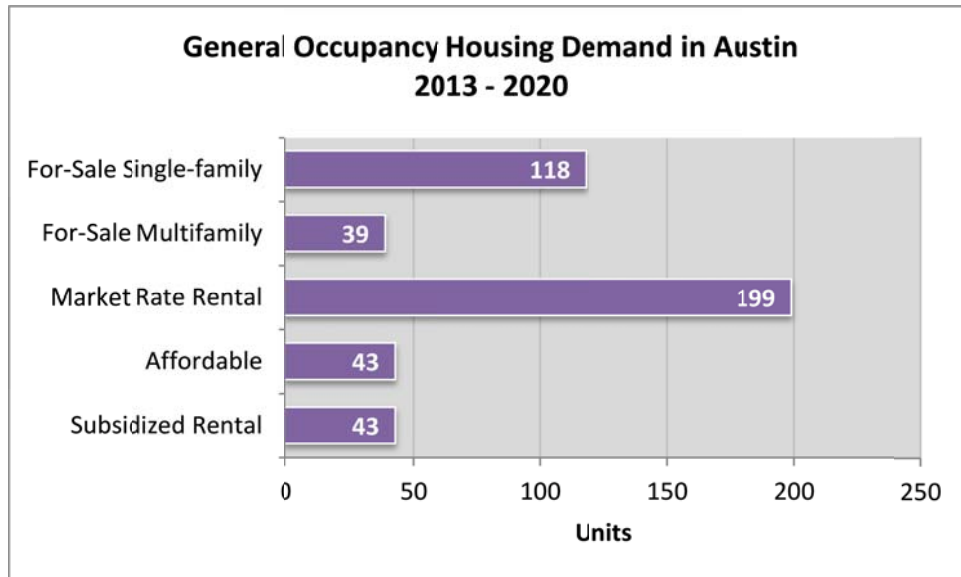
Housing Demand Summary

The following table and charts illustrate calculated demand by product type. Housing demand is comprised of several components, including projected household growth, pent-up demand (i.e. below equilibrium rental vacancy rates), and replacement needs (housing functionality or physically obsolete units). It is important to recognize that projected household growth will be highly dependent on increased or decreased hiring by the major employers in the City.

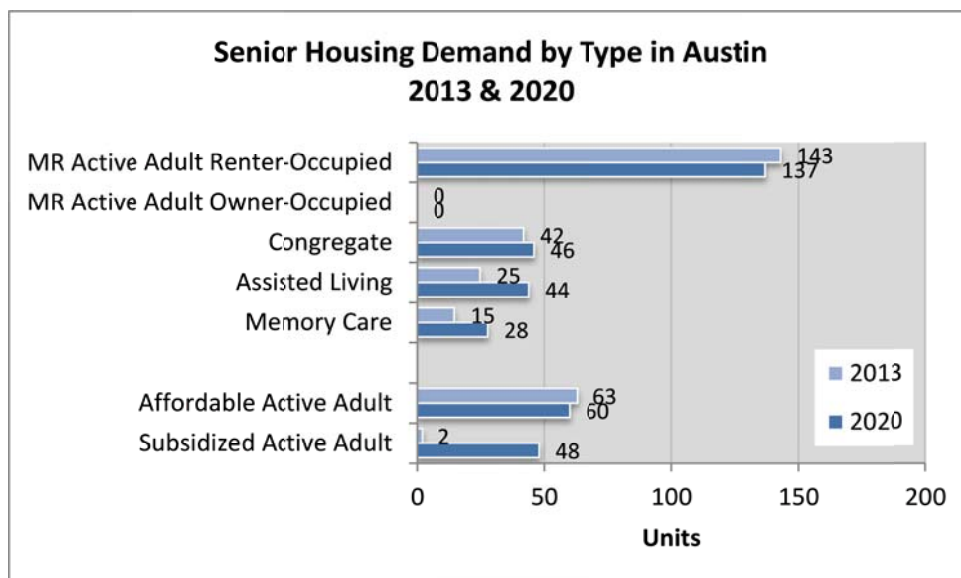
TABLE G-1 SUMMARY OF HOUSING DEMAND CITY OF AUSTIN July 2013		
General-Occupancy Housing		
	2013-2020	
For-Sale Units	157	
Single-Family	118	
Multifamily	39	
Rental Units	285	
Market Rate	199	
Affordable	43	
Subsidized	43	
Total General Occupancy Housing Units	442	
Senior Housing		
	2013	2020
Market Rate Senior Housing		
Market Rate Active Adult	143	137
Renter-Occupied	143	137
Owner-Occupied	0	0
Market Rate Congregate	42	46
Assisted Living	25	44
Memory Care	15	28
Total Market Rate Senior Housing Units	225	255
Affordable/Subsidized Senior Housing		
Affordable Active Adult	63	60
Subsidized Active Adult	2	48
Total Affordable Senior Housing Units	65	108
Source: Maxfield Research, Inc.		

