

Comprehensive Housing Market Study City of Waseca, Minnesota



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January 7, 2016

Mr. Danny Lenz
City Manager/Executive Director
City of Waseca
508 South State Street
Waseca, MN 56093

Dear Mr. Lenz:

Attached is the *Comprehensive Housing Market Study for Waseca, Minnesota* conducted by Maxfield Research and Consulting, LLC. The study projects housing demand from 2015 through 2025, and provided recommendations on the amount and type of housing that could be built in Waseca to satisfy demand from current and future residents over the next decade. Furthermore, findings and recommendations are given on development costs and tax implication comparing Waseca with peer communities.

The study identifies a potential demand for approximately 362 new housing units through 2025. About 66% of the total demand was for senior housing; while general-occupancy housing accounted for 34% of the demand. Demand was highest for active-adult senior housing (87 units) followed by active-adult affordable housing (59 units). The current lot supply is sufficient to meet demand of for-sale housing through the short term; however additional lots will need to be platted later this decade to meet future housing demand.

Based on our findings, we found demand for maintenance free for-sale and general occupancy rental products. We recommend maintenance-free products such as townhomes/twinhomes to fulfill this need for owner-occupied, general occupancy rental, and for active senior age restricted housing. Detailed information regarding recommended housing concepts can be found in the *Conclusions and Recommendations* section at the end of the report.

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

Sincerely,

MAXFIELD RESEARCH AND CONSULTING, LLC

Matt Mullins
Vice President

Associate

Attachment

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Purpose and Scope of Study

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

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

Demographic and Employment Analysis

- As of the 2010 Census, the City of Waseca had 9,410 people and 3,504 households. The City of Waseca is forecast to decline by -140 people and gain seven households between 2010 and 2025.
- The population in Waseca is aging and older age cohorts are accounting for a significant percentage of the total population. Baby boomers (comprising the age groups 45 to 54 and 55 to 64 in 2010), accounted for an estimated 26% of the City’s population. Over the next 15 years, the age 65 to 74 cohort will have the highest growth by percentage and numerically (240 people, or 43.8%). The growth in this age cohort can be primarily attributed to the baby boom generation aging into their young senior years.
- The Waseca Market Area had an estimated median household income of \$56,591 in 2015. Non-senior household median incomes peak in the 45 to 54 age group at \$70,100. The median income for seniors age 65+ is \$39,297.
- In 2014, the Waseca Market Area had an average net worth of \$476,356 and a median net worth of \$124,672.
- Between 2000 and 2010, homeownership rates decreased from 79% to 76% in the Waseca Market Area and decreased from 73.1% to 68.7% in the City of Waseca.
- Approximately 28% of all households in the Waseca Market Area lived alone in 2010. Married without children households accounted for the highest household type percentage in 2010 at 33.4%.

EXECUTIVE SUMMARY

- Compared to peer cities in 2014, the City of Waseca had the lowest percent of owner-households (55.5%) that had a mortgage.
- Compared to peer cities, the City of Waseca had the lowest number (104 building permits) of single and multi-family building permits since 2003.
- Waseca County had an unemployment rate of 4.7% in 2014 which is higher than the State of Minnesota (4.1%). Waseca County's unemployment rate has been slightly higher than the State of Minnesota for the past couple of years.
- Of the roughly 6,109 workers who work in Waseca, 54.9% live in Waseca. The remaining 45.1% of the workers are commuting from mostly Owatonna (10.1%) and Mankato (5.8%).

Housing Characteristics

- The City of Waseca issued permits for the construction of 104 new residential units from 2003 to November 2015. Beginning in 2007, building permits declined rapidly and from 2007 to 2015; averaging just 2.6 units per year since.
- The majority of the homes in Waseca were built in the 1970's (roughly 25%) and about 47% of the City of Waseca's housing stock was built prior to 1970.
- Approximately 56% of Waseca homeowners have a mortgage compared to 70% of Minnesota homeowners that have a mortgage. About 16% of homeowners with mortgages also have a second mortgage or home equity loan.
- The median owner-occupied home in the City of Waseca is \$127,200 in 2014. Approximately 62% of the owner-occupied housing stock in the City of Waseca was estimated to be valued between \$100,000 and \$199,999.
- The median contract rent in Waseca was \$505 in 2014 compared to Minnesota which was \$747, lower than peer city rents, and lower than all other peer counties except Brown County (\$496). Approximately 77% of Waseca renters paying cash have monthly rents ranging from \$250 to \$750.

Rental Housing Market Analysis

- In total, Maxfield Research inventoried 467 general occupancy market rate rental units in the Waseca Market Area spread across 22 multifamily developments (8 units and larger). At the time of the survey, there were 23 vacant units resulting in an overall vacancy rate of 4.9%. Typically, a healthy rental market maintains a vacancy rate of roughly 5%, which promotes competitive rates, ensures adequate consumer choice, and allows for unit turnover.

EXECUTIVE SUMMARY

- Market rate projects make-up 193 units and a total of 12 unit vacancies were found, resulting in a market rate rental project vacancy rate of 6.2%.
- Affordable/subsidized projects make-up 274 units and posted 11 vacant units. The overall vacancy rate for affordable and subsidized rental housing in the Waseca Market Area is about 4.0%.

Senior Housing Market Analysis

- There are four senior housing developments and one nursing home located in the Waseca Market Area with a total of 213 units. There were six vacancies identified within the housing developments posting an overall vacancy rate of 2.8%. However, there is a 9.1% vacancy in the skilled nursing beds. Generally, healthy senior housing vacancy rates range from 5% to 7% depending on service level.

For-Sale Housing Market Analysis

- The average and median resale price of homes in the City of Waseca was approximately \$128,020 and \$116,375 respectively as of November 2015. Over a ten year period in the City of Waseca, the average (\$152,076) and median sales price (\$127,500) was highest in 2005 (generally the peak year of the housing boom for most communities).
- An average of 65 homes has been sold annually in the City of Waseca since 2010.
- The median list price of single-family homes for sale in Waseca was roughly \$116,200 as of November 2015. Based on the median list price, a household would need an income of about \$33,200 to \$38,733 based on an industry standard of 3.0 to 3.5 times the median income. About 66% of Waseca households have annual incomes at or above \$35,000.
- Between 2009 and 2014, the number of lender-mediated sales in Waseca was the highest in 2011 with 39 resales. All indicators project continued low numbers of distressed properties in 2015.
- There are 81 lots available for new construction within five newer subdivisions in the City of Waseca. The lot supply benchmark for growing communities is a three- to five-year lot supply. New for-sale construction was on average seven homes built per year between 2000 and 2015, but from 2009 to 2015 an average of two homes has been built per year. Currently there are no builders actively pursuing spec housing. As a result, the current lot supply should meet single-family housing demand in the short-term through this decade.

Development Pipeline

- As of November 2015, there is one market rate general occupancy apartment that is planning on constructing a ten-unit addition. There are no other housing projects being planned or under construction in the City of Waseca.

Housing Needs Analysis

- Based on our calculations, demand exists in the City of Waseca for the following general occupancy product types between 2015 and 2025:
 - Market rate rental 42 units
 - Affordable rental 25 units
 - Subsidized rental 20 units
 - For-sale single-family 4 units (after subtracting existing lot supply)
 - For-sale multifamily 32 units
- In addition, we find demand for multiple senior housing product types. By 2025, demand in Waseca for senior housing is forecast for the following:
 - Active adult ownership 35 units
 - Active adult market rate rental 52 units
 - Active adult affordable 59 units
 - Active adult subsidized 3 units
 - Congregate 28 units
 - Assisted Living 42 units
 - Memory care 20 units

Recommendations and Conclusions

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

EXECUTIVE SUMMARY

RECOMMENDED HOUSING DEVELOPMENT				
CITY OF WASECA				
2015 to 2025				
		Purchase Price/ Monthly Rent Range ¹	No. of Units	Development Timing
Owner-Occupied Homes				
Single Family ²				
	Move-up	\$175,000 - \$225,000	28 - 32	Ongoing
	Executive	\$250,000+	22 - 24	Ongoing
	Total		50 - 56	
Townhomes/Twinhomes ²				
	Entry-level	>\$150,000	12 - 14	2017+
	Move-up	\$180,000+	16 - 20	2017+
	Total		28 - 34	
Total Owner-Occupied			78 - 90	
General Occupancy Rental Housing				
Market Rate Rental Housing				
	Apartment-style	\$700/1BR - \$1,050/3BR	20 - 24	2019+
	Townhomes	\$900/2BR - \$1,200/3BR	20 - 22	2017+
	Total		38 - 46	
Affordable Rental Housing				
	Apartment-style	Moderate Income ³	24 - 30	2019+
	Subsidized	30% of Income ⁴	18 - 22	2020+
	Total		42 - 52	
Total Renter-Occupied			80 - 98	
Senior Housing (i.e. Age Restricted)				
	Active Adult Ownership / Co-op ⁵	\$120,000+	30 - 34	2018+
	Active Adult Rental	\$700/1BR - \$1,000/3BR	44 - 50	2017+
	Active Adult Affordable Rental	Moderate Income ³	50 - 60	2017+
	Memory Care	\$3,000+ per month	16 - 20	2019+
	Assisted Living	\$3,000+ per month	30 - 42	2019+
	Congregate	\$2,000+ per month	24 - 28	2019+
	Total		194 - 234	
Total - All Units			352 - 422	
¹ Pricing in 2015 dollars. Pricing can be adjusted to account for inflation.				
² Recommendations include the absorption of existing previously platted lots. Most entry-level demand will be accommodated through the resale market.				
³ Affordability subject to income guidelines per Minnesota Housing Finance Agency (MHFA).				
⁴ Subsidized housing will be difficult to develop financially due to lack of federal funding from HUD				
⁵ Senior Cooperative assumption cost is based on share cost = 35% of its actual value.				
Note - Recommended development does not coincide with total demand. The City of Waseca may not be able to accommodate all recommended housing types based on a variety of factors (i.e. development constraints, land availability, etc.)				
Source: Maxfield Research and Consulting LLC				

Introduction

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

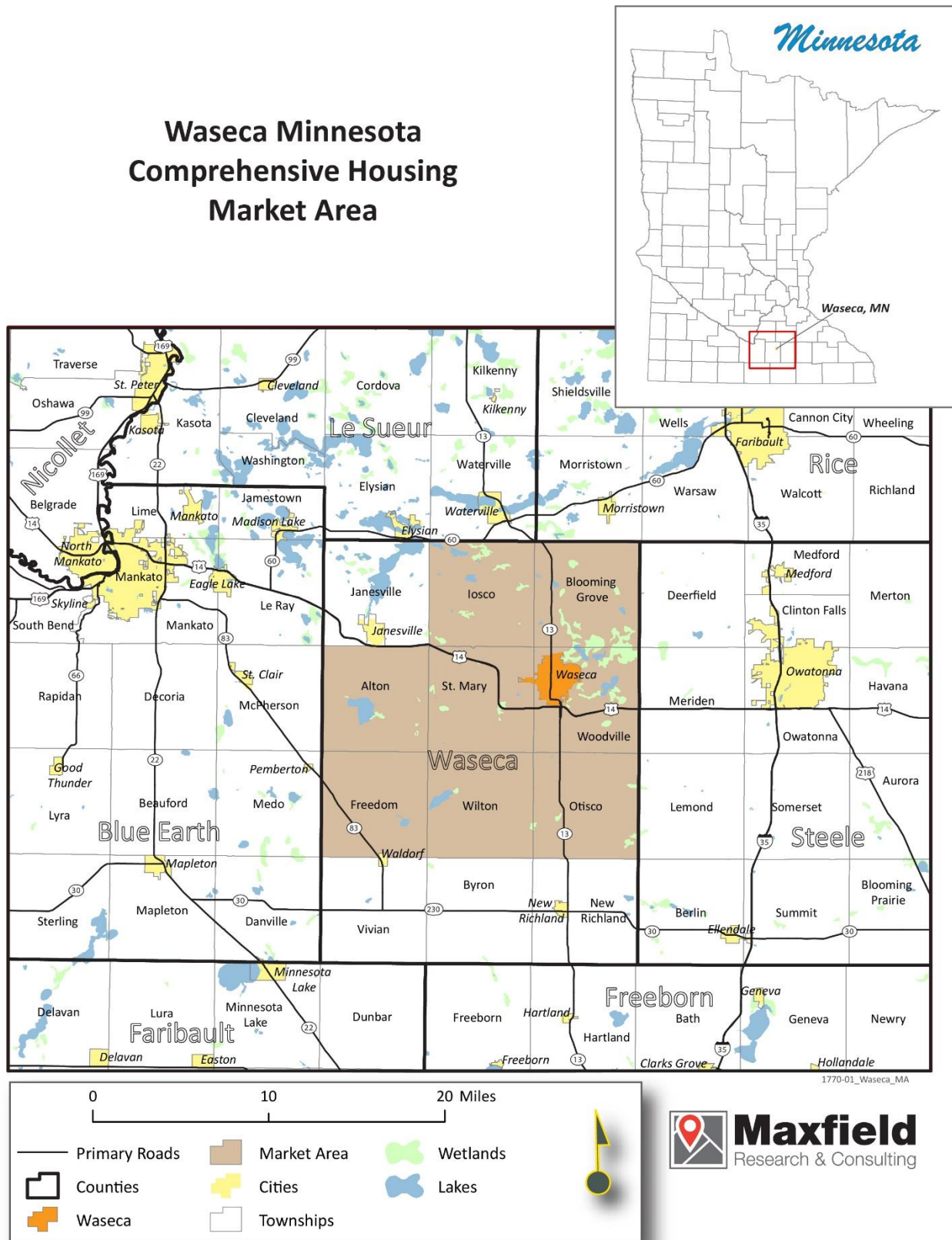
Market Area Definition

The primary draw area (Market Area) for housing in Waseca was defined based on traffic patterns, community and school district boundaries, and our general knowledge of the draw area for housing projects.

The Market Area geography includes the City of Waseca and eight surrounding townships (Alton, Blooming Grove, Freedom, Josco, Otisco, Saint Mary, Wilton and Woodville). These communities in the Market Area serve as an immediate draw area for Waseca and are all within Waseca County. A portion of demand will also be drawn from outside the Waseca Market Area.

MARKET AREA DEFINITION	
Market Area Boundary	
City	Township
Waseca	Alton
	Blooming Grove
	Freedom
	Josco
	Otisco
	Saint Mary
	Wilton
	Woodville
Source: Maxfield Research and Consulting LLC	

Waseca Minnesota Comprehensive Housing Market Area

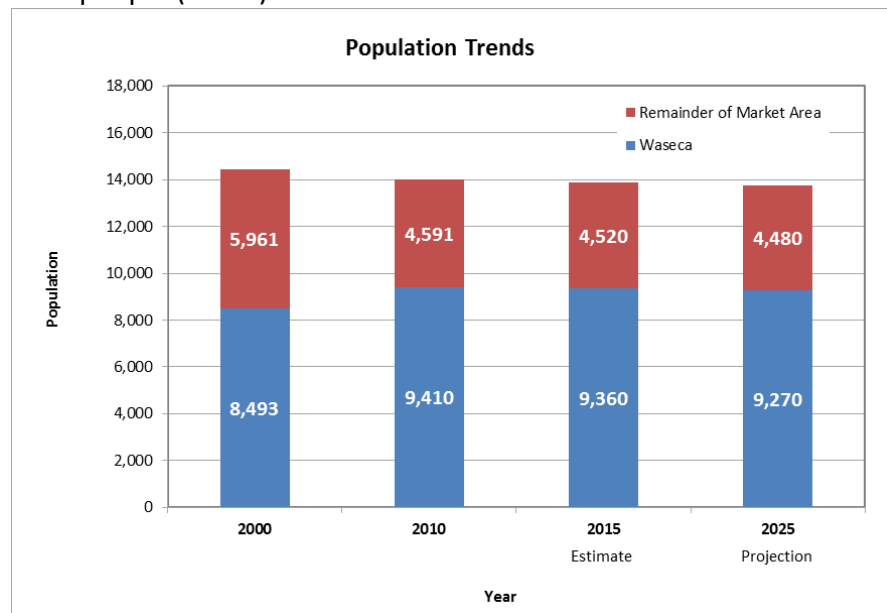


Population and Household Growth Trends and Projections from 2000 to 2025

Table D-1 presents the population and household growth trends and projections from 2000 to 2025. The 2000 to 2010 data is from the U.S. Census. Estimate and projection data is calculated from the Minnesota State Demographer; ESRI (a national demographics service provider); with adjustments calculated by Maxfield Research and Consulting LLC. The adjustments are intended to reflect growth that will likely be realized after considering the impact of the current housing market, employment, and review of building permit trends.

Population

- Waseca's population grew by 917 people (+10.8%) and the Remainder of the Market Area declined by 1,370 people (-23.0%) between 2000 and 2010. The Waseca PMA has seen decline during this past decade (-3.1% overall), Waseca County had a decline of -390 people (-2.0%).
- In 2010, the Market Area included roughly 73% of the total population in Waseca County. Waseca accounts for approximately 67% of the Market Area's population.
- Due to household characteristic changes; effects of the recession period in the late 2000's are continuing to influence the area housing market; and other economic changes in Waseca, we project that the City of Waseca will have a slight population decline through 2025. We project that Waseca will have a decrease in its population by 140 persons (-1.5%) between 2010 and 2025.
- We project the Remainder of the PMA to decrease by -111 people (-2.4%) with an overall decrease of -251 people (-1.8%) in the Market Area between 2010 and 2025.

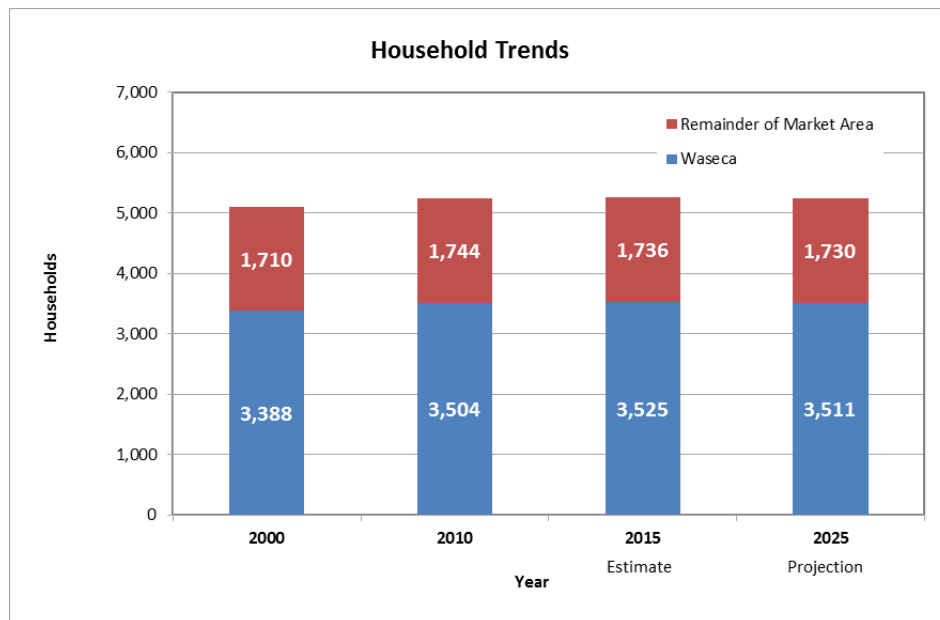


DEMOGRAPHIC ANALYSIS

TABLE D-1 POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS WASECA MARKET AREA 1990 to 2025										
	U.S. Census			Estimate	Forecast	Forecast	Change			
							2000 to 2010		2010 to 2025	
	1990	2000	2010	2015	2020	2025	No.	Pct.	No.	Pct.
POPULATION										
Waseca	8,385	8,493	9,410	9,360	9,300	9,270	917	10.8	-140	-1.5
Remainder of the PMA	4,634	5,961	4,591	4,520	4,500	4,480	-1,370	-23.0	-111	-2.4
Primary Market Area	13,019	14,454	14,001	13,880	13,800	13,750	-453	-3.1	-251	-1.8
<i>Waseca County</i>	<i>18,079</i>	<i>19,526</i>	<i>19,136</i>	<i>19,070</i>	<i>19,000</i>	<i>18,900</i>	<i>-390</i>	<i>-2.0</i>	<i>-236</i>	<i>-1.2</i>
HOUSEHOLDS										
Waseca	3,236	3,388	3,504	3,525	3,523	3,511	116	3.4	7	0.2
Remainder of the PMA	1,583	1,710	1,744	1,736	1,731	1,730	34	2.0	-14	-0.8
Primary Market Area	4,819	5,098	5,248	5,261	5,253	5,241	150	2.9	-7	-0.1
<i>Waseca County</i>	<i>6,649</i>	<i>7,059</i>	<i>7,281</i>	<i>7,332</i>	<i>7,322</i>	<i>7,297</i>	<i>222</i>	<i>3.1</i>	<i>16</i>	<i>0.2</i>
Persons per Household										
<i>Waseca</i>	<i>2.59</i>	<i>2.51</i>	<i>2.69</i>	<i>2.66</i>	<i>2.64</i>	<i>2.64</i>				
<i>Remainder of the Market Area</i>	<i>2.93</i>	<i>3.49</i>	<i>2.63</i>	<i>2.60</i>	<i>2.60</i>	<i>2.59</i>				
<i>Market Area</i>	<i>2.70</i>	<i>2.84</i>	<i>2.67</i>	<i>2.64</i>	<i>2.63</i>	<i>2.62</i>				
<i>Waseca County</i>	<i>2.72</i>	<i>2.77</i>	<i>2.63</i>	<i>2.60</i>	<i>2.60</i>	<i>2.59</i>				
Sources: U.S. Census Bureau; ESRI; State Demographic Center; Maxfield Research and Consulting LLC										

Households

- Household growth trends are typically a more accurate indicator of housing needs than population growth since a household is, by definition, an occupied housing unit. However, additional demand can come from changing demographics of the population base, which results in demand for different housing products.
- Waseca gained 116 households during the 2000s (an increase of +3.4%), increasing its household base to 3,504 households as of 2010. The Remainder of the Market Area gained 34 households during the decade (+2.0%), increasing to 1,744 households. Overall the PMA grew by 150 households (+2.9%) for a total of 5,248 households as of 2010.
- We project household growth in Waseca to increase by seven households (+0.2%) through 2025 and for the remainder of the PMA to decrease by -14 households (-0.8%). Overall we project the PMA to decline by seven households (-0.1%) by 2025.

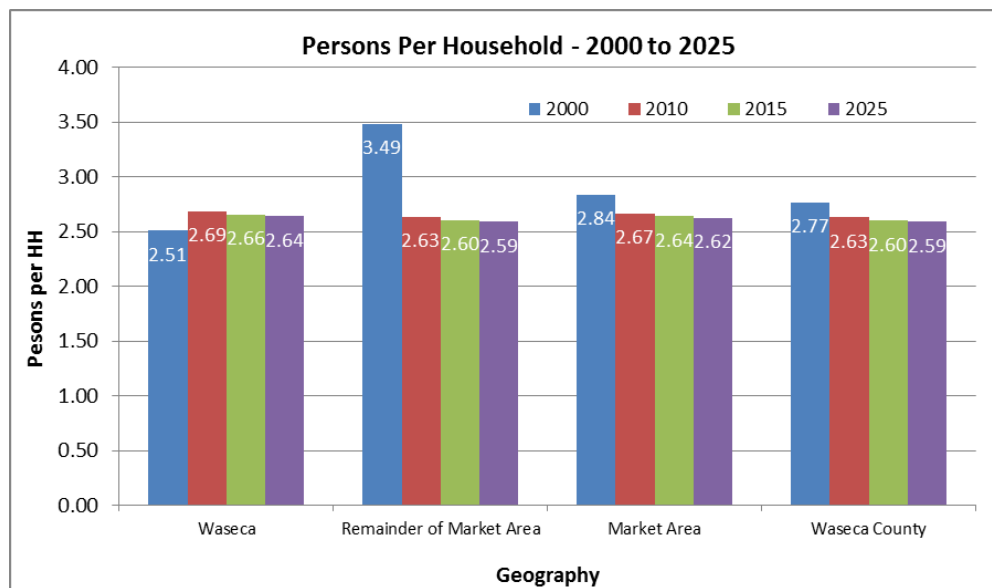


Household Growth Rates

- Household growth rates are similar to many other communities throughout the Midwest and U.S., where household growth rates are projected to slowly decline over the next decade. This is the result of fewer persons in each household, caused by demographic and social trends such as increasing divorce rates, an increasing senior base, and couples' decisions to have fewer children or no children at all.

DEMOGRAPHIC ANALYSIS

- The City of Waseca observed an increase in persons per household in 2010 due to family and non-family household changes; and diversity of family structure transitions, but we believe the household growth rates will slowly decline over the next decade.
- In 2010, the average household size was 2.69 in Waseca and 2.63 in the Remainder of the Market Area with an overall average household size of 2.67 in the Market Area. Larger households are characteristically found in rural areas. Typically townships are more rural than cities and it is also common to see higher household sizes in adjacent townships.
- We project that Waseca will have an average household size of 2.64 and the Remainder of the Market Area to be at 2.59 with an overall average household size of 2.62 in the Market Area by 2025.



Age Distribution Trends

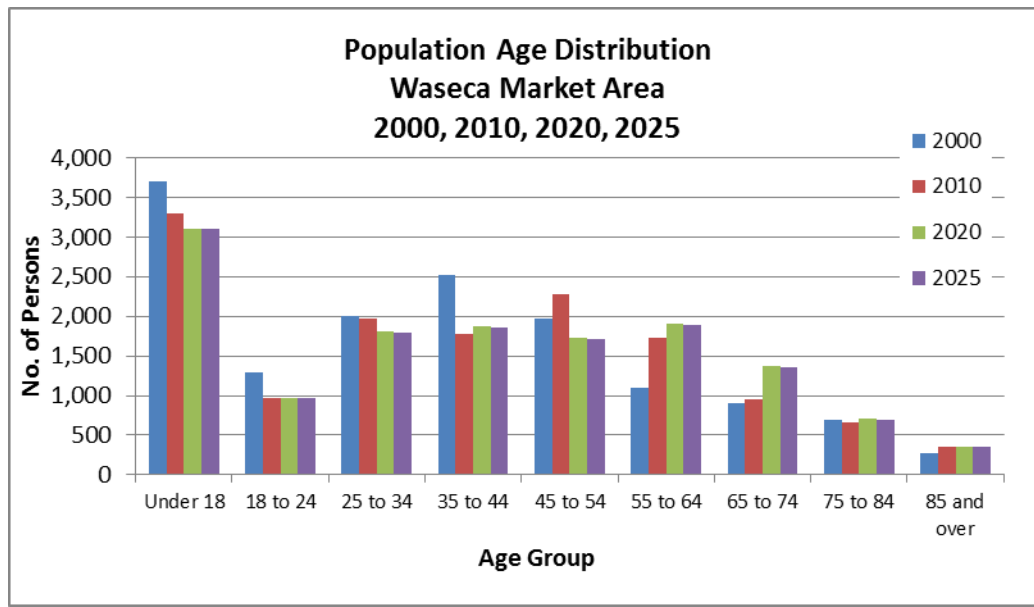
Age distribution affects demand for different types of housing since needs and desires change at different stages of the life cycle. Table D-2 shows the distribution of persons within nine age cohorts for Waseca and the Market Area in 2000 and 2010 with estimates for 2015 and projections for 2020 and 2025. The 2000 and 2010 age distribution is from the U.S. Census Bureau and the 2015 figures are an estimate based on 2015 ESRI data. Maxfield Research and Consulting LLC derived the 2020 and 2025 projections by adjustments made to data obtained from ESRI. The following are key points from the table.

- Between 2000 and 2010, the majority of the growth in Waseca occurred in the middle aged population (ages 45 to 64) and 25 to 34 year olds. For the next decade and through 2025, growth is expected in ages 35 to 44 and 55 to 84 year olds.

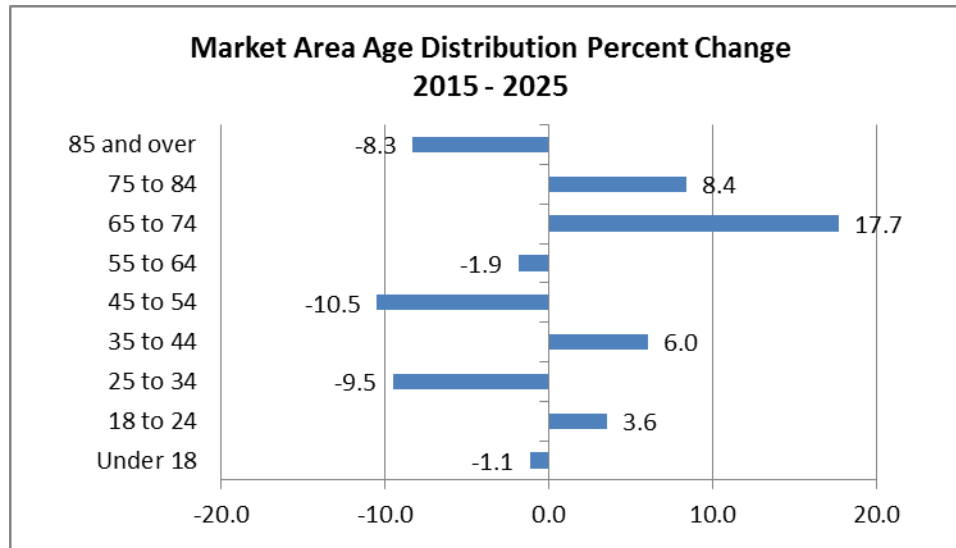
DEMOGRAPHIC ANALYSIS

- The Waseca population of 18 to 34 year olds, which consists primarily of renters and first-time homebuyers, grew (23.6%) between 2000 and 2010, but is expected to decrease by 241 people (-10.9%) between 2010 and 2025.

TABLE D-2 POPULATION AGE DISTRIBUTION WASECA MARKET AREA 2000 to 2025									
Age	Census		Estimate	Projection	Projection	Change			
	2000	2010	2015	2020	2025	2000-2010		2010-2025	
	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Waseca									
Under 18	2,293	2,181	2,162	2,144	2,137	-112	-4.9	-44	-2.0
18 to 24	798	725	693	720	718	-73	-9.2	-7	-0.9
25 to 34	1,094	1,613	1,524	1,384	1,379	519	47.4	-234	-14.5
35 to 44	1,340	1,226	1,281	1,363	1,359	-114	-8.5	133	10.8
45 to 54	1,051	1,410	1,246	1,118	1,114	359	34.2	-296	-21.0
55 to 64	596	994	1,109	1,091	1,088	398	66.8	94	9.5
65 to 74	570	549	671	792	789	-21	-3.7	240	43.8
75 to 84	506	426	399	434	433	-80	-15.8	7	1.6
85 and over	245	286	274	252	252	41	16.7	-34	-12.0
Subtotal	8,493	9,410	9,360	9,300	9,270	917	10.8	-140	-1.5
Remainder of Market Area									
Under 18	1,416	1,119	997	962	958	-297	-21.0	-161	-14.4
18 to 24	488	251	281	248	247	-237	-48.6	-4	-1.5
25 to 34	913	363	428	420	418	-550	-60.2	55	15.2
35 to 44	1,179	551	488	507	504	-628	-53.3	-47	-8.5
45 to 54	927	867	726	603	601	-60	-6.5	-266	-30.7
55 to 64	498	740	779	809	805	242	48.6	65	8.8
65 to 74	329	406	496	575	572	77	23.4	166	40.9
75 to 84	191	230	222	268	266	39	20.4	36	15.8
85 and over	20	64	103	108	108	44	220.0	44	68.6
Subtotal	5,961	4,591	4,520	4,500	4,480	-1,370	-23.0	-111	-2.4
Market Area Total									
Under 18	3,709	3,300	3,159	3,107	3,096	-409	-11.0	-205	-6.2
18 to 24	1,286	976	974	968	965	-310	-24.1	-11	-1.1
25 to 34	2,007	1,976	1,953	1,804	1,798	-31	-1.5	-178	-9.0
35 to 44	2,519	1,777	1,769	1,870	1,863	-742	-29.5	86	4.8
45 to 54	1,978	2,277	1,972	1,721	1,715	299	15.1	-562	-24.7
55 to 64	1,094	1,734	1,887	1,900	1,893	640	58.5	159	9.2
65 to 74	899	955	1,166	1,367	1,362	56	6.2	407	42.6
75 to 84	697	656	621	702	699	-41	-5.9	43	6.6
85 and over	265	350	378	361	360	85	32.1	10	2.7
Total	14,454	14,001	13,880	13,800	13,750	-453	-3.1	-251	-1.8
Sources: U.S. Census Bureau; ESRI; Maxfield Research and Consulting LLC									



- Mirroring trends observed across the Nation, the aging baby boomer generation is substantially impacting the composition of the Market Area's population. Born between 1946 and 1964, these individuals comprised the age groups 45 to 54 and 55 to 64 in 2010. As of 2010, baby boomers accounted for an estimated 29% of the Market Area's population.
- The 65 to 74 age cohort is projected to have the greatest growth (by percentage and numerically) increasing by 407 people (+42.6%) in the Market Area between 2010 and 2025. The growth in this age cohort can be primarily attributed to the baby boom generation aging into their young senior years.
- The social changes that occurred with the aging of the baby boom generation, such as higher divorce rates, higher levels of education, and lower birth rates has led to a greater variety of lifestyles than existed in the past – not only among the baby boomers, but also among their parents and children. The increased variety of lifestyles has fueled demand for alternative housing products to the single-family homes. Seniors, in particular, and middle-aged persons tend to do more traveling and participate in more activities than previous generations, and they increasingly prefer maintenance-free housing that enables them to spend more time on activities outside the home.
- The majority of the projected negative age distributions between 2010 and 2025 is shifted from the age distribution in 2000 to 2010 age cohorts.



Household Income by Age of Householder

The estimated distribution of household incomes in the City of Waseca and the Market Area for 2015 and 2020 are shown in Tables D-3 and D-4. The data was estimated by Maxfield Research and Consulting LLC based on income trends provided by ESRI. The data helps ascertain the demand for different housing products based on the size of the market at specific cost levels.

The Department of Housing and Urban Development defines affordable housing costs as 30% of a household's adjusted gross income. For example, a household in the PMA with the average income of \$56,591 per year would be able to afford a monthly housing cost of about \$1,415. Maxfield Research and Consulting LLC uses a figure of 25% to 30% for younger households and 40% or more for seniors, since seniors generally have lower living expenses and can often sell their homes and use the proceeds toward rent payments.

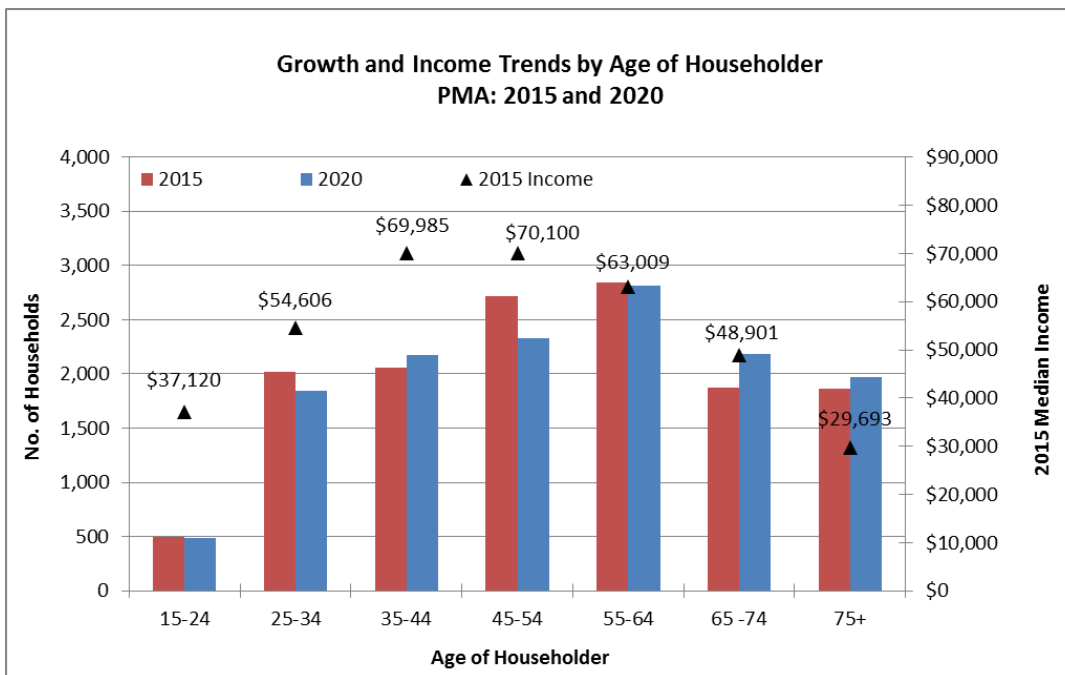
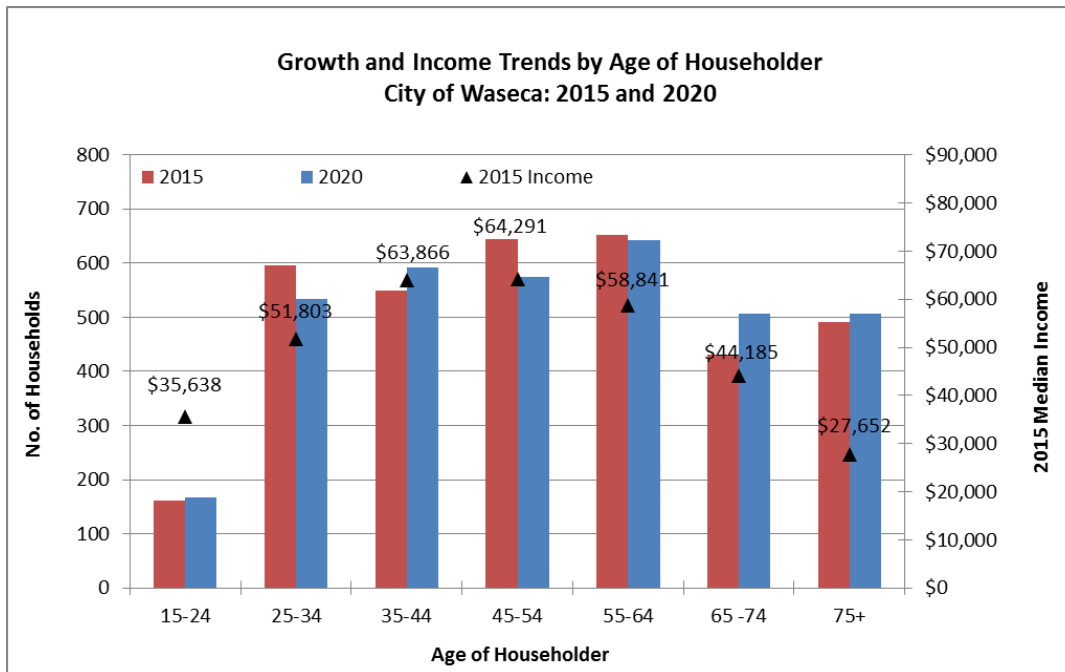
A generally accepted standard for affordable owner-occupied housing is that a typical household can afford to pay 3.0 to 3.5 times their annual income on a single-family home. Thus, a \$56,591 income would translate to an affordable single-family home of \$169,773 to \$198,069. The higher end of this range assumes that the person has adequate funds for down payment and closing costs, but also does not include savings or equity in an existing home which would allow them to purchase a higher priced home.

- The City of Waseca has an estimated median household income of \$52,739 in 2015. It is projected to increase over the next five years to \$56,678 in 2020 (+7.5%).
- The PMA has an estimated median household income of \$56,591 in 2015. It is projected to increase over the next five years to \$61,698 in 2020 (+9%).

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TABLE D-3 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER CITY OF WASECA (Number of Households) 2015 and 2020								
	Age of Householder							
	Total	Under 25	25-34	35-44	45-54	55-64	65 -74	75+
2015								
Less than \$15,000	437	34	91	43	67	78	53	71
\$15,000 to \$24,999	392	19	58	37	35	48	58	138
\$25,000 to \$34,999	356	26	55	40	27	63	40	105
\$35,000 to \$49,999	444	25	74	57	68	69	92	58
\$50,000 to \$74,999	806	32	163	149	183	148	79	52
\$75,000 to \$99,999	516	11	72	96	127	117	63	30
\$100,000 to \$149,999	459	13	67	109	109	90	38	34
\$150,000 to \$199,999	59	1	7	7	22	16	2	3
\$200,000+	55	0	8	13	5	22	5	1
Total	3,525	162	596	550	643	653	430	492
<i>Median Income</i>	<i>\$52,739</i>	<i>\$35,638</i>	<i>\$51,803</i>	<i>\$63,866</i>	<i>\$64,291</i>	<i>\$58,841</i>	<i>\$44,185</i>	<i>\$27,652</i>
2020								
Less than \$15,000	401	31	81	40	52	67	58	73
\$15,000 to \$24,999	318	17	40	28	22	36	53	122
\$25,000 to \$34,999	312	26	41	34	20	50	41	101
\$35,000 to \$49,999	412	25	59	55	50	61	103	58
\$50,000 to \$74,999	864	38	158	171	165	160	107	64
\$75,000 to \$99,999	567	14	71	111	122	123	87	39
\$100,000 to \$149,999	515	15	67	129	111	100	48	44
\$150,000 to \$199,999	74	1	7	9	26	21	3	6
\$200,000+	61	0	8	16	5	23	7	1
Total	3,523	166	533	592	574	642	508	508
<i>Median Income</i>	<i>\$56,678</i>	<i>\$39,797</i>	<i>\$54,781</i>	<i>\$68,596</i>	<i>\$69,856</i>	<i>\$64,057</i>	<i>\$49,686</i>	<i>\$30,012</i>
Change - 2015 to 2020								
Less than \$15,000	-36	-3	-11	-3	-15	-11	5	1
\$15,000 to \$24,999	-75	-2	-18	-9	-12	-12	-5	-17
\$25,000 to \$34,999	-43	-1	-14	-6	-7	-13	1	-4
\$35,000 to \$49,999	-33	-1	-15	-2	-18	-8	11	0
\$50,000 to \$74,999	58	6	-4	21	-18	12	28	12
\$75,000 to \$99,999	50	3	-1	16	-6	6	24	8
\$100,000 to \$149,999	55	2	0	20	3	10	10	10
\$150,000 to \$199,999	15	0	0	2	3	5	1	3
\$200,000+	6	0	0	3	0	1	2	0
Total	-2	5	-63	42	-70	-10	78	16
<i>Median Income</i>	<i>\$3,939</i>	<i>\$4,159</i>	<i>\$2,978</i>	<i>\$4,730</i>	<i>\$5,565</i>	<i>\$5,216</i>	<i>\$5,501</i>	<i>\$2,360</i>
Sources: ESRI; Maxfield Research and Consulting LLC								

- With a household income of \$54,606, a younger household in the PMA (the median household income for the 25 to 34 cohort) could afford a monthly housing cost of about \$1,365 based on an allocation of 30% of income toward housing. A senior household (75+) in the PMA with an income of \$33,090 (the median household income of seniors 75+) could afford a monthly housing cost of \$990, based on an allocation of 40% of income toward housing.