CONCLUSIONS AND RECOMMENDATIONS

In total, we find demand to support 442 general occupancy housing units between 2013 and 2020. Highest demand will likely be for rental housing, representing roughly 64% of the total general occupancy housing demand, while for-sale housing represents 36% of general occupancy housing demand.



We also found excess demand for a total of 363 senior housing units in 2020. Of these senior units, roughly 70% would be market rate housing and the remaining 30% would be affordable or subsidized units. This level of senior housing demand (particularly active adult) may not be realized in the short-term as many seniors, especially in rural areas, prefer to age in place and delay moving to senior housing until they need services.



CONCLUSIONS AND RECOMMENDATIONS

Based on the finding of our analysis and demand calculations, Tables G-3 to G-5 provide a summary of the recommended development concepts by product type for the City of Austin. It is important to note that these proposed concepts are intended to act as a development guide to most effectively meet the housing needs of existing and future households in Austin. The recommended development types do not directly coincide with total demand as illustrated in Table G-1.

Recommendations

Based on the findings of our analysis and demand calculations, Tables G-2 and G-3 on the following pages provide a summary of recommended development concepts for for-sale and rental housing in Austin. It is important to note that these proposed concepts are intended to act as a development guide to best meet the housing needs of existing and future households in the City.

For-Sale Housing

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

- Demand was estimated at 157 units of new for-sale housing in the City. The general consensus is that there is strong demand for many types of housing in the area, most notably starter homes priced under \$100,000. Move-up housing in Austin was also singled out as being in demand. Based on recent sale transactions, housing demand appears to be highest for lower-priced homes as over half of the residential transactions in recent years were for homes priced below \$95,000.
- Multifamily housing can be an option for buyers looking for a starter home and households seeking to downsize or don't want the responsibilities of upkeep and maintenance. As such, we estimate that a smaller proportion (25%) of the new for-sale housing development in the City will consist of multifamily units, and we recommend that most for-sale multifamily units the City be geared toward the entry-level market or for older households.
- While demand is currently strongest for modest-priced homes, it is difficult to build new single-family detached housing in that price range. One way to provide entry-level single-family housing is to generate household turnover by increasing the supply of move-up and executive housing. Entry-level home demand will be primarily satisfied by existing single-family homes as residents of existing homes move into newer move-up and executive hous-

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ing products built in the community. A move-up buyer is typically one who is selling one house and purchasing another one, usually a larger and more expensive home. The move is typically desired because of a lifestyle change, such as a new job or a growing family. The 45 to 54 and 35 to 44 age groups are target markets for move-up and executive housing.

- In total, we found demand for 118 single-family homes in the City between 2013 and 2020. Based on the age distribution of City households along with hiring trends at the major employers in the City, we recommend that that 60% of these homes be priced in the move-up range (71 units), 25% priced as executive homes (29 units), and 15% in the modest price range (18 units). We also found demand for 39 multifamily units. Because the multifamily target market will likely be first time homebuyers or older householders looking to down-size, we recommend that multifamily housing be evenly split between the modest and move-up price ranges.
- According to Table D-7 in the For-Sale Market Analysis section, there are over 200 undeveloped residential lots in the City. On average, subdivisions in Austin have lots absorbed at a rate of roughly 3.4 lots per year, with Orchard Creek Addition being absorbed at the fastest pace (16.4 lots per year). Based on the total average annual lot absorption of 34.2 lots per year, the 214 undeveloped lots could potentially take more than six years to be developed. This assumption does not take into account the quality and marketability of specific lots. As such, there appears to be an adequate supply of existing platted undeveloped lots in the City.

TABLE G-2 GENERAL OCCUPANCY FOR-SALE HOUSING RECOMMENDATIONS CITY OF AUSTIN July 2013			
Product Type	% of Total	# of Units	Development Timing
Single-Family	75%	118	
Modest (less than \$125,000)	15%	18	2014+
Move-up (\$125,000 - \$250,000)	60%	71	2014+
Executive (over \$250,000)	25%	29	2014+
Multifamily	25%	39	
Modest (less than \$125,000)	50%	19	2014+
Move-up (\$125,000 - \$250,000)	50%	20	2014+
Total For-Sale Housing	100%	157	
Modest (less than \$125,000)	24%	37	2014+
Move-up (\$125,000 - \$250,000)	58%	90	2014+
Executive (over \$250,000)	19%	29	2014+
Source: Maxfield Research, Inc.			

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General Occupancy Rental Housing

Our competitive inventory identified that the vacancy rates for all types of general occupancy rental product are slightly below market equilibrium; 3.4% as of June 2013. Due to the positioning of most of the existing rental supply, a significant portion of units are priced at or below guidelines for affordable housing, which indirectly satisfies demand from households that income-qualify for financially assisted housing. However, today's renter base is seeking newer rental properties with additional and updated amenities that are not offered in older developments. Although ownership housing in Austin is very affordable for first-time home buyers, some are choosing to rent due to fears of past housing market performance.

Based on our analysis, Austin can accommodate approximately 200 new market rate rental housing units, 43 affordable units, and 43 subsidized units through 2020. Although the overall vacancy rate continues to perform at 3.4%, the majority of vacant units are located in much older buildings constructed in the 1970s or earlier. Newer buildings have a vacancy rate of only 1.9%.

TABLE G-3 RECOMMENDED RENTAL HOUSING DEVELOPMENT AUSTIN 2013 to 2020			
	Purchase Price/ Monthly Rent Range¹	No. of Units	Development Timing
<i>Market Rate Rental Housing</i>			
Apartment-style (move-up)	\$800/1BR - \$1,300/3BR	100 - 150	2014+
Townhomes	\$1,200/2BR - \$1,500/3BR	30 - 40	2014+
Total		130 - 190	
<i>Affordable Rental Housing</i>			
Apartment-style	Moderate Income ²	40 - 50	2014+
Subsidized	30% of Income ⁴	40 - 50	2014+
Total		80 - 100	
¹ Pricing in 2013 dollars. Pricing can be adjusted to account for inflation.			
² Affordability subject to income guidelines per Minnesota Housing Finance Agency (MHFA) for Mower County			
³ Subsidized housing will be difficult to develop financially			
Source: Maxfield Research Inc.			

- ***Market Rate Rental*** – We recommend a new middle- to upper-market rental project(s) with upwards of 150 units that will attract a diverse resident profile; including young to mid-age professionals as well as singles and couples across all ages. To appeal to a wide target market, we suggest a market rate apartment project with a unit mix consisting of one-bedroom units, one-bedroom plus den units, two-bedroom units, and two-bedroom plus den or

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three-bedroom units. Larger three-bedroom units would be attractive to households with children.