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TABLE D-4 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER PMA (Number of Households) 2015 and 2020								
	Age of Householder							
	Total	Under 25	25-34	35-44	45-54	55-64	65 -74	75+
2015								
Less than \$15,000	554	34	105	50	83	112	76	94
\$15,000 to \$24,999	515	22	62	48	48	79	75	181
\$25,000 to \$34,999	498	32	69	53	41	92	70	141
\$35,000 to \$49,999	638	29	89	70	99	104	142	105
\$50,000 to \$74,999	1,201	41	212	198	283	244	140	84
\$75,000 to \$99,999	831	12	109	142	219	193	111	45
\$100,000 to \$149,999	809	15	99	186	207	182	73	47
\$150,000 to \$199,999	116	1	12	15	38	33	9	8
\$200,000+	101	1	10	20	13	39	15	3
Total	5,261	187	767	782	1,030	1,077	711	708
<i>Median Income</i>	<i>\$56,591</i>	<i>\$37,120</i>	<i>\$54,606</i>	<i>\$69,985</i>	<i>\$70,100</i>	<i>\$63,009</i>	<i>\$48,901</i>	<i>\$29,693</i>
2020								
Less than \$15,000	502	31	90	47	62	94	82	98
\$15,000 to \$24,999	406	19	44	34	31	52	66	160
\$25,000 to \$34,999	427	28	52	42	29	71	68	138
\$35,000 to \$49,999	586	28	72	67	69	89	150	113
\$50,000 to \$74,999	1,235	46	204	217	231	253	179	104
\$75,000 to \$99,999	901	15	112	157	198	208	152	59
\$100,000 to \$149,999	890	17	100	215	196	205	94	63
\$150,000 to \$199,999	194	2	18	24	56	59	21	15
\$200,000+	112	1	10	23	13	42	20	3
Total	5,253	186	701	826	885	1,073	830	752
<i>Median Income</i>	<i>\$61,698</i>	<i>\$42,082</i>	<i>\$58,377</i>	<i>\$75,717</i>	<i>\$76,807</i>	<i>\$71,894</i>	<i>\$55,000</i>	<i>\$33,090</i>
Change - 2015 to 2020								
Less than \$15,000	-51	-3	-15	-3	-21	-18	6	4
\$15,000 to \$24,999	-109	-3	-18	-14	-17	-27	-9	-20
\$25,000 to \$34,999	-71	-4	-17	-11	-12	-21	-2	-3
\$35,000 to \$49,999	-52	-1	-17	-3	-30	-15	8	8
\$50,000 to \$74,999	34	5	-8	19	-52	9	39	20
\$75,000 to \$99,999	71	3	3	16	-21	15	41	14
\$100,000 to \$149,999	82	2	1	29	-11	23	21	16
\$150,000 to \$199,999	78	1	6	9	18	26	12	7
\$200,000+	11	-0	-0	3	-0	3	5	-0
Total	-8	-0	-66	45	-145	-5	120	44
<i>Median Income</i>	<i>\$5,107</i>	<i>\$4,962</i>	<i>\$3,771</i>	<i>\$5,732</i>	<i>\$6,707</i>	<i>\$8,885</i>	<i>\$6,099</i>	<i>\$3,397</i>
Sources: ESRI; Maxfield Research and Consulting LLC								

Non-Senior Households

- In 2015, 10% of the non-senior (under age 65) households in the Market Area had incomes under \$15,000 (384 households). All of these households would be eligible for subsidized rental housing. Another 6.7% of the Market Area's non-senior households had incomes between \$15,000 and \$25,000 (259 households). Many of these households would qualify for subsidized housing, but many could also afford "affordable" or older market rate rentals. If housing costs absorb 30% of income, households with incomes of \$15,000 to \$25,000 could afford to pay \$375 to \$625 per month.
- In most areas, household median incomes peak in the 45 to 54 age group and that group is usually considered to be in their peak earning years. Similar to many areas, median incomes for households in the Market Area peak at \$70,100 for the 45 to 54 age group in 2015. The 35 to 44 age group has a median income of \$69,985 in 2015. By 2020, the median income for the 35 to 44 and the 45 to 54 age groups are projected to increase to \$75,717 (8.2%) and \$76,807 (9.6%) respectively. The 55 to 64 age group is projected to increase to \$71,894 (14.1%) by 2020.
- The median estimated home value in Waseca was roughly \$134,000 in 2015. The income required to afford a home at this price would be about \$38,286 to \$44,667 based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt).
- Incomes are expected to increase by 9% between 2015 and 2020 in the Market Area. This equates to an increase of 1.8% annually.

Senior Households

- The oldest householders are likely to have lower incomes in 2015. In the Market Area, 10.7% of households ages 65 to 74 had incomes below \$15,000, compared to 13.3% of households ages 75 and over. Many of these low-income older senior households rely solely on social security benefits. Typically, younger seniors have higher incomes due to the fact they are still able to work or are married couples with two pensions or higher social security benefits. The 2015 median income for Market Area householders age 65 to 74 and 75+ are \$48,901, and \$29,693, respectively.
- Generally, senior households with incomes greater than \$25,000 can afford market rate senior housing in the PMA. Based on a 40% allocation of income for housing, this translates to monthly rents of at least \$833. About 992 senior households in the Waseca Market Area (70% of senior households) have incomes above \$25,000 in 2015.

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- Seniors who are able and willing to pay 80% or more of their income on assisted living housing would need an annual income of \$51,750 to afford monthly rents of \$1,725, which is the base monthly rent for assisted living at Latham Place in Waseca. There were an estimated 187 older senior (ages 75 and over) households with incomes greater than \$50,000 in 2015 in the Waseca Market Area. Seniors age 75 and over are the primary market for assisted living housing.
- The median income for seniors age 65+ in the Market Area is \$39,297 in 2015. It is projected to increase by \$4,748 (12.1%) to \$44,045 by 2020.

Net Worth

Table D-7 shows household net worth in the Waseca Market Area in 2015. Simply stated, net worth is the difference between assets and liabilities, or the total value of assets after the debt is subtracted. The data was compiled and estimated by ESRI based on the Survey of Consumer Finances and Federal Reserve Board data.

According to data released by the National Association of Realtors in 2014, the average American homeowner has a net worth about 31 to 46 times greater than that of a renter. Research was based on the 2013 Federal Reserve survey that showed the average net worth of a homeowner was \$200,000, whereas the average net worth of a renter was just over \$5,000.

- The Waseca Market Area had an average net worth of \$476,356 in 2015 and a median net worth of \$124,672. Median net worth is generally a more accurate depiction of wealth than the average figure. A few households with very large net worth can significantly skew the average. Communities with high levels of farming equipment and land assets tend to also increase the average and median net worth in those areas.
- Similar to household income, net worth increases as households age and decreases after they pass their peak earning years and move into retirement. Median and average net worth usually peak in the 65 to 79 age cohort with a median net worth around \$250,000. The average net worth of the 55 to 64 age cohort in the Market Area is \$719,748 and a median net worth of \$234,479. Senior households usually have a higher net worth also due to their 401k's, and other retirement funds. Also, senior households that continue to have higher average net worth could be an indication of farm equipment and land assets being primarily retained by households in senior age cohorts.
- Households often delay purchasing homes and instead choose to rent until they acquire sufficient assets to cover the costs of a down payment and closing costs associated with home ownership. This will be especially true in the short-term as tightening lending requirements

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make mortgages with little or no down payments more difficult to obtain in today's mortgage lending environment.

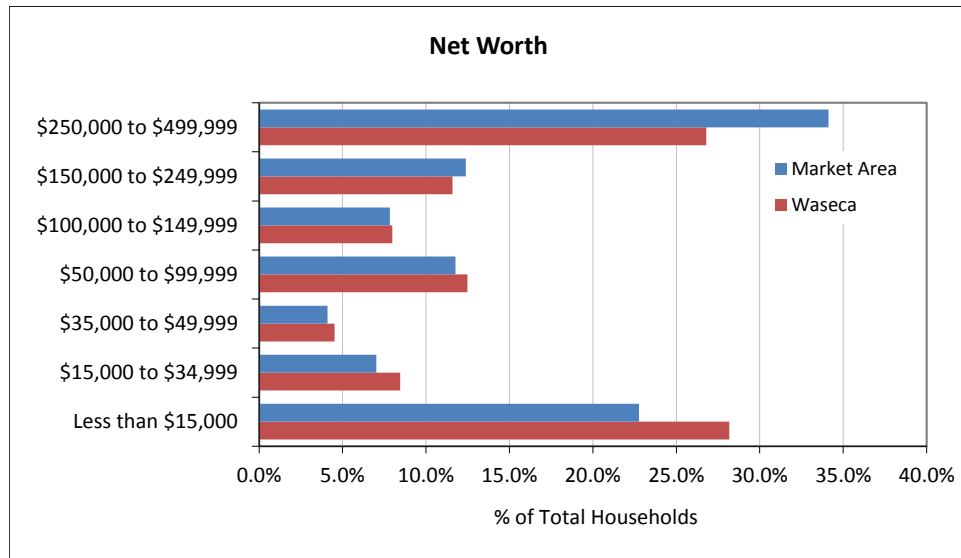


TABLE D-5 NET WORTH BY AGE OF HOUSEHOLDER WASECA MARKET AREA 2015									
			Age of Householder						
Total	% of Total		<25	25-34	35-44	45-54	55-64	65 -74	75+
CITY OF WASECA									
Less than \$15,000	992	28.2%	94	282	173	179	131	54	79
\$15,000 to \$34,999	298	8.4%	33	88	55	46	36	14	26
\$35,000 to \$49,999	159	4.5%	11	35	38	30	23	10	12
\$50,000 to \$99,999	440	12.5%	15	87	88	87	62	44	56
\$100,000 to \$149,999	281	8.0%	5	43	47	38	53	48	49
\$150,000 to \$249,999	408	11.6%	3	31	76	82	72	50	93
\$250,000 or more	944	26.8%	0	28	74	183	274	209	175
Total	3,523	100%	162	595	551	645	651	429	491
Median Net Worth	\$82,035		\$12,823	\$17,039	\$53,507	\$84,090	\$171,794	\$236,052	\$166,808
MARKET AREA									
Less than \$15,000	1,196	22.8%	104	323	204	218	181	73	93
\$15,000 to \$34,999	369	7.0%	37	108	68	58	49	18	32
\$35,000 to \$49,999	215	4.1%	16	49	50	39	33	17	12
\$50,000 to \$99,999	618	11.8%	21	124	132	118	90	61	74
\$100,000 to \$149,999	412	7.8%	6	68	66	60	84	64	65
\$150,000 to \$249,999	651	12.4%	3	56	118	145	113	85	133
\$250,000 or more	1,792	34.1%	0	46	139	394	523	392	299
Total	5,253	100%	186	772	775	1,031	1,073	709	707
Median Net Worth	\$124,672		\$13,486	\$23,993	\$68,652	\$161,055	\$234,479	\$250,001	\$198,163
Data Note: Net Worth is total household wealth minus debt, secured and unsecured. Net worth includes home equity, equity in pension plans, net equity in vehicles, IRAs and Keogh accounts, business equity, interest-earning assets and mutual fund shares, stocks, etc. Examples of secured debt include home mortgages and vehicle loans; examples of unsecured debt include credit card debt, certain bank loans, and other outstanding bills. Forecasts of net worth are based on the Survey of Consumer Finances, Federal Reserve Board. Detail may not sum to totals due to rounding.									
Sources: ESRI; Maxfield Research and Consulting LLC									

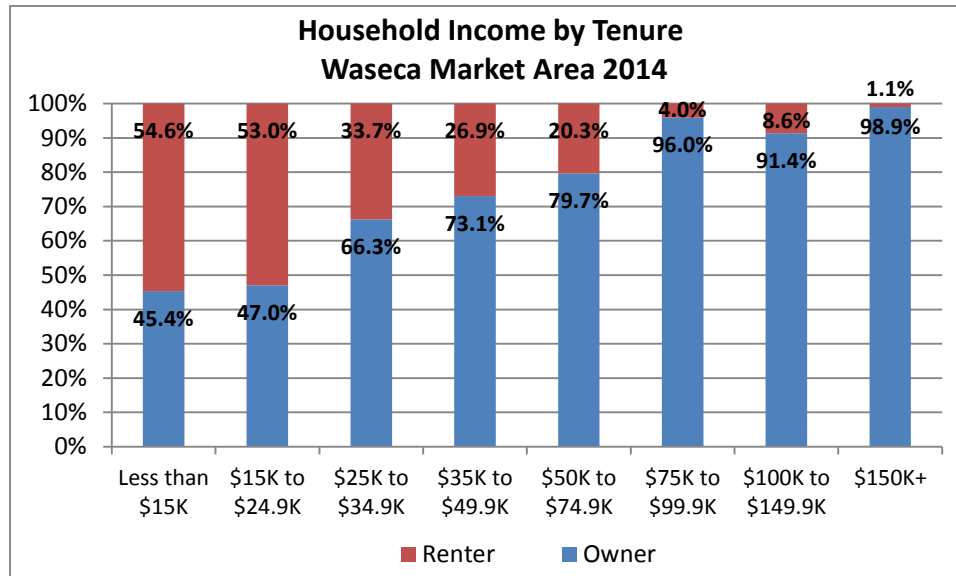
Tenure by Household Income

Table D-6 shows household tenure by income for Waseca and the Waseca Market Area in 2014. Data is an estimate from the American Community Survey. Household tenure information is important to assess the propensity for owner-occupied or renter-occupied housing options based on household affordability. As stated earlier, the Department of Housing and Urban Development determines affordable housing as not exceeding 30% of the household's income. It is important to note that the higher the income, the lower percentage a household typically allocates to housing. Many lower income households, as well as many young and senior households; spend more than 30% of their income, while middle-aged households in their prime earning years typically allocate 20% to 25% of their income.

TABLE D-6 TENURE BY HOUSEHOLD INCOME WASECA MARKET AREA 2014												
Income	CITY OF WASECA				PMA				WASECA COUNTY			
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.
Less than \$15,000	151	38.4%	242	61.6%	207	45.4%	249	54.6%	329	51.5%	310	48.5%
\$15,000 to \$24,999	190	40.2%	283	59.8%	271	47.0%	305	53.0%	501	57.4%	372	42.6%
\$25,000 to \$34,999	243	61.4%	153	38.6%	352	66.3%	179	33.7%	492	67.6%	236	32.4%
\$35,000 to \$49,999	423	68.6%	194	31.4%	624	73.1%	230	26.9%	891	76.6%	272	23.4%
\$50,000 to \$74,999	639	77.4%	187	22.6%	929	79.7%	237	20.3%	1,332	80.0%	332	20.0%
\$75,000 to \$99,999	341	93.4%	24	6.6%	641	96.0%	27	4.0%	929	95.6%	43	4.4%
\$100,000 to \$149,999	349	90%	39	10.1%	669	91.4%	63	8.6%	931	93.5%	65	6.5%
\$150,000+	112	100.0%	0	0.0%	282	98.9%	3	1.1%	366	98.9%	4	1.1%
Total	2,448	68.6%	1,122	31.4%	3,975	75.5%	1,293	24.5%	5,771	77.9%	1,634	22.1%
Median Household Income	\$60,327		\$28,298		\$72,083		\$32,188		\$62,435		\$30,916	
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC												

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

- Typically, as income increases, so does the rate of homeownership. This can be seen in the Waseca Market Area, where the homeownership rate increases from 45.4% of households with incomes below \$15,000 to 93.5% of households with incomes above \$100,000.
- In 2014, the median incomes of owners was \$60,327 while the median incomes of renters was \$28,298 in Waseca. The higher homeownership and household incomes increase in the Remainder of the Market Area which reflects the rural character of the adjacent townships.
- A portion of renter households that are referred to as lifestyle renters, or those who are financially-able to own but choose to rent, have household incomes above \$50,000 (about 25.5% of the Waseca Market Area's renters in 2014). Households with incomes below \$15,000 are typically a market for deep subsidy rental housing (about 19.3% of the Waseca Market Area's renters in 2014).



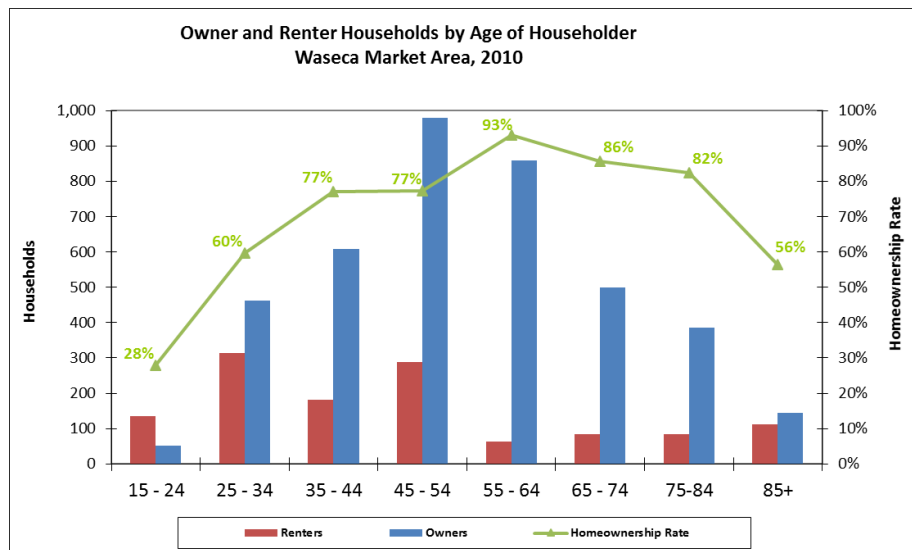
Tenure by Age of Householder

Table D-7 shows the number of owner and renter households in the Market Area by age group in 2000 and 2010. This data is useful in determining demand for certain types of housing since housing preferences change throughout an individual's life cycle. The following are key findings from Table D-7.

- In 2000, 79% of all households in the Market Area owned their housing. By 2010, that percentage declined to 76%. In most cases, the housing market downturn contributed to the decrease in the homeownership rate during the late 2000s as it became more difficult for households to secure mortgage loans, households delayed purchasing homes due to the uncertainty of the housing market, and foreclosures forced households out of their homes.
- The number of owner households in the PMA decreased by 0.9% while within the City of Waseca owner households decreased by -3% between 2000 and 2010.

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TABLE D-7 TENURE BY AGE OF HOUSEHOLDER WASECA MARKET AREA 2000 and 2010													
Age		CITY OF WASECA				REMAINDER OF MARKET AREA				MARKET AREA TOTAL			
		2000		2010		2000		2010		2000		2010	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
15-24	Own	67	27.3	45	26.5	25	58.1	7	43.8	92	31.9	52	28.0
	Rent	178	72.7	125	73.5	18	41.9	9	56.3	196	68.1	134	72.0
	Total	245	100.0	170	100.0	43	100.0	16	100.0	288	100.0	186	100.0
25-34	Own	351	60.0	349	55.8	155	75.6	114	75.5	506	64.1	463	59.6
	Rent	234	40.0	277	44.2	50	24.4	37	24.5	284	35.9	314	40.4
	Total	585	100.0	626	100.0	205	100.0	151	100.0	790	100.0	777	100.0
35-44	Own	593	76.2	381	72.6	402	90.3	226	85.6	995	81.4	607	76.9
	Rent	185	23.8	144	27.4	43	9.7	38	14.4	228	18.6	182	23.1
	Total	778	100.0	525	100.0	445	100.0	264	100.0	1,223	100.0	789	100.0
45-54	Own	504	84.1	534	67.2	391	93.5	444	94.5	895	88.0	978	77.3
	Rent	95	15.9	261	32.8	27	6.5	26	5.5	122	12.0	287	22.7
	Total	599	100.0	795	100.0	418	100.0	470	100.0	1,017	100.0	1,265	100.0
55-64	Own	304	81.7	477	91.6	241	96.4	382	95.0	545	87.6	859	93.1
	Rent	68	18.3	44	8.4	9	3.6	20	5.0	77	12.4	64	6.9
	Total	372	100.0	521	100.0	250	100.0	402	100.0	622	100.0	923	100.0
65-74	Own	299	85.9	283	79.7	189	96.4	217	94.8	488	89.7	500	85.6
	Rent	49	14.1	72	20.3	7	3.6	12	5.2	56	10.3	84	14.4
	Total	348	100.0	355	100.0	196	100.0	229	100.0	544	100.0	584	100.0
75-84	Own	270	80.4	241	77.5	131	95.6	145	91.8	401	84.8	386	82.3
	Rent	66	19.6	70	22.5	6	4.4	13	8.2	72	15.2	83	17.7
	Total	336	100.0	311	100.0	137	100.0	158	100.0	473	100.0	469	100.0
85+	Own	89	71.2	96	47.8	15	93.8	48	88.9	104	73.8	144	56.5
	Rent	36	28.8	105	52.2	1	6.3	6	11.1	37	26.2	111	43.5
	Total	125	100.0	201	100.0	16	100.0	54	100.0	141	100.0	255	100.0
TOTAL	Own	2,477	73.1	2,406	68.7	1,549	90.6	1,583	90.8	4,026	79.0	3,989	76.0
	Rent	911	26.9	1,098	31.3	161	9.4	161	9.2	1,072	21.0	1,259	24.0
	Total	3,388	100.0	3,504	100.0	1,710	100.0	1,744	100.0	5,098	100.0	5,248	100.0
Sources: U.S. Census Bureau; Maxfield Research and Consulting LLC													

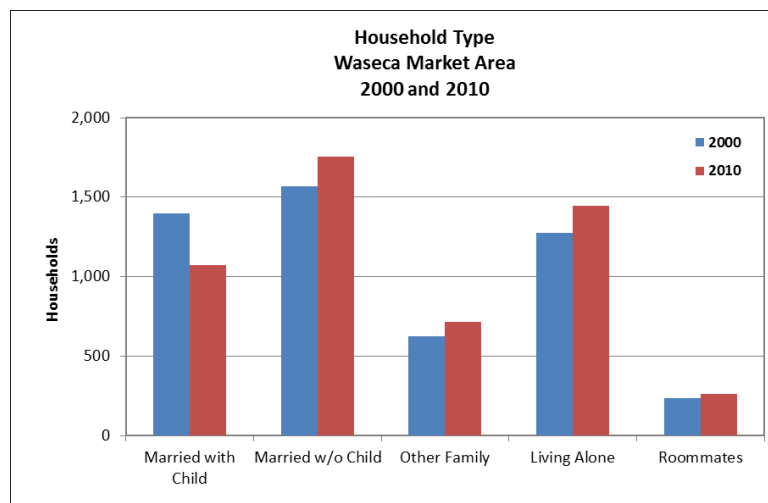


- In 2000, 73.1% of all households in the City of Waseca owned their own housing. By 2010, that percentage decreased to 68.7%. These percentages are much lower than the Remainder of the Market Area. In 2000, 90.6% of all households in the Remainder of the Market Area owned their own housing. In 2010, that percentage increased to 90.8%.
- As households progress through their life cycle, housing needs change. The proportion of renter households decreases significantly as households' age out of their young-adult years. However, by the time households reach their senior years, rental housing often becomes a more viable option than homeownership, reducing the responsibility of maintenance and a financial commitment.
- In 2010, 72% of the Market Area's households between the ages of 15 and 24 rented their housing, compared to 40.4% of households between the ages of 25 and 34. Householders between 35 and 84 were overwhelmingly homeowners, with no more than 23.1% of the householders in each 10-year age cohort renting their housing.
- The significantly higher homeownership rates in the Remainder of the Market Area (90.8%) compared to the City of Waseca (68.7%) reflects the rural character of the area.

Household Type

Table D-8 shows a breakdown of the type of households present in the Market Area in 2000 and 2010. The data is useful in assessing housing demand since the household composition often dictates the type of housing needed and preferred.

- Between 2000 and 2010, the Market Area experienced an increase in Married families without children (11.9%), Other (family households that are single-parent families or unmarried couples with children) (14.6%), and roommate households (11.9%). Married families without children experienced a large numerical increase (187 households) or +11.9%. The increase in households married without children can be attributed to couples waiting longer to have children, and the baby boomers aging into empty nester years.



- The most significant decrease in the Market Area is observed in the Married with Children Households (a loss of 325 households, or -23.3%). This again can be attributed to baby boomers aging into empty nester years.
- The differences between Waseca and the rest of the PMA, reflect more availability of multi-family rental housing in Waseca compared to the rural Remainder of the Market Area. For example, non-family householders tend to rent their housing more than other categories. This includes elderly widows and young persons. Young people typically do not have sufficient incomes to purchase housing, while single seniors are likely to move to multifamily housing to shed the burden of home maintenance and to have opportunities for socialization. About 38.6% of Waseca households were non-family households in 2010, while 20.4% of the Remainder of the Market Area's households was non-family.

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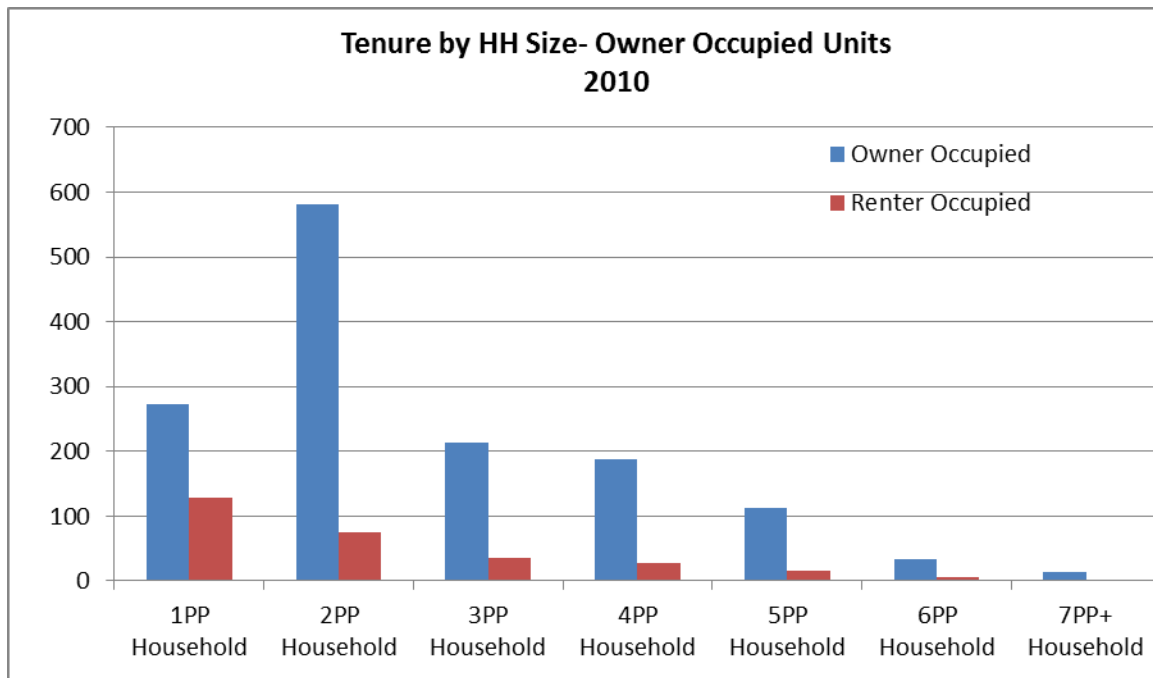
**TABLE D-8
HOUSEHOLD TYPE
WASECA MARKET AREA
2000 and 2010**

	Total HH's		Family Households						Non-Family Households			
			Married w/o Child		Married w/ Child		Other *		Living Alone		Roommates	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
Number of Households												
Waseca	3,388	3,504	914	944	802	622	504	584	991	1,152	177	202
Rem. of Market Area	1,710	1,744	652	809	594	449	120	131	285	293	59	62
Market Area Total	5,098	5,248	1,566	1,753	1,396	1,071	624	715	1,276	1,445	236	264
Percent of Total												
Waseca	66.5	66.8	27.0	26.9	23.7	17.8	14.9	16.7	29.3	32.9	5.2	5.8
Rem. of Market Area	33.5	33.2	38.1	46.4	34.7	25.7	7.0	7.5	16.7	16.8	3.5	3.6
Market Area Total	100.0	100.0	30.7	33.4	27.4	20.4	12.2	13.6	25.0	27.5	4.6	5.0
<i>Waseca County</i>	100.0	100.0	31.7	33.8	27.3	21.0	11.7	13.2	25.1	26.9	4.2	5.1
<i>Minnesota</i>	100.0	100.0	28.5	29.6	25.2	21.2	12.5	13.8	26.9	28.0	6.9	7.4
Change												
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Waseca	116	3.4	30	3.3	-180	-22.4	80	15.9	161	16.2	25	14.1
Rem. of Market Area	34	2.0	157	24.1	-145	-24.4	11	9.2	8	2.8	3	5.1
Market Area Total	150	2.9	187	11.9	-325	-23.3	91	14.6	169	13.2	28	11.9
* Single-parent families, unmarried couples with children.												
Sources: U.S. Census Bureau; Maxfield Research and Consulting LLC												

Tenure by Household Size

Table D-9 shows the distribution of households by size and tenure in the Waseca Market Area in 2000 and 2010. This data is useful in that it sheds insight into the number of units by unit type that may be most needed in Waseca Market Area.

- Household size for renters tends to be smaller than for owners. This trend is a result of the typical market segments for rental housing, including households that are younger and are less likely to be married with children as well as older adults and seniors who choose to downsize from their single-family homes. In 2010, approximately 46% of the total renter-occupied households in the Waseca Market Area were one-person households.
- Almost 73% of renter households in the Waseca Market Area in 2010 have either one or two people. The one-person households would primarily seek one-bedroom units and two-person households that are couple would primarily seek one-bedroom units. Two-person households that consist of a parent and child or roommate would primarily seek two-bedroom units. Larger households would seek units with multiple bedrooms.
- One-person households in the Waseca Market Area have the highest percentage of renters among all household types. Five-person plus households have the lowest renter percentage among all household types (6.4%).



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**TABLE D-9
TENURE BY HOUSEHOLD SIZE
WASECA MARKET AREA
2000 and 2010**

CITY OF WASECA								
Size	2000				2010			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.
1PP Household	558	22.5%	433	47.5%	616	25.6%	536	48.8%
2PP Household	873	35.2%	218	23.9%	895	37.2%	279	25.4%
3PP Household	388	15.7%	125	13.7%	355	14.8%	131	11.9%
4PP Household	424	17.1%	84	9.2%	316	13.1%	89	8.1%
5PP Household	176	7.1%	32	3.5%	142	5.9%	43	3.9%
6PP Household	45	1.8%	10	1.1%	60	2.5%	11	1.0%
7PP+ Household	13	0.5%	9	1.0%	22	0.9%	9	0.8%
Total	2,477	100.0%	911	100.0%	2,406	100.0%	1,098	100.0%

REMAINDER OF MARKET AREA								
Size	2000				2010			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.
1PP Household	239	15.4%	433	47.5%	245	15.5%	48	29.8%
2PP Household	582	37.6%	218	23.9%	725	45.8%	52	32.3%
3PP Household	235	15.2%	125	13.7%	209	13.2%	21	13.0%
4PP Household	274	17.7%	84	9.2%	241	15.2%	23	14.3%
5PP Household	151	9.7%	32	3.5%	104	6.6%	15	9.3%
6PP Household	46	3.0%	10	1.1%	40	2.5%	1	0.6%
7PP+ Household	22	1.4%	9	1.0%	19	1.2%	1	0.6%
Total	1,549	100.0%	911	100.0%	1,583	100.0%	161	100.0%

MARKET AREA TOTAL								
Size	2000				2010			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.
1PP Household	797	19.8%	479	44.7%	861	21.6%	584	46.4%
2PP Household	1,455	36.1%	265	24.7%	1,620	40.6%	331	26.3%
3PP Household	623	15.5%	145	13.5%	564	14.1%	152	12.1%
4PP Household	698	17.3%	107	10.0%	557	14.0%	112	8.9%
5PP Household	327	8.1%	47	4.4%	246	6.2%	58	4.6%
6PP Household	91	2.3%	15	1.4%	100	2.5%	12	1.0%
7PP+ Household	35	0.9%	14	1.3%	41	1.0%	10	0.8%
Total	4,026	100.0%	1,072	100.0%	3,989	100.0%	1,259	100.0%

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

Diversity

The population distribution by race, Table D-10 presents the diversity of the population in Waseca, the PMA, and Waseca County for 2000 and 2010. The data was obtained from the U.S. Census.

- In 2010, “White Alone” comprised the largest proportion of the population in Waseca (89%), the Remainder of the PMA (98.5%), and in Waseca County (93.7%). The percentage has decreased since 2000 where “White Alone” was 93.3% in the PMA and 94.7% in Waseca County.
- U.S. Census respondents that list themselves ethnically as Hispanic or Latino, racially list themselves in various race categories. As of 2010, 6.5% of the PMA’s population was Hispanic/Latino. The Hispanic/Latino population was 3.5% of the PMA population in 2000.
- “Two or More Races Alone” experienced the largest percentage growth between 2000 and 2010 in the PMA, increasing from 106 to 258 people.

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TABLE D-10
POPULATION DISTRIBUTION BY RACE
WASECA MARKET AREA
2000 and 2010

NUMBER	White Alone		Black or African American Alone		American Indian or Alaska Native Alone (AIAN)		Native Hawaiian or Pacific Islander Alone (NHPI)		Asian Alone		Some Other Race		Two or More Races Alone		Hispanic or Latino ¹ <i>Ethnicity not Race</i>	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
Waseca	8,004	8,377	118	350	30	137	4	2	49	93	212	216	76	235	433	845
Remainder of the PMA	5,480	4,523	320	7	77	4	2	2	31	18	21	14	30	23	72	65
Primary Market Area	13,484	12,900	438	357	107	141	6	4	80	111	233	230	106	258	505	910
<i>Waseca County</i>	<i>18,482</i>	<i>17,933</i>	<i>441</i>	<i>380</i>	<i>116</i>	<i>148</i>	<i>6</i>	<i>5</i>	<i>90</i>	<i>128</i>	<i>252</i>	<i>250</i>	<i>139</i>	<i>292</i>	<i>566</i>	<i>985</i>
PERCENTAGE																
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
Waseca	94.2%	89.0%	1.4%	3.7%	0.4%	1.5%	0.0%	0.0%	0.6%	1.0%	2.5%	2.3%	0.9%	2.5%	5.1%	9.0%
Remainder of the PMA	91.9%	98.5%	5.4%	0.2%	1.3%	0.1%	0.0%	0.0%	0.5%	0.4%	0.4%	0.3%	0.5%	0.5%	1.2%	1.4%
Primary Market Area	93.3%	92.1%	3.0%	2.5%	0.7%	1.0%	0.0%	0.0%	0.6%	0.8%	1.6%	1.6%	0.7%	1.8%	3.5%	6.5%
<i>Waseca County</i>	<i>94.7%</i>	<i>93.7%</i>	<i>2.3%</i>	<i>2.0%</i>	<i>0.6%</i>	<i>0.8%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.5%</i>	<i>0.7%</i>	<i>1.3%</i>	<i>1.3%</i>	<i>0.7%</i>	<i>1.5%</i>	<i>2.9%</i>	<i>5.1%</i>

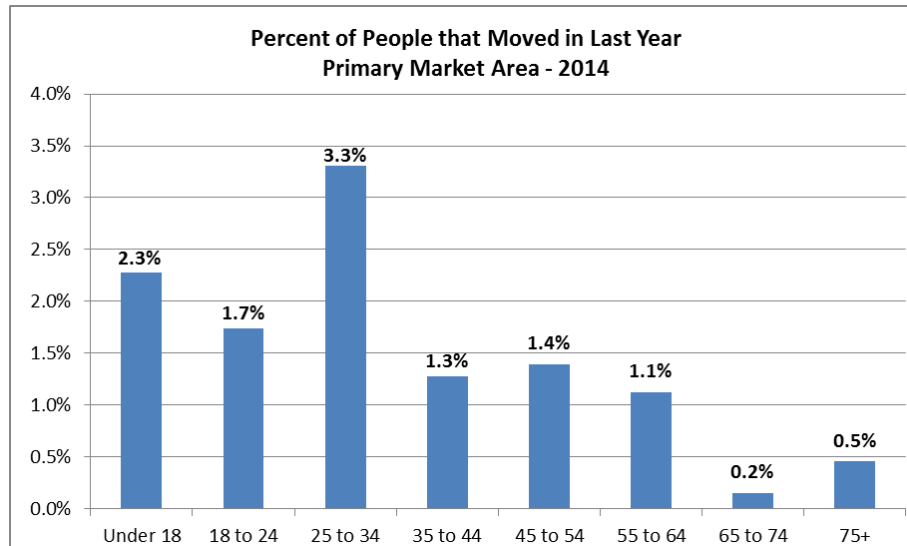
¹ US Census respondents list themselves ethnically Hispanic or Latino and racially in one of the other listed categories.

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

Mobility in the Past Year

Table D-11 shows the mobility patterns of PMA residents within a one-year time frame (2014 is the last year available).

- The majority of residents in the PMA (88.3%) did not move within the last year.
- Of the remaining 11.7% of residents that moved within the last year, approximately 29% moved from outside of Waseca County but within Minnesota and 51% were intra-county moves (i.e. one location in Waseca County to another Waseca County location).
- A greater proportion of younger age cohorts tended to move compared to older age cohorts. Approximately 28.2% of those age 25 to 34 moved within the last year compared to 3.9% of those age 75+.



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TABLE D-11 MOBILITY IN THE PAST YEAR BY AGE FOR CURRENT RESIDENCE WASECA MARKET AREA 2014										
Waseca Age	Not Moved		Moved							
	Same House		Within Same County		Different County Same State		Different State		Abroad	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 18	1,859	79.8%	85	0.9%	105	1.1%	31	0.3%	0	0.0%
18 to 24	408	95.6%	77	0.8%	53	0.6%	67	0.7%	0	0.0%
25 to 34	1,338	85.5%	255	2.8%	31	0.3%	94	1.0%	19	0.2%
35 to 44	1,097	88.1%	53	0.6%	15	0.2%	49	0.5%	0	0.0%
45 to 54	1,053	88.6%	20	0.2%	114	1.2%	40	0.4%	0	0.0%
55 to 64	970	89.5%	119	1.3%	26	0.3%	0	0.0%	0	0.0%
65 to 74	509	94.5%	6	0.1%	12	0.1%	0	0.0%	0	0.0%
75+	652	92.9%	41	0.4%	13	0.1%	0	0.0%	0	0.0%
Total	7,885	85.6%	657	7.1%	369	4.0%	281	3.1%	19	0.2%
Primary Market Area Age	Same House		Within Same County		Different County Same State		Different State		Abroad	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 18	2,754	79.7%	146	1.1%	126	0.9%	31	0.2%	5	0.0%
18 to 24	614	95.5%	96	0.7%	73	0.5%	67	0.5%	0	0.0%
25 to 34	1,600	88.2%	276	2.0%	56	0.4%	94	0.7%	21	0.2%
35 to 44	1,550	88.6%	86	0.6%	39	0.3%	49	0.4%	0	0.0%
45 to 54	1,858	86.3%	29	0.2%	119	0.9%	40	0.3%	0	0.0%
55 to 64	1,656	87.8%	124	0.9%	28	0.2%	0	0.0%	0	0.0%
65 to 74	983	92.8%	8	0.1%	12	0.1%	0	0.0%	0	0.0%
75+	953	93.0%	45	0.3%	13	0.1%	0	0.0%	4	0.0%
Total	11,968	88.3%	811	6.0%	466	3.4%	281	2.1%	30	0.2%
Waseca County	16,786	88.8%	1,093	5.8%	628	3.3%	360	1.9%	31	0.2%
Sources: 2010-2014 American Community Survey; Maxfield Research and Consulting LLC										

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

Demographic Comparison to Peer Cities

Table D-12 provides a demographic and housing characteristics summary comparison for Waseca and peer cities. The peer cities were identified to be similar to Waseca by their population or within a similar geography.

- Compared to the peer cities, Waseca has a median household income (\$47,650, slightly higher than New Ulm at \$45,911) with the median of the identified peer cities and Waseca being \$53,250. Eagle Lake had the highest median household income (\$73,393).
- Peer city percentage of owner households vary from 65% in St. Peter to 85% in New Prague. Waseca has a homeownership rate (68.7%) that is similar Faribault.
- In comparison to the other peer cities, Waseca has an unemployment rate of 5.9% while Faribault has the highest (9.1%) and Eagle Lake has the lowest (2.4%).
- In 2014, Waseca had an average annual wage of (\$34,224) while Faribault had the highest (\$36,288) and Eagle Lake had the lowest (\$25,104).

TABLE D-12 PEER CITY SUMMARY WASECA & PEER CITIES												
	Waseca		Eagle Lake		Faribault		New Prague		New Ulm		St. Peter	
	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.
Demographic Summary												
Population (2010)	9,410		2,422		23,352		7,321		13,522		11,196	
Households (2010)	3,504		887		8,317		2,711		5,732		3,491	
HH Size (2010)	2.69		2.73		2.81		2.70		2.36		3.21	
HH Median Income (2014)	\$47,650		\$73,393		\$50,428		\$69,834		\$45,911		\$56,071	
Housing Characteristics												
Percent Own (2010)	68.7%		79.3%		67.7%		85.1%		75.1%		65.3%	
Percent Rent (2010)	31.3%		20.7%		32.3%		14.9%		24.9%		34.7%	
Median Home Value (2014)	\$127,200		\$158,300		\$150,600		\$226,000		\$123,800		\$160,400	
Median Contract Rent (2014)	\$505		\$746		\$665		\$806		\$518		\$752	
Percent with a Mortgage (2014)	55.5%		68.8%		69.9%		72.3%		55.8%		68.8%	
Single and Multi-Family Building Permits (2003 - 2014)	104		324		509		657		287		322	
Employment												
Avg. Annual Wage (2014)	\$713		\$523		\$756		\$645		\$704		\$751	
Unemployment Rate (2014)	5.9%		2.4%		9.1%		3.3%		4.5%		3.8%	
Source: U.S. Census Bureau; DEED; Maxfield Research and Consulting LLC												

- In 2014, Waseca had the lowest percent of owner-households (55.5%) with a mortgage compared to peer cities. Waseca is comparable to New Ulm (55.8% with the percentage of owner-households that have a mortgage. New Prague had the highest percentage (72.3%) of owner-households with a mortgage.
- Between 2003 and 2014 Waseca had the lowest number (104 building permits) of single and multi-family building permits. New Prague had the most (657 building permits) single and multi-family building permits pulled between 2003 and 2014.