Monthly rents (in 2013 dollars) should range from \$800 for a one-bedroom unit to \$1,300 for a three-bedroom unit. Average rents in Austin are approximately \$0.82 per square foot, however monthly rents should range from about \$1.00 to \$1.15 per square foot to be financially feasible. Monthly rents can be trended up by 2.0% annually prior to occupancy to account for inflation depending on overall market conditions. Because of construction and development costs, it may be difficult for a market rate apartment to be financially feasible with rents lower than the suggested per square foot price. Thus, for this type of project to become a reality, there may need to be a public – private partnership to reduce development costs and bring down the rents or the developer will need to provide smaller unit sizes.

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

- Market Rate General Occupancy Rental Townhomes– In addition to the recommended apartment project, we find that demand exists for some larger townhome units for families – including those who are new to the community and want to rent until they find a home for purchase. An additional 30 to 40 rental townhome units could be supported in Austin over this decade. We recommend a project with rents of approximately \$1,200 for two-bedroom units to \$1,500 for three-bedroom units. Units should feature contemporary amenities (i.e. in-unit washer/dryer, high ceilings, etc.) and an attached two car garage.
- General Occupancy Rental Townhomes– We recommend a 30 to 40-unit market rate rental townhome project in Austin that would be attractive to families, baby boomers, and new Austin residents who desire to rent before buying. We recommend monthly rents from \$1,200 to \$1,500 with larger unit sizes and modern amenities. Units should feature central air conditioning, full appliance package, in-unit washer/dryer, an attached one/two car garage.
- Affordable General Occupancy Multifamily Housing– We find that demand exists for about 43 affordable units through 2020. Affordable housing attracts households that cannot afford market rate housing units but do not income-qualify for deep subsidy housing. Affordable projects attract a broad group of people based on tenants based on the unit type. One-bedroom units target singles and couples, whereas two and three-bedroom units target families. Some retired seniors would also be attracted to an affordable concept. Although there is an older supply of market rate apartment units in Austin that indirectly services as affordable housing, we recommend an affordable concept that would target residents at 50% to 60% AMI.

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We recommend a project(s) with one, two- and three-bedroom units. Units should feature central air conditioning, full appliance package, in-unit washer/dryer, an attached one/two car garage.

- *Subsidized Rental Housing*– Subsidized housing receives financial assistance (i.e. operating subsidies, tax credits, rent payments, etc.) from governmental agencies in order to make the rent affordable to low-to-moderate income households. Although we find demand for 43 subsidized rental housing units through 2020, this housing is very difficult to develop financially. A new subsidized or public housing development would have pent-up demand. But since subsidized housing development is challenging to develop today, an alternative to a multifamily structure is to acquire single-site housing structures to meet a portion of this demand.

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

Senior Housing

As illustrated in Table G-1, demand exists for a variety of senior housing products in the City of Austin through 2020. Development of additional senior housing is recommended in order to provide housing opportunity to these aging residents in their stages of later life. The development of additional senior housing serves a two-fold purpose in meeting the housing needs in Austin: older adult and senior residents are able to relocate to new age-restricted housing in Austin, and existing homes and rental units that were occupied by seniors become available to other new households. Hence, development of additional senior housing does not mean the housing needs of younger households are neglected; it simply means that a greater percentage of housing need is satisfied by housing unit turnover.

Although we found demand for most senior housing product types over the decade, we do not recommend developing many product types in the short-term due to the high vacancy rates within the existing senior housing product. The types of housing products needed to accommodate the aging population base are discussed individually in the following section.