Summary of Demographic Trends

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

- The PMA experienced a population decline during the past decade, losing 453 people (-3.1%), but gained 150 households (+2.9%). The average household size decreased from 2.84 in 2000 to 2.77 in 2010.
- Between 2010 and 2025, the PMA population is expected to decline by -1.5% (-140 people) while the number of households is expected to decline by -0.1% (-7 households). The City of Waseca can withstand some declining population than surrounding rural areas, since it is

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located near employment opportunities and urban services that would support residential development. More people will choose to locate near their place of work as increasing transportation costs increase the desirability of living close to employment.

- The greatest growth is projected to occur among adults 55+ in the PMA. Aging of baby boomers led to an increase of 740 people (+25%) in the PMA's age 55+ population between 2000 and 2010. All cohorts age 55 or greater are expected to see increases over the next ten years.
- The PMA has an estimated median household income of \$56,591 in 2015 and is projected to increase over the next five years to \$61,698. There are 384 non-senior households (10%) with incomes under \$15,000 that would be eligible for subsidized rental housing. Median incomes for households in the Market Area peak at \$70,100 for the 45 to 54 age group in 2015. Incomes are expected to increase by 9% (1.8% annually) between 2015 and 2020 in the Market Area.
- In the Market Area, 10.7% of households ages 65 to 74 and 13.2% of households ages 75 and over had incomes below \$15,000. The median income for seniors age 65+ in the Market Area is \$39,297 in 2015. It is projected to increase by \$4,748 (12.1%) to \$44,045 by 2020.
- Typically as income increases, so does the rate of homeownership. Homeownership in the Waseca Market area increases from 45.4% of households with incomes below \$15,000 to 93.5% of households with incomes above \$100,000.
- The number of owner households in the Market Area decreased by -0.9% compared to a -17.4% increase in renter households between 2000 and 2010.
- Between 2000 and 2010, the Market Area experienced an increase in Married families without children (11.9%), Other (family households that are single-parent families or unmarried couples with children) (14.6%), and roommate households (11.9%). Married families without children experienced a large numerical increase (187 households) or +11.9%.
- An estimated 70% of renter households in the Waseca Market Area in 2010 have either one or two people.
- In 2010, "White Alone" (89%) comprised the largest proportion of the population in the Waseca Market Area. "White Alone" includes Hispanic and Latino population and as of 2010, 5.1% of the PMA's population was Hispanic/Latino ethnicity.
- Of the residents that moved in the past year, approximately 29% moved from outside of Waseca County but within Minnesota and 51% were intra-county moves.

Employment Trends

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

Employment Growth and Projections

Table E-1 shows projected employment growth in Southwest Minnesota. Table E-1 shows employment growth trends and projections from 2012 to 2025 based on the most recent Minnesota Department of Employment and Economic Development (DEED) Employment Outlook projections. The 2025 forecast is based on 2012-2022 industry projections for the Southwest Minnesota Planning area. The Southwest Minnesota Planning area consists of 23 Minnesota Counties with Waseca also included in the Southwest Minnesota planning region, projections are unavailable at the municipal level.

TABLE E-1 EMPLOYMENT PROJECTIONS SOUTHWEST MINNESOTA 2012-2025					
				Change	
	2012	Forecast	Forecast		
		2022	2025	2012-2025	
		No.	No.	No.	Pct.
Southwest Minnesota	207,849	213,534	215,240	7,391	3.6%
Sources: MN Dept of Employment and Economic Development; Maxfield Research and Consulting LLC					

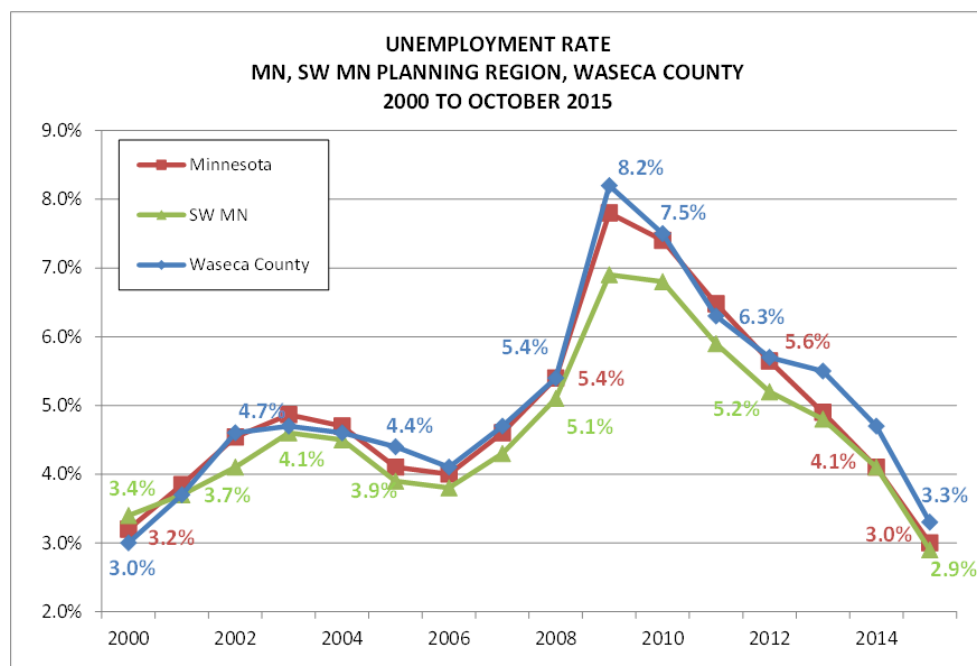
Resident Labor Force

The smallest geography available to examine annual average resident employment growth trends in the area is the City of Waseca. Waseca County is the smallest geography available to examine covered employment. Recent employment growth trends are shown in Tables E-2 and E-3. Table E-2 presents resident employment data for the City of Waseca and Waseca County from 2000 through October 2015. Resident employment data is calculated as an annual average and reveals the work force and number of employed persons living in the County. It is important to note that not all of these individuals necessarily work in the City or County. Table E-3 presents covered employment workforce numbers as available for the City of Waseca, the Waseca Market Area, and Waseca County from 2000 through 2014. Covered employment data

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is calculated as an annual average and *reveals the number of jobs in the designated area*, which are covered by unemployment insurance. Many temporary workforce positions, agricultural, self-employed persons, and some other types of jobs are not covered by unemployment insurance and are not included in the table. Some agricultural businesses and employees are listed in Table E-3, but not all positions are included. The data in both tables is sourced from the Minnesota Department of Employment and Economic Development. The following are key trends derived from the employment data:

- Resident employment in the City of Waseca decreased by approximately 395 people between 2000 and October 2015 (-7.2%) and the unemployment rate increased from 3.3% (2000) to 3.9% (October 2015). By comparison, Waseca County similarly increased from 3.0% (2000) to 3.3% (October 2015) and the Minnesota unemployment rate decreased from 3.1% (2000) to 3.0% (October 2015).
- Between 2000 and October 2015, the City of Waseca's labor force and number employed was the greatest at 5,571 and 5,332 in 2001. The City's labor force was the lowest in 2013 at 5,138 and employed in 2009 at 4,678.
- The City of Waseca's unemployment rate has stayed fairly consistent with the County's unemployment rate, but slightly higher since 2000. The greatest yearly difference being 1.3% higher than the County in 2009.
- The unemployment rate in the City of Waseca increased to a high of 9.5% (2009) which was the peak of the recession. However, as of 2014, the unemployment rate has fallen to 5.1%, which is considered to be at equilibrium.



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- The City of Waseca observed a decrease in its labor force and employed persons since 2000 (a decrease of -395 and -411 respectively). The labor force and employed persons are currently showing increases from 2014 (an increase of 75 and 136 respectively).
- Similar to Waseca, the labor force in the U.S. and Minnesota are showing increases from October 2014 to October 2015 (0.5% and 0.9% respectively). The number of employed are also increasing in the U.S. and Minnesota (1.3% and 0.8% respectively).

TABLE E-2 ANNUAL AVERAGE RESIDENT EMPLOYMENT THE CITY OF WASECA AND WASECA COUNTY 2000 to 2015 ¹				
Year	Labor Force	Employed	Unemployed	Rate
THE CITY OF WASECA				
2000	5,451	5,272	179	3.3%
2001	5,571	5,332	239	4.3%
2002	5,555	5,274	281	5.1%
2003	5,558	5,259	299	5.4%
2004	5,554	5,275	279	5.0%
2005	5,418	5,139	279	5.1%
2006	5,381	5,145	236	4.4%
2007	5,217	4,950	267	5.1%
2008	5,310	5,013	297	5.6%
2009	5,169	4,678	491	9.5%
2010	5,479	5,046	433	7.9%
2011	5,466	5,095	371	6.8%
2012	5,304	4,965	339	6.4%
2013	5,138	4,825	313	6.1%
2014	4,981	4,725	256	5.1%
2015 ¹	5,056	4,861	195	3.9%
Change 2000-2015 ¹				
Number	-395	-411	16	--
Percent	-7.5%	-7.8%	8.9%	--
Continued				

TABLE E-2 Continued ANNUAL AVERAGE RESIDENT EMPLOYMENT THE CITY OF WASECA AND WASECA COUNTY 2000 to 2015 ¹				
Year	Labor Force	Employed	Unemployed	Rate
WASECA COUNTY				
2000	10,615	10,294	321	3.0%
2001	10,699	10,302	397	3.7%
2002	10,674	10,182	492	4.6%
2003	10,671	10,165	506	4.7%
2004	10,610	10,123	487	4.6%
2005	10,446	9,990	456	4.4%
2006	10,501	10,073	428	4.1%
2007	10,257	9,770	487	4.7%
2008	10,494	9,928	566	5.4%
2009	10,492	9,633	859	8.2%
2010	10,577	9,786	791	7.5%
2011	10,575	9,910	665	6.3%
2012	10,244	9,656	588	5.7%
2013	9,949	9,405	544	5.5%
2014	9,668	9,211	457	4.7%
2015 ¹	9,795	9,476	319	3.3%
Change 2000-2015 ¹				
Number	-820	-818	-2	--
Percent	-7.7%	-7.9%	-0.6%	--
MINNESOTA				
2010	2,938,795	2,721,194	217,601	7.4%
2014	2,974,102	2,852,476	121,626	4.1%
2015 ¹	3,001,058	2,911,265	89,793	3.0%
U.S. ²				
2010	153,650	139,301	14,348	9.3%
2014	156,129	147,442	8,688	5.6%
2015 ¹	157,028	149,120	7,908	5.0%
¹ Through October 2015				
² In Thousands				
not seasonally adjusted				
Sources: U.S. Department of Labor, MN Workforce Center, Maxfield Research and Consulting LLC				

Covered Employment by Industry

- Between 2005 and 2014, the number of jobs decreased by 1,338, a -16.5% decrease in the County. Natural Resources and Mining gained, the greatest number and percentage of jobs (+28 jobs and +18.2%) between 2005 and 2014, while Manufacturing lost the greatest number of jobs (-564) and Information lost the greatest percentage of jobs (-54.9%).
- In Waseca County, Public Administration and Construction also experienced growth between 2005 and 2014 (+15 and +6 jobs respectively). However, there were eight other sectors that experienced a decline.
- Overall, covered employment by industry in the Market Area has decreased by -14.3% between 2010 and 2014 (-943 employees).
- The Manufacturing Sector accounted for about 27.3% of the PMA's jobs in 2014, which is above Education and Health Services (27.0%) and Trade, Transportation, and Utilities (15.4%) Industry Sectors employment in the PMA.

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TABLE E-3 COVERED EMPLOYMENT TRENDS WASECA, WASECA MARKET AREA, WASECA COUNTY 2000, 2005, 2010, 2014 North American Industrial Classification System (NAICS)										
City of Waseca					Change					
Average Number of Employees					2005 - 2014		% of Total			
Industry	2000	2005	2010	2014	No.	Pct.	2000	2005	2010	2014
Natural Resources & Mining	49	33	36	20	-13	-39.4	0.7%	0.5%	0.7%	0.4%
Construction	98	113	97	104	-9	-8.0	1.4%	1.7%	1.9%	2.3%
Manufacturing	1,446	2,381	na	na	na	na	21.0%	35.4%	na	na
Trade, Transportation, and Utilities	841	760	569	528	-232	-30.5	12.2%	11.3%	11.0%	11.5%
Information	1,468	234	na	na	na	na	21.3%	3.5%	na	na
Financial Services	200	194	196	160	-34	-17.5	2.9%	2.9%	3.8%	3.5%
Professional and Business Services	215	349	141	108	-241	-69.1	3.1%	5.2%	2.7%	2.4%
Education and Health Services	1,561	1,728	1,618	1,432	-296	-17.1	22.7%	25.7%	31.4%	31.3%
Leisure and Hospitality	346	310	353	339	29	9.4	5.0%	4.6%	6.8%	7.4%
Other Services	131	130	104	na	na	na	1.9%	1.9%	2.0%	na
Public Administration	528	497	510	491	-6	-1.2	7.7%	7.4%	9.9%	10.7%
Totals	6,886	6,730	5,157	4,578	-2,152	-32.0				
Waseca Market Area					Change					
Average Number of Employees					2005 - 2014		% of Total			
Industry	2000	2005	2010	2014	No.	Pct.	2000	2005	2010	2014
Natural Resources & Mining	66	33	36	20	-13	-39.4	0.9%	0.5%	0.5%	0.4%
Construction	113	148	11	112	-36	-24.3	1.6%	2.1%	0.2%	2.0%
Manufacturing	1,446	2,381	na	na	na	na	19.9%	33.8%	na	na
Trade, Transportation, and Utilities	841	780	601	538	-242	-31.0	11.6%	11.1%	9.1%	9.5%
Information	1,468	234	na	na	na	na	20.2%	3.3%	na	na
Financial Services	200	194	196	160	-34	-17.5	2.8%	2.8%	3.0%	2.8%
Professional and Business Services	215	349	141	108	-241	-69.1	3.0%	5.0%	2.1%	1.9%
Education and Health Services	1,561	1,728	1,618	1,432	-296	-17.1	21.5%	24.5%	24.5%	25.3%
Leisure and Hospitality	411	364	353	339	-25	-6.9	5.7%	5.2%	5.3%	6.0%
Other Services	131	130	104	na	na	na	1.8%	1.8%	1.6%	na
Public Administration	533	499	513	493	-6	-1.2	7.3%	7.1%	7.8%	8.7%
Totals	7,260	7,047	6,598	5,655	-1,392	-19.7				
Waseca County					Change					
Average Number of Employees					2005 - 2014		% of Total			
Industry	2000	2005	2010	2014	No.	Pct.	2000	2005	2010	2014
Natural Resources & Mining	154	154	174	182	28	18.2	1.9%	1.9%	2.3%	2.7%
Construction	196	241	220	247	6	2.5	2.4%	3.0%	2.9%	3.6%
Manufacturing	1,550	2,416	2,159	1,852	-564	-23.3	18.6%	29.8%	28.5%	27.3%
Trade, Transportation, and Utilities	1,198	1,108	1,050	1,045	-63	-5.7	14.4%	13.7%	13.8%	15.4%
Information	1,477	246	196	111	-135	-54.9	17.7%	3.0%	2.6%	1.6%
Financial Services	238	236	241	207	-29	-12.3	2.9%	2.9%	3.2%	3.1%
Professional and Business Services	266	389	355	193	-196	-50.4	3.2%	4.8%	4.7%	2.8%
Education and Health Services	1,989	2,157	2,030	1,827	-330	-15.3	23.9%	26.6%	26.8%	27.0%
Leisure and Hospitality	452	436	423	409	-27	-6.2	5.4%	5.4%	5.6%	6.0%
Other Services	199	168	142	124	-44	-26.2	2.4%	2.1%	1.9%	1.8%
Public Administration	600	558	591	573	15	2.7	7.2%	6.9%	7.8%	8.5%
Totals	8,322	8,110	7,583	6,772	-1,338	-16.5				

Source: Minnesota Workforce Center, Maxfield Research and Consulting LLC

Employment and Wages

Table E-4 displays information on the employment and wage situation in Waseca compared to Waseca County and the State of Minnesota. The Quarterly Census of Employment and Wages (QCEW) data is sourced from Minnesota DEED for 2013 and 2014, the most recent annual data available. All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics quarterly to DEED. Federal government establishments are also covered by the QCEW program.

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

TABLE E-4 QUARTERLY CENSUS OF EMPLOYMENT AND WAGES CITY OF WASECA, WASECA COUNTY, MINNESOTA										
Industry	2013			2014			Change 2013 - 2014			
	Establish- ments	Employ- ment	Weekly Wage	Establish- ments	Employ- ment	Weekly Wage	Employment #	%	Wage #	%
CITY OF WASECA										
Total, All Industries	277	4,578	\$695	274	4,484	\$713	-94	-2.1%	\$18	2.6%
Natural Resources & Mining	4	19	\$296	4	20	\$274	1	5.3%	(\$22)	-7.4%
Construction	33	113	\$757	34	104	\$735	-9	-8.0%	(\$23)	-3.0%
Trade, Transportation, Utilities	52	540	\$498	52	528	\$539	-12	-2.2%	\$41	8.2%
Financial Activities	31	177	\$967	30	160	\$887	-17	-9.6%	(\$80)	-8.3%
Professional & Business Services	29	115	\$664	29	108	\$777	-7	-6.1%	\$113	17.0%
Education & Health Services	34	1,441	\$523	32	1,432	\$524	-9	-0.6%	\$1	0.2%
Leisure & Hospitality	36	331	\$182	34	339	\$197	8	2.4%	\$15	8.2%
Public Administration	18	491	\$1,038	15	491	\$1,052	0	0.0%	\$14	1.3%
WASECA COUNTY										
Total, All Industries	511	7,001	\$707	503	6,772	\$732	-229	-3.3%	\$25	3.5%
Natural Resources & Mining	29	178	\$595	31	182	\$640	4	2.2%	\$45	7.6%
Construction	78	246	\$777	79	247	\$808	1	0.4%	\$31	4.0%
Manufacturing	25	2,028	\$1,008	25	1,852	\$1,098	-176	-8.7%	\$90	8.9%
Trade, Transportation, Utilities	119	1,068	\$535	117	1,045	\$547	-23	-2.2%	\$12	2.2%
Information	9	120	\$704	8	111	\$734	-9	-7.5%	\$30	4.3%
Financial Activities	43	229	\$916	42	207	\$858	-22	-9.6%	(\$58)	-6.3%
Professional & Business Services	46	190	\$633	46	193	\$737	3	1.6%	\$104	16.4%
Education & Health Services	50	1,831	\$527	48	1,827	\$528	-4	-0.2%	\$1	0.2%
Leisure & Hospitality	50	403	\$186	48	409	\$200	6	1.5%	\$14	7.5%
Other Services	35	127	\$326	37	124	\$336	-3	-2.4%	\$10	3.1%
Public Administration	28	578	\$926	25	573	\$948	-5	-0.9%	\$22	2.4%
MINNESOTA										
Total, All Industries	163,077	2,692,170	\$964	165,217	2,729,679	\$992	37,509	1.4%	\$28	2.9%
Natural Resources & Mining	2,718	26,828	\$851	2,814	26,956	\$888	128	0.5%	\$37	4.3%
Construction	15,954	107,364	\$1,098	16,233	114,323	\$1,130	6,959	6.5%	\$32	2.9%
Manufacturing	7,937	307,224	\$1,145	8,019	311,880	\$1,174	4,656	1.5%	\$29	2.5%
Trade, Transportation, Utilities	38,240	525,239	\$849	38,479	531,368	\$871	6,129	1.2%	\$22	2.6%
Information	3,397	57,033	\$1,253	3,505	56,370	\$1,303	-663	-1.2%	\$50	4.0%
Financial Activities	15,475	179,665	\$1,561	15,283	175,931	\$1,627	-3,734	-2.1%	\$66	4.2%
Professional & Business Services	28,310	348,399	\$1,331	29,256	355,990	\$1,381	7,591	2.2%	\$50	3.8%
Education & Health Services	18,007	665,168	\$869	18,093	673,622	\$891	8,454	1.3%	\$22	2.5%
Leisure & Hospitality	14,262	265,991	\$356	14,386	269,444	\$367	3,453	1.3%	\$11	3.1%
Other Services	14,968	85,433	\$556	15,856	87,462	\$576	2,029	2.4%	\$20	3.6%
Public Administration	3,810	123,822	\$961	3,295	126,330	\$985	2,508	2.0%	\$24	2.5%
Sources: Minnesota Department of Employment and Economic Development; Maxfield Research and Consulting LLC										

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As reported by the QCEW for 2014:

- There are approximately 274 businesses with 4,484 employees in the City of Waseca.
- Trade, Transportation, Utilities is the largest industry type (52 businesses) in Waseca with a total of 528 employees. Construction, and Leisure and Hospitality are the second largest industry types (34 businesses each), and has 104 and 339 employees respectively.
- Education and Health Services has the largest number of employees (1,432) which accounts for 32% of the total employees in Waseca. These employees would be working in the Waseca School system, senior housing and care facilities, the Waseca Medical Center, and any other medical or health service businesses.
- At \$713, the average weekly wage across all industries in the City of Waseca is 2.7% lower than Waseca County (\$732) and 39.1% lower than the State average (\$992). Average wages are lower in Waseca than in the State in all industry sectors except Public Administration which is 6.8% higher in the City of Waseca than the State average.

Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live, since transportation costs often accounts for a large proportion of households' budgets. Table E-5 highlights the commuting patterns of workers in the City of Waseca in 2013 (the most recent data available), based on Employer-Household Dynamics data from the U.S. Census Bureau. Likewise, Table E-6 highlights commuting patterns of Waseca PMA workers.

- As shown in Table E-5, 61.1% of the City of Waseca residents commuted to jobs outside the City, 5.2% commuted to jobs in Owatonna (318 employees), 3.3% commuted to jobs in Mankato (203 employees), and 3.3% commuted to jobs in Janesville (201 employees).
- Of the workers who work in Waseca, 54.9% live in Waseca. The remaining 45.1% of the workers are commuting from mostly Owatonna (10.1%) and Mankato (5.8%).

**TABLE E-5
COMMUTING PATTERNS
CITY OF WASECA
2013**

Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Waseca city, MN	2,374	38.9%	Waseca city, MN	2,374	54.9%
Owatonna city, MN	318	5.2%	Owatonna city, MN	438	10.1%
Mankato city, MN	203	3.3%	Mankato city, MN	251	5.8%
Janesville city, MN	201	3.3%	Bloomington city, MN	102	2.4%
Waterville city, MN	98	1.6%	Faribault city, MN	86	2.0%
New Richland city, MN	95	1.6%	St. Paul city, MN	86	2.0%
Albert Lea city, MN	85	1.4%	Minneapolis city, MN	56	1.3%
North Mankato city, MN	71	1.2%	Rochester city, MN	48	1.1%
Faribault city, MN	61	1.0%	North Mankato city, MN	44	1.0%
Elysian city, MN	33	0.5%	Plymouth city, MN	32	0.7%
All Other Locations	2,570	42.1%	All Other Locations	811	18.7%
Total All Jobs	6,109		Total All Jobs	4,328	

Home Destination = Where workers live who are employed in Waseca

Work Destination = Where workers are employed who live in Waseca

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

- As shown in Table E-6, about 2,295 of the Waseca PMA residents work in the City of Waseca (37.4%) and 330 work in the City of Owatonna (5.4%).
- Of the workers who work in the Waseca PMA, 50.6% live in Waseca. Most are commuting from Owatonna (10.5%) and Mankato (7.1%).

**TABLE E-6
COMMUTING PATTERNS
PMA
2013**

Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Waseca city, MN	2,478	37.7%	Waseca city, MN	3,259	50.2%
Owatonna city, MN	343	5.2%	Owatonna city, MN	672	10.4%
Janesville city, MN	219	3.3%	Mankato city, MN	457	7.0%
Mankato city, MN	209	3.2%	Faribault city, MN	148	2.3%
New Richland city, MN	106	1.6%	Bloomington city, MN	123	1.9%
Waterville city, MN	104	1.6%	St. Paul city, MN	113	1.7%
Albert Lea city, MN	87	1.3%	North Mankato city, MN	108	1.7%
North Mankato city, MN	76	1.2%	Janesville city, MN	102	1.6%
Faribault city, MN	73	1.1%	Minneapolis city, MN	71	1.1%
Elysian city, MN	35	0.5%	New Richland city, MN	58	0.9%
All Other Locations	2,840	43.2%	All Other Locations	1,379	21.2%
Total All Jobs	6,570		Total All Jobs	6,490	

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

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

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

Inflow/Outflow

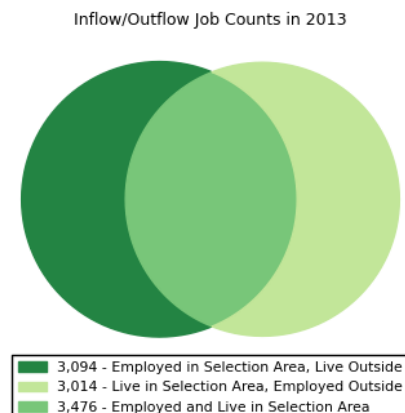
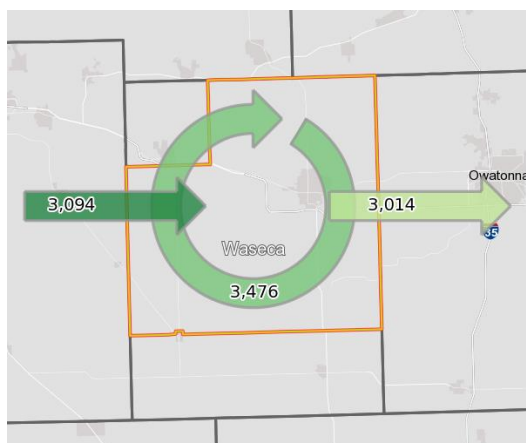
Table E-7 provides a summary of the inflow and outflow of workers in the City of Waseca and the Waseca PMA. Outflow reflects the number of workers living in the City of Waseca but employed outside of the city while inflow measures the number of workers that are employed in the City of Waseca but live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

- The City of Waseca can be considered an importer of workers, as the number of residents coming into the City (inflow) for employment was more than the number of residents leaving the City for work (outflow). Approximately 3,735 workers came into the City of Waseca for work while 1,945 workers left, for a net difference of 1,790.

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- The Waseca PMA can also be considered importer of workers, as the number of residents coming into the PMA (inflow) for employment was more than the number of residents leaving the PMA for work (outflow). Approximately 3,094 workers came into the PMA for work while 3,014 workers left, for a net difference of 80.

TABLE E-7 COMMUTING INFLOW/OUTFLOW CITY OF WASECA/WASECA PMA 2013		
	CITY OF WASECA	
	Num.	Pct.
Employed in the Selection Area	6,109	100%
Employed in the Selection Area but Living Outside	3,735	61.1%
Employed and Living in the Selection Area	2,374	38.9%
Living in the Selection Area	4,328	100%
Living in the Selection Area but Employed Outside	1,954	45.1%
Living and Employed in the Selection Area	2,374	54.9%
	WASECA PMA	
	Num.	Pct.
Employed in the Selection Area	6,570	100%
Employed in the Selection Area but Living Outside	3,094	47.1%
Employed and Living in the Selection Area	3,476	52.9%
Living in the Selection Area	6,490	100%
Living in the Selection Area but Employed Outside	3,014	46.4%
Living and Employed in the Selection Area	3,476	53.6%
Sources: Longitudinal Employer-Household Dynamics; Maxfield Research and Consulting LLC		



Sources: Longitudinal Employer-Household Dynamics

Major Employers

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

- Quad/Graphics is the largest employer with a total of around 600 employees (includes both full time and part-time/seasonal employees). Waseca Public Schools is the second largest employer with over 300 employees. Itron, Inc. is the third largest employer with 290 employees.

TABLE E-8 MAJOR EMPLOYERS CITY OF WASECA January 2016		
Name	Industry/Product/Service	Approximate Employee Size
City of Waseca		
Quad/Graphics	Magazine, Printing	600 full and part time ¹
Waseca Public Schools	Public Schools	330 full and part time ¹
Itron, Inc	Semiconductor and Related Device Mfg.	290
Federal Correctional Institute	Government	212
Cinch Connectivity Solutions, Inc	Business to Business Electronic Markets	210 ¹
Pinnacle Foods / Birds Eye Foods	Frozen Foods	190 full / 250 Seasonal ¹
Waseca Area Medical Center	General Medical	152
Waseca County	Executive and Legislative Offices	106
ICAN Inc.	Long Term Care/Group	98
ELM Homes Inc.	Long Term Care/Group	83
Winegar, Inc	Precision Tuned Prod. Mfg.	81
Mediacom	Cable and Other Subscription Programming	80
Wal-Mart Supercenter	Retail	73
Canadian Pacific (DM&E) RR	Transportation	70
Colony Court Management	Retirement Communities and Homes	40 full / 28 part time
City of Waseca	Government	65
Lake Shore Nursing Home	Retirement Communities and Homes	48
Corchran, Inc	Sheet Metal, Precision Mfg.	48 ¹
Hy-Vee	Retail	45
¹ Business response on employee size		
Source: City of Waseca; Maxfield Research and Consulting LLC		

- The list of major employers represents several industry sectors, but the highest concentrations of large employers are in the Manufacturing and Education sectors.
- The top three employers account for approximately 27% of the employment in the City of Waseca.

- There are approximately 15 businesses in the area that may employ up to 50 full time employees or greater. Based on the 2014 Quarterly Census of Employment and Wages data, the Manufacturing sector employs an average of 74 workers per business establishment in the County while the Education and Health Services sector employs an average of 38 workers per establishment. The average across all industries in the County is 13 workers per business and the City of Waseca is 16 workers per business.

Employer Survey

Maxfield Research and Consulting LLC interviewed representatives from major employers in the Waseca Market Area during November 2015. Interview questions covered topics such as recent trends in job growth, employee turnover, and projected job growth. In addition, representatives were asked their opinion about issues related to housing in the area. Interviews with these employer representatives will not only provide useful job growth data, but also unveil opinions regarding housing demand in the Market Area. The following summarizes key points derived from the interviews.

- The top three employers account for approximately 27% of the employment in the City of Waseca.
- Employers identified that most employees either lived in Waseca and those who do not live in surrounding communities such as Mankato and Owatonna. Some people commute from Albert Lea, Faribault or the Twin Cities area.
- Most employers believe that younger professional staff have difficulty finding rental housing with amenities that younger professionals are seeking.
- Most major business hiring has been flat to moderate growth the past five years. Hiring is expected to remain flat with most new staff positions replacing those that are entering retirement. Employers mentioned that the economic outlook remains guarded and most major businesses are not projecting growth.
- There was a general consensus that most full time employees in the area currently own their homes, but many new, young and seasonal employees are looking to rent.
- Many employers mentioned that their employees are looking for quality housing, affordable pricing, and flexibility in rental options.

Introduction

The variety and condition of the housing stock in a community provides the basis for an attractive living environment. Housing functions as a building block for neighborhoods and goods and services. We examined the housing market in Waseca and the Market Area by reviewing data on the age of the existing housing supply; examining residential building trends since 2003; and reviewing housing data from the American Community Survey that relates to the Waseca area.

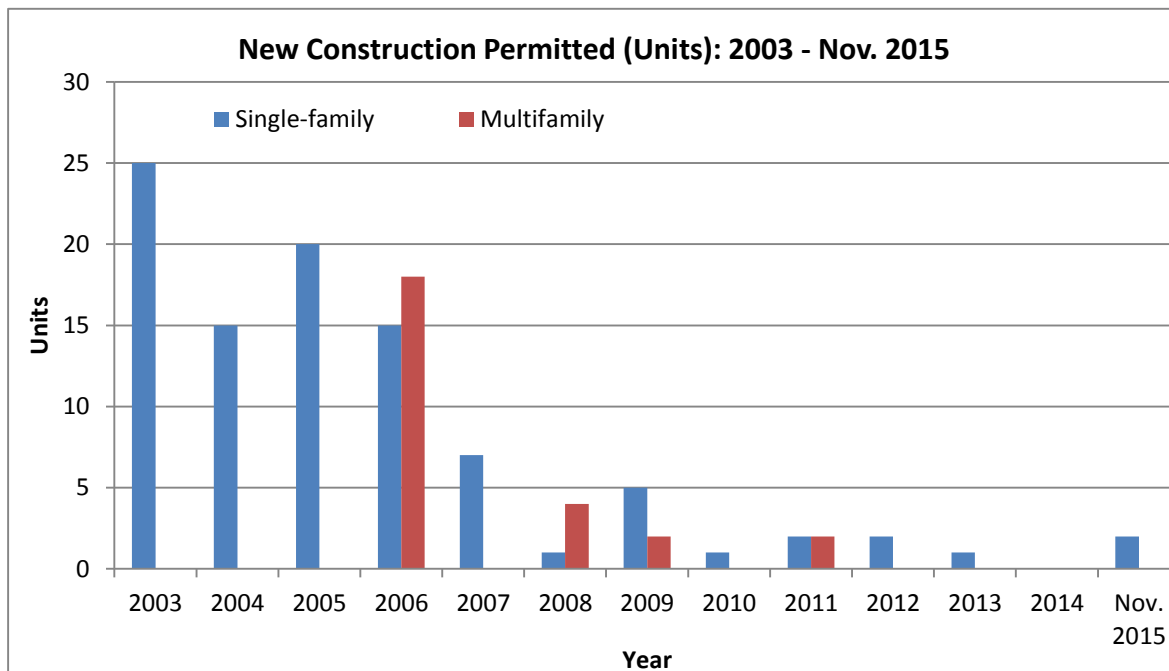
Residential Construction Trends 2003 to Present

Maxfield Research obtained data from the City of Waseca on the number of building permits issued for new housing units in Waseca from 2003 to 2015. Table HC-1 displays permits issued for single-family and multifamily dwellings. Multifamily units usually include both for-sale (condominium, townhomes, and townhomes) and rental projects. The following are key points about housing development since 2003.

- The City of Waseca issued 104 permits for the construction of 120 new residential units from 2003 to November 2015. That equates to about 10 units annually since 2003.
- Between 2003 and 2006, the City of Waseca issued 80 residential permits for 93 units. That equates to about 20 residential permits and 23 units annually between 2003 and 2006.
- Between 2007 and November 2015, the City of Waseca issued 24 residential permits for 29 units. That equates to about 2.7 residential permits and 3.2 units annually between 2007 and 2015.
- In 2007, most U.S. communities housing permits declined and recessionary effects on Waseca's building permit activity can be identified in 2007. Beginning in 2007, building permits declined rapidly, and from 2007 to 2015 the City has averaged only 2.6 units per year.
- Multifamily building permit has been limited between 2003 and 2015. Most years did not experience any multifamily construction. 2006 issued the greatest number of multifamily permits (5 multifamily permits) in a single year. After 2006 there have only been a total of four multifamily building permits issued.

HOUSING CHARACTERISTICS

HC-1 RESIDENTIAL CONSTRUCTION BUILDING PERMITS ISSUED CITY OF WASECA 2003 to November 2015				
Year	Units Permitted			Total New Residential Building Permits
	Single-Family	Multifamily	Total Units	
2003	25	0	25	25
2004	15	0	15	15
2005	20	0	20	20
2006	15	18	33	20
2007	7	0	7	7
2008	1	4	5	3
2009	5	2	7	6
2010	1	0	1	1
2011	2	2	4	3
2012	2	0	2	2
2013	1	0	1	1
2014	0	0	0	0
2015 ¹	2	0	2	1
Total	96	26	122	104
¹ Through November 2015				
Sources: City of Waseca; U.S. Census; Maxfield Research and Consulting LLC				



HOUSING CHARACTERISTICS

The following points summarize building permit trends for Waseca and peer cities. Data is sourced from the U.S. Census Bureau. Table HC-2 illustrates single family and multifamily totals from 2003 to 2014.

- The City of New Prague issued permits for the construction of 826 new residential units from 2003 to 2014. That equates to about 69 units annually since 2003. New Prague had the most new residential units constructed amongst the peer cities. Due to New Prague's location near the Twin Cities; the community capitalized on the Twin Cities housing boom last decade.
- The City of Waseca issued permits for the construction of 132 new residential units from 2003 to 2014. That equates to 11 units annually since 2003. Compared to all the peer cities; Waseca had the lowest number of unit deliveries. On average, Waseca has averaged 10 new single-family units over the past 12 years; compared to a collective average of 30 new single-family housing units per year among all the peer cities.
- The City of New Prague is within an hour drive of the Twin Cities Metro Area and located partially in Scott County. Other peer cities are located in close proximity to major highways, while the City of Waseca is roughly 20 minutes from U.S. Highway 52. This might impact building permit trends in the area.

HC-2

RESIDENTIAL CONSTRUCTION BUILDING PERMITS ISSUED

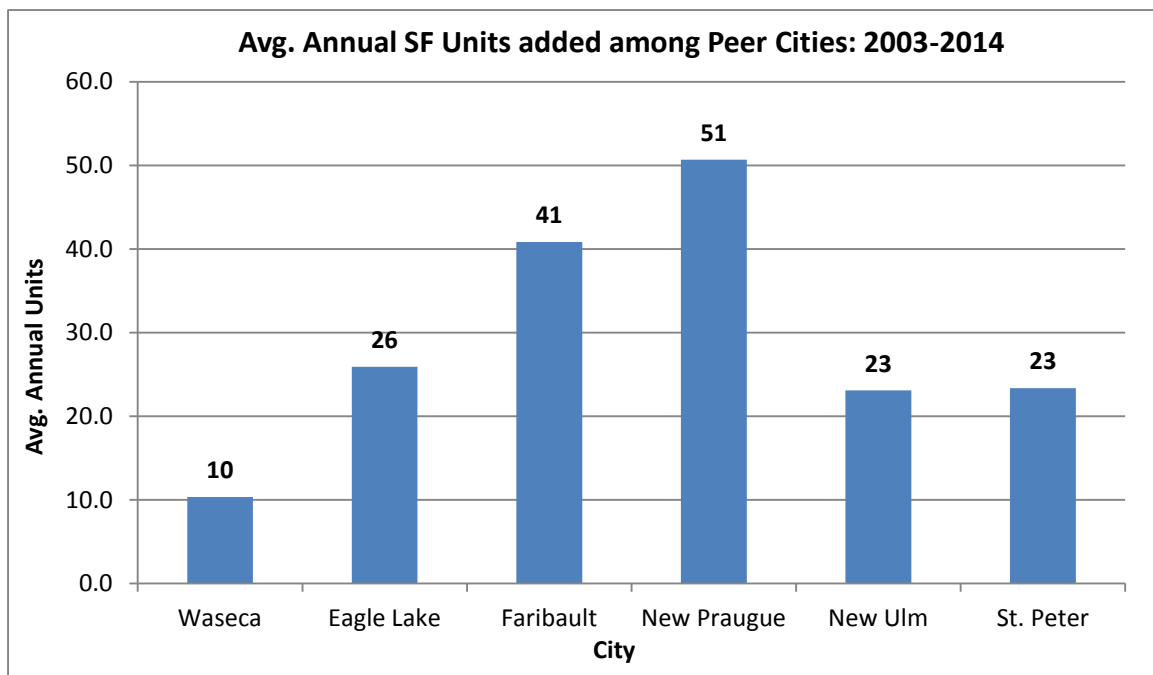
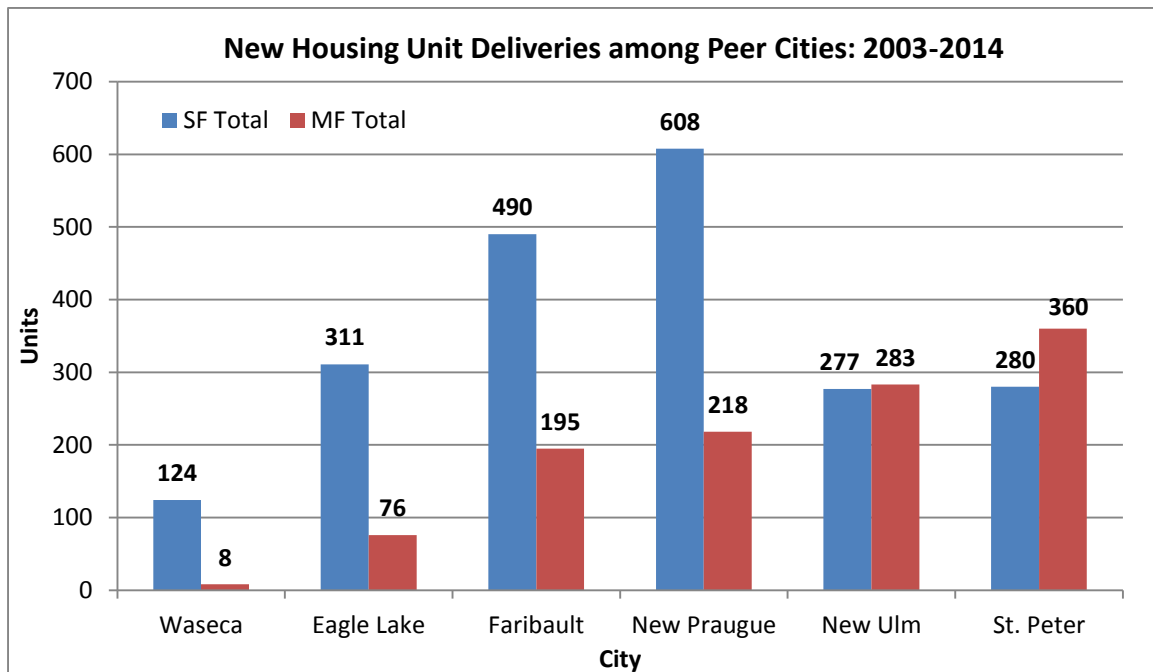
WASECA & PEER CITIES

2003 to 2014

Year	Waseca Units			Eagle Lake Units			Faribault Units			New Prague Units			New Ulm Units			St. Peter Units		
	SF	MF	Total	SF	MF	Total	SF	MF	Total	SF	MF	Total	SF	MF	Total	SF	MF	Total
2003	35	0	35	35	0	35	109	8	117	118	187	305	27	114	141	53	94	147
2004	18	0	18	29	0	29	114	84	198	115	31	146	34	49	83	57	72	129
2005	17	0	17	30	0	30	103	10	113	142	0	142	36	0	36	51	3	54
2006	25	0	25	15	0	15	76	8	84	110	0	110	36	0	36	37	0	37
2007	8	0	8	53	2	55	23	16	39	23	0	23	24	2	26	11	0	11
2008	5	6	11	32	0	32	8	0	8	6	0	6	19	2	21	6	4	10
2009	6	2	8	5	0	5	5	0	5	13	0	13	16	0	16	10	0	10
2010	4	0	4	24	0	24	8	24	32	8	0	8	8	0	8	8	109	117
2011	2	0	2	10	8	18	10	0	10	5	0	5	16	0	16	5	0	5
2012	3	0	3	12	0	12	6	0	6	21	0	21	12	0	12	7	6	13
2013	1	0	1	30	36	66	13	37	50	17	0	17	20	72	92	14	72	86
2014	0	0	0	36	30	66	15	8	23	30	0	30	29	44	73	21	0	21
Total	124	8	132	311	76	387	490	195	685	608	218	826	277	283	560	280	360	640

Summary																		
2003-2006	95	0	95	109	0	109	402	110	512	485	218	703	133	163	296	198	169	367
2007-2010	23	8	31	114	2	116	44	40	84	50	0	50	67	4	71	35	113	148
2011-2014	6	0	6	88	74	162	44	45	89	73	0	73	77	116	193	47	78	125

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



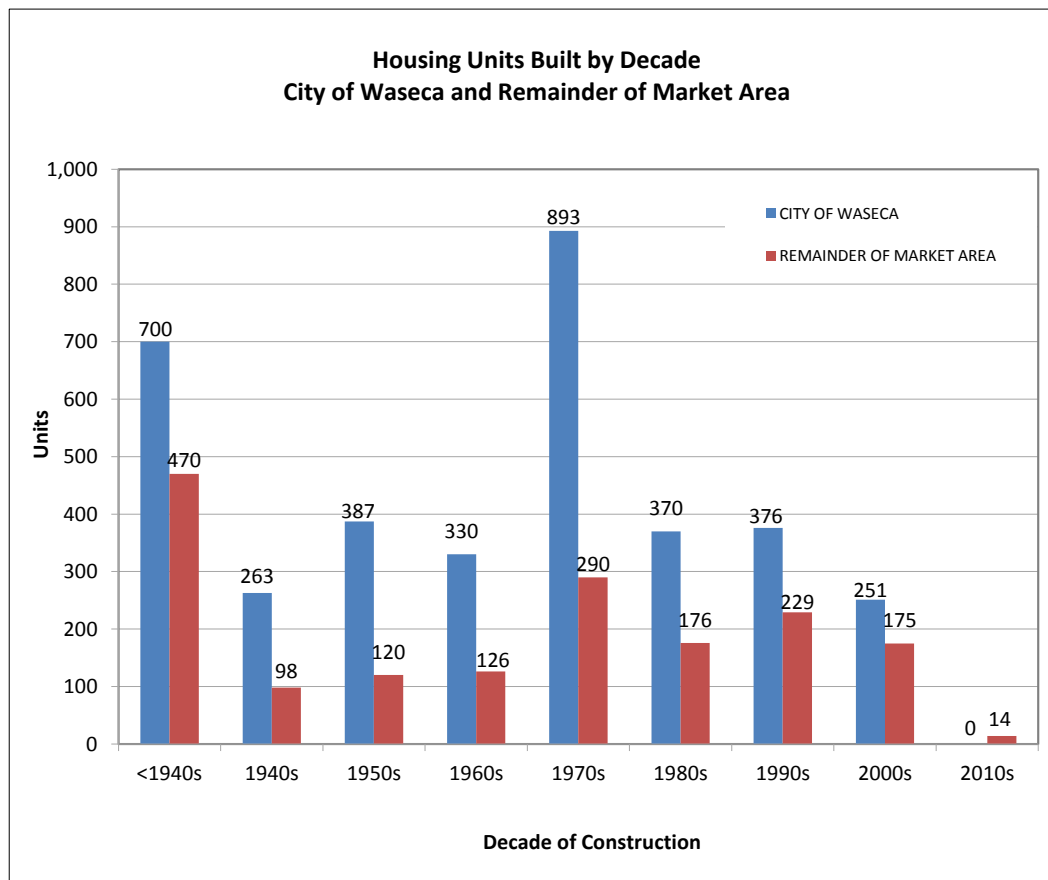
American Community Survey

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

Age of Housing Stock

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

- In total, the Market Area is estimated to have 5,268 housing units, of which roughly 76% are owner-occupied and 25% are renter-occupied.



HOUSING CHARACTERISTICS

TABLE HC-3
AGE OF HOUSING STOCK
WASECA MARKET AREA
2014

			Year Unit Built																			
			<1940		1940s		1950s		1960s		1970s		1980s		1990s		2000s		2010 - 2014			
			No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.		
Total Units	Med. Yr. Built																					
CITY OF WASECA																						
Owner-Occupied	2,448	1967	530	21.7	230	9.4	273	11.2	259	10.6	564	23.0	115	4.7	286	11.7	191	7.8	0	0.0		
Renter-Occupied	1,122	1975	170	15.2	33	2.9	114	10.2	71	6.3	329	29.3	255	22.7	90	8.0	60	5.3	0	0.0		
Total	3,570	1971	700	19.6	263	7.4	387	10.8	330	9.2	893	25.0	370	10.4	376	10.5	251	7.0	0	0.0		
REMAINDER OF MARKET AREA																						
Owner-Occupied	1,527	1964	407	26.7	86	5.6	102	6.7	124	8.1	272	17.8	164	10.7	199	13.0	163	10.7	10	0.7		
Renter-Occupied	167	1958	63	37.7	12	7.2	18	10.8	2	1.2	18	10.8	12	7.2	30	18.0	12	7.2	4	2.4		
Total	1,694	1960	470	27.7	98	5.8	120	7.1	126	7.4	290	17.1	176	10.4	229	13.5	175	10.3	14	0.8		
MARKET AREA TOTAL																						
Owner-Occupied	3,975	1966	937	23.6	316	7.9	375	9.4	383	9.6	836	21.0	279	7.0	485	12.2	354	8.9	10	0.3		
Renter-Occupied	1,293	1973	233	18.0	45	3.5	132	10.2	73	5.6	347	26.8	267	20.6	120	9.3	72	5.6	4	0.3		
Total	5,268	1969	1,170	22.2	361	6.9	507	9.6	456	8.7	1,183	22.5	546	10.4	605	11.5	426	8.1	14	0.3		
Waseca County																						
Owner-Occupied	5,771	1668	1,566	27.1	387	6.7	525	9.1	522	9.0	1,114	19.3	426	7.4	612	10.6	601	10.4	18	0.3		
Renter-Occupied	1,634	1974	298	18.2	54	3.3	168	10.3	89	5.4	473	28.9	338	20.7	130	8.0	80	4.9	4	0.2		
Total	7,405	1971	1,864	25.2	441	6.0	693	9.4	611	8.3	1,587	21.4	764	10.3	742	10.0	681	9.2	22	0.3		
Minnesota																						
Owner-Occupied	1,525,201	1976	258,123	16.9	74,584	4.9	171,731	11.3	136,390	8.9	216,064	14.2	193,138	12.7	226,751	14.9	236,186	15.5	12,234	0.8		
Renter-Occupied	590,136	1974	101,849	17.3	25,396	4.3	47,768	8.1	68,717	11.6	115,633	19.6	86,262	14.6	66,264	11.2	72,582	12.3	5,665	1.0		
Total	2,115,337	1975	359,972	17.0	99,980	4.7	219,499	10.4	205,107	9.7	331,697	15.7	279,400	13.2	293,015	13.9	308,768	14.6	17,899	0.8		

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

- Homes in Waseca are slightly newer than homes in the Market Area. The highest numbers of homes in Waseca were constructed in the 1970's. Overall, roughly 25% of housing units were built during this period. As a comparison, the highest numbers of homes in the Remainder of the Market Area were built prior to 1940 (27.7%). About 47% of the Market Area's housing stock was built before 1970. Some of these housing units may need to be updated, need replacement or need repairs.
- Only 7% of Waseca's housing stock has been built since 2000 compared to 9.5% of Waseca County, and 15.4% in Minnesota.

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

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

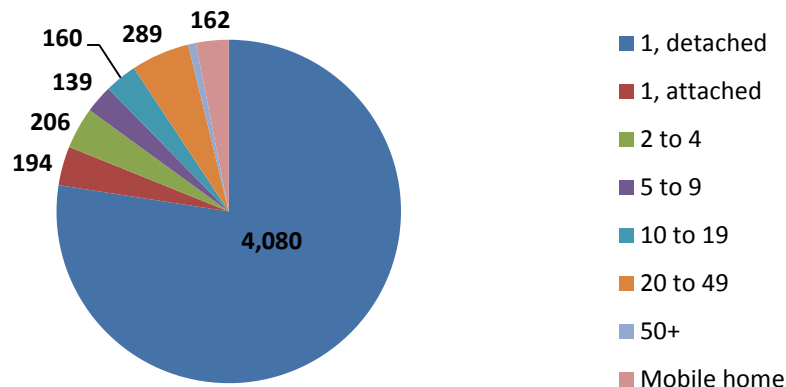
- The dominant housing type in the Market area is the single-family detached home, representing an estimated 92.2% of all owner-occupied housing units and 32.2% of renter-occupied housing units as of 2014.
- Most owner-occupied housing units are single-family detached homes representing 88.7% of all owner-occupied housing in Waseca.
- Most of the housing units with three or more units are renter-occupied. Most renter-occupied housing units in the Market Area with three or more units are located in the City of Waseca.
- As of 2014, the U.S. Census identified that mobile homes account for about 4.1% of all housing units in the Market Area. The mobile homes identified by the U.S. Census are mostly located within the City of Waseca.
- As of December 2015, the City of Waseca has one mobile home park with 123 pads currently filled.

HOUSING CHARACTERISTICS

TABLE HC-4 HOUSING UNITS BY STRUCTURE & TENURE WASECA MARKET AREA 2014												
Units in Structure	WASECA				REMAINDER				MARKET AREA TOTAL			
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.
1, detached	2,172	88.7%	271	24.2%	1,492	97.7%	145	85%	3,664	92.2%	416	32.2%
1, attached	144	5.9%	29	2.6%	15	1.0%	6	4%	159	4.0%	35	2.7%
2	18	0.7%	94	8.4%	0	0.0%	0	0%	18	0.5%	94	7.3%
3 to 4	0	0.0%	89	7.9%	0	0.0%	5	3%	0	0.0%	94	7.3%
5 to 9	0	0.0%	127	11.3%	6	0.4%	6	4%	6	0.2%	133	10.3%
10 to 19	0	0.0%	160	14.3%	0	0.0%	0	0%	0	0.0%	160	12.4%
20 to 49	0	0.0%	287	25.6%	0	0.0%	2	1%	0	0.0%	289	22.4%
50 or more	0	0.0%	35	3.1%	0	0.0%	3	2%	0	0.0%	38	2.9%
Mobile home	114	4.7%	30	2.7%	14	0.9%	4	2%	128	3.2%	34	2.6%
Boat, RV, van, etc.	0	0.0%	0	0.0%	0	0.0%	0	0%	0	0.0%	0	0.0%
Total	2,448	100%	1,122	100%	1,527	100%	171	100%	3,975	100%	1,293	100%
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC												

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

Market Area Housing Units by Structure and Tenure - 2014



Owner-Occupied Housing Units by Mortgage Status

Table HC-5 shows mortgage status and average values from the American Community Survey for 2014 (5-Year). Mortgage status provides information on the cost of homeownership when analyzed in conjunction with mortgage payment data. A mortgage refers to all forms of debt where the property is pledged as security for repayment of debt. A first mortgage has priority claim over any other mortgage or if it's the only mortgage. A second (and sometimes third) mortgage is called a "junior mortgage," a home equity line of credit (HELOC) would also fall into this category. Finally, a housing unit without a mortgage is owned free and clear and is debt free.

HOUSING CHARACTERISTICS

- Approximately 55.5% of Waseca homeowners and 58.8% of homeowners in the Remainder of the Market Area have a mortgage. About 16.3% of homeowners with mortgages in Waseca also have a second mortgage and/or home equity loan. These numbers are low as compared to Minnesota where approximately 70% of homeowners have a mortgage.
- The median value for homes with a mortgage for the City of Waseca homeowners is approximately \$125,200. By comparison, the Remainder of the Market Area is about \$212,654.
- Of both Waseca and the Market Area owner-occupied households, 46% do not have a mortgage. Within Waseca County, 41.2% and 31.2% Minnesota owner-occupied households do not have a mortgage

TABLE HC-5 OWNER-OCCUPIED HOUSING UNITS BY MORTGAGE STATUS WASECA MARKET AREA 2014						
Mortgage Status	WASECA		REMAINDER		MARKET AREA	
	No.	Pct.	No.	Pct.	Pct.	Pct.
Housing units without a mortgage	1,090	44.5	629	41.2	1,719	43.2
Housing units with a mortgage/debt	1,358	55.5	898	58.8	2,256	56.8
<i>Second mortgage only</i>	45	1.8	36	2.4	81	2.0
<i>Home equity loan only</i>	176	7.2	144	9.4	320	8.1
<i>Both second mortgage and equity loan</i>	0	0.0	10	0.7	10	0.3
<i>No second mortgage or equity loan</i>	1,137	46.4	708	46.4	1,845	46.4
Total	2,448	100.0	1,527	100.0	3,975	100.0
Median Value by Mortgage Status						
Housing units with a mortgage	\$125,200		\$212,654		\$160,011	
Housing units without a mortgage	\$129,300		\$201,294		\$155,643	
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC						

Owner-Occupied Housing Units by Value

Table HC-6 presents data on housing values summarized by nine price ranges. Housing value refers to the estimated price point the property would sell if the property were for sale. For single-family and townhome properties, value includes both the land and the structure. For condominium units, value refers to only the unit.

- The majority of the owner-occupied housing stock in the City of Waseca is estimated to be valued between \$100,000 and \$149,999 (41.6%). Approximately 28% is valued under \$100,000, 62% is between \$100,000 and \$200,000, and 10% is over \$200,000.

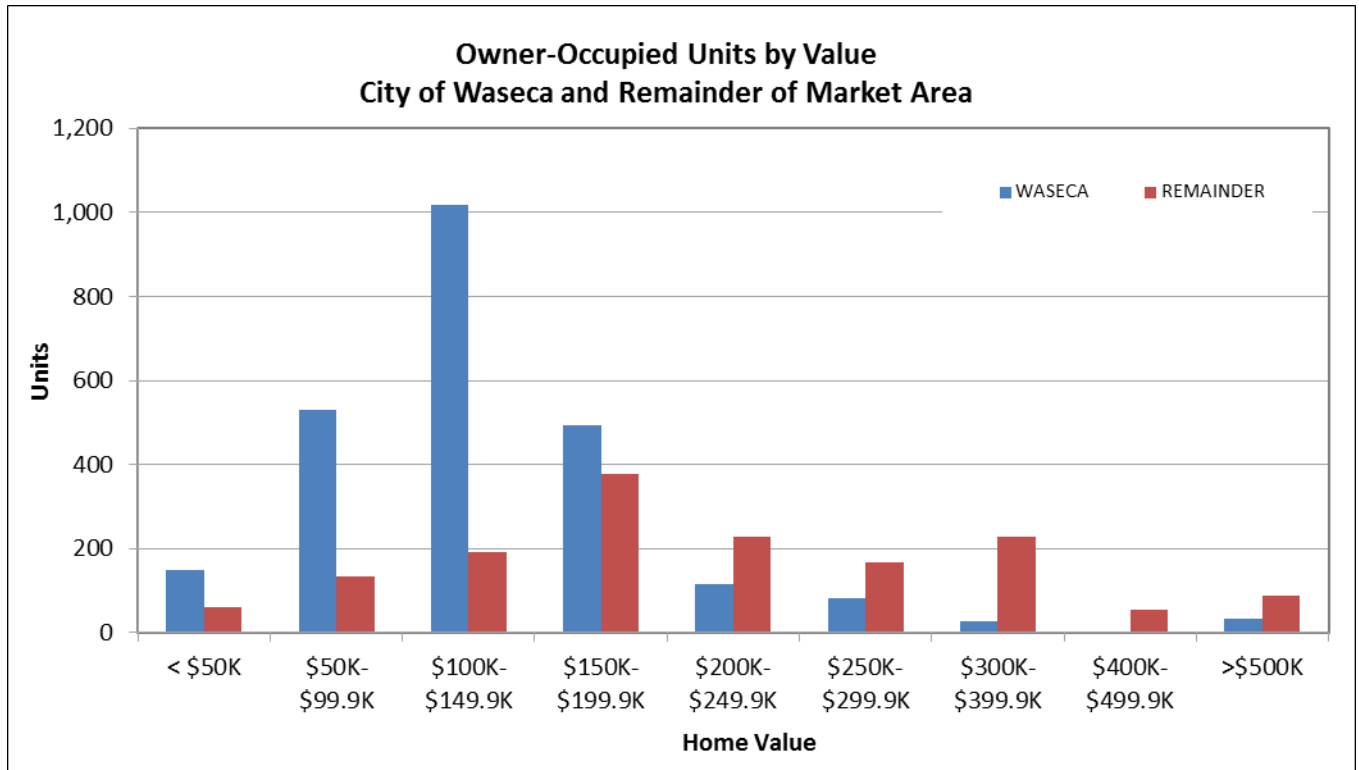
HOUSING CHARACTERISTICS

- The median owner-occupied home in Waseca is \$127,200, or \$81,158 less than the Remainder of the Market Area median home value (\$208,358). There is a greater percentage of higher valued homes in the Remainder of the Market Area (\$200,000 or greater) than the City of Waseca. Approximately 10.4% of homes in Waseca are valued at \$200,000 or greater compared to 50% in the Remainder of the Market Area. A percentage of these in the Remainder of the Market Area are located on lakes or farmsteads.
- According to Waseca County Tax records, there are 2,693 parcels coded as Tax Class residential with a taxable structure on the property with 2,338 of those being homesteaded (BD Homestead, Full Homestead, Joint BD Full, and Mid-Year) and 348 non-homesteads. These counts do not include residential properties within the city boundary that are residential with more than one unit, residential agricultural parcels, or fractionals. The Waseca County Tax records identify that the residential parcels with a taxable structure have an average market value of \$108,275 with a minimum market value of \$2,200 and the maximum of \$771,100.

**TABLE HC-6
OWNER-OCCUPIED UNITS BY VALUE
WASECA MARKET AREA
2014**

Home Value	WASECA		REMAINDER		MARKET AREA		WASECA COUNTY	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Less than \$50,000	150	6.1	60	3.9	210	5.3	338	5.9
\$50,000-\$99,999	531	21.7	134	8.8	665	16.7	1094	19.0
\$100,000-\$149,999	1,018	41.6	191	12.5	1,209	30.4	1737	30.1
\$150,000-\$199,999	493	20.1	377	24.7	870	21.9	1243	21.5
\$200,000-\$249,999	116	4.7	228	14.9	344	8.7	480	8.3
\$250,000-\$299,999	81	3.3	167	10.9	248	6.2	345	6.0
\$300,000-\$399,999	26	1.1	228	14.9	254	6.4	299	5.2
\$400,000-\$499,999	0	0.0	53	3.5	53	1.3	75	1.3
Greater than \$500,000	33	1.3	89	5.8	122	3.1	160	2.8
Total	2,448	100.0	1,527	100.0	3,975	100.0	5,771	100.0
Median Home Value	\$127,200		\$208,358		\$158,377		\$141,100	

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



Renter-Occupied Units by Contract Rent

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

- The median contract rent in Waseca and the Remainder of the Market Area was \$505 and \$537, respectively. Based on a 30% allocation of income to housing, a household in Waseca would need an income of about \$20,200 to afford an average monthly rent of \$505.
- Approximately 77% of Waseca renters paying cash have monthly rents ranging from \$250 to \$749. Only 7% of renters have monthly rents of \$750 or greater in Waseca.
- Within Minnesota, most renters (23.6%) are paying a contract rent between \$750 to \$999.

HOUSING CHARACTERISTICS

TABLE HC-7
RENTER-OCCUPIED UNITS BY CONTRACT RENT
WASECA MARKET AREA
2014

Contract Rent	WASECA		REMAINDER		MARKET AREA		WASECA COUNTY	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
No Cash Rent	0	0.0	50	29.2	50	3.9	78	4.8
Cash Rent	1122	100.0	121	70.8	1,243	96.1	1,556	95.2
\$0 to \$249	179	16.0	5	2.9	184	14.2	220	13.5
\$250-\$499	362	32.3	34	19.9	396	30.6	536	32.8
\$500-\$749	503	44.8	52	30.4	555	42.9	668	40.9
\$750-\$999	78	7.0	23	13.5	101	7.8	119	7.3
\$1,000+	0	0.0	7	4.1	7	0.5	13	0.8
Total	1,122	100.0	171	100.0	1,293	100.0	1,634	100.0
Median Contract Rent	\$505		\$537		\$505		\$504	
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC								

Planned and Proposed Housing Projects

Maxfield Research reviewed building permits and interviewed community staff members in the Waseca Market Area in order to identify housing developments under construction, planned, or pending. The owner of South Side Apartments, has been in discussion with city staff about a ten-unit addition to his apartment complex, described in the 13-09 Conditional Use Permit, beginning in 2016. This project is located at 609 South State Street and reflects market rate pricing.

No other housing projects are planned or proposed at this time.

Introduction

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

For purposes of our analysis, we have classified rental projects into two groups, general occupancy and senior (age restricted). All senior projects are included in the *Senior Rental Analysis* section of this report. The general occupancy rental projects are divided into three groups: market rate (those without income restrictions); affordable (those receiving tax credits in order to keep rents affordable; and subsidized (those with income restrictions based on 30% allocation of income to housing).

Overview of Rental Market Conditions

Maxfield Research utilized data from the American Community Survey (ACS) to summarize rental market conditions in the Waseca Market Area. The ACS is an ongoing survey conducted by the United States Census Bureau that provides data every year rather than every ten years as presented by the decennial census. We use this data because these figures are not available from the decennial census. Please note that the ACS data includes all rental units, regardless of household type.

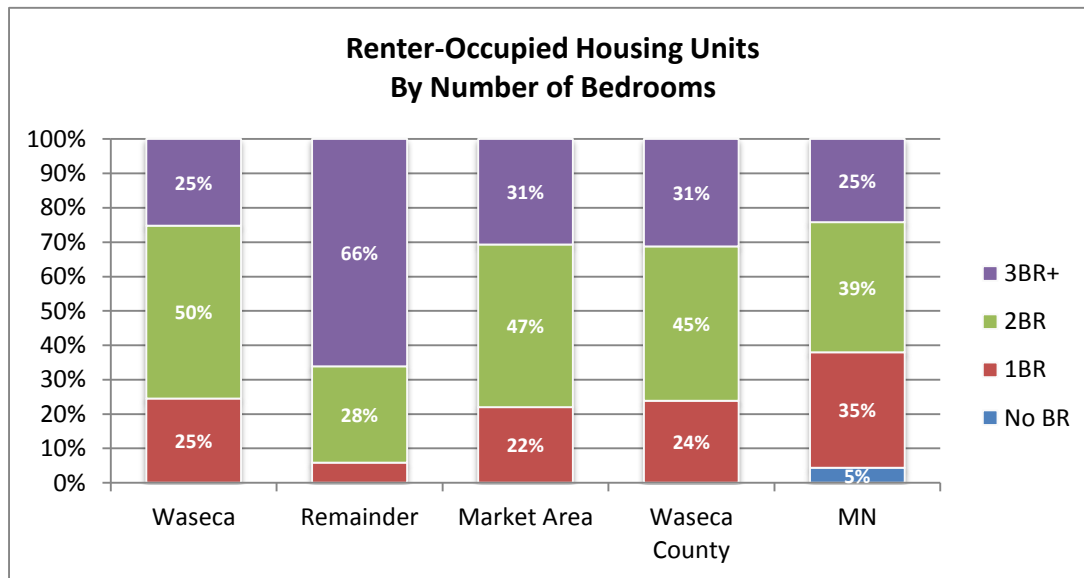
Table R-1 on the following page presents a breakdown of median gross rent and monthly gross rent ranges by number of bedrooms in renter-occupied housing units from the 2010-2014 ACS in the Waseca Market Area, in comparison to Minnesota. Gross rent is defined as the amount of the contract rent plus the 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.

- The Waseca Market Area has lower affordable rents when compared to Minnesota. The median gross rent in the area is at \$589 which is 29.5% lower than the median rent of \$835 in Minnesota. Rural communities often have lower rents than metropolitan areas due to wage rates and the age of rental properties.
- Two- bedroom are the most common rental unit type in Market Area, representing 47% of all occupied rental units in the Market Area. In Minnesota, two bedroom units are also the most common rental unit type (39%).

RENTAL MARKET ANALYSIS

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

	Waseca		Remainder		Market Area		Waseca County		MN
	#	% of Total	#	% of Total	#	% of Total	#	% of Total	% of Total
Total:	1,122	100%	171	100%	1,293	100%	1,634	100%	100%
Median Gross Rent	\$575		\$793		\$762		\$585		\$835
No Bedroom	0	0%	0	0%	0	0%	1	0%	5%
Less than \$200	0	0%	0	0%	0	0%	0	0%	0%
\$200 to \$299	0	0%	0	0%	0	0%	0	0%	0%
\$300 to \$499	0	0%	0	0%	0	0%	0	0%	1%
\$500 to \$749	0	0%	0	0%	0	0%	0	0%	2%
\$750 to \$999	0	0%	0	0%	0	0%	0	0%	1%
\$1,000 or more	0	0%	0	0%	0	0%	0	0%	1%
No cash rent	0	0%	0	0%	0	0%	1	0%	0%
1 Bedroom	275	25%	10	6%	285	22%	389	24%	35%
Less than \$200	15	1%	0	0%	15	1%	24	1%	1%
\$200 to \$299	23	2%	0	0%	23	2%	42	3%	3%
\$300 to \$499	151	13%	6	4%	157	12%	194	12%	5%
\$500 to \$749	86	8%	2	1%	88	7%	127	8%	11%
\$750 to \$999	0	0%	2	1%	2	0%	2	0%	10%
\$1,000 or more	0	0%	0	0%	0	0%	0	0%	5%
No cash rent	0	0%	0	0%	0	0%	0	0%	0%
2 Bedrooms	564	50%	48	28%	612	47%	734	45%	39%
Less than \$200	16	1%	0	0%	16	1%	16	1%	1%
\$200 to \$299	48	4%	3	2%	51	4%	51	3%	1%
\$300 to \$499	57	5%	1	1%	58	4%	71	4%	2%
\$500 to \$749	320	29%	16	9%	336	26%	422	26%	8%
\$750 to \$999	101	9%	12	7%	113	9%	131	8%	13%
\$1,000 or more	22	2%	6	4%	28	2%	28	2%	14%
No cash rent	0	0%	10	6%	10	1%	15	1%	1%
3 or More Bedrooms	283	25%	113	66%	396	31%	510	31%	25%
Less than \$200	15	1%	0	0%	15	1%	15	1%	0%
\$200 to \$299	0	0%	0	0%	0	0%	0	0%	0%
\$300 to \$499	66	6%	4	2%	70	5%	88	5%	1%
\$500 to \$749	67	6%	12	7%	79	6%	101	6%	3%
\$750 to \$999	99	9%	38	22%	137	11%	164	10%	4%
\$1,000 or more	36	3%	19	11%	55	4%	80	5%	13%
No cash rent	0	0%	40	23%	40	3%	62	4%	3%
	Eagle Lake		Faribault		New Prague		New Ulm		St. Peter
Total:	179		2,685		630		1,540		1,355
Median Gross Rent	\$989		\$735		\$842		\$600		\$821
Sources: 2010-2014 American Community Survey; Maxfield Research and Consulting LLC									



- One-bedroom units comprise 22% of Market Area’s renter-occupied housing supply and there were no renter-occupied units with no bedrooms (i.e. studio units). By comparison, roughly 35% of Minnesota’s renter-occupied housing units are one-bedroom and 5% have no bedrooms. Most one-bedroom units in the Market Area (19%) have a rental range between \$300 and \$749.
- In the Market Area, most of the two-bedroom units (35%) have gross monthly rents ranging from \$500 to \$999 and most units with three or more bedrooms (11%) rent between \$750 and \$999.
- Roughly 6.4% of the units in the Market Area have rents over \$1,000.

General-Occupancy Rental Projects

Our research of Waseca’s general occupancy rental market included a survey of 22 market rate, affordable and subsidized apartment properties (eight units and larger) in November 2015. These projects represent a combined total of 467 units, including 193 market rate units, 143 affordable units and 131 subsidized units.

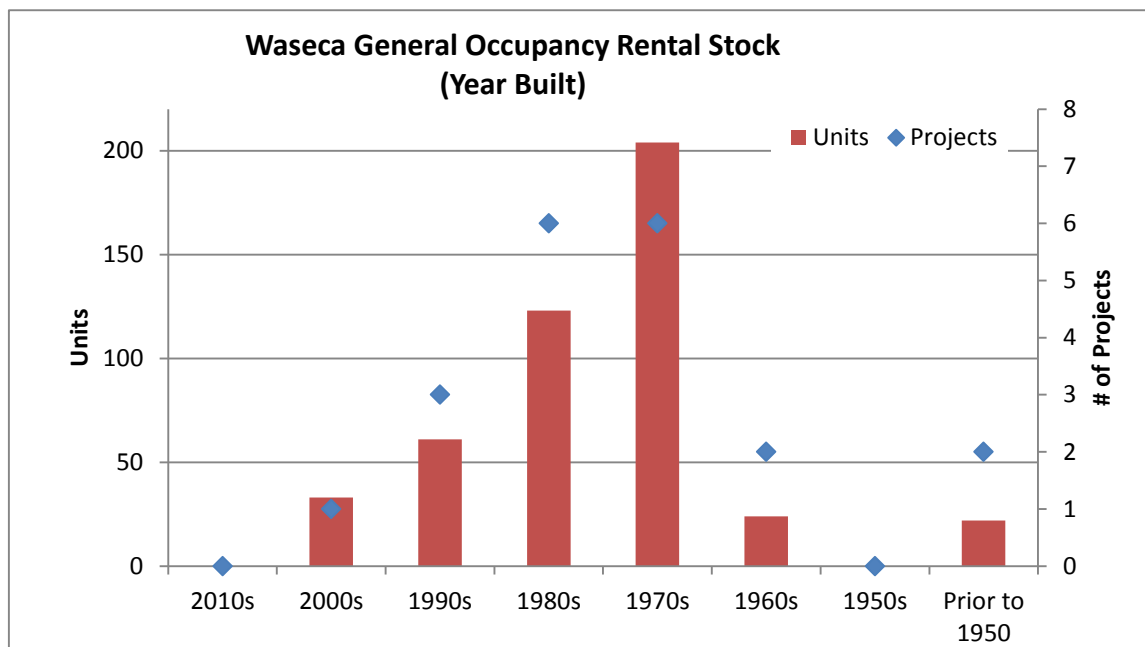
Although we were able to contact and obtain up-to-date information on the majority of rental properties, there are projects in the Waseca Market Area that are less than eight units. In these circumstances, those properties are not included in our average rent or vacancy rate calculations. Many of those properties are single family or duplex units that have had less than eight rooms converted into apartments per ACS. There are approximately 826 rental units in Waseca within houses, duplexes, or multi-use structures in Waseca with less than eight units as referenced though ACS tables.

At the time of our survey, 12 market rate units, four affordable units, and seven subsidized unit were vacant, resulting in an overall vacancy rates of 6.2% for market rate units and 2.8% for affordable units, and 5.3% for subsidized units. The combined overall vacancy rate of 4.9% is at the industry standard of 5% vacancy for a stabilized rental market. This rate promotes competitive rates, ensures adequate choice, and allows for unit turnover.

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

Market Rate

- Most of Waseca's market rate general occupancy rental housing was built in the 1970's.
- The newest general occupancy rental housing project over eight units with market rate units is the Parkview Estates, which was built in 1997. This housing project also has LIHTC units.
- A total of 12 unit vacancies were found in market rate rental projects, resulting in a vacancy rate of 6.2% as of November 2015.



RENTAL MARKET ANALYSIS

R-2 GENERAL OCCUPANCY RENTAL HOUSING WASECA MARKET AREA November 2015											
Project Name/Location	Occp. Date	No. of Units	Total Vacant	Unit Description				Monthly Rent		Rent/sq. ft.	
				Type	No.	Vac.	Size (Sq. Ft.)	Min	Max	Min	Max
MARKET RATE											
17th Avenue Apartments 201-301 17th Ave NE Waseca	1976	46	1	1BR	26	0	600	\$410 - \$430		\$0.68 - \$0.72	
			vacancy rate:	2.2%	2BR	20	1	760	\$490 - \$520		\$0.64 - \$0.68
<u>Notes:</u> 48 Units total in the building; Accepts Section 8 Vouchers only a couple of units are Section 8; air conditioning; on-site laundry; off-street surface parking; balcony-deck; on-site management; smoking is allowed; pets allowed; water and trash removal are included.											
Birchwood Apartments 804-808 S State St. Waseca	1996/1997	8	0	2BR	8	0	934	\$690		\$0.74	
			vacancy rate:	0.0%							
<u>Notes:</u> balcony or patio; garage stall; playground; dishwasher; coin operated laundry room; heat, water, garbage removal included, all utilities are included except electric.											
Collins Apartments 608 3rd St NE Waseca	1975	12	3	1BR	1	0	580	\$455		\$0.78	
			vacancy rate:	25.0%	2BR	11	3	684	\$535		\$0.78
<u>Notes:</u> Patio or deck; off street parking; laundry facility; in-unit air conditioning. Heat and water is included.											
Downtown Apartments 117 S. State St. Waseca	1889	12	0	1BR	12	0	425 - 500	\$375		\$0.75 - \$0.88	
			vacancy rate:	0.0%							
<u>Notes:</u> Heat, Water, and Sewer are included											
Downtown Apartments 118 S State St Waseca	early 1900s	10	0	1BR	6	0	500	\$425		\$0.85	
			vacancy rate:	0.0%	2BR	4	0	650	\$575		\$0.88
<u>Notes:</u> Water, Sewer, Trash included.											
Madel Apartments 109 8th St NW Waseca	1965	12	0	1BR	4	0	500	\$430		\$0.86	
			vacancy rate:	0.0%	2BR	8	0	800	\$530		\$0.66
<u>Notes:</u> Off street parking; laundry available; in unit air conditioner. Tenants pay heat and water.											
Parkview Estates 413-417-421 Johnson Ave Waseca	1997	10	2	2BR	8	2	870	\$655		\$0.75	
			vacancy rate:	20.0%	3BR	2	0	2,040 - 2,104	\$865		\$0.42
<u>Notes:</u> 38 units total; LIHTC 10 units are market rate; garages available; off-street surface parking controlled access; private entrances; in-unit air conditioning; dishwasher; on-site laundry and hookups; on-site caretaker and											
Park View Manor 921 4th St SW Waseca	1970	12	0	1BR	1	0	700	\$515		\$0.74	
			vacancy rate:	0.0%	2BR	11	0	850	\$595		\$0.70
<u>Notes:</u> All Utilities are included except electricity; units include walk-in closets, garbage disposal.											
State Street Apartments 907 S State St Waseca	1987	8	0	1BR	1	0	700	\$550		\$0.79	
			vacancy rate:	0.0%	2BR	7	0	850	\$565		\$0.66
<u>Notes:</u> Has had no vacancies for the past couple of years; balcony; laundry room; heat, water, sewer, garbage removal included; there is a storage room; in-unit air conditioning; dishwasher; garbage disposal; there are 2 garages that lease for \$45 per month.											
Waseca Manor 1101-1109 2nd St NW & 205 12th Ave NW Waseca	1971	36	3	1BR	3	0	450	\$550		\$1.22	
			vacancy rate:	8.3%	2BR	33	3	650	\$650 - \$750		\$1.00 - \$1.15
<u>Notes:</u> Delux units have stainless steel appliances and a dishwasher; units include in unit air conditioning; surface parking; on-site laundry.											
West Elm Apartments 808 W. Elm Ave Waseca	1967	12	3	1BR	2	0	700	\$435		\$0.62	
			vacancy rate:	25.0%	2BR	10	3	900	\$515 - \$585		\$0.57 - \$0.65
<u>Notes:</u> Patio or deck; off street parking; laundry available; in unit air conditioner. Utilities included water, heat, garbage removal, not electricity or cable.											
Woodstone Apartments 400 11th Ave NE Waseca	1996	15	0	2BR	15	0	924	\$725		\$0.78	
			vacancy rate:	0.0%							
<u>Notes:</u> Not much turnover of tenants; Includes garage; dishwasher; security system; in-unit air conditioning unit; walk-in closets; off street parking. Heat; water, 1-car garage is included. On-site laundry; garden; dishwasher in units.											
Continued											

RENTAL MARKET ANALYSIS

R-2 Continued GENERAL OCCUPANCY RENTAL HOUSING WASECA MARKET AREA November 2015											
Project Name/Location	Occp. Date	No. of Units	Total Vacant	Unit Description				Monthly Rent		Rent/sq. ft.	
				Type	No.	Vac.	Size (Sq. Ft.)	Min	Max	Min	Max
AFFORDABLE											
BR Properties 108 14th Ave NW Waseca	1981	16	1	1BR	8	1	492	\$475 - \$500		\$0.97 - \$1.02	
			vacancy rate: 6.3%	2BR	8	0	620	\$500 - \$525		\$0.81 - \$0.85	
	Notes: USDA Rural Development subsidy; On-site Laundry; off-street parking; some units have in-unit air conditioning; walk-in closets; playground; heat, water, sewer and trash removal included. Seven Units are rental assistance units.										
Green Leaf Apartments 204 - 208 19th Ave NE Waseca	1984	28	0	1BR	2	0	640	\$480 - \$523		\$0.75 - \$0.82	
			vacancy rate: 0.0%	2BR	20	0	685	\$505 - \$548		\$0.74 - \$0.80	
				3BR	6	0	918	\$535 - \$578		\$0.58 - \$0.63	
Notes: 12 units are rental assistance units, USDA Rural Development subsidy. Off street surface parking with plug-ins; on-site laundry; playground-picnic area; Heat, Water, Sewer and Trash removal included. They do have a waiting list.											
Normandy Apartments 208 14th Ave NE Waseca	1980	16	2	1BR	8	2	650	\$415 - \$535		\$0.64 - \$0.82	
			vacancy rate: 12.5%	2BR	8	0	700	\$450 - \$575		\$0.64 - \$0.82	
	Notes: 7 units are rental assistance, USDA Rural Development subsidy; On-site Laundry; off-street parking; in-unit air conditioning units; non-smoking building, security entrance, heat, water, sewer and trash removal included.										
North State Apartments 116/117 14th Avenue NW Waseca	1980s	24	0	1BR	11	0	790	\$460 - \$470		\$0.58 - \$0.59	
			vacancy rate: 0.0%	2BR	11	0	830	\$565 - \$585		\$0.68 - \$0.70	
				3BR	2	0	870	\$590 - \$610		\$0.68 - \$0.70	
Notes: USDA Rural Development subsidy; Common room; Play area and Gazebo; On-site Laundry on each floor; off-street surface parking; some units have in-unit air conditioning; heat, water, sewer and trash removal included. They do have a wait list.											
Parkview Estates 413-417-421 Johnson Ave Waseca	1997	28	1	2BR	20	1	870	\$595		\$0.68	
			vacancy rate: 3.6%	3BR	8	0	1,600 - 1,940	\$690 - \$775		\$0.40 - \$0.43	
	Notes : 38 units total, 28 units are LIHTC, Garages available; off-street surface parkingcontrolled access; private entrances; in-unit air conditioning; dishwasher; on-site laundry and hookups; on-site caretaker and maintenance; heat, water and sewer included										
Wend Don Apartments 1605 4th St NE Waseca	1980s	31	0	1BR	12	0	624	\$470 - \$509		\$0.75 - \$0.82	
			vacancy rate: 0.0%	2BR	17	0	749	\$495 - \$539		\$0.66 - \$0.72	
				3BR	2	0	900	\$515 - \$559		\$0.57 - \$0.62	
Notes: 14 units are rental assistance, USDA Rural Development subsidy; On-site Laundry; off-street parking with plug-ins, heat, water, sewer and trash removal included.											
Continued											

RENTAL MARKET ANALYSIS

R-2 Continued											
GENERAL OCCUPANCY RENTAL HOUSING											
WASECA MARKET AREA											
November 2015											
Project Name/Location	Occp. Date	No. of Units	Total Vacant	Unit Description				Monthly Rent		Rent/sq. ft.	
				Type	No.	Vac.	Size (Sq. Ft.)	Min	Max	Min	Max
SUBSIDIZED											
17th Avenue Apartments	1976	2	0	1BR	2	0	600	30% AGI			
201-301 17th Ave NE		vacancy rate:	0.0%	2BR			760	30% AGI			
Waseca	<u>Notes:</u> 48 units total in the building; Accepts Section 8 Vouchers only a couple of units are Section 8; air conditioning; on-site laundry; off-street surface parking; balcony-deck; on-site management; smoking is allowed; pets allowed; water and trash removal are included.										
Charter Oaks	2001	33	0	2BR	20	0	967	30% AGI			
301 12th St NW		vacancy rate:	0.0%	3BR	13	0	1,140	30% AGI			
Waseca	<u>Notes:</u> LIHTC; Pet friendly; private entry; private detached garage; garages are included with townhome units; off street parking; walk in closet; laundry facility; playground; Utilities included.										
Northridge Plaza	1970s	48	6	1BR	12	na		30% AGI			
300 15th Ave NE		vacancy rate:	12.5%	2BR	30	na		30% AGI			
Waseca				3BR	6	na		30% AGI			
<u>Notes:</u> Accepts Section 8 Vouchers; surface parking; on-site laundry; community room; playground; on-site maintenance; water, sewer, heat, electricity; trash removal included.											
Summit On Second Apartments	1976	48	1	1BR	12	0	621	30% AGI			
Waseca Village		vacancy rate:	2.1%	2BR	30	0	788	30% AGI			
1301 2nd St NW				3BR	6	1	960	30% AGI			
Waseca	<u>Notes:</u> LIHTC; accepts section 8 vouchers on one-bedroom homes; off-street surface parking; on-site laundry; in-unit storage; large lobby; playground; all utilities included.										
Total		467	23	4.9% vacant							
		Weighted Average		Weighted Average							
Market Rate Units	Unit Type	Size (Sq. Ft.)		Rents							
	1 Bedroom	592		\$452							
	2 Bedroom	792		\$593							
	3 Bedroom	1,386		\$865							
Source: Maxfield Research and Consulting LLC											

Source: Maxfield Research and Consulting LLC

- More than half of the market rate rental projects surveyed are two-bedroom units. The breakout by unit type is summarized below.
 - Efficiency units: 0%
 - One-bedroom units: 29%
 - Two-bedroom units: 69.9%
 - Three-bedroom units: 1%
 - Four-bedroom units: 0%
- The following is the monthly rent ranges and average rent for one and two-bedroom market rate units:
 - One-bedroom units: \$375 to \$550, \$452 average
 - Two-bedroom units: \$490 to \$750, \$593 average

RENTAL MARKET ANALYSIS

R-3																	
UNIT FEATURES AND COMMON AREA AMENITIES																	
EXISTING MARKET RATE, AFFORDABLE, AND SUBSIDIZED RENTAL PROJECTS																	
November 2015																	
Projects	In Unit/Common Area Amenities										Utilities and Parking						
	Air Conditioning	Dishwasher	Patio/Balcony	Walk-in Closet	Laundry	Elevator	Community Room	Fitness Center	Playground	Pool	Extra Storage Space	Heat/Gas	Electricity	Water/Sewer	Trash	Cable	Parking
17th Avenue Apartments	X		X		C									X	X		O
Waseca Manor	X	X	X		C							X		X	X		O
Woodstone Apartments	X	X			C							X		X	X		DG
Collins Apartments	X		X		C				X			X		X	X	X	O
West Elm Apartments	X		X		C							X		X	X		O
Madel Apartments	X	X			C										X		O
Downtown (117 S State St.)												X		X	X		
Downtown (118 S State St.)														X	X		
Birchwood Apartments	X	X	X		C				X			X		X	X		O
State Street Apartments	X	X	X	X	C						X	X		X	X		O
Park View Manor	X			X								X		X	X		O
Parkview Estates	X	X			HU				X		X	X		X	X		O
Green Leaf Apartments	X				C				X			X		X	X		O
Wend Don Apartments	X				C							X		X	X		O
Normandy Apartments	X				C							X		X	X		O
BR Properties	X			X	C				X			X		X	X		O
North State Apartments	X				C				X			X		X	X		O
Northridge Plaza							X		X		X	X	X	X	X		O
Summit on Second Apartments	X				C				X			X	X	X	X		O
Charter Oaks	X	X		X	C				X			X	X	X	X		DG
Note: X=Available/Included DG=Detached Garage; UG=Underground; AG=Attached Garage; O=Offstreet; IU=In-unit; HU=Hook-ups; C=Common																	
Source: Maxfield Research and Consulting LLC																	

Affordable/Subsidized

- There are a total of ten income-restricted projects in Waseca with 274 total units with six projects offering affordable housing and four offering subsidized housing. Combined, 11 units were vacant as of November 2015, posting a vacancy rate of 4.0%. Affordable units had a vacancy rate of 2.8% and subsidized units had a vacancy rate of 5.3%. Typically, subsidized and affordable rental properties should be able to maintain vacancy rates of 3% or less in most housing markets. The vacancy rates for affordable housing units indicate that affordable housing in the area is at a level to support its vacancy rates.