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TABLE G-4 RECOMMENDED SENIOR RENTAL HOUSING DEVELOPMENT AUSTIN 2013 to 2020			
	Purchase Price/ Monthly Rent Range¹	No. of Units	Development Timing
Senior Housing (i.e. Age Restricted)			
Active Adult Market Rate Rental ²	\$1,000/1BR - \$1,300/2BR	40 - 60	2016+
Active Adult Affordable Rental ³	Moderate Income ³	50 - 60	2015+
Subsidized Senior ⁴	30% of Income ⁴	40 - 50	2016+
Total		130 - 170	
¹ Pricing in 2013 dollars. Pricing can be adjusted to account for inflation. ² Alternative development concept is to combine active adult affordable and market rate active adult into mixed-income senior community ³ Affordability subject to income guidelines per Minnesota Housing Finance Agency (MHFA) for Mower County ⁴ Subsidized housing will be difficult to develop financially			
Source: Maxfield Research Inc.			

- **Active Adult** – Demand was projected for about 140 market rate active adult units in Austin through 2020. Currently, there are only ownership active adult products in Austin and no active rental projects. It is likely there are seniors who currently reside in general-occupancy housing that would consider a newer active adult rental product. In addition, there may be seniors who no longer want the burden of the maintenance of homeownership and would like the choice of additional active adult rental products. We recommend an active adult rental development from 40 to 60 units later in the decade as the senior population continues to age. We recommend a project that could be phased to accommodate future expansion based on demand.
- **Congregate, Assisted Living, and Memory Care** – Although we find demand for all three of these product types, the existing supply of service-based senior housing is meeting the needs of seniors at this time. Overall vacancy rates among congregate, assisted living, and memory care facilities in Austin is high. The equilibrium rate for congregate senior housing is a 5% vacancy factor while assisted living and memory care equilibrium rate is 7%. We do not recommend new service-based senior housing until the vacancy rates fall below equilibrium in these projects.
- **Affordable and Subsidized Senior Rental** – Demand was calculated for 60 affordable senior units through 2020. Though there are a number of subsidized or public housing senior developments in the Austin Market Area, there are no moderate income projects. Many candidates for affordable senior rental may be residents at older market rate rental properties. These older properties would have similar rents that would be considered affordable for these seniors. The lack of affordable senior housing may be due to the cost and funding as-

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sociate with this type of development. Therefore any affordable senior housing project could best be incorporated into a mixed-income building to be feasible. We recommend a senior housing development with 50 to 60 units in either a stand along building or incorporated within a mixed-income development.

We recommend 40 to 50 units of senior subsidized housing through 2020. Although the study shows demand for subsidized units in Austin, the development of subsidized senior housing can be challenging. Financing subsidized senior housing is difficult as federal funds have been shrinking. Therefore, a new subsidized development would likely rely on a number of funding sources; from low-income tax credits (LIHTC), tax-exempt bonds, Section 202 program, USDA 515 program, among others.

Challenges and Opportunities

Tables G-2 to G-4 identified and recommended housing types that would satisfy the housing needs in Austin through 2020. The following were identified as the greatest challenges and opportunities for developing the recommended housing types (in no particular order).

- **Affordability.** The following chart compares the costs of homeownership to market rate rental housing based on a 30% allocation of income to housing and an average of today's housing costs. We do note, however, that not all householders will have the credit scores and down payment that would qualify them to purchase for-sale housing. Based on current home prices, over 72% of Austin households could afford to purchase an entry-level single-family home. Likewise, about 72 of householders could afford to rent at an existing market rate rental project; however only 59% could afford monthly rents at a new rental development.

Because the cost of purchasing a home has come down as the housing market is recovering, some households who previously would not consider purchasing may do so earlier since the cost to own an entry-level home is on-par with market rate rental housing costs. Over the past few years, there have been cases where owning a home may be more affordable than renting given today's historically low interest rates and depressed real estate prices. However, as the housing market continues to improve the purchasing affordability factor will decrease with continued appreciation.