RENTAL MARKET ANALYSIS

- Parkview Estates (1997 Occupied Date) is the newest affordable housing development in the Waseca Market Area. Project amenities include air conditioning, dishwasher, on-site laundry and in-unit hookups, on-site caretaker and maintenance, playground, and off-street parking.
- Charter Oaks (2001 Occupied Date) is the newest subsidized housing development in the Waseca Market Area. Charter Oaks offers amenities such as: common laundry room, air conditioning, dishwasher, walk-in closet, playground, and detached garages.

Select General Occupancy Rental Housing Properties



17th Avenue Apartments



Waseca Manor



Parkview Estates



Collins Apartments

RENTAL MARKET ANALYSIS



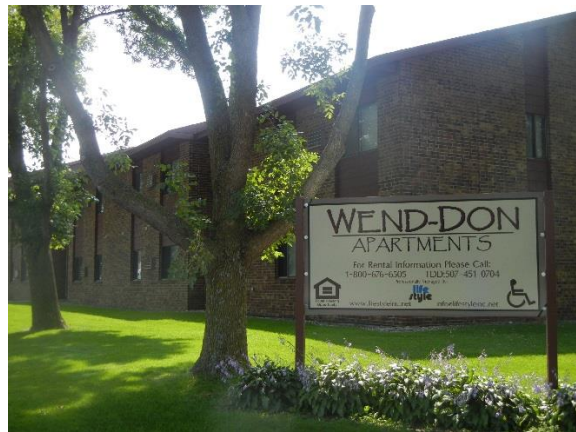
West Elm Apartments



Park View Manor



Green Leaf Apartments



Wend-Don Apartments



Normandy Apartments



BR Properties



North State Apartments



Northridge Plaza



Summit on Second Apartments

Waseca General Occupancy and Senior Projects



Senior Housing Defined

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

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

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

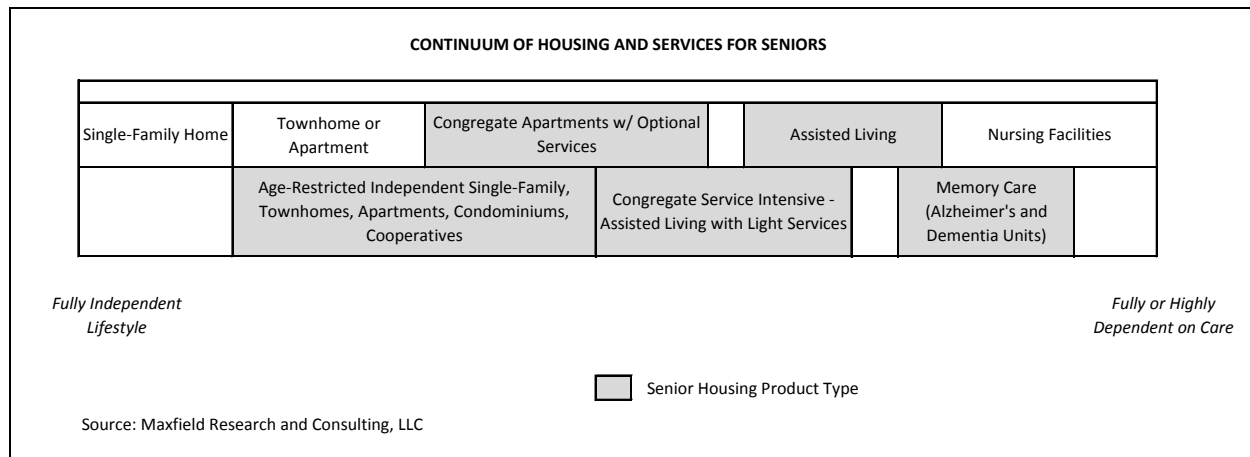
Congregate/Service-Intensive; where support services such as meals and light housekeeping are included in the monthly rents;

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

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

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

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



Senior Housing in Waseca and the Market Area

As of November 2015, Maxfield Research identified four senior housing developments and one nursing home in the Waseca Market Area. Combined, these projects contain a total of 213 units with two vacancies resulting in an overall vacancy rate of 2.8%

Table S-1 provides information on the market rate and subsidized projects. 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.

Market Rate Active Adult

- The Realife Cooperative is the only active adult ownership project in the Market Area. As of November 2015 there was one vacancy out of 22 units.
- Tenants purchase their own units with a one-bedroom share value being approximately \$23,911 and a two-bedroom approximately \$30,000. There is also a monthly maintenance fee.
- Realife Cooperative includes: a community room, maintenance free, resident member committees, planned social activities, guest room, on-site laundry, storage space, cable, water, sewer, heat, garbage, appliance replacement and upkeep, property taxes, and home security.

Subsidized Independent Living

- 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 percent 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 Waseca County's area median income.

- There is one subsidized independent living facility in the Market Area. As of November 2015, there were no vacancies in senior subsidized projects, which indicate pent-up demand for subsidized senior rental units. Equilibrium for senior subsidized housing projects is usually around 3%, allowing for optimal subsidized housing availability for potential residents. Typically units sizes at subsidize senior projects are smaller than many of the market rate senior rental projects.
- Typically subsidized senior housing offers limited to no amenities. However, Maple Terrace offers community spaces for activities, two elevators and planned activities.

Market Rate Independent Living - Congregate

- There are two facilities in the Market Area offering market rate independent living congregate support services. As of November 2015, there was one vacancy in independent living-congregate facilities indicating pent-up demand for market rate independent living-congregate rental units.
- Rents range for basic services from \$1,470 for a one-bedroom at Colony Court to \$2,100 for a two-bedroom at Latham Place. Rents increase dependent upon additional services needed by tenants. Typical features include an emergency call system, laundry facility, cable TV, and utilities.

Assisted Living

- There are two facilities in the Market Area offering market rate assisted living services. As of November 2015, there was one market rate assisted living vacancy between both facilities. Colony Court also offers subsidized studio or private pay assisted living units of which there was 2 studio vacancies.
- Market rate rents range for basic services from \$1,725 at Latham Place to \$2,485 at Colony Court. Rents increase dependent upon additional services needed by tenants. Typical features include an emergency call system, laundry facility, cable TV, and utilities.

Memory Care

- Colony Court is the only facility in the Market Area that offers Memory Care services. They have both market rate and subsidized memory care units. As of November 2015, there was one memory care vacancies indicating a pent-up demand for memory care rental units.

SENIOR HOUSING ANALYSIS

S-1 SENIOR OCCUPANCY RENTAL HOUSING WASECA MARKET AREA November 2015										
Project Name/Location	Year Built	No. of Units	Total Vacant	Unit Description			Monthly Rent		Resident Profile	
				Type	No.	Vac.	Size (Sq. Ft.)	Min		Max
MARKET RATE ACTIVE ADULT										
Realife Cooperative 1212 3rd St. NE Waseca	1989	22	1 vacancy rate: 11.1%	1BR	9	1	657	* \$23,911	62+ Senior Cooperative	
				2BR	13	0	817 - 1,598	* \$30,000		
										* Tenants purchase their own units
Notes: Monthly maintenance fee \$641 for a 1BR, annual share increase and can be negotiated; Maintenance free; community room; resident member committees and planned social activities; guest room; laundry room; separate storage space; cable television; water, sewer, heat, garbage; appliance replacement and upkeep; property taxes; home security. Share value is \$23,911 1BR and \$23,000 to \$30,000 2BR. 22 garages, \$45 lease.										
SUBSIDIZED INDEPENDENT LIVING										
Maple Terrace 308 2nd Ave NW Waseca	1973	59	0 vacancy rate: 0.0%	1BR	59	0	na	30% AGI	62+ or Social Security Disability or \$475, whichever is lowest	
Notes: HUD Senior Public Housing. Tenant profile is 62+, handicapped/disabled, singles; 1-2 people per apartment; must meet incom limtis of \$38,200 1 person and \$43,650 2 people; there is on-site staff and maintenance from 7 to 4 pm M-F; off-street parking; community spaces for activities; 2 elevators; coin-operated laundry; planned activities; heat, lights, water/sewer, trash/recycling are included; tenant pays elec. fee if used for: A/C \$15 per month, apt. size freezer \$3 per month, car plug in \$12 per month.										
MARKET RATE INDEPENDENT LIVING - CONGREGATE										
Colony Court 200 22nd Ave NE Waseca	1996	21	1 vacancy rate: 5.3%	1BR	19	1	540	\$1,470	Seniors 62+	
				2BR	2	0	776	\$2,030		
Notes: Includes all utilities; apartment individual control of heating and cooling; private full bath; cable TV; 24 hr a day access to staff and emergency call system; daily well check; interior and exterior maintenance; off street parking some private garages available; use of laundry facilities; common area and lounges; interior mailboxes; monthly lease terms. Services available: meals; laundry; bathing assistance; RN visits; personal care services; medication administration; housekeeping; activity program; transportation assistance.										
Latham Place 105 8th St. NW Waseca	2005	14	0 vacancy rate: 0.0%	1BR	11	0	496 - 618	\$1,725 -	\$1,875 \$2,100	
				2BR	3	0	733 - 889			
Notes: Emergency call system in each apartment; large windows; dining menu choices; weekly housekeeping; personal call system; complimentary laundry; planned social events and activities; on-site barber and beauty salon; weekly grocery shopping; RN visits; guest room; basic phone service, cable TV, internet, heat, electric, trash.										
MARKET RATE ASSISTED LIVING										
Colony Court 200 22nd Ave NE Waseca	2005	21	1 vacancy rate: 4.8%	1BR	21	1	472 - 594	\$2,485 - \$2,900	Seniors 62+ or have a documented disability to qualify.	
Notes: Base package includes 3 meals per day, weekly housekeeping, 2 hour nightly well checks, daily linen and trash service, daily bed making, and full access to professional organized activity program. Includes all utilities; apartment individual control of heating and cooling; private full bath; cable TV; 24 hr a day access to staff and emergency call system; interior and exterior maintenance; off street parking some private garages available; use of laundry facilities; common area and lounges; interior mailboxes; monthly lease terms. Services available: laundry; bathing assistance; RN visits; personal care services; medication administration; housekeeping; transportation assistance.										
Latham Place 105 8th St. NW Waseca	2005	13	0 vacancy rate: 0.0%	1BR	10	0	496 - 618	\$1,725 - \$1,875		
				2BR	3	0	733 - 889	\$2,100		
Notes: Emergency call system in each apartment; large windows; dining menu choices; weekly housekeeping; personal call system; complimentary laundry; planned social events and activities; on-site barber and beauty salon; weekly grocery shopping; RN visits; guest room; basic phone service, cable TV, internet, heat, electric, trash.										
Continued										

SENIOR HOUSING ANALYSIS

S-1 Continued										
SENIOR OCCUPANCY RENTAL HOUSING										
WASECA MARKET AREA										
November 2015										
Project Name/Location	Year	No. of	Total	Unit Description				Monthly Rent		Resident Profile
	Built	Units	Vacant	Type	No.	Vac.	Size (Sq. Ft.)	Min	Max	
SUBSIDIZED ASSISTED LIVING										
Colony Court 200 22nd Ave NE Waseca	1991/1996	34	2	Studio	34	2	270	30% AGI if approved Private Pay \$2,325	Seniors 62+ and have a documented disability to qualify for Subsidized approved by government social worker	
Notes: Private rate includes morning and evening personal care. Includes 3 meals per day, weekly housekeeping, 2 hour nightly well checks, daily linen and trash service, daily bed making, and full access to professional organized activity program. Includes all utilities; apartment individual control of heating and cooling; private full bath; cable TV; 24 hr a day access to staff and emergency call system; interior and exterior maintenance; off street parking some private garages available; use of laundry facilities; common area and lounges; interior mailboxes; monthly lease terms. Services available: laundry; bathing assistance; RN visits; personal care services; medication administration; housekeeping; transportation assistance.										
MEMORY CARE										
Colony Court 500 22nd Ave NW Waseca	2012	20	1	Studio	20	1	388	\$4,654 - \$5,814 depends upon services needed	Seniors 62+ and have a documented disability to qualify for Subsidized approved by government social worker	
200 22nd Ave NE Waseca	2014	9	0	Studio	9	0	270 - 410	Open to Public Assistance and Private Pay \$4,092 - \$5,252		
Notes: 24 hour staff with regular checks; Includes all utilities; apartment individual control of heating and cooling; private full bath; cable TV; 24 hr a day access to staff and emergency call system; Services: meals; laundry; bathing assistance; RN visits; personal care services; medication administration; housekeeping; activity program; transportation assistance.										
Total		213	6	2.8% vacant						
Existing Senior Rental Project Unit Mix Summary										
				Studio	63	3	270 - 410	\$2,325 - \$5,814		
				1BR	129	3	472 - 657	\$1,470 - \$2,900		
				2BR	21	0	733 - 1,598	\$2,030 - \$2,100		
SKILLED NURSING										
Lake Shore Inn Nursing Home 108 8th St. NW Waseca	1965	55	5	1BR	55	5	200	\$4,500 - \$5,400	Seniors 55+	
Notes: 55 medicaid beds, 25 private rooms, 30 semi-private rooms; all inclusive room and board; daily cost between \$150 to \$180.										
Source: Maxfield Research and Consulting LLC										

Skilled Nursing

- Lake Shore Inn Nursing Home is the only facility in the Market Area that offers skilled nursing services. They have 55 Medicaid beds and as of November 2015, there were five vacancies.
- Of the 55 beds, 30 are semi-private rooms and 25 are private rooms. The daily cost is \$150 - \$180 which equates to a monthly rate of \$4,500 - \$5,400. The rent is all inclusive room and board.

Select Senior Rental Housing Properties



Colony Court Independent and Assisted Living



Colony Court Memory Care



Lake Shore Inn



Lake Shore Inn



Latham Place



Realife Cooperative

Introduction

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

Overview of For-Sale Housing Market Conditions

Table FS-1 presents home resale data on single-family housing in Waseca from 2005 through November 2015 and the Market Area from 2010 to November 2015. Multiple MLS districts are used in tracking and advertising property listings in the Waseca areas; including Northstar MLS (Twin Cities area), Southeast Minnesota Association of Realtors (Rochester area), and the Realtor Association of Southern Minnesota (Mankato area). Maxfield Research compared multiple MLS district data and found that the NorthstarMLS had the highest quantity and most complete MLS data for the Waseca area. The data shows annual number of sales and median and average pricing. The following are key points observed from our analysis of this data.

- Over the past four years, the average and median sales price for single family homes in the City of Waseca and the PMA has been recovering since the recession. The median and average sales price is expected to be the highest in 2015 over the past four years. Over a ten year period in the City of Waseca, the average (\$152,076) and median sales price (\$127,500) was highest in 2005, which generally is the peak year in the real estate market during the last decade.
- The median and average single family sales prices bottomed-out in 2011. In 2011, the average sales price was \$82,451 within the City of Waseca and the PMA. The 2011 median sales price was 41.3% lower than the 2005 median sales price in Waseca.

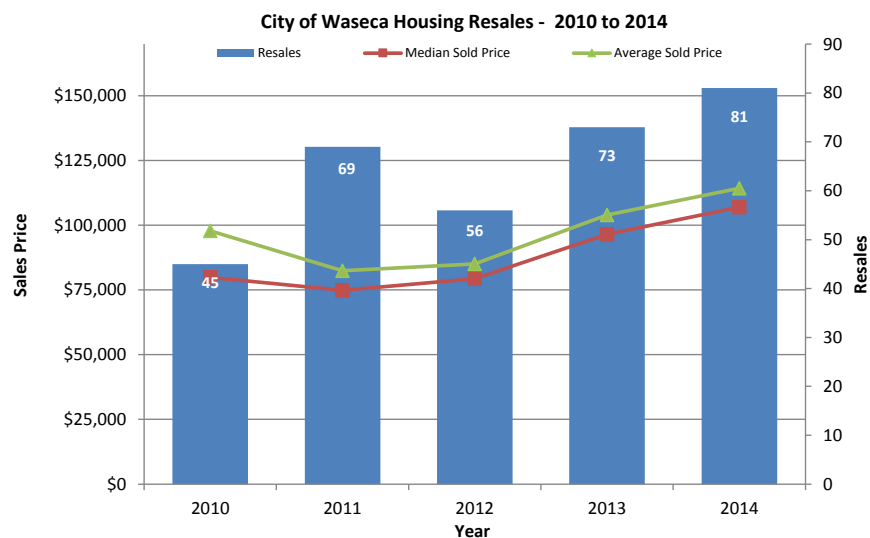


TABLE FS-1 SINGLE AND MULTI FAMILY RESIDENTIAL REALES CITY OF WASECA AND MARKET AREA 2010 through 2015 ¹					
Year	Number of Sales	Median Sales Price	% Chg.	Average Sales Price	% Chg.
City of Waseca					
Single Family					
2005	25	\$127,500	-4.9%	\$152,076	5.4%
2006	44	\$127,000	-0.4%	\$136,623	-10.2%
2007	42	\$109,500	-13.8%	\$121,460	-11.1%
2008	32	\$116,809	6.7%	\$143,532	18.2%
2009	54	\$110,000	-5.8%	\$122,049	-15.0%
2010	45	\$79,900	-27.4%	\$97,846	-19.8%
2011	69	\$74,900	-6.3%	\$82,451	-15.7%
2012	56	\$79,350	5.9%	\$85,084	3.2%
2013	73	\$96,500	21.6%	\$103,991	22.2%
2014	81	\$107,000	10.9%	\$114,339	10.0%
2015 ¹	83	\$116,375	8.8%	\$128,020	12.0%
Pct. Change					
10' - 14'		33.9%		16.9%	
Average	65	\$87,530		\$96,742	
Multi-Family **					
2010	0	na	--	na	--
2011	1	\$110,000	-32.3%	\$110,000	-32.3%
2012	2	\$69,250	-37.0%	\$69,250	-37.0%
2013	8	\$29,147	-57.9%	\$42,657	-38.4%
2014	1	\$114,500	292.8%	\$114,500	168.4%
2015 ¹	3	\$124,900	9.1%	\$146,383	27.8%
Pct. Change					
10' - 14'		-29.5%		-29.5%	
Average	2	\$80,724		\$84,102	
Market Area Total					
Single Family					
2010	46	\$80,315	-27.0%	\$97,871	-19.8%
2011	69	\$74,900	-6.7%	\$82,451	-15.8%
2012	60	\$80,311	7.2%	\$90,096	9.3%
2013	75	\$96,813	20.5%	\$104,105	15.5%
2014	81	\$107,000	10.5%	\$114,339	9.8%
2015 ¹	88	\$120,956	13.0%	\$133,331	16.6%
Pct. Change					
10' - 14'	91.3%	50.6%		36.2%	
¹ November 2014 to November 2015					
** Multifamily includes twinhomes, townhomes, and condominiums (cooperatives are typically not listed in the MLS) , there were no multifamily properties identified in the Market Area outside of Waseca.					
Source: RMLS; Maxfield Research and Consulting LLC					

- Between 2010 and 2014 the number of single family Waseca resales has averaged 65 transactions per year. During the four year period, resales were lowest in 2010 (45) and highest in 2014 (81).
- Approximately 97% of all single family Market Area resales have occurred in Waseca since 2010. Resale pricing in the Remainder of the Market Area is slightly higher than resale pricing within Waseca.
- Single-family housing types accounted for all resales in the Remainder of the Market Area between 2010 and November 2015. No multifamily resales were identified in the Remainder of the Market Area during this time period. This is consistent with most townships and rural areas as they are usually dominated by single family homes.
- The median and average sales price is expected to be the highest for multifamily properties in 2015. As of November 2015, the average sales price was \$146,383 and median sales prices was \$124,900. As of November 2015 there are only two multifamily homes available for sale within Waseca.
- The median and average multifamily sales prices bottomed-out in 2013. In 2013, the average sales price was \$42,657.
- Between 2010 and 2014 the number of multifamily Waseca resales has averaged two transactions per year. During the four year period, resales were lowest in 2010 (no transactions happened) and highest in 2013 (eight).

Current Supply of Homes on the Market

To more closely examine the current market for available owner-occupied housing in the Waseca Market Area, we reviewed the current supply of homes on the market (listed for sale). Table FS-2 shows homes currently listed for sale in the Waseca PMA in eight price ranges. The data was provided by the Regional Multiple Listing Services of Minnesota and is based on active listings in November 2015. MLS listings generally account for the vast majority of all residential sale listings in a given area. Table FS-2 shows listings by property type and pricing.

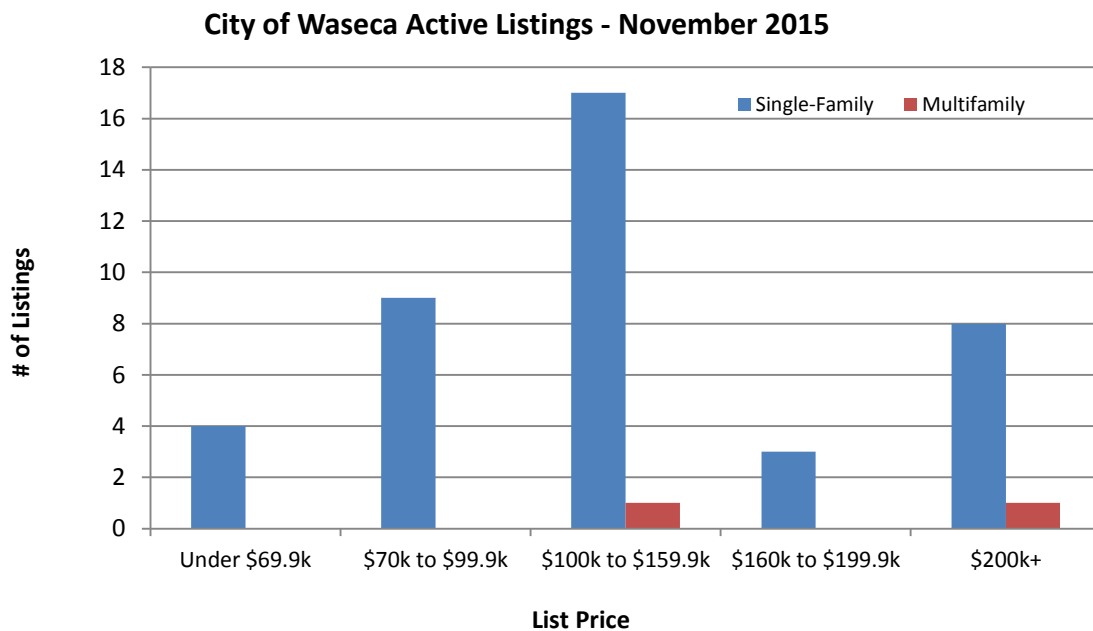
- As of November 2015, there were 41 homes listed for sale in Waseca and two homes listed in the Remainder of the Market Area. There were two listings for multifamily properties in Waseca and no multifamily listings in the Remainder of the Market Area.
- The median list price in Waseca for a single-family home is \$116,200 and \$369,850 in the PMA. The median sale price is generally a more accurate indicator of housing values in a community than the average sale price. Average sale prices can be easily skewed by a few

FOR SALE MARKET ANALYSIS

very high-priced or low-priced home sales in any given year, whereas the median sale price better represents the pricing of a majority of homes in a given market.

Based on a median list price of \$116,200, the income required to afford a home at this price would be about \$33,200 to \$38,733, based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt). A household with significantly more equity (in an existing home and/or savings) could afford a higher priced home. About 66% of Waseca households have annual incomes at or above \$35,000.

- About 66% of homes for sale in the City of Waseca are priced under \$140,000; and 32% are priced under \$100,000.



- Homes prices between \$100,000 and \$159,900 account for 41.5% of the listings. Homes priced over \$160,000 account for about 26.8% of the listings.
- One story homes are about 23.3% of the active single-family listings in the City of Waseca with an average list price of around \$194,210, and a median age of 1956. One story homes are often categorized as ramblers or ranch style housing.
- Two story homes have the most listings and account for 39.5% of the active listings while “Other” account for 37.2% of the active listings. The homes classified in the “Other” category are mobile or manufactured homes, cabins, or property types that are not listed as a one or two story home.

FOR-SALE MARKET ANALYSIS

TABLE FS-2
HOMES CURRENTLY LISTED FOR-SALE
WASECA MARKET AREA
November 2015

Price Range	City of Waseca		City of Waseca		Remainder of PMA		Remainder of PMA		Market Area Total		Market Area Total	
	Single-Family		Multifamily		Single-Family		Multifamily		Single-Family		Multifamily	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
< \$69,999	4	9.8%	0	0.0%	0	0.0%	0	0.0%	4	9.3%	0	0.0%
\$70,000 to \$99,999	9	22.0%	0	0.0%	0	0.0%	0	0.0%	9	20.9%	0	0.0%
\$100,000 to \$139,999	14	34.1%	1	50.0%	0	0.0%	0	0.0%	14	32.6%	1	50.0%
\$140,000 to \$159,999	3	7.3%	0	0.0%	0	0.0%	0	0.0%	3	7.0%	0	0.0%
\$160,000 to \$179,999	2	4.9%	0	0.0%	0	0.0%	0	0.0%	2	4.7%	0	0.0%
\$180,000 to \$199,999	1	2.4%	0	0.0%	0	0.0%	0	0.0%	1	2.3%	0	0.0%
\$200,000 to \$249,999	3	7.3%	0	0.0%	0	0.0%	0	0.0%	3	7.0%	0	0.0%
\$250,000 and Over	5	12.2%	1	50.0%	2	100.0%	0	0.0%	7	16.3%	1	50.0%
Subtotal	41	100%	2	100%	2	100%	0	100%	43	100%	2	100%
Median	\$116,200		\$124,900		\$369,850		n/a		\$127,998		\$124,900	
Average	\$140,845		\$147,570		\$369,850		n/a		\$151,496		\$147,570	

Sources: RMLS; Maxfield Research and Consulting LLC

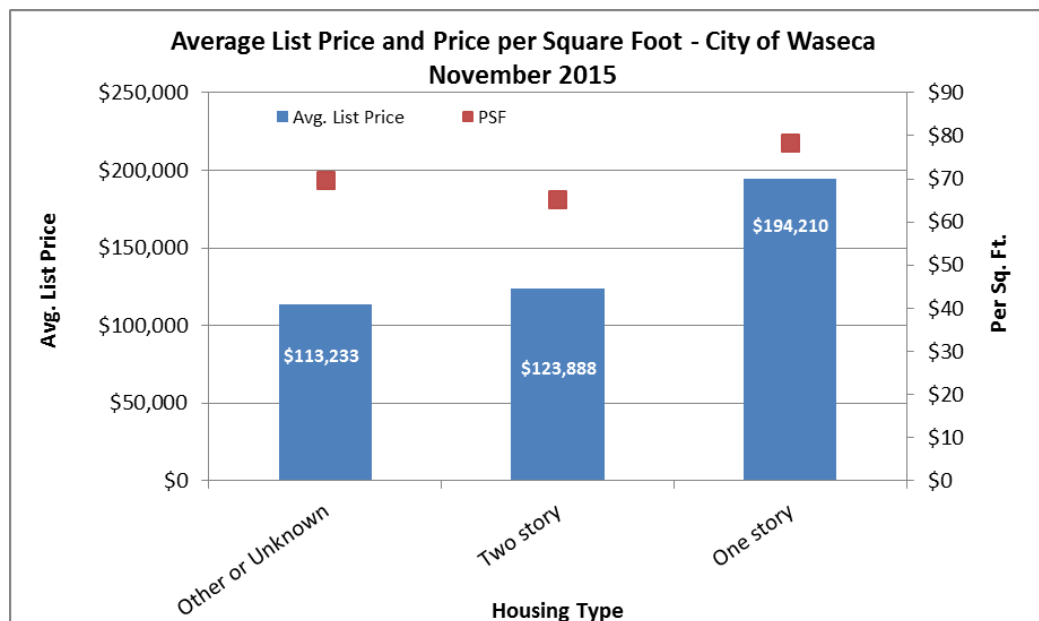
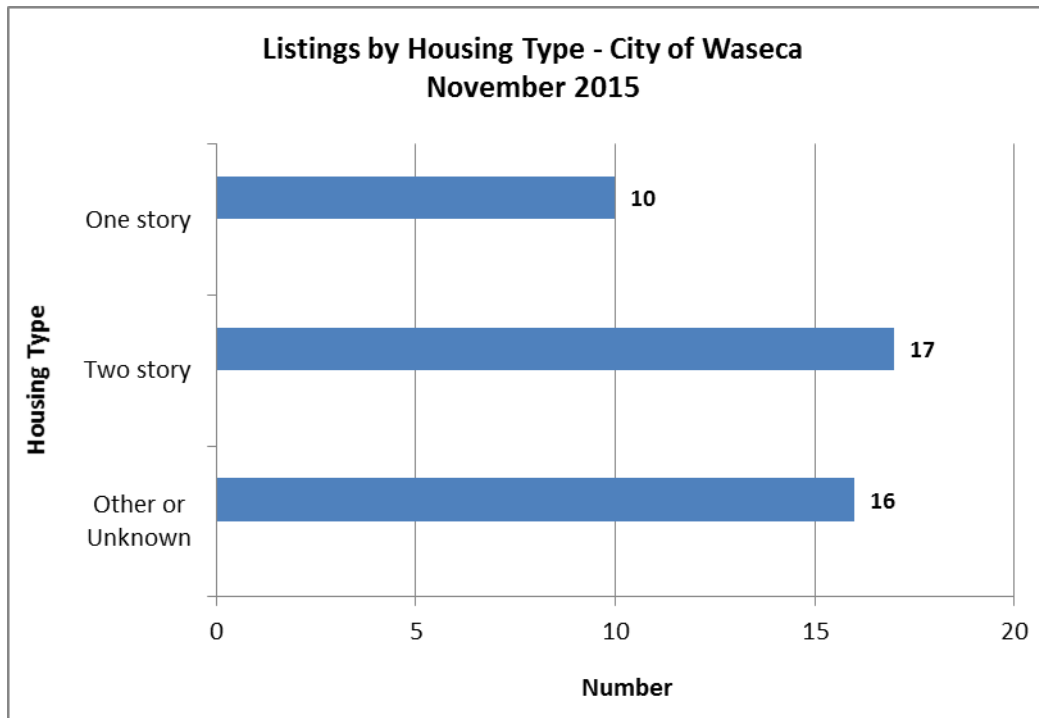
TABLE FS-3
ACTIVE LISTINGS BY HOUSING TYPE
CITY OF WASECA
November 2015

Property Type	Listings	Pct.	Avg. List Price	Avg. Size (Sq. Ft.)	Avg. List Price Per Sq. Ft.	Avg. Bedrooms	Avg. Bathrooms	Median Age of Home
Single-Family								
One story	10	23.3%	\$194,210	2,473	\$79	3.2	2.0	1956
Two story	17	39.5%	\$123,888	1,901	\$65	3.5	2.1	1937
Other or Unknown	16	37.2%	\$113,233	1,624	\$70	3.2	2.0	1971
Total	43	100.0%	\$143,866	2,024	\$71	3.4	2.0	1949

Source: RMLS; Maxfield Research and Consulting LLC

FOR-SALE MARKET ANALYSIS

- Overall, the average list price per square foot ("PSF") among all active single-family listings is \$71/foot. The One story property type has the highest PSF costs at \$79/foot. Two story homes have the lowest PSF costs at \$65/foot.



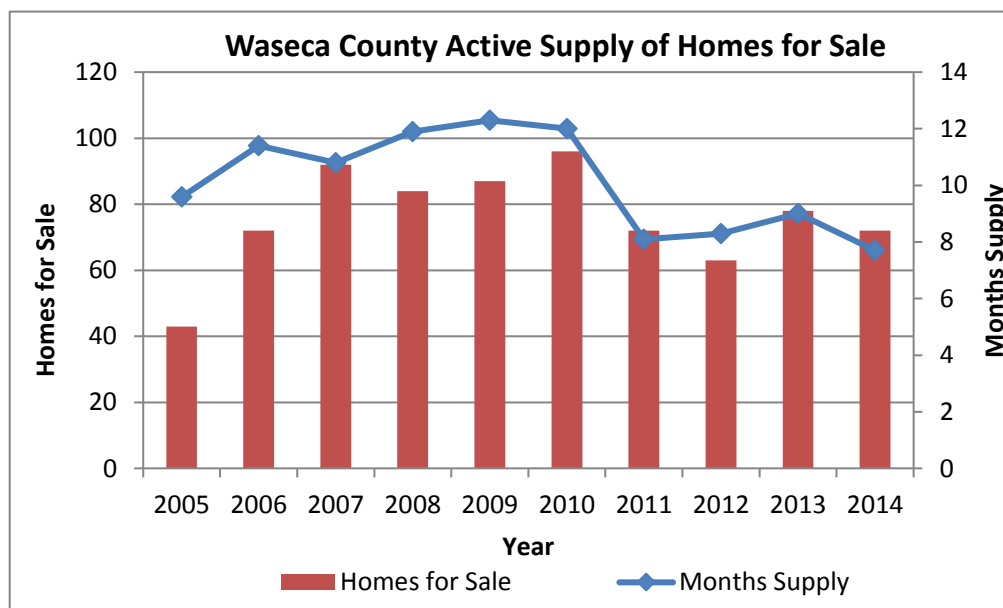
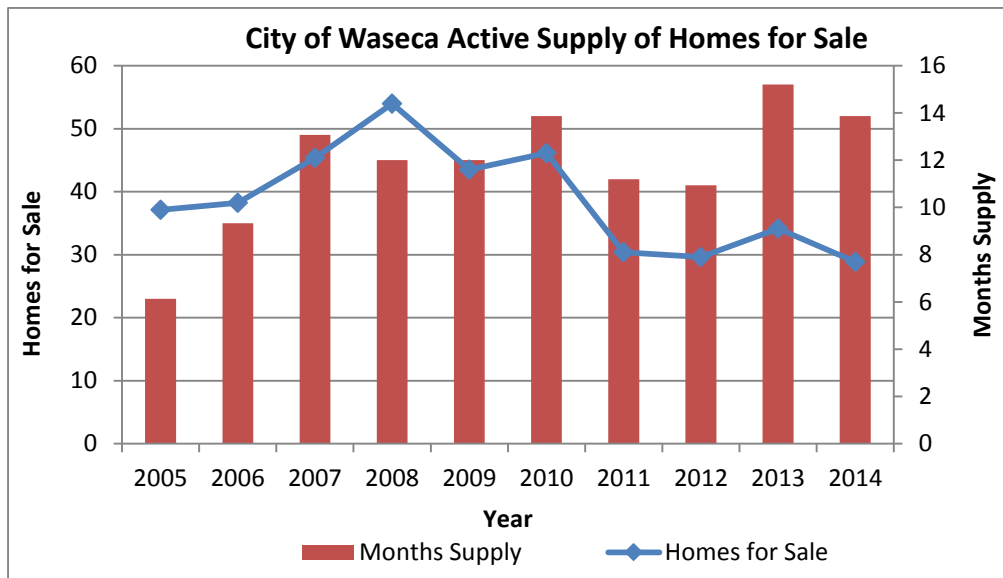
Months of Active Supply

Table FS-4 illustrates the historic supply of actively marketing properties in the City of Waseca and Waseca County from 2005 to 2014. The table depicts the number of homes for sale over the course of the year and the months of supply. The months of supply metric calculates the number of months it would take for all the current homes for sale to sell given the monthly sales absorption. Generally a balanced supply is considered four to six months. The higher the months of supply indicates there are more sellers than buyers; and the lower the months of supply indicates there are more buyers than sellers. Key findings from Table FS-4 follow.

- The number of homes for-sale in Waseca peaked in 2013 at around 57 homes. The month's supply dropped from 2008 (from 14.4 to 7.7) with a slight increase between 2012 and 2013 (7.9 to 9.1). Overall since 2010, this indicates more buyers were purchasing homes yet there is still more homes for sales than buyers looking for homes. The supply was highest in Waseca County in 2009, but the City of Waseca and Waseca generally follow similar active supply of homes for sale trends.
- Since 2005, Waseca has accounted for about 58% of all homes for sale in Waseca County.

TABLE FS-4 ACTIVE SUPPLY OF HOMES FOR SALE CITY OF WASECA AND WASECA COUNTY 2005 to 2014				
Year	Months Supply		Homes for Sale	
	Waseca	Waseca County	Waseca	Waseca County
2005	9.9	9.6	23	43
2006	10.2	11.4	35	72
2007	12.1	10.8	49	92
2008	14.4	11.9	45	84
2009	11.6	12.3	45	87
2010	12.3	12.0	52	96
2011	8.1	8.1	42	72
2012	7.9	8.3	41	63
2013	9.1	9.0	57	78
2014	7.7	7.7	52	72

Source: 10K Research & Marketing, Maxfield Research and Consulting LLC



Price per Square Foot

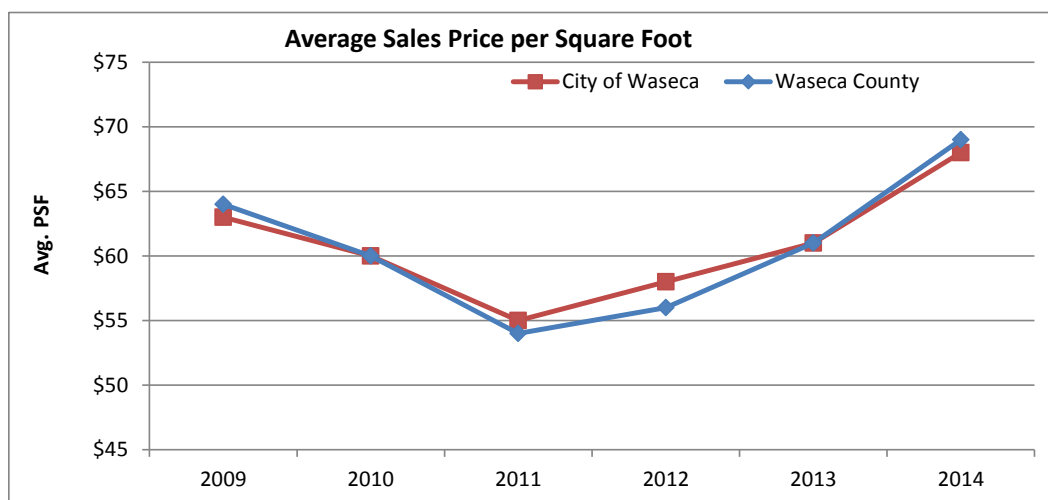
Table FS-5 compares the price per square foot (PSF) of home resales between 2009 and 2014 in the City of Waseca and Waseca County. Price per square foot is the sales price divided by the total finished square footage. This metric is beneficial when analyzing macro-level real estate trends in an area, but is not good when comparing individual home sales as numerous variables play into the sales price of a home (i.e. lot, style, improvements, features and amenities, etc.). Takeaways from Table FS-5 area as follows:

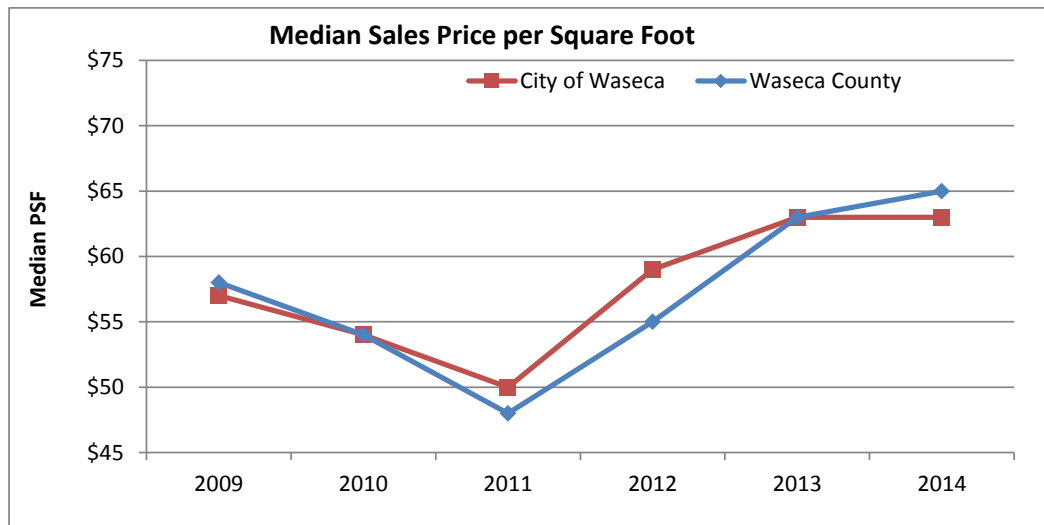
TABLE FS-5
MEDIAN SALES PRICE PER SQUARE FOOT (PSF)
CITY OF WASECA AND WASECA COUNTY
2009 to 2014

Year	City of Waseca		Waseca County	
	Avg.	Median	Avg.	Median
2009	\$63	\$57	\$64	\$58
2010	\$60	\$54	\$60	\$54
2011	\$55	\$50	\$54	\$48
2012	\$58	\$59	\$56	\$55
2013	\$61	\$63	\$61	\$63
2014	\$68	\$63	\$69	\$65

Source: 10K Research & Marketing, Maxfield Research and Consulting LLC

- The average and median sales price per square foot was highest in 2014 at \$68 and \$63 respectively.
- The average sales price per square foot increased to around \$68 since 2009 (7.4% PSF increase) in the City of Waseca. The greatest increase occurred between 2013 and 2014. Generally, 2009 was the worst year in the real estate market after the recession, but prices continued to drop in the City of Waseca and Waseca County through 2011.
- The median sales price per square foot is lower in the City of Waseca than in Waseca County for each year except in 2011 and 2012.





Lender-Mediated Properties

Table FS-6 identifies lender-mediated real estate sales activity in Waseca and Waseca County as listed on the Regional Multiple listing Service of Minnesota (RMLS). Lender-mediated transactions (foreclosures and short sales) are different from traditional sales because a third party (often the lender) is involved in the transaction; either acting as the seller in the case of foreclosures, or as an intermediary with approval powers in the case of a short sale. Table FS-8 identifies foreclosure counts in Waseca, Waseca County, and Minnesota.

Foreclosures are properties in which the financial institutions or lender has taken possession of the home from the owner due to non-payment of mortgage obligations/default by the borrower. In a short sale, the lender(s) and the home owner work together and attempt to sell the home prior to foreclosure. Because the net proceeds from the sale are not enough to cover the sellers' mortgage obligations, the difference is forgiven by the lender, or other arrangements are made with the lender to settle the remainder of the debt. In either circumstance, lenders want to move the debt off their books and will hence discount the asking price.

Lender-mediated property information is an important metric when reviewing the health of real estate markets. After the real estate bust and the ensuing recession, lender-mediated homes increased substantially as an overall market share of the for-sale inventory. The higher market share resulted in downward pricing on aggregate sales price figures, giving the impression that the entire housing market was losing considerable value. However, real estate sales data shows stark differences between traditional and lender-mediated transactions. Key points from the table follow.

- Less than 37% of Waseca resales between 2009 and 2014 have been lender-mediated. The percentage of lender-mediated sales in Waseca ranged from 15 sales (27.8% of resales) in 2010 to 39 sales (56.5% of resales) in 2011.

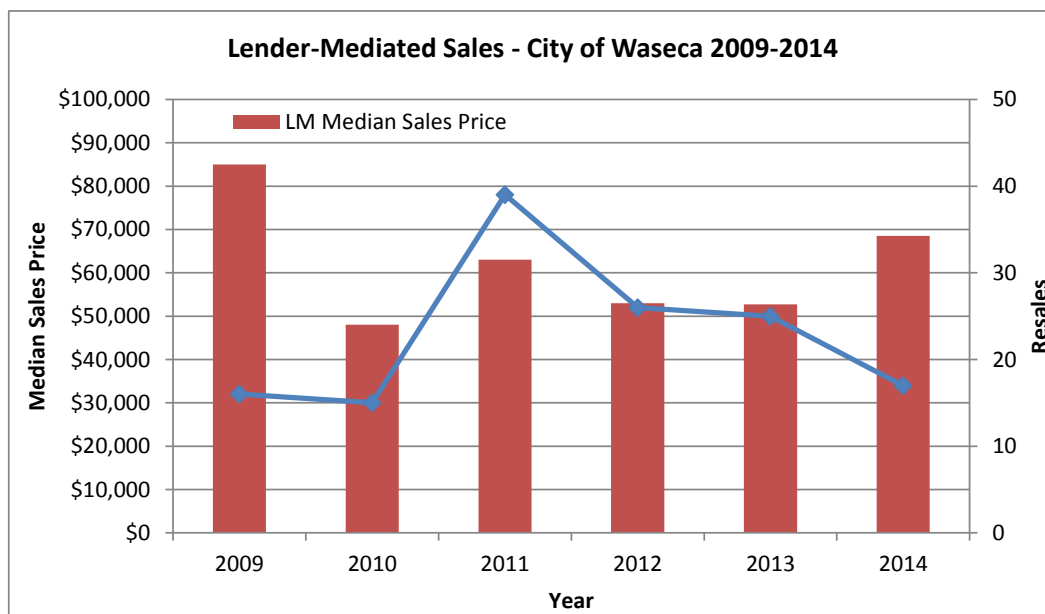
- Pricing for lender-mediated properties is substantially discounted versus traditional sales. In 2014, lender mediated properties sold for a median price of \$68,500 compared to \$107,000 for traditional sales.
- About 68% of all lender-mediated transactions in Waseca County have been located in the City of Waseca since 2009.

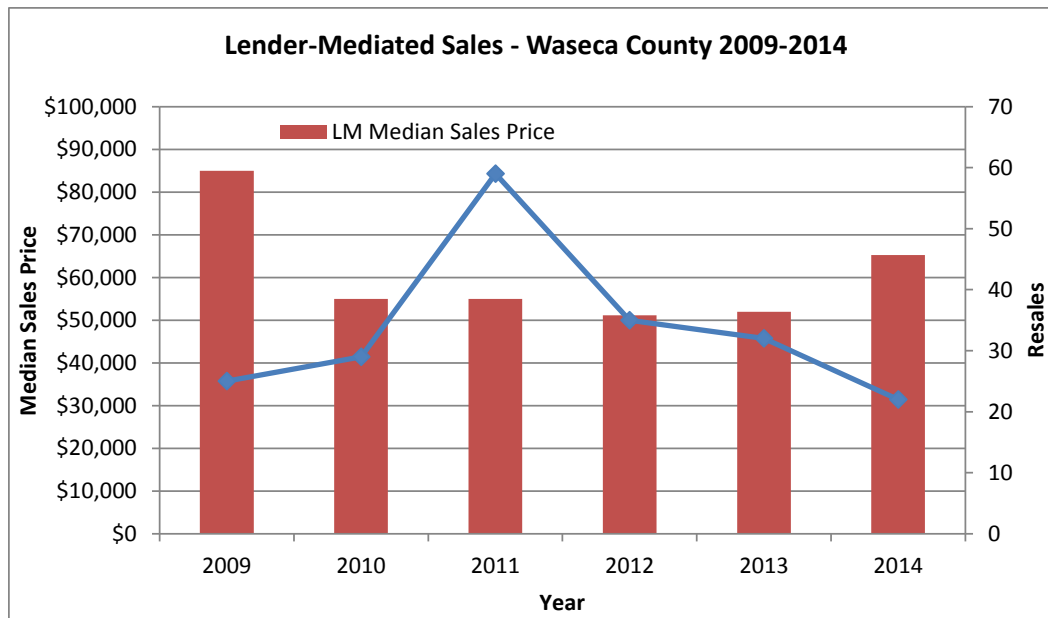
**TABLE FS-6
LENDER-MEDIATED SALES
CITY OF WASECA AND WASECA COUNTY
2009 to 2014**

Year	CITY OF WASECA			WASECA COUNTY		
	Resales	Average	Median	Resales	Average	Median
2009	16	\$99,995	\$85,000	25	\$94,993	\$85,000
2010	15	\$59,897	\$48,000	29	\$72,123	\$54,950
2011	39	\$69,959	\$63,000	59	\$65,402	\$55,000
2012	26	\$64,618	\$53,000	35	\$63,068	\$51,125
2013	25	\$61,690	\$52,750	32	\$61,666	\$52,000
2014	17	\$75,812	\$68,500	22	\$69,218	\$65,246

Note: Lender-mediated includes short sales and foreclosures

Source: 10kResearch, Maxfield Research and Consulting LLC





- According to Table FS-7 and Table FS-8, foreclosures in Waseca County have dropped since 2011. Foreclosures peaked in 2010 in the State of Minnesota and between 2010 and 2011 in Waseca County. The foreclosure rate is consistently lower in Waseca County compared to the rest of Minnesota.

**TABLE FS-7
FORECLOSURE COUNTS
2009 to 2014**

Year	City of Waseca		Waseca County		Minnesota	
	No.	Pct. Chg.	No.	Pct. Chg.	No.	Pct. Chg.
2009	15	-	20	-	23,092	-
2010	14	-6.7%	28	40.0%	25,673	11.2%
2011	35	150.0%	54	92.9%	21,298	-17.0%
2012	24	-31.4%	31	-42.6%	17,895	-16.0%
2013	22	-8.3%	29	-6.5%	11,834	-33.9%
2014	17	-22.7%	21	-27.6%	8,313	-29.8%

Source: 10kResearch, Maxfield Research and Consulting LLC

**TABLE FS-8
SHERIFF'S SALE FORECLOSURES
2005 - 2014**

Foreclosures	Greater MN*		Waseca County		Minnesota	
	<u>Count</u>	<u>% Change</u>	<u>Count</u>	<u>% Change</u>	<u>Count</u>	<u>% Change</u>
2005	2,707	--	23	--	6,466	--
2006	4,777	76.5%	44	91.3%	11,816	82.7%
2007	7,430	55.5%	20	-54.5%	20,404	72.7%
2008	9,000	21.1%	57	185.0%	26,268	28.7%
2009	8,560	-4.9%	69	21.1%	23,092	-12.1%
2010	9,894	15.6%	81	17.4%	25,673	11.2%
2011	8,117	-18.0%	50	-38.3%	21,298	-17.0%
2012	7,209	-11.2%	57	14.0%	17,895	-16.0%
2013	5,080	-29.5%	36	-36.8%	11,834	-33.9%
2014	3,624	-28.7%	27	-25.0%	8,313	-29.8%
Foreclosure Rate						
	<u>Rate</u>	<u>% Change</u>	<u>Rate</u>	<u>% Change</u>	<u>Rate</u>	<u>% Change</u>
2005	0.34	--	0.35	--	0.34	--
2006	0.64	88.2%	0.66	88.6%	0.59	73.5%
2007	1.18	84.4%	0.30	-54.5%	1.00	69.5%
2008	1.54	30.5%	0.84	180.0%	1.26	26.0%
2009	0.97	-37.0%	1.02	21.4%	1.29	2.4%
2010	1.11	14.4%	1.19	16.7%	1.42	10.1%
2011	0.91	-18.0%	0.73	-38.7%	1.18	-16.9%
2012	0.81	-11.0%	0.83	13.7%	0.99	-16.1%
2013	0.57	-29.6%	0.53	-36.1%	0.65	-34.3%
2014	0.41	-28.1%	0.39	-26.4%	0.46	-29.2%
* Greater MN does not include the Twin Cities Metro						
Foreclosure rate = the number of foreclosed mortgages as a percent of total residential parcels						
Sources: HousingLink; Maxfield Research and Consulting LLC						

Lot Supply

Maxfield Research identified five subdivisions in Waseca with lots available. Please note; this does not include scattered, infill lots.

- There are 81 lots combined within the Waseca subdivisions available for new construction. These subdivisions have been established since 2001.
- Lot sizes vary, the smallest lot is approximately 0.10 acres and the largest 14.27 acres. Excluding the largest two lots that could be subdivided further, the average lot size is 0.40 acres

FOR-SALE MARKET ANALYSIS

- New for-sale construction activity in Waseca averaged 7 homes built per year from 2000 to 2015. New for-sale construction activity was on average two homes built per year from 2009 to 2015. We would expect this activity to increase due to the higher average of new construction activity experienced in Waseca prior to 2008. Because the new home market is still recovering, there are no builders actively pursuing spec housing today.
- Pondview of Waseca is marketing lots from between \$26,000 to \$33,000, with lookout lots around \$31,000. Woods Edge are marketing lots around \$33,000, with lookout lots around \$38,000.

TABLE FS-9 LOT SUPPLY WITHIN NEWER SUBDIVISIONS IN WASECA As of November 2015							
Subdivision/location	Approved Date	No. of Lots	Vacant Lots	Typical Lot Size (Acres)	Lot Size Range (Acres)	Lot Costs (Avg.) Assessed	Home Price (Avg.) Assessed
Hintz Subdivision	Aug. 2004	11	4	0.30	0.20 - 0.45	\$34,955	\$156,514
Parkridge Estates	Dec. 2001	41	5	0.53	0.29 - 2.41	\$40,083	\$181,350
Pondview of Waseca	Mar. 2004	66	50	0.27	0.14 - 0.53	\$30,460	\$157,094
Woods Edge	May 2005	7	7	0.64	0.34 - 14.27	\$39,556	n/a
<i>Typical Lot Acres and Lot Costs (Avg.) Assessed does not include two lots that may be further subdivided (14.27 ac & 4.56 ac)</i>							
Woodville Meadows	Apr. 2004	22	15	0.26	0.10 - 1.49	\$26,236	\$130,486
Total		147	81				

Source: City of Waseca, Waseca County GIS, Maxfield Research and Consulting LLC

Mobile Home Parks

Maxfield Research identified one mobile home park within the city; Vista Villa.

- Vista Villa is licensed for 180 pads, but have 150 available due to sizing requirements. There are 150 total pads with 123 that are active as of December 2014.
- Tenants provide their own manufactured housing while Vista Villa rents out their pads.
- Vista Villa charges \$30 per pad per month and that includes water, sewer, and garbage. The park experiences a good mix of tenants of varying ages.
- Vista Villa also offers a fenced in storage area, tornado shelter, and two recreation areas.

Real Estate Agent/Builder Interviews

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

Market Overview

- The real estate agents and builder sentiment is that most buyers are seeking single-family homes and townhomes. Home buyers are also seeking in the lower and higher-end price points.
- The amenities that buyers want are extra garage space (two to three car garages), housing additions with nice updated kitchens and a master bedroom.
- Builders and Realtors identified that single family, new construction is in short supply. It was also identified that there is a lack of three-and four-bedroom homes and product that is priced appropriately.
- Both builders and real estate agents mentioned that there is a demand for new single family homes with a price point around \$150,000.
- The real estate agents and builder sentiment is that most buyers are a wide variety with younger and families from the Mankato area are seeking properties in the mid-\$100,000 range and investors are seeking deals on the lower end properties.
- Realtors have found that properties that are priced appropriately to the market sell quickly or within 45 days. If properties are not priced appropriate to the market, they are hard to sell and often stay on the market for 90 days or more.
- Although many of today's sellers can sell their home much easier today, many of the sellers have few options to buy when purchasing the next home. Many sellers are seeking one-level living and maintenance free options and there are few for-sale products available with these preferences. Furthermore, many sellers downsizing will not spend more than what the previous home sold for.
- Buyer confidence continues to improve as buyers have been able to take advantage of historically low mortgage rates and relatively affordable homes compared to the peak of the market in the mid-2000s.
- Lender-mediated property sales have remained low over the past couple of years and most real estate agents expect that trend to continue. As long as these properties remain low, this should assist in maintaining a stable housing market with positive appreciation.

- Waseca housing costs are generally defined as follows:
 - Entry-level: less than \$120,000
 - Move-up: \$120,000 to \$200,000
 - Executive: \$200k+
- Single-family housing has historically been the preferred housing type in Waseca. Real estate agents commented that additional maintenance-free products (new, rambler, or new rental homes, and townhomes) would be desirable.

New Construction

- The new construction market in Waseca has been slow since 2008. Although construction activity has been low, builders do not experience the highs and lows like other construction markets. Most builders are busy and have a lot of work throughout many area communities.
- Within the Waseca area, builders and real estate agents identified that lot costs can vary between \$20,000 to \$60,000. Rural building lots are assessed at \$9,000 or more.
- Builders commented that townhomes, fourplex's, and single family housing has been the building types that is happening today.
- Many buyers in the Waseca area desire two to three car garages, larger sized bedrooms and a master bedroom, and nice kitchens.
- Nearly all new construction is built-to-suit for the homebuyer as builders/developers are not building spec housing.
- New construction is priced significantly higher than the existing home stock in Waseca. The price per square foot of building a home is over \$150 while the price per square foot of existing resales is on average \$68.
- Lot activity has been slow in Waseca since the housing market downturn. One of the biggest challenges for builders has been that not as many people have been seeking to build new homes. The lack of interest in building a new home is most likely due to the cost of new construction.
- Builders also commented that building activity was a result material costs increasing, Waseca taxes, lack of qualified construction laborers, and lack of community amenities.

Introduction

Affordable housing is a term that has various definitions according to different people and is a product of supply and demand. According to the U.S. Department of Housing and Urban Development (HUD), the definition of affordability is for a household to pay no more than 30% of its annual income on housing (including utilities). Families who pay more than 30% of their income for housing (either rent or mortgage) are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.

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

FIGURE 1 AREA MEDIAN INCOME (AMI) DEFINITIONS	
Definition	AMI Range
Extremely Low Income	0% - 30%
Very Low Income	31% - 50%
Low Income	51% - 80%
Moderate Income Workforce Housing	80% - 120%
Note: Waseca County 4-person AMI = \$68,200 (2015)	

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

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

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

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

Rent and Income Limits

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

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

HOUSING AFFORDABILITY & DEVELOPMENT COSTS

TABLE HA-1
MHFA/HUD INCOME AND RENT LIMITS
WASECA COUNTY- 2015

	Income Limits by Household Size							
	1 pph	2 phh	3 phh	4 phh	5 phh	6 phh	7 phh	8 phh
30% of median	\$14,340	\$16,380	\$18,420	\$20,460	\$22,110	\$23,760	\$25,380	\$27,030
50% of median	\$23,900	\$27,300	\$30,700	\$34,100	\$36,850	\$39,600	\$42,300	\$45,050
60% of median	\$28,680	\$32,760	\$36,840	\$40,920	\$44,220	\$47,520	\$50,760	\$54,060
80% of median	\$38,240	\$43,680	\$49,120	\$54,560	\$58,960	\$63,360	\$67,680	\$72,080
100% of median	\$47,800	\$54,600	\$61,400	\$68,200	\$73,700	\$79,200	\$84,600	\$90,100
120% of median	\$57,360	\$65,520	\$73,680	\$81,840	\$88,440	\$95,040	\$101,520	\$108,120
	Maximum Gross Rent							
	EFF	1BR	2BR	3BR	4BR			
30% of median	\$358	\$409	\$460	\$511	\$552			
50% of median	\$597	\$682	\$767	\$852	\$921			
60% of median	\$717	\$819	\$921	\$1,023	\$1,105			
80% of median	\$956	\$1,092	\$1,228	\$1,364	\$1,474			
100% of median	\$1,195	\$1,365	\$1,535	\$1,705	\$1,842			
120% of median	\$1,434	\$1,638	\$1,842	\$2,046	\$2,211			
	Fair Market Rent							
	EFF	1BR	2BR	3BR	4BR			
Fair Market Rent	\$428	\$475	\$643	\$948	\$1,139			

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

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

HOUSING AFFORDABILITY & DEVELOPMENT COSTS

TABLE HA-2
MAXIMUM RENT BASED ON HOUSEHOLD SIZE AND AREA MEDIAN INCOME
WASECA COUNTY - 2015

Unit Type ¹	HHD Size		Maximum Rent Based on Household Size (@30% of Income)											
	Min	Max	30%		50%		60%		80%		100%		120%	
			Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Studio	1	1	\$359	- \$359	\$598	- \$598	\$717	- \$717	\$956	- \$956	\$1,195	- \$1,195	\$1,434	- \$1,434
1BR	1	2	\$359	- \$410	\$598	- \$683	\$717	- \$819	\$956	- \$1,092	\$1,195	- \$1,365	\$1,434	- \$1,638
2BR	2	4	\$410	- \$512	\$683	- \$853	\$819	- \$1,023	\$1,092	- \$1,364	\$1,365	- \$1,705	\$1,638	- \$2,046
3BR	3	6	\$461	- \$594	\$768	- \$990	\$921	- \$1,188	\$1,228	- \$1,584	\$1,535	- \$1,980	\$1,842	- \$2,376
4BR	4	8	\$512	- \$676	\$853	- \$1,126	\$1,023	- \$1,352	\$1,364	- \$1,802	\$1,705	- \$2,253	\$2,046	- \$2,703
¹ One-bedroom plus den and two-bedroom plus den units are classified as 1BR and 2BR units, respectively. To be classified as a bedroom, a den must have a window and closet. Note: 4-person Waseca County AMI is \$68,200 (2015)														
Sources: HUD, MHFA, Novogradac, Maxfield Research and Consulting LLC														

Housing Cost Burden

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

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

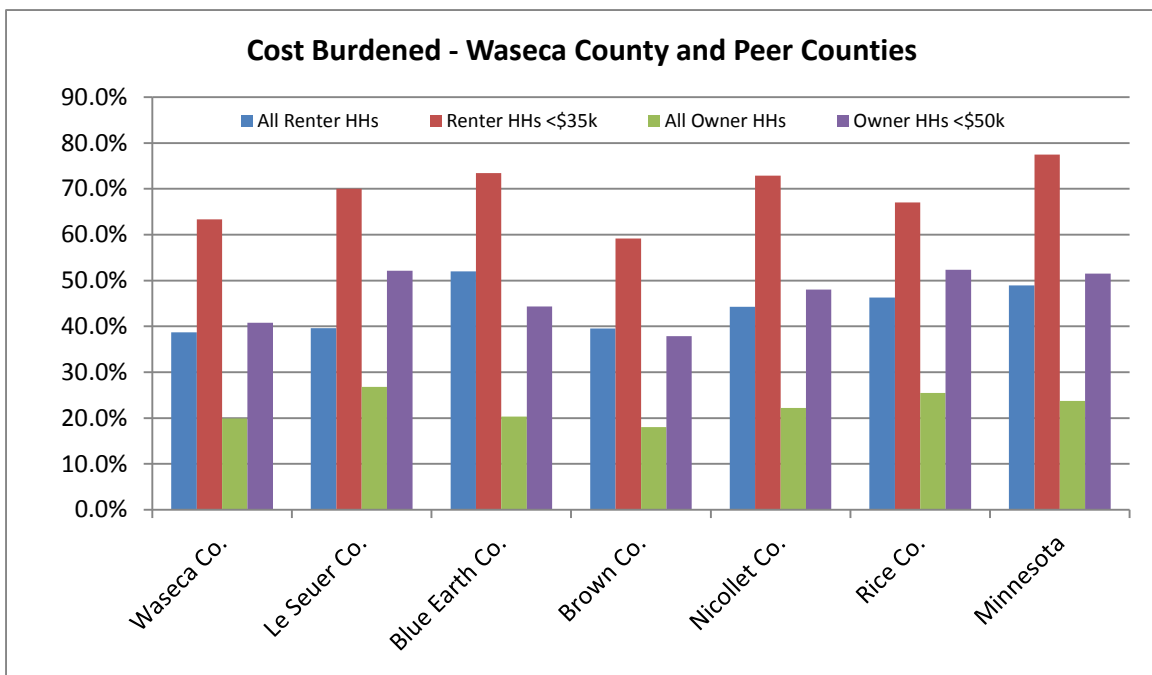
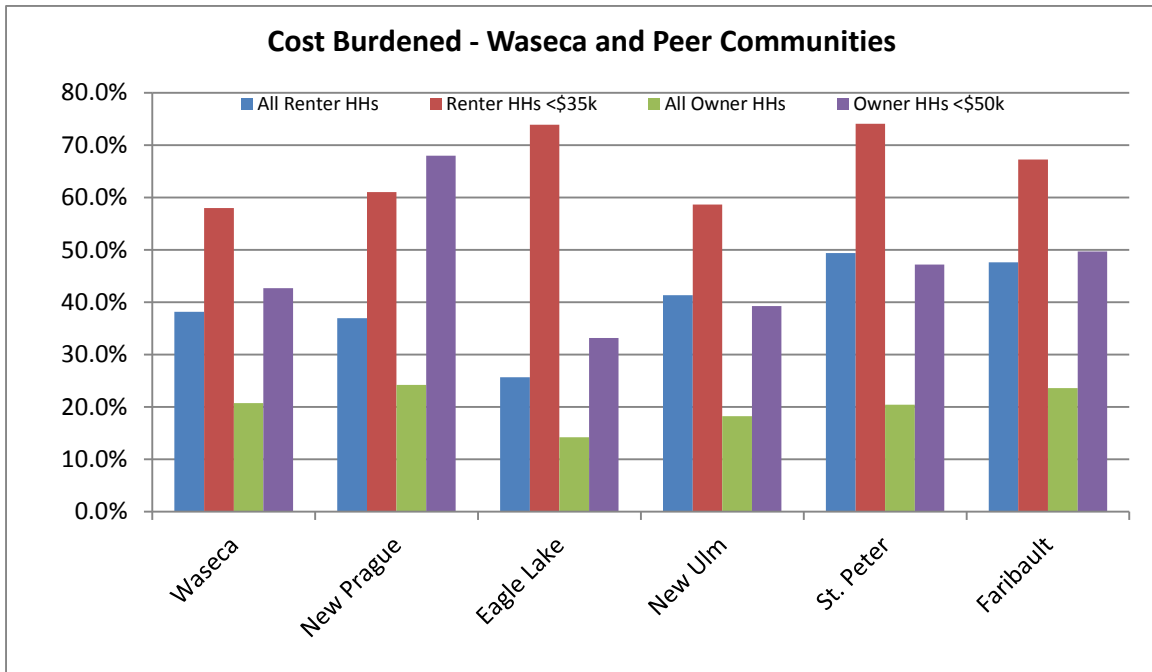
Key findings from Table HA-3 follow.

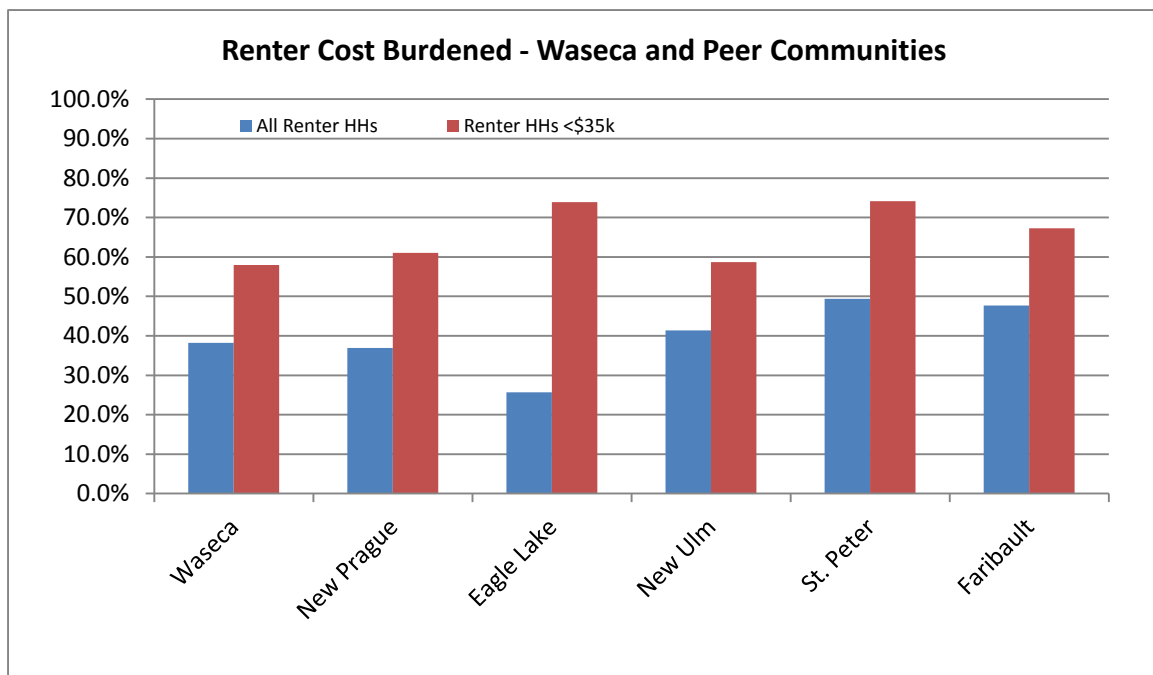
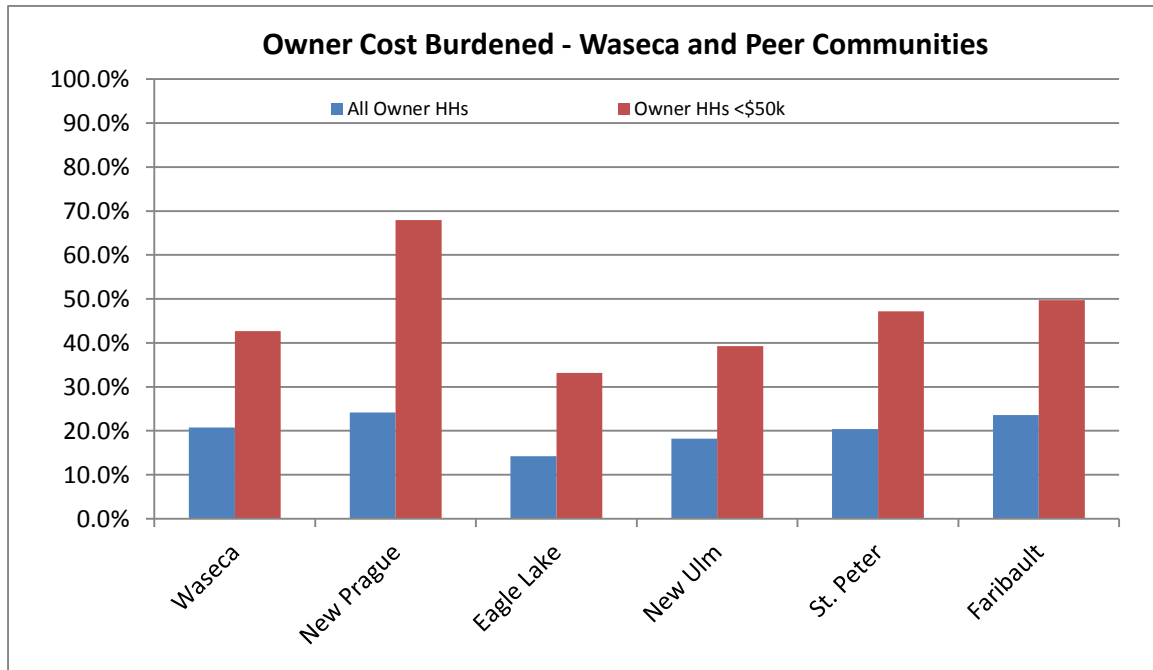
- About 20.8% of owner households and 38.2% of renter householders are estimated to be paying more than 30% of their income for housing costs in Waseca. Compared to the Minnesota average, the percentage of cost burdened owner and renter households is lower in Waseca. Minnesota cost burdened households are 23.7% for owner households and 48.9% for renter households.
- The number of cost burdened households in Waseca increases proportionally based on lower incomes. About 58% of renters with incomes below \$35,000 are cost burdened and 42.7% of owners with incomes below \$50,000 are cost burdened.
- Median contract rents in Waseca (\$505) and Waseca County (\$504) are significantly less than the State of Minnesota average (\$747), lower than peer city rents, and lower than all other peer counties except Brown County (\$496).

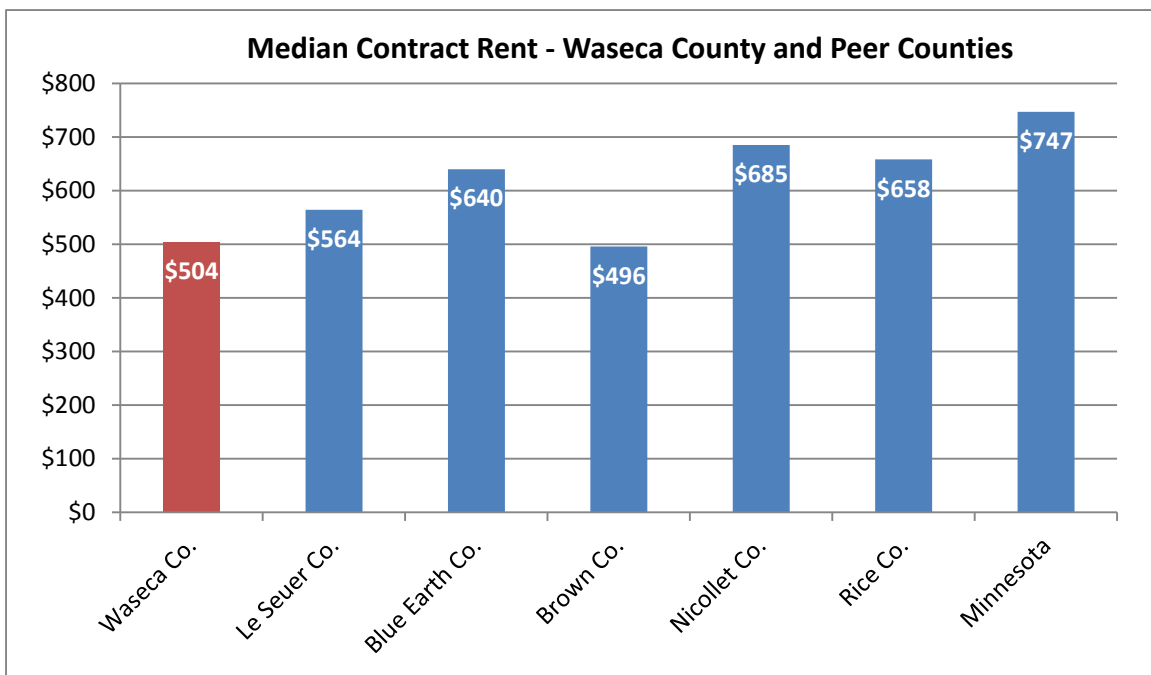
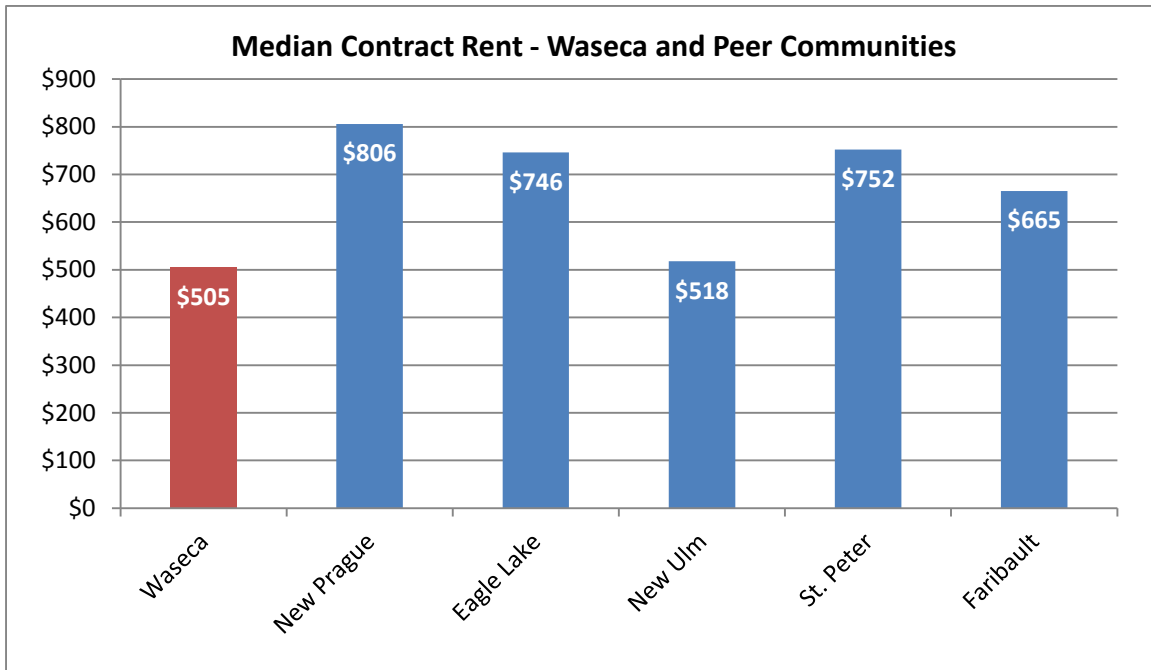
HOUSING AFFORDABILITY & DEVELOPMENT COSTS

TABLE HA-3
HOUSING COST BURDEN
CITY OF WASECA, WASECA COUNTY, AND SELECT GEOGRAPHIES
2014

	Waseca		New Prague		Eagle Lake		New Ulm		St. Peter		Faribault		Minnesota	
Community	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Owner Households														
All Owner Households	2,448		2,080		724		4,284		2,195		5,602		1,525,201	
Cost Burden 30% or greater	508	20.8%	500	24.2%	103	14.2%	780	18.2%	443	20.4%	1,323	23.6%	360,187	23.7%
Owner Households w/ incomes <\$50,000	1,007		577		193		1,842		666		2,018		459,805	
Cost Burden 30% or greater	430	42.7%	384	68.0%	64	33.2%	723	39.3%	303	47.2%	1,003	49.7%	233,629	51.5%
Renter Households														
All Renter Households	1,122		630		179		1,540		1,355		2,685		590,136	
Cost Burden 30% or greater	418	38.2%	198	36.9%	46	25.7%	626	41.3%	645	49.4%	1,273	47.6%	272,161	48.9%
Renter Households w/ incomes <\$35,000	678		378		46		1,025		806		1,680		319,421	
Cost Burden 30% or greater	393	58.0%	185	61.1%	34	73.9%	586	58.7%	587	74.1%	1,130	67.3%	230,234	77.4%
Median Contract Rent ¹	\$505		\$806		\$746		\$518		\$752		\$665		\$747	
	Waseca Co.		Le Seuer Co.		Blue Earth Co.		Brown Co.		Nicollet Co.		Rice Co.		Minnesota	
County/Minnesota	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Owner Households														
All Owner Households	5,771		8,965		16,259		8,353		9,087		16,972		1,525,201	
Cost Burden 30% or greater	1,139	19.9%	2,389	26.8%	3,298	20.3%	1,504	18.0%	2,006	22.2%	4,319	25.5%	360,187	23.7%
Owner Households w/ incomes <\$50,000	2,213		3,092		5,331		3,415		2,653		5,205		459,805	
Cost Burden 30% or greater	888	40.8%	1,589	52.1%	2,349	44.3%	1,286	37.8%	1,256	48.0%	2,717	52.3%	233,629	51.5%
Renter Households														
All Renter Households	1,634		2,042		8,460		2,396		3,323		5,526		590,136	
Cost Burden 30% or greater	541	38.7%	746	39.6%	4,301	52.0%	906	39.5%	1,411	44.2%	2,502	46.3%	272,161	48.9%
Renter Households w/ incomes <\$35,000	918		1,100		5,538		1,511		1,774		3,380		319,421	
Cost Burden 30% or greater	505	63.4%	698	70.0%	3,988	73.4%	843	59.2%	1,247	72.8%	2,235	67.0%	230,234	77.4%
Median Contract Rent ¹	\$504		\$564		\$640		\$496		\$685		\$658		\$747	
¹ Median Contract Rent 2014														
Note: Calculations exclude households not computed.														
Sources: American Community Survey 2014 estimates; Maxfield Research and Consulting LLC														







Housing Vouchers

In addition to subsidized apartments, “tenant-based” subsidies, like *Housing Choice Vouchers*, can help lower income households afford market-rate rental housing. The tenant-based subsidy is funded by the Department of Housing and Urban Development (HUD), and is managed

by the South Central Minnesota Multi-County HRA. Under the Housing Choice Voucher program (also referred to as Section 8) qualified households are issued a voucher that the household can take to an apartment that has rent levels with Payment Standards. The household then pays approximately 30% of their adjusted gross income for rent and utilities, and the Federal government pays the remainder of the rent to the landlord. The maximum income limit to be eligible for a Housing Choice Voucher is 50% AMI based on household size, as shown in Table HA-1.

Currently, the South Central Minnesota Multi-County HRA administers 691 Housing Choice Vouchers in a five county area (Martin, Nicollet, Sibley, Waseca, and Watonwan). The HRA historically has approximately 100 vouchers leased in Waseca County, with the majority of those within the City of Waseca. As of December 2015, 79 of 100 Waseca County vouchers are administered in the City of Waseca.

Housing Costs as Percentage of Household Income

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

The housing affordability calculations assume the following:

For-Sale Housing

- 10% down payment with good credit score
- Closing costs rolled into mortgage
- 30-year mortgage at 4.0% interest rate
- Private mortgage insurance (equity of less than 20%)
- Homeowners insurance for single-family homes and association dues for townhomes
- Owner household income per 2014 ACS

Rental Housing

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

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

- About 81% of Waseca PMA households could afford to buy an entry-level home (\$100,000) in Waseca. Furthermore, about 65% of existing owner households could afford to purchase a home of \$200,000.

HOUSING AFFORDABILITY & DEVELOPMENT COSTS

- About 74% of existing renter households can afford to rent a one-bedroom unit in Waseca (\$452/month). The percentage of renter income-qualified households decreases to roughly 44% that can afford an existing three-bedroom unit (\$865/month). Furthermore, about 53% of renters could afford to rent a one-bedroom apartment at \$700 per month within a new development.