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TABLE G-5 AUSTIN HOUSING AFFORDABILITY - BASED ON HOUSEHOLD INCOME						
For-Sale (Assumes 10% down payment and good credit)						
	Single-Family			Townhome/Condo		
	Entry-Level	Move-Up	Executive	Entry-Level	Move-Up	
Price of House	\$85,000	\$150,000	\$250,000	\$125,000	\$250,000	
Pct. Down Payment	10.0%	10.0%	10.0%	10.0%	10.0%	
Total Down Payment Amt.	\$8,500	\$15,000	\$25,000	\$12,500	\$25,000	
Estimated Closing Costs (rolled into mortgage)	\$2,550	\$4,500	\$7,500	\$3,750	\$7,500	
Cost of Loan	\$79,050	\$139,500	\$232,500	\$116,250	\$232,500	
Interest Rate	4.375%	4.375%	4.375%	4.375%	4.375%	
Number of Pmts.	360	360	360	360	360	
Monthly Payment (P & I)	-\$395	-\$697	-\$1,161	-\$580	-\$1,161	
(plus) Prop. Tax	-\$106	-\$188	-\$313	-\$156	-\$313	
(plus) HO Insurance/Assoc. Fee for TH	-\$28	-\$50	-\$83	-\$150	-\$150	
(plus) PMI/MIP (less than 20%)	-\$34	-\$60	-\$101	-\$50	-\$101	
Subtotal monthly costs	-\$564	-\$994	-\$1,657	-\$937	-\$1,724	
Housing Costs as % of Income	30%	30%	30%	30%	30%	
Minimum Income Required	\$22,541	\$39,778	\$66,297	\$37,482	\$68,964	
Pct. of Austin Households	72.5%	49.9%	28.8%	52.0%	28.8%	
Rental (Market Rate)						
	Existing Rental			New Rental		
	1BR	2BR	3BR	1BR	2BR	3BR
Monthly Rent	\$575	\$680	\$955	\$800	\$1,000	\$1,300
Annual Rent	\$6,900	\$8,160	\$11,460	\$9,600	\$12,000	\$15,600
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$23,000	\$27,200	\$38,200	\$32,000	\$40,000	\$52,000
Pct. of Austin Households	71.7%	65.5%	51.4%	58.7%	49.6%	38.7%

Source: Maxfield Research Inc.

- **Housing Programs.** The Austin Housing and Redevelopment Authority (HRA) offers a number of programs to promote and preserve the existing housing stock in Austin. Some of the key programs that are offered include:
 - MHFA Fix-Up Fund loans to improve the livability, accessibility, and/or energy efficiency of a home;
 - Down-payment, closing cost, and rehabilitation assistance;
 - Home stretch homebuyer training program to cover various aspects of homeownership including financing, mortgage qualification, and the purchase process;
 - Home loan programs for first-time homebuyers and income-eligible families;
 - Housing Choice Voucher home ownership program; and,
 - Bridges program providing rental assistance for people that have serious and persistent mental illness.

However, there are other programs the HRA could consider to aid and improve the City's housing stock. The following is a sampling of potential programs that could be explored.

- Foreclosure Prevention – Partnered with a third party such as the Minnesota Home Ownership Center or Lutheran Social Service Financial Counseling. Provides counseling and financial assistance to homeowners facing possible foreclosure.