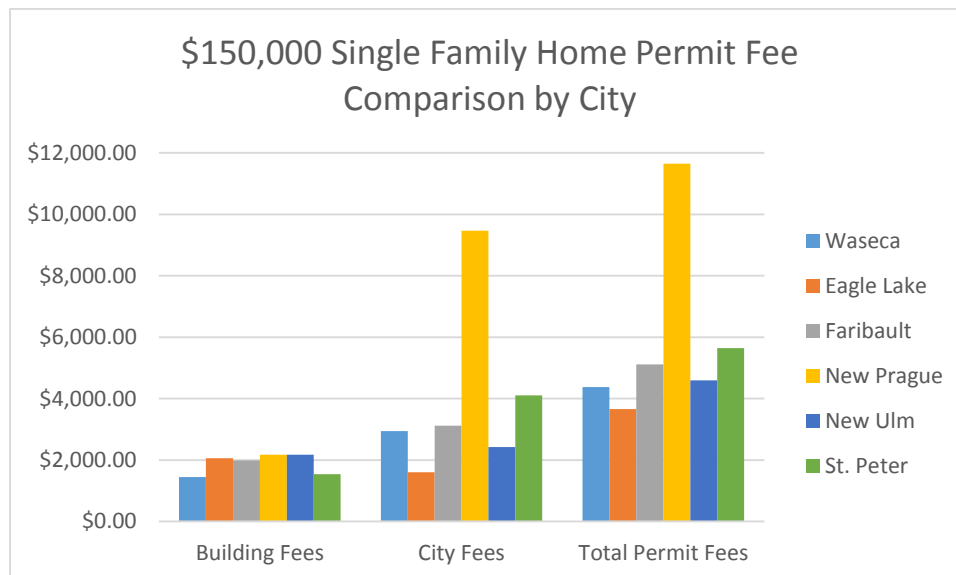
HOUSING AFFORDABILITY & DEVELOPMENT COSTS

TABLE HA-4 WASECA MARKET AREA HOUSING AFFORDABILITY - BASED ON HOUSEHOLD INCOME						
For-Sale (Assumes 10% down payment and good credit)						
	Single-Family			Townhome/Twinhome or Condo		
	Entry-Level	Move-Up	Executive			
Price of House	\$100,000	\$150,000	\$200,000			\$120,000
Pct. Down Payment	10.0%	10.0%	10.0%			10.0%
Total Down Payment Amt.	\$10,000	\$15,000	\$20,000			\$12,000
Estimated Closing Costs (rolled into mortgage)	\$3,000	\$4,500	\$6,000			\$3,600
Cost of Loan	\$93,000	\$139,500	\$186,000			\$111,600
Interest Rate	4.000%	4.000%	4.000%			4.000%
Number of Pmts.	360	360	360			360
Monthly Payment (P & I)	-\$444	-\$666	-\$888			-\$533
(plus) Prop. Tax	-\$83	-\$125	-\$167			-\$100
(plus) HO Insurance/Assoc. Fee for TH	-\$33	-\$50	-\$67			-\$100
(plus) PMI/MIP (less than 20%)	-\$40	-\$60	-\$81			-\$48
Subtotal monthly costs	-\$601	-\$901	-\$1,202			-\$781
Housing Costs as % of Income	30%	30%	30%			30%
Minimum Income Required	\$24,039	\$36,058	\$48,077			\$31,246
Pct. of ALL Waseca MA HHDS who can afford ¹	80.6%	69.4%	59.7%			62.7%
No. of Waseca MA HHDS who can afford ¹	4,242	3,650	3,139			3,296
Pct. of Waseca MA owner HHDS who can afford ²	88.6%	78.0%	65.4%			69.3%
No. of Waseca MA owner HHDS who can afford ²	3,523	3,101	2,601			2,755
No. of Waseca MA owner HHDS who cannot afford ²	452	874	1,374			1,220
Rental (Market Rate)						
	Existing Rental			New Rental		
	1BR	2BR	3BR	1BR	2BR	3BR
Monthly Rent	\$452	\$593	\$865	\$700	\$825	\$1,000
Annual Rent	\$5,424	\$7,116	\$10,380	\$8,400	\$9,900	\$12,000
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$18,080	\$23,720	\$34,600	\$28,000	\$33,000	\$40,000
Pct. of ALL Waseca MA HHDS who can afford ¹	86.5%	80.9%	70.6%	76.9%	72.1%	66.2%
No. of Waseca MA HHDS who can afford ¹	4,549	4,258	3,715	4,043	3,794	3,483
Pct. of Waseca MA renter HHDS who can afford ²	73.5%	60.2%	43.9%	53.0%	46.1%	37.4%
No. of Waseca MA renter HHDS who can afford ²	950	778	567	685	596	483
No. of Waseca MA. renter HHDS who cannot afford ²	343	515	726	608	697	810
¹ Based on 2015 household income for ALL households						
² Based on 2014 ACS household income by tenure (i.e. owner and renter incomes. Owner incomes = \$72,083 vs. renter incomes = \$43,438)						
Source: Maxfield Research and Consulting LLC						

Fee & Permit Comparison

Table HA-5 compares property building permit and city fees between Waseca and other peer cities based on the community adopted fee schedules and identified city fees related to single family home construction. Table HA-5 also compares fee costs of a single family home with a valuation of \$150,000 for Waseca and peer cities. The building permit fees include: the permit fee, plan check fee, and state surcharge. The city fees as identified are: water access charge (WAC), sewer access charge (SAC), water meter, storm sewer, park dedication, and other fee. The data in the table is sourced from each community.

- Compared to the five other peer cities, Waseca has the lowest building permit fees than each city at a \$150,000 single family home project valuation. Waseca is similar to other identified peer cities city fees. Combining both building permit fees and City Fees, Waseca remains in the middle of total fees identified for building a single family home.
- New Ulm has comparable overall permit fees to Waseca; however higher building permit fees. Eagle Lake has the lowest identified total permit fees among the identified cities.



HOUSING AFFORDABILITY & DEVELOPMENT COSTS

TABLE HA-5 BUILDING PERMIT FEE COMPARISON & \$150,000 ESTIMATE SINGLE FAMILY HOME PROJECT VALUATION WASECA & PEER CITIES 2015													
	Building Permit Fees					City Fees							
Community	Adopted Fee Schedule	Permit Fee	Plan Check Fee ¹	State Surcharge ²	Total Building Permit Fees	WAC	SAC	Water Meter	Storm Sewer	Park Dedication	Other Fees	Total City Fees	Total Permit Fee
Waseca	1997	65% of State Fee Schedule				Small Meter WAC (5/8-1")	Small Meter SAC (5/8-1")	Small Building Construction Water Fee		8% Land Dedication or \$420 per lot	Plumbing and Mechanical		
			\$828	\$538	\$75	\$1,441	\$1,240	\$1,090	\$17	\$420	\$170	\$2,937	\$4,378
Eagle Lake	1994					New Single Family \$500; new subdivisions charged \$2,500 per acre when platted	New Single Family \$400; new subdivisions charged \$500 per acre when platted	Cost of meter plus 10%, plus sales tax		7% Land Dedication or amount determined at set time by City Council	Admin; Preliminary and Final Plat, lot, and notice		
			\$1,200	\$780	\$75	\$2,055	\$500	\$400	\$469		\$237	\$1,606	\$3,661
Faribault	1997	50% of Permit Fee				\$5,865 per unit for sites accessible to City utility lines, but not previously assessed for the costs of the public improvements	\$5,865 per unit for sites accessible to City utility lines, but not previously assessed for the costs of the public improvements	Water Meter (standard 3/4")		7% Land Dedication or 7% purchase price of land, City Discretion	Plumbing and Mechanical		
			\$1,274	\$637	\$75	\$1,986	\$1,030	\$1,500	\$220	\$175	\$198	\$3,123	\$5,109
New Prague	1997					\$2,814 per acre charged at time of platting		Water meter (3/4" and equipment) or actual cost		Fee in lieu of park land = total sq. ft required X fair market value of the buildable unplatted land	Plumbing and Mechanical		
			\$1,274	\$828	\$75	\$2,177	\$1,800	\$7,150	\$295		\$220	\$9,465	\$11,642
New Ulm	City of New Ulm Fee Schedule					Additional \$190 where developer installs connections	Additional \$190 where developer installs connections		Storm Water Permit Application	\$330 at time of platting and \$330 at time of building permit	Mechanical		
			\$1,274	\$828	\$75	\$2,177	\$840	\$840	\$50	\$660	\$30	\$2,420	\$4,597
St. Peter	City of St. Peter Fee Schedule	35% of Permit Fee				1" Water Main Access	4" Sewer Main Access		2-4" Line Storm Sewer Access Fee	12% of Net developable area	EAC		
			\$1,085	\$380	\$75	\$1,540	\$1,800	\$1,500	\$300		\$500	\$4,100	\$5,640
¹ Plan Check Fee is 65% of Permit fee unless designated differently by a community ² Per Minnesota Department of Labor and Industry Construction Codes and Licensing, 2015 Minnesota Building Permit Surcharge Report Manual Source: Individual City Interviews; Maxfield Research and Consulting LLC													

Property Tax Comparison

Table HA-6 compares property taxes between Waseca and other peer cities based on 2015 tax rates. The comparison is based on home values of \$100,000, \$200,000, and \$300,000 and is for homesteaded properties only. The property taxes include all taxes; including city, county, school district, special districts, etc. The data in the table is sourced to the League of Minnesota Cities.

- Compared to the five other peer cities, Waseca has higher property taxes than each city at each home value. Waseca's tax value ratio (total taxes divided by home value) ranges from 1.3% for a \$100,000 home to 1.6% for a \$300,000.
- New Ulm has comparable property taxes to Waseca; however slightly lower. Eagle Lake has the lowest property taxes among the identified cities.

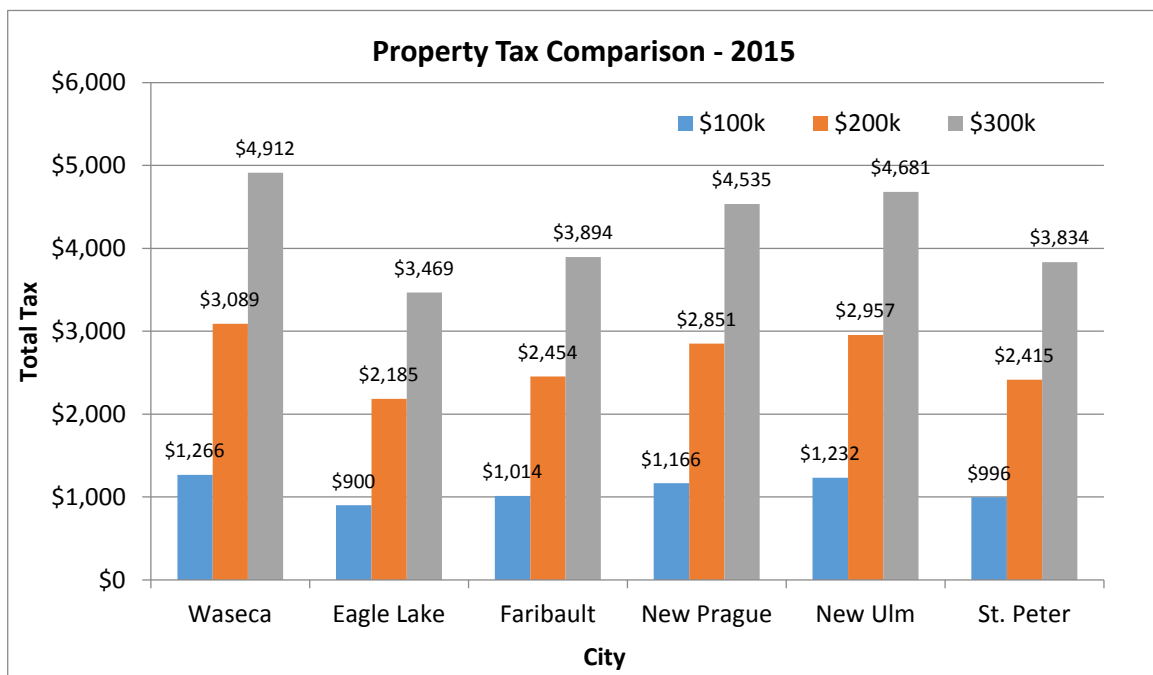


TABLE HA-6
PROPERTY TAX COMPARISON
WASECA & PEER CITIES
2015

Community	Value	City Tax	Total Tax	Tax Value Ratio
Waseca	\$100,000	\$608	\$1,266	1.3%
	\$200,000	\$1,511	\$3,089	1.5%
	\$300,000	\$2,414	\$4,912	1.6%
Eagle Lake	\$100,000	\$312	\$900	0.9%
	\$200,000	\$785	\$2,185	1.1%
	\$300,000	\$1,259	\$3,469	1.2%
Faribault	\$100,000	\$382	\$1,014	1.0%
	\$200,000	\$961	\$2,454	1.2%
	\$300,000	\$1,541	\$3,894	1.3%
New Prague	\$100,000	\$464	\$1,166	1.2%
	\$200,000	\$1,168	\$2,851	1.4%
	\$300,000	\$1,873	\$4,535	1.5%
New Ulm	\$100,000	\$565	\$1,232	1.2%
	\$200,000	\$1,422	\$2,957	1.5%
	\$300,000	\$2,280	\$4,681	1.6%
St. Peter	\$100,000	\$336	\$996	1.0%
	\$200,000	\$846	\$2,415	1.2%
	\$300,000	\$1,356	\$3,834	1.3%

Note: Estimate of county, city, school district, and any special districts. Taxes are for homesteaded properties only.

Source: League of Minnesota Cities, Maxfield Research & Consulting, LLC

Single-Family Cost of Construction

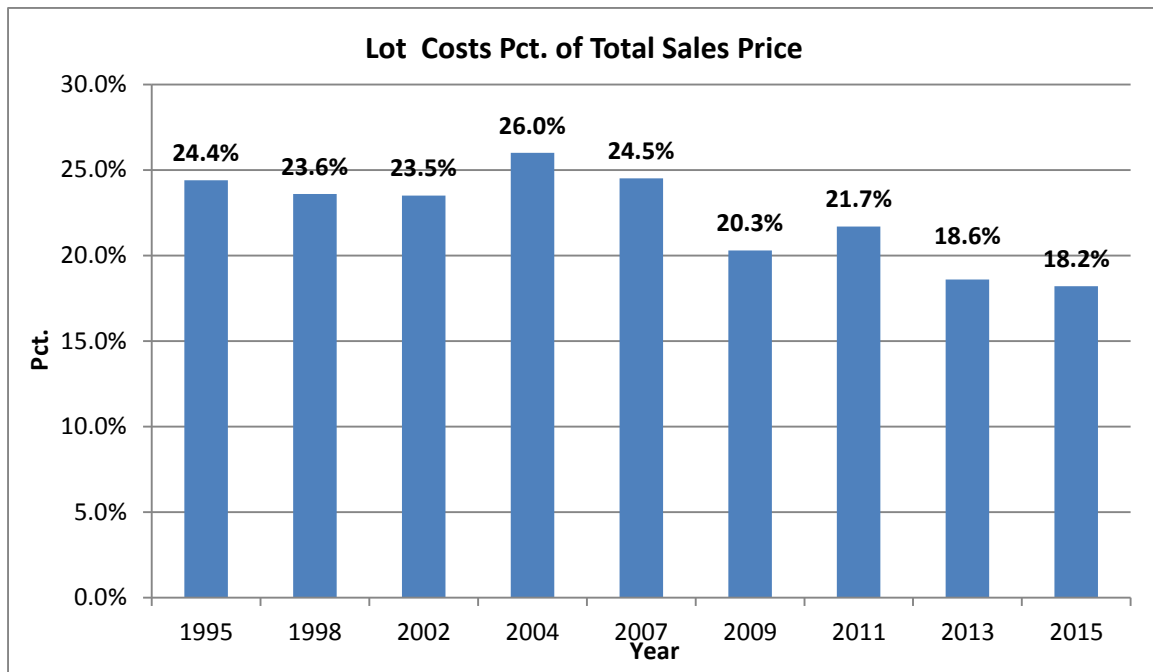
The National Association of Home Builders (“NAHB”) routinely conducts a survey of construction costs that make-up the price of a typical single-family home. The survey is conducted by emailing a sample of builders across the country that identifies eight subcategories for each of the major stages of construction.

Table HA-7 break-down the cost of a new home by seven categories between 1995 and 2015. Key points follow.

- Finished lot costs accounted for about 18% of the sales price in 2015; down considerably from 2004 when lot costs accounted for 26% of the home price. Since 1995, finished lot costs have averaged 22% of the sales price.
- The total construction of the home price (i.e. hard costs) was about 62% of the sales price in 2015. Hard costs are at the highest percentage this year; about 14% higher than in 2007.
- Builder profit was 9% in 2015, down slightly from 9.3% in 2014. During the housing downturn builder profits declined to 6.8% in 2011.
- The average construction cost (hard costs) of a single-family home across the U.S. was about \$289,400 in 2015; or \$103 per square foot (“PSF”). Construction costs have escalated considerable over the past few years as they were \$80 PSF in 2011. A recent separate survey conducted in July 2015 indicated labor costs are up 3.3% this year, material costs are up 4.5%, and subcontracting costs are up 5%.

TABLE HA-7 SINGLE-FAMILY HOME SALES PRICE BREAKDOWN HISTORY 1995 to 2013										
Sales Price Break-Down	Year									Avg.
	1995	1998	2002	2004	2007	2009	2011	2013	2015	
Finished Lot Cost	24.4%	23.6%	23.5%	26.0%	24.5%	20.3%	21.7%	18.6%	18.2%	22.3%
Total Construction Costs	53.3%	54.8%	50.8%	51.7%	48.1%	58.9%	59.3%	61.7%	61.8%	55.6%
Financing Costs	2.0%	1.9%	2.1%	1.8%	2.4%	1.7%	2.1%	1.4%	1.3%	1.9%
Overhead & General Expenses	5.8%	5.7%	5.5%	5.8%	7.0%	5.4%	5.2%	4.3%	5.6%	5.6%
Marketing Costs	2.2%	1.4%	2.4%	1.9%	2.5%	1.4%	1.5%	1.1%	0.8%	1.7%
Sales Commission	3.3%	3.4%	3.7%	3.0%	4.3%	3.4%	3.3%	3.6%	3.2%	3.5%
Profit	9.1%	9.2%	12.0%	9.8%	11.2%	8.9%	6.8%	9.3%	9.0%	9.5%
Total Sales Price	\$183,585	\$226,680	\$298,412	\$373,349	\$454,906	\$377,624	\$310,619	\$399,532	\$399,532	\$328,088

Source: NAHB Construction Costs Surveys, 1995-2013; Maxfield Research & Consulting, LLC



Site Development/Infrastructure Costs

Site development (i.e. site improvement or infrastructure costs) can vary dramatically between community to community and property to property. There are numerous site improvement fees that impact the sales price of a housing unit; a sampling of fees includes: site acquisition, legal fees, survey, water and sewer connection fees, utility fees, excavation, building permits, impact fees, sanitary sewer, street construction, curb and gutter, park dedication, etc. etc. As a result, the cost to develop infrastructure has increased significantly over the years and has prohibited housing development in many smaller communities as the cost to develop land today is high and it is difficult to absorb land development and holding costs.

Although no two sites are alike; developing single-family lots in many non-metro Minnesota communities has been challenging across the state. The cost to develop a new subdivision in Waseca will likely be similar to other peer communities for most cost components. In most cases, Maxfield Research finds the cost to develop a lot today is approximately \$30,000 to \$35,000 per lot; excluding raw land costs.

Multifamily Housing Cost of Construction

Table HA-8 illustrates the cost of developing a 24-unit, three-story rental apartment in Waseca with average-level finishes. The analysis assumes 10% developer equity and a 30-year mortgage at 5.25%. Based on an average rent of \$1,000 per month (\$1.14 PSF), the project would have negative cash flow and would lose approximately \$2,500 monthly. The average rent PSF in Waseca currently is about \$0.66 PSF., hence even with a rent premium new construction would be difficult to finance given development costs.

Maxfield Research estimates the breakeven monthly rent needed to sustain a new market rate rental building in Waseca would need to be \$1,185, or \$1.35 PSF. Based on these costs, it will 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 will likely be required to spur development in Waseca.

TABLE HA-8 Apartment Macro-Level Financial Assessment 2015			
Assumptions		Development Costs	
No. of Units	24	Hard Costs	\$2,415,000
Avg. Sq. Ft./Unit	875	Soft Costs	\$724,500
Common Area Pct.	15%	Land Costs	\$120,000
Avg. Rent/Unit	\$1,000	Total Development Costs	\$3,259,500
Equilibrium Occupancy	95%		
Avg. Rent PSF	\$1.14	Development cost/unit	\$135,813
		Development cost/PSF	\$135
Total Rentable Sq. Ft.	21,000		
Total Bldg. Sq. Ft.	24,150		
Monthly Financials		Annual Financials	
Gross Monthly Rent	\$24,000	\$288,000	
Effective Rent	\$22,800	\$273,600	
Total Expenses	\$9,120	\$109,440	
NOI	\$13,680	\$164,160	
Less: Debt Service	(\$16,199.17)	(\$194,390.06)	
Net Operating Cash Flow	(\$2,519.17)	(\$30,230.06)	
Source: Maxfield Research & Consulting, LLC			

Introduction

Previous sections of this study analyzed the existing housing supply and the growth and demographic characteristics of the population and household base in Waseca and the Waseca Market Area. This section of the report presents our estimates of housing demand in Waseca and the Market Area from 2015 through 2025.

Demographic Profile and Housing Demand

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

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

6. *Older seniors*

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

Demand for housing can come from several sources including: household growth, changes in housing preferences, and replacement need. Household growth necessitates building new housing unless there is enough desirable vacant housing available to absorb the increase in households. Demand is also affected by shifting demographic factors such as the aging of the population, which dictates the type of housing preferred. New housing to meet replacement need is required, even in the absence of household growth, when existing units no longer meet the needs of the population and when renovation is not feasible because the structure is physically or functionally obsolete.

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

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

Housing Demand Overview

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

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

HOUSING DEMAND ANALYSIS

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							
75-79							
80-84							
85+							55+ & 65+

Source: Maxfield Research & Consulting, LLC

HOUSING DEMAND ANALYSIS

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

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

Source: Maxfield Research & Consulting, LLC

Demographics

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

Economy and Job Growth

The economy and housing market are intertwined; the health of the housing market affects the broader economy and vice versa. Housing market growth depends on job growth (or the prospect of); jobs generate income growth which results in the formation of more households and can stimulate household turnover. Historically low unemployment rates have driven both existing home purchases and new-home purchases. Lack of job growth leads to slow or diminishing

household growth, which in-turn relates to reduced housing demand. Additionally, low income growth results in fewer move-up buyers which results in diminished housing turnover across all income brackets.

Consumer Choice/Preferences

A variety of factors contribute to consumer choice and preferences. Many times a change in family status is the primary factor for a change in housing type (i.e. growing families, empty-nest families, etc.). However, housing demand is also generated from the turnover of existing households who decide to move for a range of reasons. Some households may want to move-up, downsize, change their tenure status (i.e. owner to renter or vice versa), or simply move to a new location.

Supply (Existing Housing Stock)

The stock of existing housing plays a crucial component in the demand for new housing. There are a variety of unique household types and styles, not all of which are desirable to today's consumers. The age of the housing stock is an important component for housing demand, as communities with aging housing stocks have higher demand for remodeling services, replacement new construction, or new home construction as the current inventory does not provide the supply that consumers seek.

Pent-up demand may also exist if supply is unavailable as householders postpone a move until new housing product becomes available.

Housing Finance

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

The ability of buyers to obtain mortgage financing has been increasingly challenging over the past few years as lenders have overcorrected from the subprime mortgage crisis. As a result, many borrowers have remained on the sidelines as lenders have enforced tight lending requirements, thereby increasing the demand for rental housing.

Mobility

It is important to note that demand is somewhat fluid between other southern Minnesota communities and will be impacted by development activity in nearby areas, including other communities outside Waseca County.

Estimated Demand for For-Sale Housing

Table HD-1 presents our demand calculations for general occupancy for-sale housing in the Waseca Market Area between 2015 and 2025.

The 65 and older cohort is typically not a target market for new general occupancy for-sale housing, therefore, we limit demand from household growth to only those households under the age of 65. According to our projections, the Waseca Market Area is expected to decline for households under the age of 65 between 2015 and 2025, which produces no demand from new household growth.

Demand is forecast to emerge from existing Market Area householders through turnover. An estimated 2,886 owner-occupied households under age 65 are located in the Waseca Market Area in 2015. Based on mobility data from the Census Bureau, an estimated 34% of owner households will turnover in a ten-year period, resulting in 991 existing households projected to turnover. Finally, we estimate 10% of the existing owner households will seek new for-sale housing, resulting in demand for 99 for-sale units through 2025.

Next, we estimate that 20% of the total demand for new for-sale units in the Waseca Market Area will come from people currently living outside of the Market Area. A portion of this market will be former residents of the area, such as “snow-birds” heading south for the winters. Adding demand from outside the Waseca Market Area to the existing demand potential, results in a total estimated demand for 124 for-sale housing units by 2025.

Based on land available, building trends, and demographic shifts (increasing older adult population), we project 70% of the for-sale owners will prefer traditional single-family product types while the remaining 30% will prefer a maintenance-free multi-family product (i.e. townhomes, townhomes, or condominiums).

We then subtract the current identified platted lots that are available, under construction or approved. After subtracting the current lot supply in subdivisions (87 total single-family lots) we find total demand through 2025 resulting in six single-family lots and 37 multifamily lots.

Finally, we estimate that 65% of the excess single family demand and 85% of the excess multifamily demand from the Waseca Market Area demand could be captured in Waseca.

Therefore, total for-sale demand in Waseca through 2025 is about four new single-family lots and 32 multifamily units.

HOUSING DEMAND ANALYSIS

TABLE HD-1 FOR-SALE HOUSING DEMAND WASECA MARKET AREA 2015 to 2025			
Demand from Projected Household Growth			
Projected HH growth under age 65 in the Market Area 2015 to 2025 ¹			0
(times) % propensity to own ²	x	75%	
(equals) Projected demand from new HH growth	=		0
Demand from Existing Owner Households			
Number of owner households (age 64 and younger) in the Market Area (2015) ³			2,886
(times) Estimated percent of owner turnover ⁴	x	34%	
(equals) Total existing households projected to turnover	=		991
(times) Estimated percent desiring new housing	x	10%	
(equals) Demand from existing households			99
(equals) Total demand from HH growth and existing HHs 2015 to 2025	=		99
(times) Demand from outside the Market Area			20%
(equals) Total demand potential for ownership housing, 2015 to 2025			124
		Single Family	Multi-Family*
(times) Percent desiring for-sale single-family vs. multifamily ⁵	x	70%	30%
(equals) Total demand potential for new single-family & multifamily for-sale housing	=	87	37
(minus) Units under construction or approved platted lots (undeveloped and developed lots) ⁶	-	81	0
(equals) Excess demand for new general occupancy for-sale housing	=	6	37
(times) Percent of Market Area demand capturable by Waseca	x	65%	85%
(equals) number of units supportable by the City of Waseca		4	32
¹ Estimated household growth based on projections as adjusted by Maxfield Research and Consulting LLC ² Pct. of owner households under the age of 65 (U.S. Census - 2010, ESRI, Maxfield Research and Consulting LLC). ³ Estimate based on 2010 owner households and new owner household growth 2010 to 2015 (under age 65) ⁴ Based on on turnover from 2010 American Community Survey for households moving over a 10-year period. ⁵ Based on preference for housing type and land availability ⁶ Approved platted lot data does not account for the scattered lot supply which includes individual lots and lots in older non-marketing subdivisions. * Multi-family demand includes demand for townhomes, twinhomes, and condominium units.			
Source: Maxfield Research and Consulting LLC			

Estimated Demand for General-Occupancy Rental Housing

Table HD-2 presents our calculation of general-occupancy rental housing demand in the Waseca Market Area. 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 Waseca that want to upgrade their housing situations.

The 65 and older cohort is typically not a target market for new general occupancy rental housing, therefore, we limit demand from household growth to only those households under the age of 65. According to our projections, the Waseca Market Area is expected to decline for households under the age of 65 between 2015 and 2025, which produces no demand from new household growth.

Demand is forecast to emerge from existing Market Area householders through turnover. An estimated 957 renter-occupied households under age 65 are located in the Waseca Market Area in 2015. Based on mobility data from the Census Bureau, an estimated 62% of renter households will turnover in a ten-year period, resulting in 590 existing households projected to turnover. Finally, we estimate 15% of the existing renter households will seek new rental housing, resulting in demand for 89 rental units through 2025.

Next, we estimate that 20% of the total demand for new rental units in the Waseca Market Area will come from people currently living outside of the Market Area. Adding demand from outside the Waseca Market Area to the existing demand potential, results in a total estimated demand for 111 rental housing units by 2025.

Based on a review of rental household incomes and sizes and monthly rents at existing projects, we estimate that approximately 19% of the total demand will be for subsidized housing (30% AMI), 24% will be for affordable housing (40% to 60% AMI), and 57% will be for market rate housing (non-income restricted).

Next we subtract housing projects that are under construction or pending, since these projects will satisfy some of the calculated demand for general occupancy rental housing. However, there are no under construction or pending units at this time for subsidized and affordable housing. There are 10 identified pending market rate units.

Finally, we estimate that a site in Waseca can capture 95% of the total Market Area demand, resulting in demand for 20 subsidized units, 25 affordable units, and 42 market rate units in Waseca.

HOUSING DEMAND ANALYSIS

TABLE HD-2 RENTAL HOUSING DEMAND WASECA MARKET AREA 2015 to 2025			
Demand from Projected Household Growth			
Projected HH growth under age 65 in the Market Area 2015 to 2025 ¹			0
(times) Estimated % to be renting their housing ²	x	25%	
(equals) Projected demand from new HH growth	=		0
Demand from Existing Renter Households			
Number of renter HHs (age 64 and younger) in the Market Area (2015) ³			957
(times) Estimated percent of renter turnover ⁴	x	62%	
(equals) Total existing households projected to turnover	=		590
(times) Estimated percent desiring new rental housing	x	15%	
(equals) Demand from existing households			89
(equals) Total demand from HH growth and existing HHs 2015 to 2025	=		89
(times) Demand from outside the Market Area			20%
(equals) Total demand potential for rental housing, 2015 to 2025			111
		Subsidized	Affordable
(times) Percent of rental demand by product type ⁵	x	19%	24%
(equals) Total demand potential for general-occupancy rental housing units	=	21	27
(minus) Units under construction or pending ⁶	-	0	10
(equals) Excess demand for new general occupancy rental housing	=	21	53
(times) Percent of Market Area demand capturable by the City of Waseca	x	95%	80%
(equals) number of units supportable by the City of Waseca		20	42
¹ Estimated household growth based on projections as adjusted by Maxfield Research and Consulting LLC ² Pct. of renter households under the age of 65 (U.S. Census - 2010, ESRI, Maxfield Research and Consulting LLC). ³ Estimate based on 2010 renter households and new renter household growth 2010 to 2015 (under age 65) ⁴ Based on on turnover from 2010 American Community Survey for households moving over 10-year period. ⁵ Based on the combination of current rental product and household incomes of area renters (non-senior households) ⁶ Pending/proposed/under construction at 95% occupancy.			
Source: Maxfield Research and Consulting LLC			

It should be noted demand could be higher to account for pent-up housing demand. With pent-up demand (a shortage of units), people who would normally form their own rental households instead room with other persons in a housing unit, live with their parents, live in single-family rentals, or live in housing outside of the area and commute to jobs. A healthy rental market is expected to have a vacancy rate of about 5% to allow for sufficient consumer choice and unit turnover. According to Table R-2, the current general-occupancy rental market had overall vacancy rate of 3.6%, indicating pent-up demand for rental housing units.

Estimated Demand for Independent Adult/Few Service Senior Housing

Table HD-3 presents our demand calculations for market rate independent senior housing in Waseca in 2015 and 2020.

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

We calculate that the minimum income needed to afford monthly rents is \$35,000 or more plus homeowner households with incomes between \$25,000 and \$34,999 who would be able to supplement their incomes with the proceeds from a home sale. We estimate the number of age/income-qualified senior households in the Waseca Market Area in 2015 to be 1,826 households.

Adjusting to include appropriate long-term capture rates for each age cohort (0.5% of households age 55 to 64, about 5.5% of households age 65 to 74, and 16.5% of households age 75 and over) results in a market rate demand potential for 99 independent senior rental units in 2015.

Some additional demand will come from outside the Waseca Market Area. We estimate that 20% of the long-term demand for independent senior housing will be generated by seniors currently residing outside the Waseca Market Area. This demand will consist primarily of parents of adult children living in the Waseca area, individuals who live just outside of the Waseca Market Area and have an orientation to the area, as well as former residents who desire to return. Together, the demand from Waseca Market Area seniors and demand from seniors who would relocate to Waseca results in a demand for 125 active adult units in 2015.

Independent demand in Waseca is apportioned between ownership and rental housing. Based on the age distribution, homeownership rates and current product available in Waseca, we project that 50% of Waseca' demand will be for adult ownership housing (62 units) and 50% will be for rental housing (62 units).

Next, we subtract existing competitive market rate units (minus a vacancy factor of 5% to allow for sufficient consumer choice and turnover) from the owner and rental demand. Subtracting the existing competitive market rate units results in total demand potential for 41 adult owner-occupied units and 62 adult rental units in 2015.

HOUSING DEMAND ANALYSIS

TABLE HD-3 MARKET RATE ACTIVE ADULT HOUSING DEMAND WASECA MARKET AREA 2015 and 2025						
	2015			2025		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of >\$35,000 ¹	795	490	292	825	564	317
# of Households w/ Incomes of \$25,000 to \$34,999 ¹	+ 92	70	141	+ 65	84	106
(times) Homeownership Rate	x 93%	86%	73%	x 93%	86%	73%
(equals) Total Potential Market Base	= 881	550	395	= 885	635	394
(times) Potential Capture Rate	x 0.5%	5.5%	16.5%	x 0.5%	5.5%	16.5%
(equals) Demand Potential	= 4	30	65	= 4	35	65
Potential Demand from Residents	= 100			= 104		
(plus) Demand from Outside the Market Area (20%)	+ 25			+ 26		
(equals) Total Demand Potential	= 125			= 131		
	Owner-Occupied		Renter-Occupied	Owner-Occupied		Renter-Occupied
(times) % by Product Type	x 50%		x 50%	x 50%		x 50%
(equals) Demand Potential by Product Type	= 62		= 62	= 65		= 65
(minus) Existing and Pending MR Active Adult Units ²	- 21		- 0	- 21		- 0
(equals) Excess Demand for MR Active Adult Units	= 41		= 62	= 44		= 65
(times) Percent that could be captured in the City of Waseca	x 80%			x 80%		
(equals) Excess market rate active adult demand in Waseca	= 33	50		= 35	52	

¹ 2025 calculations define income-qualified households as all households with incomes greater than \$40,000 and homeowner households with incomes between \$30,000 and \$39,999.

² Existing and pending are deducted at market equilibrium (95% occupancy).

Source: Maxfield Research and Consulting LLC

No one community, including Waseca, would be able to capture 100% of the demand. Since Waseca is the county seat and a primary service center, we believe that it can capture 80% of the demand for ownership projects and rental projects. This results in total demand for 33 adult owner-occupied units and 50 adult rental units in Waseca in 2015.

Adjusting for inflation, we have estimated that households with incomes of \$40,000 or more and homeowners with incomes of \$30,000 to \$39,999 would income qualify for market rate independent senior housing in 2025. Considering the growth in the older adult base and the income distribution of the older adult population in 2025 the methodology projected that demand will be 35 adult owner-occupied units and 52 adult rental units in the City of Waseca by 2025.

Estimated Demand for Subsidized/ Affordable Independent Senior Housing

Table HD-4 presents our demand calculations for subsidized/affordable independent senior housing in the City of Waseca in 2015 and 2025.

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

- **Income-Qualifications:** Seniors who earn up to 60% of the Area Median Income (AMI) would be qualified for income-restricted housing products. Based on Minnesota Housing Finance Agency data, current income-restrictions in Waseca County for the upper end of the range for affordable housing (60% AMI) are \$28,680 for a one-person households and \$32,760 for a two-person household. It is important to note that individual affordable developments may have unique income-guidelines that are more precise than these income-restrictions due to subsidy type or other factors.

We exclude homeowner households with incomes between \$30,000 and \$39,999, as these households would have additional equity that could be converted to monthly income following the sales of their single-family homes.

- **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 2.0% for households age 55 to 64, 10.0% for households age 65 to 74 and 20.0% for households age 75 and older.
- **Potential Demand Capture:** Seniors in need-based situations are less selective when securing housing than those in non-need based situations. We estimate that a high-quality site would capture a greater proportion of total demand for financially-assisted housing than for market rate housing.

Using the methodology described above results in a demand potential for 50 subsidized units and 62 affordable units.

Next we subtract existing competitive units from the overall demand. There are 59 existing subsidized independent units in the Market Area (minus a vacancy factor of 3% to allow for sufficient consumer choice and turnover). However, there are no existing affordable independent units in the Market Area. After we subtract the existing units, there is demand for no subsidized and 62 independent units in 2015.

HOUSING DEMAND ANALYSIS

No single site can capture all of the demand in the Waseca Market Area. We estimate that a Site in Waseca could capture approximately 80% of the Market Area demand for 49 affordable units and no demand for subsidized units in 2015.

Adjusting for inflation, we estimate that households with incomes up to \$45,000 would be candidates for financially-assisted independent housing in 2025. We reduce the potential market by homeowner households earning between \$35,000 and \$44,999 that would exceed income-restrictions once equity from their home sales is converted to monthly income. Following the same methodology, we project demand in Waseca for three affordable units and 59 subsidized units in 2025.

TABLE HD-4 SUBSIDIZED/AFFORDABLE INDEPENDENT HOUSING DEMAND WASECA MARKET AREA 2015 and 2025						
	2015			2025		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of <\$40,000 ¹	317	268	451	274	314	470
Less Households w/ Incomes of \$30,000 to \$39,999 ¹	- 115	130	140	- 65	84	106
(times) Homeownership Rate	x 93%	86%	73%	x 93%	86%	73%
(equals) Total Potential Market Base	= 210	157	349	= 214	243	393
(times) Potential Capture Rate	x 2.0%	10.0%	20.0%	x 2.0%	10.0%	20.0%
(equals) Demand Potential	= 4	16	70	= 4	24	79
(equals) Potential Demand from Residents	= 90			107		
(plus) Demand from the Market Area (20%)	+ 22			+ 27		
(equals) Total Demand Potential	= 112			= 134		
	Subsidized		Affordable	Subsidized		Affordable
(times) % by Product Type	x 45%		x 55%	x 45%		x 55%
(equals) Demand Potential by Product Type	= 50		= 62	= 60		= 74
(minus) Existing and Pending Independent Units ²	- 57		- 0	- 57		- 0
(equals) Excess Demand for Aff/Sub Units	= 0		= 62	= 3		= 74
(times) Percent that could be captured in the City of Waseca	x 80%			80%		
(equals) Excess sub/aff independent demand in Waseca	= 0	49		3	59	
¹ 2025 calculations define income-qualified households as all households with incomes less than \$45,000. Homeowner households with incomes between \$35,000 and \$44,999 are excluded from the market potential for financially-assisted housing. ² Existing units are deducted at market equilibrium, or 97% occupancy.						
Source: Maxfield Research and Consulting LLC						

Estimated Demand for Congregate Senior Housing

Table HD-5 presents our demand calculations for congregate housing in Waseca in 2015 and 2025.

The potential age- and income-qualified base for congregate senior housing includes all senior (65+) households with incomes of \$35,000 as well as homeowner households with incomes between \$30,000 and \$34,999 who would qualify with the proceeds from the sales of their homes. The proportion of eligible homeowners is based on the 2010 Census homeownership rates of the Waseca Market Area seniors. The number of age, income, and asset-qualified households in Waseca is estimated to be 863 households in 2015.

Demand for congregate housing is need-drive, which reduces the qualified market to only the portion of seniors who need some assistance. Adjusting to include appropriate capture rates for each age cohort (1.5% of households age 65 to 74 and 13.0% of households age 75 and older) results in a local demand potential for 53 congregate units in 2015.

We estimate that seniors currently residing outside of the Waseca area will generate 20% of the demand for congregate senior housing. Together, the demand from Waseca Market Area seniors and demand from seniors who are willing to locate to the Waseca Market Area totals 66 congregate units in 2015.

Next we subtract existing competitive units from the overall demand (minus a vacancy factor of 5% to allow for sufficient consumer choice and turnover). Combined, there are two congregate projects in the Market Area that encompass 35 total units.

No single site can capture all of the demand in the Waseca Market Area. We estimate that a Site in Waseca could capture approximately 80% of the Market Area excess demand for a total of 26 congregate units through 2015.

Adjusting for inflation, we estimate that households with incomes of \$40,000 or more and senior homeowners with incomes between \$35,000 and \$39,999 would qualify for congregate housing in 2025. Following the same methodology, demand is calculated to increase to 28 units through 2025.

HOUSING DEMAND ANALYSIS

TABLE HD-5 MARKET RATE CONGREGATE RENTAL HOUSING DEMAND WASECA MARKET AREA 2015 and 2025					
	2015		2025		
	Age of Householder		Age of Householder		
	65-74	75+	65-74	75+	
# of Households w/ Incomes of >\$35,000 ¹	490	292	564	317	
# of Households w/ Incomes of \$30,000 to \$34,999 ¹	+ 35	70	+ 50	38	
(times) Homeownership Rate	x 86%	73%	x 86%	73%	
(equals) Total Potential Market Base	= 520	343	= 607	345	
(times) Potential Capture Rate ²	x 1.5%	13.0%	x 1.5%	13.0%	
(equals) Potential Demand	= 8	+ 45	= 9	+ 45	
Potential Demand from PMA Residents	=	52	=	54	
(plus) Demand from Outside Market Area (20%)	+ 13		+ 13		
(equals) Total Demand Potential	=	66	=	67	
(minus) Existing and Pending Congregate Units ³	- 33		- 33		
(equals) Total Congregate Demand Potential	=	33	=	34	
(times) Percent that could be captured in the City of Waseca	x 80%		x 80%		
(equals) Excess market rate congregate demand in Waseca	=	26	=	28	

¹ 2025 calculations define income-qualified households as all households with incomes greater than \$40,000 and homeowner households with incomes between \$35,000 and \$39,999.

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

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

Source: Maxfield Research and Consulting LLC

Estimated Demand for Assisted Living Housing

Table HD-6 presents our demand calculations for assisted living senior housing in Waseca in 2015 and 2025. This analysis focuses on the potential *private pay/market rate* demand for assisted living units.

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

from seniors over age 75. In 2015, there were 998 seniors age 75 and older in the Waseca Market Area.

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 (1999 panels of the Survey of Income and Program Participation (SIPP) files), 30% of seniors needed assistance with everyday activities (from 25.5% of 75-to-79-year-olds, to 33.6% of 80-to-84-year-olds and 51.6% of 85+ year olds). Applying these percentages to the senior population yields a potential assisted living market of 375 seniors in the Waseca Market Area.

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 Waseca Market Area 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 Waseca Market Area. Households with incomes of \$40,000 could afford monthly assisted living fees of \$3,000 by allocating 90% of their income toward the fees.

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

Seventy-three percent of the age 75+ households in the Waseca Market Area are homeowners, and the median resale price of homes through November 2015 in Waseca was \$116,375. Seniors selling their homes for the median resale price would generate about \$109,393 in proceeds after selling costs. With an average monthly fee of \$3,000, these proceeds would last about 36 months in an assisted living facility, which is higher than the average length of stay in assisted living (27 months according to the 2009 Overview of Assisted Living). For each age group in Table HD-6, we estimate the income-qualified percentage to be all seniors in households with incomes above \$40,000 (who could afford monthly rents of \$3,000+ per month) plus 40% of the estimated seniors in homeowner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing). This results in a total potential market of 223 units from the Waseca Market Area in 2015.