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- Remodeling Advisor – Partner with local architects and/or builders to provide ideas and general cost estimates for property owners.
- Construction Management Services – Assist homeowners regarding local building codes, reviewing contractor bids, etc. Typically provided as a service by the building department.
- Historic Preservation – Encourage residents to preserve historic housing stock in neighborhoods with homes with character through restoring and preserving architectural and building characteristics. Typically funded with low interest rates on loans for preservation construction costs.
- Home-Building Trades Partnerships – Expand partnership between local Technical Colleges or High Schools that offer building trades programs. Affordability is gained through reduced labor costs provided by the school. New housing production serves as the “classroom” for future trades people to gain experience in the construction industry.
- Mobile Home Improvements – Offer low or no-interest loans to mobile home owners for rehabilitation. Establish income-guidelines based on family size and annual gross incomes.
- Foreclosure Home Improvement Program – Low-interest loans to buyers of foreclosed homes to assist home owners with needed home improvements while stabilizing owner-occupied properties. A portion of the loan could be forgivable if the occupant resides in home at least five years. Eligible participants should be based on income-guidelines (typically 80% AMI or lower).
- Townhome/Condo Association Improvements – Offer associations low-interest loans for common-area improvements. Unit owners repay the loan through association fees. Many townhome/condo associations have been unable to secure financing due to depressed real estate pricing; this program assists with improving housing stock with older properties that may have deferred maintenance.
- Rent to Own - Income-eligible families rent for a specified length of time with the end-goal of buying a home. The HRA saves a portion of the monthly rent that will be allocated for a down payment on a future house.
- Rental Collaboration – Host meetings on a regular basis (quarterly, bi-annually, or annually) with rental property owners, property management companies, Realtors, etc. to discuss key issues and topics related to the rental housing industry in Austin.
- Rental Rehabilitation - Austin has a large supply of older renter-occupied housing units that could be enhanced through renovation, and many local rental owners may have difficulty investing in their rental properties if market demand and market rents remain in the affordable range. Grant funding such as the Small Cities Development Program HOME funds may be available. The HOME Program is funded through the U.S. Department of Housing and Urban Development (HUD) and is a primary source for funds for rental rehabilitation.
- Home Fair – Provide residents with information and resources to promote improvements to the housing stock. Typically offered on a weekend in early spring where home owners can meet and ask questions to architects, landscapers, building contractors, lenders, building inspectors, etc.

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- **Lender-mediated Properties.** Lender-mediated properties have accounted for about 27% of closed residential sales over the past two years. Comparatively, lender-mediated properties in the Twin Cities Metro Area comprise 40% of all sales activity in 2012. Numerous other cities outside the Metro Area but within a one-hour drive have much higher percentages of lender-mediated properties; some upwards of 50% to 60% of real estate transactions. Although Austin has a lower foreclosure rate than the Metro Area and other similar-sized communities closer to the Metro Area, lender-mediated properties will continue to halt pricing appreciation until the supply has been absorbed.

The City of Austin should continue to monitor sheriff sales from the County and maintain a list of properties in foreclosure. Other cities in Minnesota have participated in the “First Look” program which helps community leaders gauge future foreclosures activity.

- **Job Growth/Employment.** Historically, low unemployment rates have driven both existing home purchases and new-home purchases. Mower County has historically maintained a lower unemployment than the rest of the U.S. during the Great Recession, the unemployment rate of about 4.9% in 2012 is at equilibrium and lower than the State of Minnesota (5.6%). Today’s unemployment rate has come down from 6.5% in 2009. Lack of job growth leads to slow or diminishing household growth, which in-turn relates to reduced housing demand. Further job creation in Austin will result in household growth that could exceed projections as outlined in Table A-1.
- **Land Supply.** Table D-7 inventoried active subdivisions with available lots. Based on our research there are over 200 vacant lots, not included scattered lots throughout the city. Based on this lot supply and the recent construction activity over the past five years, there is an excess supply of platted lots in the community. Because of this, it is unlikely that developers will plat lots in the short-term until additional inventory has been absorbed, especially given development and infrastructure costs.
- **Multifamily Development Costs.** It may be difficult to construct new multifamily product with amenities today’s renter’s desire given achievable rents and development costs. Maxfield Research tracks development and construction costs for new rental housing across Minnesota. In the Twin Cities core the average costs per unit ranges on average from about \$150,000 to \$250,000; whereas in out-state Minnesota, many market rate rental projects average over \$110,000 per unit. The average rent per square foot in Austin is \$0.82 per square foot, when most out-state Minnesota projects will need at least \$1.05 or more per square foot to be financially feasible. Based on these costs, it may be difficult to develop stand-alone multifamily housing structures by the private sector based on achievable rents. As a result, a private-public partnership or other financing programs may be required to spur development.