HOUSING DEMAND ANALYSIS

TABLE HD-6 MARKET RATE ASSISTED LIVING DEMAND WASECA MARKET AREA 2015 and 2025						
	2015			2025		
	People	Percent Needing Assistance ¹	Number Needing Assistance ¹	People	Percent Needing Assistance ¹	Number Needing Assistance ¹
Age group						
75 - 79	343	25.5%	87	400	25.5%	102
80 - 84	278	33.6%	93	299	33.6%	100
85+	377	51.6%	195	360	51.6%	186
Total	998		375	1,059		388
Percent Income-Qualified²			60%			69%
Total potential market			223			268
(times) Percent living alone			x 53%			53%
(equals) Age/income-qualified singles needing assistance			= 119			142
(plus) Proportion of demand from couples (12%) ³			+ 16			19
(equals) Total age/income-qualified market needing assistance			= 135			162
(times) Potential penetration rate ⁴			x 40%			40%
(equals) Potential demand from PMA residents			= 54			65
(plus) Proportion from outside the PMA (20%)			+ 13			16
(equals) Total potential assisted living demand			= 67			81
(minus) Existing market rate assisted living units ⁵			- 33			33
(equals) Total excess market rate assisted living demand			= 34			48
(times) Percent that could be captured in the City of Waseca			x 85%			85%
(equals) Excess market rate assisted living demand in Waseca			= 29			41
¹ The percentage of seniors unable to perform or having difficulty with ADLs, based on the publication Health, United States, 1999 Health and Aging Chartbook, conducted by the Centers for Disease Control and Prevention and the National Center for Health Statistics.						
² Includes households with incomes of \$40,000 or more (who could afford monthly rents of \$3,000+ per month) plus 40% of estimated owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing).						
³ The 2009 Overview of Assisted Living (a collaborative project of AAHSA, ASHA, ALFA, NCAL & NIC) found that 12% of assisted living residents are couples.						
⁴ We estimate that 60% of the qualified market needing assistance with ADLs could either remain in their homes or reside at less advanced senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility.						
⁵ Existing and pending units at 93% occupancy.						
Source: Maxfield Research and Consulting LLC						

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 Waseca Market Area living alone. Based on 2010 Census data, 53% of age 75+ households in Waseca lived alone. Applying this percentage results in a total base of 119 age/income-qualified singles. The 2009 Overview of Assisted Living found that 12% of residents in assisted living were couples. There are a total of 135 age/income-qualified seniors needing assistance in the Waseca Market Area including both couples and singles.

We estimate that roughly 60% of the qualified market needing significant assistance with Activities of Daily Living (“ADLs”) would either remain in their homes or less service-intensive senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility. The remaining 40% could be served by assisted living housing. Applying this potential market penetration rate of 40% results in demand for 54 assisted living units in 2015.

We estimate that a portion of demand for assisted living units (20%) will come from outside of the Waseca Market Area. Applying this figure results in total potential demand for 54 market rate assisted living units in the Waseca Market Area.

There are a total of 34 assisted living units in the Waseca Market Area. However, a portion of these units are occupied by residents with financial assistance, estimated to account for 20% of the total units in the Market Area. After deducting these competitive units (minus a 93% occupancy rate) from the total demand potential, we calculate the demand of assisted living units in the Waseca Market Area to be 35 units.

No single site can capture all of the demand in the Waseca Market Area. We estimate that a Site in Waseca could capture approximately 85% of the Market Area excess demand for a total of 30 assisted living units through 2015.

The same calculations are applied to the age/income-qualified base in 2025 and demand would be at 42 units.

Additional demand could come from seniors that will need to receive supplemental income in order to afford assisted living or memory care housing. While some of these seniors will receive income from the sales of their homes, others will need to rely on other sources of public aid. The Elderly Waiver program in Iowa has provided public funding for seniors who wish to receive “alternative” care that allows them to stay in the community as opposed to receiving similar care at a nursing home.

Most assisted living developments require residents to have lived in their facility for a certain amount of time before they can use a waiver, and many try to limit the amount of waivers accepted within the community to around roughly 10% to 20%. Some facilities accept higher amounts of residents on waivers and many newer facilities do not accept any waivers.

Estimated Demand for Memory Care Housing

Table HD-7 presents our demand calculations for market rate memory care senior housing in Waseca in 2015 and 2025.

Demand is calculated by starting with the estimated Waseca Market Area senior (age 65+) population in 2015 and multiplying by the incidence rate of Alzheimer's/dementia among this population's age cohorts. According to the Alzheimer's Association (Alzheimer's Disease Facts and Figures, 2007), 2% of seniors ages 65 to 74, 19% of seniors ages 75 to 84, and 42% of seniors ages 85+ are inflicted with Alzheimer's Disease. This yields a potential market of 300 seniors in the Waseca Market Area in 2015.

Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing are at least \$4,000 and range upwards of \$5,000 when including service packages. Based on our review of senior household incomes in the Waseca Market Area, homeownership rates and home sale data, we estimate that 43% of seniors in the Waseca Market Area would have incomes and/or assets to sufficiently cover the costs of memory care housing. This figure takes into account married couple households where one spouse may have memory care needs and allows for a sufficient income for the other spouse to live independently. Multiplying the number of seniors with Alzheimer's/dementia (300 seniors) by the income-qualified percentage results in a total of 129 age/income-qualified seniors in the Waseca Market Area in 2015.

According to data from the National Institute of Aging, about 25% of all individuals with memory care impairments comprise the market for memory care housing units. This figure considers that seniors in the early stages of dementia will be able to live independently with the care of a spouse or other family member, while those in the later stages of dementia will require intensive medical care that would only be available in skilled care facilities. Applying this figure to the estimated population with memory impairments yields a potential market of about 32 seniors in the Waseca Market Area.

We estimate that 20% of the overall demand for memory care housing would come from outside of the Waseca Market Area. Together, demand totals 30 memory care units in 2015.

TABLE HD-7 MARKET RATE MEMORY CARE DEMAND WASECA MARKET AREA 2015 and 2025		
	2015	2025
65 to 74 Population	1,166	1,362
(times) Dementia Incidence Rate ¹	x 2%	x 2%
(equals) Estimated Age 65 to 74 Pop. with Dementia	= 23	= 27
75 to 84 Population	621	699
(times) Dementia Incidence Rate ¹	x 19%	x 19%
(equals) Estimated Age 75 to 84 Pop. with Dementia	= 118	= 133
85+ Population	378	360
(times) Dementia Incidence Rate ¹	x 42%	x 42%
(equals) Estimated Age 85+ Pop. with Dementia	= 159	= 151
(equals) Total Senior Population with Dementia	= 300	= 311
(times) Percent Income/Asset-Qualified ²	x 43%	x 47%
(equals) Total Income-Qualified Market Base	= 129	= 146
(times) Percent Needing Specialized Memory Care Assistance	x 25%	x 25%
(equals) Total Need for Dementia Care	= 32	= 37
(plus) Demand from Outside the PMA (20%)	+ 8	+ 9
Total Demand for Memory Care Units	= 40	= 46
(minus) Existing and Pending Memory Care Units ³	- 22	- 22
(equals) Excess PMA Demand Potential	= 18	= 24
(times) Estimated Percent Capturable in the City of Waseca	x 85%	= 85%
(equals) Memory Care Demand Capturable in Waseca	= 16	= 20
¹ Alzheimer's Association: Alzheimer's Disease Facts & Figures (2007) ² Includes seniors with income at \$60,000 or above (\$65,000 in 2025) plus 40% of homeowners with incomes below this threshold (who will spend down assets, including home-equity, in order to live in memory care housing). ³ Existing memory care units at 7% vacancy rate. We exclude 20% of units to account for seniors utilizing public subsidy.		
Source: Maxfield Research and Consulting LLC		

We reduce the demand potential by accounting for the existing memory care product in the Waseca Market Area. There are a total of 29 existing memory care units in the Market Area. Subtracting these competitive units at a 7% vacancy rate and excluding 20% to account for seniors utilizing public subsidy results in a demand for 18 units.

No single site can capture all of the demand in the Waseca Market Area. We estimate that a Site in Waseca could capture approximately 85% of the Waseca Market Area excess demand for a total of 16 memory care units in 2015.

The same calculations are applied to the age/income-qualified base in 2025. Following the same methodology, potential demand for market rate memory care units is expected to increase to 20 units in Waseca through 2025.

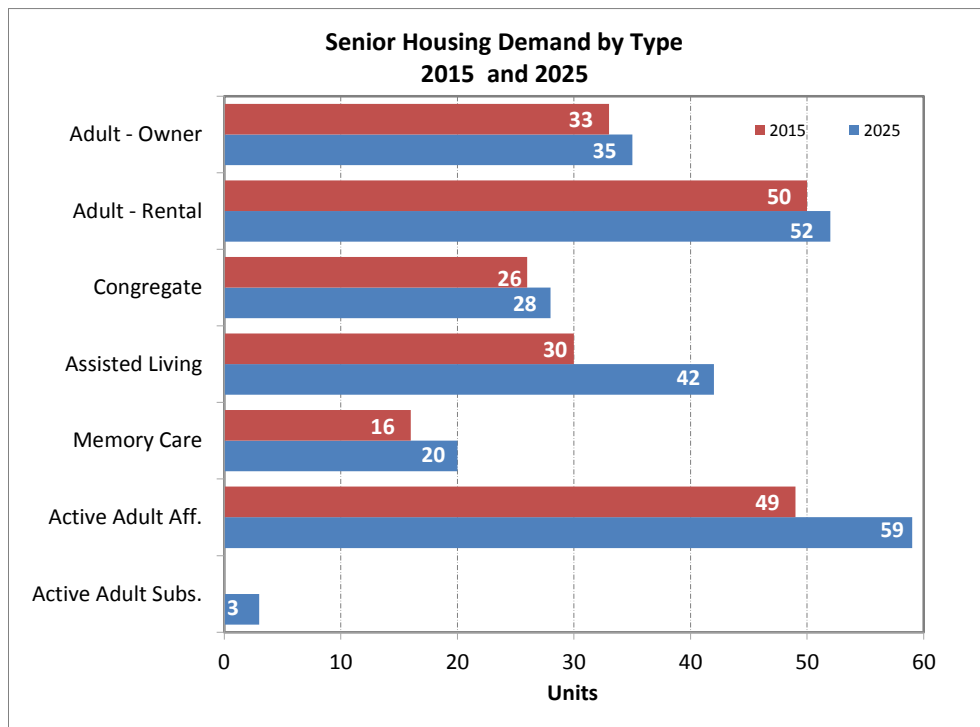
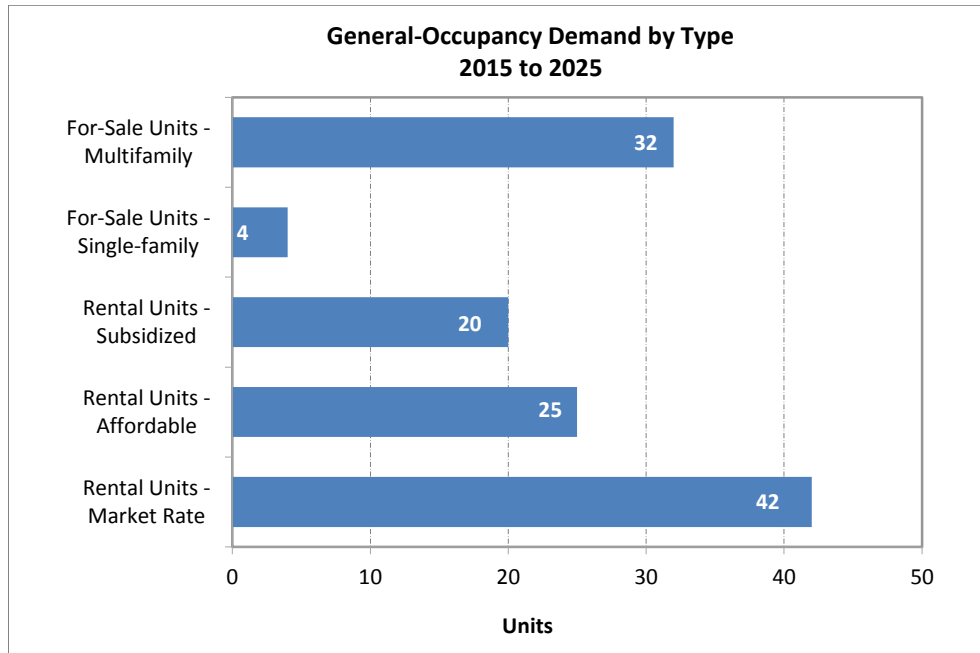
Introduction/Overall Housing Recommendations

This section summarizes demand calculated for specific housing products in Waseca and recommends development concepts to meet the housing needs forecast for the City. All recommendations are based on findings of the *Comprehensive Housing Market Analysis*. The following table and charts illustrate calculated demand by product type.

TABLE CR-1 SUMMARY OF HOUSING DEMAND CITY OF WASECA December 2015		
Type of Use	2015-2025	
General-Occupancy		
Rental Units - Market Rate	42	
Rental Units - Affordable	25	
Rental Units - Subsidized	20	
For-Sale Units - Single-family ¹	4	
For-Sale Units - Multifamily ¹	32	
Total General Occupancy Supportable	123	
	2015	2025
Age-Restricted (Senior)		
Market Rate		
Adult Few Services (Active Adult)	83	87
Ownership	33	35
Rental	50	52
Congregate	26	28
Assisted Living	30	42
Memory Care	16	20
Total Market Rate Senior Supportable	155	177
Affordable/Subsidized		
Active Adult - Subsidized	0	3
Active Adult - Affordable	49	59
Total Affordable Senior Supportable	49	62
¹ Vacant lot supply meets most demand; stated demand subtracts the existing lot supply		
Source: Maxfield Research and Consulting LLC		

Based on the finding of our analysis and demand calculations, Table CR-2 provides a summary of the recommended development concepts by product type for the City of Waseca. 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 Waseca. The recommended development types do not directly coincide with total demand as illustrated in Table CR-1.

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TABLE CR-2 RECOMMENDED HOUSING DEVELOPMENT CITY OF WASECA 2015 to 2025				
		Purchase Price/ Monthly Rent Range ¹	No. of Units	Development Timing
Owner-Occupied Homes				
Single Family ²				
	Move-up	\$175,000 - \$225,000	28 - 32	Ongoing
	Executive	\$250,000+	22 - 24	Ongoing
	Total		50 - 56	
Townhomes/Twinhomes ²				
	Entry-level	>\$150,000	12 - 14	2017+
	Move-up	\$180,000+	16 - 20	2017+
	Total		28 - 34	
Total Owner-Occupied			78 - 90	
General Occupancy Rental Housing				
Market Rate Rental Housing				
	Apartment-style	\$700/1BR - \$1,050/3BR	20 - 24	2019+
	Townhomes	\$900/2BR - \$1,200/3BR	20 - 22	2017+
	Total		38 - 46	
Affordable Rental Housing				
	Apartment-style	Moderate Income ³	24 - 30	2019+
	Subsidized	30% of Income ⁴	18 - 22	2020+
	Total		42 - 52	
Total Renter-Occupied			80 - 98	
Senior Housing (i.e. Age Restricted)				
	Active Adult Ownership / Co-op ⁵	\$120,000+	30 - 34	2018+
	Active Adult Rental	\$700/1BR - \$1,000/3BR	44 - 50	2017+
	Active Adult Affordable Rental	Moderate Income ³	50 - 60	2017+
	Memory Care	\$3,000+ per month	16 - 20	2019+
	Assisted Living	\$3,000+ per month	30 - 42	2019+
	Congregate	\$2,000+ per month	24 - 28	2019+
	Total		194 - 234	
Total - All Units			352 - 422	
¹ Pricing in 2015 dollars. Pricing can be adjusted to account for inflation.				
² Recommendations include the absorption of existing previously platted lots. Most entry-level demand will be accommodated through the resale market.				
³ Affordablity subject to income guidelines per Minnesota Housing Finance Agency (MHFA).				
⁴ Subsidized housing will be difficult to develop financially due to lack of federal funding from HUD				
⁵ Senior Cooperative assumption cost is based on share cost = 35% of its actual value.				
Note - Recommended development does not coincide with total demand. The City of Waseca may not be able to accommodate all recommended housing types based on a variety of factors (i.e. development constraints, land availability, etc.)				
Source: Maxfield Research and Consulting LLC				

Recommended Housing Product Types

For-Sale Housing

Single-Family Housing

Table HD-1 identified demand for 87 single-family housing units in the Waseca Market Area through 2025. However, after accounting for the demand capturable in Waseca and the existing 81 single-family newer lots in Waseca (see Table FS-9); demand is reduced to four new lots in Waseca through 2025. Based on historic construction activity since 2003, there has been an average of seven new single-family units per year in Waseca.

The lot supply benchmark for growing communities is a three- to five-year lot supply, which ensures adequate consumer choice without excessively prolonging developer-carrying costs. Given the number of existing platted lots in Waseca (i.e. Pondview of Waseca, Woodville Meadows, Hintz Subdivision, Parkridge Estates, and Woods Edge) and the number of homes constructed annually, the current lot supply is able to meet historical demand in the short-term. Although there are several scattered, infill lots throughout the City of Waseca, many of these lots are undesirable to today's buyers as they are unable to accommodate specific product types (i.e. ranch-style homes with large main-levels).

Due to the age and price of the existing housing stock in Waseca, most of the existing older housing stock appeals to entry-level buyers. Entry-level homes, which we generally classify as homes priced under \$120,000 will be mainly satisfied by existing single-family homes as residents of existing homes move into newer housing products built in the Waseca Area, such as move-up single-family homes, twinhomes, rental housing and senior housing. A move-up buyer or step-up buyer is typically one who is selling one house and purchasing another one, usually a larger and more expensive home. Usually the move is desired because of a lifestyle change, such as a new job or a growing family. Based on our interviews with Waseca Realtors, move-up homes are generally priced from \$120,000 to \$200,000; however it will be difficult to construct new homes for much less than \$150,000 or \$175,000 given today's development costs. Executive-level homes are loosely defined as those homes priced above \$200,000; however most will be priced above \$250,000. Most of these homes would be build-to-suit new construction in one of the city's newer subdivisions are on larger acreages located outside or near city limits. .

Much of the new single-family construction in Waseca and the surrounding townships has targeted move-up and executive buyers (pricing \$220,000+); in part because of the high infrastructure costs in developing new subdivisions and increasing construction and labor costs. However, through our research and interviews we find demand for a variety of price points of new single-family homes.

Although there would be substantial demand for a new single-family housing product priced under \$100,000 or even \$150,000, financially it will be extremely difficult to develop even with

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public assistance due to infrastructure costs and rising labor and material costs. Based on land and building costs, it is very difficult to build new single-family homes for less than \$150,000 in most outstate Minnesota communities.

Because there are 81 vacant lots in the five active subdivisions identified in Table FS-9, there are enough vacant lots to meet most of the demand over the next decade. Most of the existing lots will meet the needs of move-up and executive-level buyers over this decade; however new lots may need to be platted after 2020. We find an additional need for about four to eight new lots later this decade to meet demand and consumer choice, but this does not justify a new subdivision. Most of the existing lots are flat and lack the necessary topography for walk-outs; in addition some of the lots have little vegetation. Therefore, demand could be sooner if a newer subdivision offer distinctive lots that are not presently available in the Waseca market.

For-Sale Multifamily Housing

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

Our analysis of the Waseca for-sale housing stock found very few maintenance-free products as historically buyers have preferred the single-family house. Realtor interviews identified that there was a lack of maintenance-free housing in Waseca. However, given the aging of the population and the growth rate in the 55+ population (especially 65-74 age cohorts), Waseca would benefit from a more diversified housing stock. Based on the changing demographics and the need for alternative housing types, demand was calculated for 37 new multifamily for-sale units in Waseca through 2025. Since 2003, there have been 12 new townhome/twinhome/quad units constructed in Waseca.

These attached units could be developed as twinhomes, detached townhomes or villas, townhomes/row homes, or any combination. Because the main target market is empty-nesters and young seniors, the majority of townhomes should be one-level, or at least have a master suite on the main level if a unit is two-stories. The following provides greater detail into townhome and twinhome style housing.

- *Twinhomes*— By definition, a twinhome is basically two units with a shared wall with each owner owning half of the lot the home is on. Some one-level living units are designed in three-, four-, or even six-unit buildings in a variety of configurations. The swell of support for twinhome and one-level living units is generated by the aging baby boomer generation, which is increasing the numbers of older adults and seniors who desire low-maintenance

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housing alternatives to their single-family homes but are not ready to move to service-enhanced rental housing (i.e. downsizing or right sizing).

Traditionally most twinhome developments have been designed with the garage being the prominent feature of the home; however, today's newer twinhomes have much more architectural detail. Many higher-end twinhome developments feature designs where one garage faces the street and the other to the side yard. This design helps reduce the prominence of the garage domination with two separate entrances. Housing products designed to meet the needs of these aging Waseca residents, many of whom desire to stay in their current community if housing is available to meet their needs, will be needed into the foreseeable future.

Twinhomes are also a preferred for-sale product by builders as units can be developed as demand warrants. Because twinhomes bring higher density and economies of scale to the construction process, the price point can be lower than stand-alone single-family housing. We recommend a broad range of pricing for twinhomes; however pricing should start at around \$180,000.

Many older adults and seniors will move to this housing product with substantial equity in their existing single-family home and will be willing to purchase a maintenance-free home that is priced similar to their existing single-family home. The twinhomes should be association-maintained with 40'- to 50'-wide lots on average.

Twinhome Examples



Standard Twinhome – garage on end



Standard Twinhome – garage in middle



Executive Twinhome with alternate garages



Executive-style Twinhome – front facing garage

- *Detached Townhomes/Villas* – An alternative to the twinhome is the one-level villa product and/or rambler. This product also appeals mainly to baby boomers and empty nesters seeking a product similar to a single-family living on a smaller scale while receiving the benefits of maintenance-free living. Many of these units are designed with a walk-out or lookout lower level if the topography warrants. We recommend lot widths ranging from 45 to 55 feet with main-level living areas between 1,600 and 1,800 square feet. The main level living area usually features a master bedroom, great room, dining room, kitchen, and laundry room while offering a “flex room” that could be another bedroom, office, media room, or exercise room. However, owners should also be able to purchase the home with the option to finish the lower level (i.e. additional bedrooms, game room, storage, den/study, etc.) and some owners may want a slab-on-grade product for affordability reasons. Finally, builders could also provide the option to build a two-story detached product that could be mixed with the villa product.

Pricing for a detached townhome/villa will vary based on a slab-on-grade home versus a home with a basement. Base pricing should start at \$180,000 and will fluctuate based on custom finishes, upgrades, etc.

Detached Townhome/Villa Examples



Cottage-style (alley-loaded garage)



Executive-style – side garage entrance



Villa – Garage in front



2-story tuck-under

- **Side-by-Side and Back-to-Back Townhomes** – This housing product is designed with three or four or more separate living units in one building and can be built in a variety of configurations. With the relative affordability of these units and multi-level living, side-by-side and back-to-back townhomes have the greatest appeal among entry-level households without children, young families and singles and/or roommates across the age span. However, two-story townhomes would also be attractive to middle-market, move-up, and empty-nester buyers. Many of these buyers want to downsize from a single-family home into maintenance-free housing, many of which will have equity from the sale of their single-family home.

Because multifamily for-sale housing is mostly untested in Waseca, we recommend a four-plex concept that could be back-to-back with main-level master bedrooms that would cater to empty-nesters. If the product is successful, future phases could include row homes that

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would increase density and cater to a broader market. Units should have base prices from \$135,000 to \$150,000.

Townhome Examples



3-Plex (one-level living w/basement)



Tuck-under garage



Row-house style



Back-to-back style (6-Plex)

General Occupancy Rental Housing

Maxfield Research calculated demand for 87 general-occupancy rental units in Waseca through 2025 (42 market rate, 25 affordable, and 20 subsidized units). Our competitive inventory identified among select general-occupancy found an overall 3.6% vacancy rate; indicating demand for new product. As identified in Table R-2, there are very few townhome style multifamily-style rental buildings in Waseca, and more traditional apartment style developments. Due to the age and positioning of most of the existing rental supply, a significant portion of units are priced at or below guidelines for affordable housing, which indirectly satisfies demand from households that income-qualify for financially assisted housing. However, the renter base is

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seeking newer rental properties with additional and updated amenities that are not offered in the older developments in Waseca.

Because of the lower market rate monthly rents in Waseca, it will be financially difficult to develop an affordable housing project as the income-restricted rents would likely be higher than market rate rental developments (see table HA-1).

Because of the economies of scale when constructing multifamily rental housing, new construction requires density that can be difficult to achieve in smaller, rural communities given development costs and potential rents. New rental townhome style housing can be developed in Waseca and will continue to be in demand especially if new job growth is captured in Waseca. The following rental product types are recommended through 2025:

- *Market Rate Rental* - As illustrated in Table R-2, there are 11 traditional style multifamily rental projects in Waseca. The inventoried existing rental housing stock is older and located in structures (8 units or more). In addition, the single-family housing stock also plays a significant role in the overall rental housing market sector. We recommend new market rental project(s) that will attract a diverse resident profile; including young to mid-age professionals as well as singles and couples across all ages. To appeal to a wide target market, we suggest a market rate apartment project(s) with a unit mix consisting of one-bedroom units, one-bedroom plus den units or two-bedroom units, and two-bedroom plus den or three-bedroom units. Larger three-bedroom units would be attractive to households with children.

Monthly rents (in 2015 dollars) should range from \$700 for a one-bedroom unit to \$1,050 for a three-bedroom unit. Average rents in Waseca are average around \$0.66 per square foot, however monthly rents should range from about \$0.95 to \$1.10 per square foot to be financially feasible. Monthly rents can be trended up by 2.0% annually prior to 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 traditional multifamily structures, we find that demand exists for larger townhome units for families – including those who are new to the community and want to rent until they find a home for purchase. A portion of the overall market rate demand could be a townhome style development versus traditional multifamily design. We recommend

a project with rents of approximately \$900 for two-bedroom units to \$1,200 for three-bedroom units. Units should feature contemporary amenities (i.e. in-unit washer/dryer, high ceilings, etc.) and an attached two car garage. Again, like traditional multifamily development, these rents are significantly higher than the existing rental product and a public-private partnership may be needed to bring down development and monthly rental costs.

- *Subsidized Rental Housing*– Subsidized housing receives financial assistance (i.e. operating subsidies, tax credits, rent payments, etc.) from governmental agencies in order to make the rent affordable to low-to-moderate income households. Although we find demand for about 20 subsidized and 25 affordable rental housing units through 2025, this housing is very difficult to develop financially as federal funding has shifted to tax credit rentals. A new subsidized or public housing development would have pent-up demand.

Senior Housing

As illustrated in Table CR-1, demand exists for all types of senior housing product types in Waseca through 2025. Due to the aging of Waseca's population, senior housing product types show moderate to strong demand among all product types in the short-term. Senior housing accounts for over half of all housing demand in the City of Waseca over the next 10 years.

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 Waseca: older adult and senior residents are able to relocate to new age-restricted housing in Waseca, and existing homes and rental units that were occupied by seniors become available to other new households. Hence, development of additional senior housing does not mean the housing needs of younger households are neglected; it simply means that a greater percentage of housing need is satisfied by housing unit turnover. The types of housing products needed to accommodate the aging population base are discussed individually in the following section.

- *Active Adult Senior Cooperative* – There is one senior age-restricted for-sale development in Waseca at this time – *Realife Cooperative* which has 22 units. Maxfield Research and Consulting, LLC projected demand for 35 active adult ownership units through 2025. Construction of a new 35 unit stand-alone cooperative facility would satisfy adult ownership demand through 2025. We also recommend exploring an addition or future phase to the existing cooperative product. According to our interviews; the *Realife Cooperative* is well-received and other seniors desire an ownership product. Maxfield Research & Consulting, LLC recommends a cooperative development with a mix of two- and three-bedroom units with share costs starting around \$30,000. The cooperative model, in particular, appeals to a larger base of potential residents in that it has characteristics of both rental and ownership housing. Cooperative developments

allow prospective residents an ownership option and homestead tax benefits without a substantial upfront investment as would be true in a condominium development or life care option. Maxfield Research & Consulting, LLC has found the cooperative model to be very well-accepted in rural communities across the Midwest.

- Active Adult Rental – We have projected demand for about 52 market rate active adult rental units in Waseca by 2025. Many of the seniors who would consider an active adult product are presently residing in their existing single-family home or general-occupancy rental housing. Development of this product could be in separate stand-alone facilities or in a mixed-income project. A mixed-income building could include a portion of units that would be affordable to seniors with incomes established by the Minnesota Housing Finance Agency.

Although we find strong demand for this product type; since this product is not need-driven and development costs are expected to be high; this product could be difficult to cash flow given the low rents in Waseca. We recommend a product with base rents from \$700 to \$1,000.

However, because active adult senior housing is not need-driven, the demand for this product type may experience delays in realizing demand if seniors decide to choose not to sell their homes. Therefore, we would cautiously recommend pursuing market rate active adult rentals. Furthermore, this demand could also be captured by new general-occupancy rental housing development in Waseca.

- Affordable and Subsidized Rental – Waseca demand for affordable senior housing is 59 units through 2025; however there are only three subsidized units in demand given the existing product in Waseca. Affordable senior housing products can also be incorporated into a mixed-income building which may increase the projects financial feasibility. Affordable senior housing will likely be a low-income tax credit project through the Minnesota Housing Finance Agency. Financing subsidized senior housing is difficult as federal funds have been shrinking. Although there is little demand for subsidized housing; it is still likely subsidized housing would be in demand given the low vacancy rates and large draw area they capture residents from. 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 to get financed today.
- Independent Living/Congregate – Because there is demand for 28 congregate units, we do not recommend a stand-alone independent living project. Due to economies of scale needed for congregate housing, other service levels may have to be combined to the project to increase density to be financial feasible. Alternatively, the concept called “Catered Living” may be viable as it combines independent and assisted living residents and allows them to age in place in their unit versus moving to a separate assisted living facility. (See below for definition of Catered Living)

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- *Assisted Living and Memory Care Senior Housing* – Based on our analysis, we project demand to support an additional 42 assisted living units and 20 memory care units in Waseca through 2025.

We recommend assisted living units include a mix of studio, and one-bedroom, and a few two-bedroom units with base monthly rents ranging from \$3,000 to \$4,000. Memory care unit mix should be studios, one-bedroom units, and small two-bedroom units with base monthly rents ranging from \$3,000 to \$5,000. Memory care units should be located in a secured, self-contained wing located on the first floor of a building and should feature its own dining and common area amenities including a secured outdoor patio and wandering area.

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

- Three meals per day;
- Weekly housekeeping and linen service;
- Two loads of laundry per week;
- Weekly health and wellness clinics;
- Meal assistance;
- Regularly scheduled transportation;
- Professional activity programs and scheduled outings;
- Nursing care management;
- I'm OK program;
- 24-hour on site staffing;
- Personal alert pendant with emergency response; and
- Nurse visit every other month.

Additional personal care packages should also be available for an extra monthly charge above the required base care package. A care needs assessment is recommended to be conducted to determine the appropriate level of services for prospective residents.

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

The assisted living units could be incorporated into an existing senior housing facility or could be designed in a "Catered Living" concept outlined below.

- Service-Enhanced Senior Housing or “Catered Living” – As Table CR-1 showcased, demand exists for all senior housing service levels in Waseca. Due to economies of scale, it may be difficult to develop stand-alone facilities in Waseca for each of these service levels that are financially feasible. Therefore, an alternative concept that allow seniors to “age in place” and remain in the same facility in the stages of later life could be explored. Catered living is a “hybrid” senior housing concept where demand will come from independent seniors interested in congregate housing as well as seniors in need of a higher level of care (assisted living). In essence, catered living provides a permeable boundary between congregate and assisted living care. The units and spatial allocations are undistinguishable between the two senior housing products, but residents will be able to select an appropriate service level upon entry to the facility and subsequently increase service levels over time. Additionally, catered living not only appeals to single seniors but also to couples; each resident is able to select a service level appropriate for his or her level of need, while still continuing to reside together. In addition, memory care can be incorporated into the facility in a separate secured wing.

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

Challenges and Opportunities

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

- **Affordable Housing.** Table HA-1 identified Waseca County Area Median Incomes (“AMI”) and the fair market rents by bedroom type. The average market rate rent averages for one-bedroom units is about \$452/month and the overall average rent per square foot is about \$0.66. Therefore, the established rents for affordable housing are close in pricing to most market rate rental developments in Waseca. As a result, the majority of rental housing units in Waseca are considered “affordable” and are mostly fulfilled by existing, older rental product in the marketplace. Furthermore, first-time homebuyers with good credit and a down payment can purchase an entry-level single-family home (less than \$100,000) that would have housing costs on-par with rental housing. As a result, it may be difficult to develop affordable housing should the project have significantly higher rents than unsubsidized rental projects.
- **Age of Rental Housing Stock.** The Rental Market Analysis section of the report identified the newest general occupancy housing product is the *Charter Oaks*, a subsidized housing project built in 2001. The Overall market rate general occupancy rental housing stock in Waseca has a median year built of 1971. Most of the rental housing stock lacks the contemporary amenities many of today’s renters seek. Many renters today seek the following unit amenities: in-unit laundry, walk-in closets, balconies/patios, oversized windows, and individually controlled heating and air-conditioning. Community amenities included: community rooms with kitchens and big screen TV’s, fitness centers, Wi-Fi, extra storage, and the inclusion of environmentally responsible design and features. Most of these features and amenities are not offered in current rental housing products in Waseca.
- **Aging Population.** As illustrated in Table D-2, there is growth in the Waseca Market Area senior population, especially among ages 65 to 74 (+43% growth through 2025). In addition, Table D-7 shows the Waseca Market Area homeownership rates among seniors 65+ is approximately 79%. High homeownership rates among seniors indicate there could be lack of senior housing options, or simply that many seniors prefer to live in their home and age in place. Aging in place tends to be higher in rural vs. urban settings as many rural seniors do not view senior housing as an alternative retirement destination but a supportive living option only when they can no longer live independently. Rural areas also tend to have healthier seniors and are also more resistant to change. Because of the rising population of older adults, demand for alternative maintenance-free housing products should be rising. In addition, demand for home health care services and home remodeling programs to assist seniors with retrofitting their existing homes should also increase.

- **Builder/Developer/Construction Labor Force.** Table E-3 showed that the Waseca Market Area has 112 jobs in the construction industry. However, the construction field includes all construction-related jobs and is not representative of the new home market for residential housing. According to our research and interviews; licensed contractors are finding it difficult to hire qualified homebuilder laborers and laborers who have experience building homes. The homebuilder labor pool is low in Waseca and many homes may require outside contractors so meet the new construction market.
- **Declining Population.** Table D-1 showed Waseca's population between 2000 and 2025 peaked in the year 2010 with 9,410 persons. According to the U.S. Census American Community Survey, the Minnesota State Demographer, and Esri the Waseca population is expected to decline through the decade. Maxfield Research project the population to decline by -1.5% through 2025. However, because of declining household sizes the number of households is projected to decrease at a slower pace. Hence, all housing demand in Waseca this decade is being generated by 0.2 replacement need and the lack of housing that today's consumer's desire.
- **Developers Carrying Costs.** Due to the number of lots available and historic lot absorption trends throughout Waseca, it is difficult to develop new single-family lots where the developer can make a profit on the land. Developing land has historically been a profitable side of the housing business prior to the Great Recession, yet is also risky if the lot inventory goes unsold and there are carrying costs. Due to raw land costs, entitlements, and the cost to develop infrastructure, developers will be cautious given the lot price they could achieve. Prolonged carrying costs due to slow lot absorption are deterrents for builders and developers who must absorb project development costs until the lots are sold.

Pondview of Waseca are marketing lots from \$26,000 to \$33,000 while *Woods Edge Subdivision* are marketing lots from \$20,000 to \$38,000; the averaged assessed values of lots in *Pondview of Waseca* are \$28,500 and \$38,000 at *Woods Edge*. Because of marketing lot costs, the development of new lots in Waseca will be financially challenging. A private-public partnership may be required to develop future lots in Waseca due to development costs (raw land + infrastructure costs) exceeding marketing lot costs.

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

CHALLENGES AND OPPORTUNITIES

unit costs. Because of this, construction costs in other larger communities such as in Mankato or Rochester can actually be lower than found in Waseca.

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

- **Housing Programs.** Many communities and local Housing and Redevelopment Authorities (HRAs) offer programs to promote and preserve the existing housing stock. In addition, there are various regional and state organizations that assist local communities enhance their housing stock.

State Resources:

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

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

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

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

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

Local/Regional Resources:

The Minnesota Valley Action Council (MVAC) – MVAC is a community action agency that assists people identify resources, and opportunities to secure affordable housing in the Minnesota Valley counties.

http://www.mnvac.org/mvac_main/php

South Central Minnesota Multi-County HRA (SCMMCHRA) – SCMMCHRA administers the Section 8 housing voucher program Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The organization promotes affordable housing opportunities by providing rental assistance to households renting from private parties. The housing choice vouchers provide rental assistance to a landlord on behalf of low-income households.

<http://www.scmchra.org/>

The Housing and Redevelopment authority of Waseca (HRAW) – HRAW is responsible for the management and operation of the Maple Terrace a senior public housing project.

In addition to the resources available at the state and regional-level, the City of Waseca and/or HRA can explore a toolbox of housing programs that would aid in the enhancement of Waseca housing stock. The following is a sampling of potential programs that could be explored:

- Home-Building Trades Partnerships – Partnership between local Technical Colleges or High Schools that offer building trades programs. Affordability is gained through reduced labor costs provided by the school. New housing production serves as the “classroom” for future trades people to gain experience in the construction industry.
- Housing Fair - Free seminars and advice for homeowners related to remodeling and home improvements. Most housing fairs offer educational seminars and "ask the expert" consulting services. Exhibitors include architects, landscapers, building contractors, home products, city inspectors, financial services, community agencies, among others.
- Home Energy Loans – Offer low interest home energy loans to make energy improvements in their homes.
- Household and Outside Maintenance for the Elderly (H.O.M.E.) Program – Persons 60 and over receive homemaker and maintenance services. Typical services include house cleaning, grocery shopping, yard work/lawn care, and other miscellaneous maintenance requests.
- Infill Lots – The City or HRA purchase blighted or substandard housing units from willing sellers. After the home has been removed, the vacant land is placed into the program for future housing redevelopment. Future purchasers can be builders or the future owner-occupant who has a contract with a builder. Typically all construction must be completed within an allocated time-frame (one year in most cases).

- Land Banking – Land Banking is a program of acquiring land with the purpose of developing at a later date. After a holding period, the land can be sold to a developer (often at a price lower than market) with the purpose of developing affordable housing.
- Land Trust - Utilizing a long-term 99-year ground lease, housing is affordable as the land is owned by a non-profit organization. Subject to income limits and targeted to workforce families with low-to-moderate incomes. If the family chooses to sell their home, the selling price is lower as land is excluded.
- Realtor Forum - Typically administered by City with partnership by local school board. Inform local Realtors about school district news, current development projects, and other marketing factors related to real estate in the community. In addition, Realtors usually receive CE credits.
- Remodeling Advisor - Typically a City partners with 3rd party to provide expert advice to homeowners. Remodeling advisors can help evaluate home improvement projects, review bids, building codes, zoning, etc.
- Rental Collaboration - City organizes regular meetings with owners, property managers, and other stakeholders operating in the rental housing industry. Collaborative, informational meetings that includes city staff, updates on economic development and real estate development, and updates from the local police, fire department, and building inspection departments.
- Rental License – Licensing rental properties in the communities. Designed to ensure all rental properties meet local building and safety codes. Typically enforced by the fire marshal or building inspection department. Should require annual license renewal.
- 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.
- Senior Housing Regeneration Program - Partnership between multiple organizations that assists seniors transitioning to alternative housing options such as senior housing, condominiums, townhomes, etc.
- Tax Increment Financing (TIF): Program that offers communities a flexible financing tool to assist housing projects and related infrastructure. TIF enables communities to dedicate the incremental tax revenues from new housing development to help make the housing more affordable or pay for related costs. TIF funds can be used to provide a direct subsidy to a particular housing project or they can also be used to promote affordable housing by setting aside a portion of TIF proceeds into a dedicated fund from other developments receiving TIF.
- Waiver or Reduction of Development Fees – There are several fees developers must pay including impact fees, utility and connection fees, park land dedication fees, etc. To help facilitate affordable housing, some fees could be waived or reduced to pass the cost savings onto the housing consumer.

- **Job Growth/Employment.** Historically, low unemployment rates have driven both existing home purchases and new-home purchases. Lack of job growth leads to slow or diminishing household growth, which in-turn relates to reduced housing demand. Table E-2 showed Waseca County has an unemployment rate on only 3.3%; on par with the State of Minnesota (3.0%), but much lower than the U.S. rate of 5.0%. Today's unemployment rate of 3.3% has come down from the high of 8.2% in 2009 (the height of the Great Recession). Generally, a 4% to 5% unemployment rate is considered full employment. Although Waseca County's labor force is up over the past year; the labor force is down about 8% since 2001. Additional job creation in Waseca will result in household growth that could exceed projections in Table D-1. At the same time, however, the housing stock must be able to meet householders need in order to capture this growth.
- **Lender-Mediated Properties.** Tables FS-7 and FS-8 illustrated the number of lender mediated sales and foreclosures in Waseca and Waseca County. Both tables showed a decrease in lender-mediated properties over the past few years. Interviews with area Realtors and housing professionals found that foreclosure activity is minimal in the area. Lower lender-mediated properties decreases overall inventory which results in more multiple offers on available housing and rising housing prices.
- **Multifamily Development Costs.** It will be challenging to construct new market rate multifamily product given achievable rents and development costs. As previously mentioned, the average rents in Waseca are low, averaging \$0.66 per square foot. We find in most rural communities the average rent per square foot can easily exceed \$1.10 for new construction. Construction costs for new multifamily housing (3-story stick frame construction) will likely average about \$135 per square foot (gross) or upwards to \$136,000 per unit to develop. Development costs of this scale will likely require rents per square foot significantly higher than the existing product in Waseca. Based on these costs, it will 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 will likely be required to spur development.
- **Property Taxes.** Interviews with local Realtors and developers indicated that property taxes are high in Waseca compared to other nearby communities in the area. Property taxes vary by several variables based on county, city, and school district levy rates. Based on the 2015 property tax comparison information in Table HA-6, the City of Waseca has higher property taxes than peer cities at each identified home values (\$100,000, \$200,000, and \$300,000). Because of higher taxes and the perception of higher taxes; it's vital that Waseca promotes more affordable housing and quality of life compared to other higher costs communities.
- **Renovation of Existing Housing Stock (both owner and rental).** As illustrated in the *Housing Characteristics* section of this report, about 20% of the housing stock in Waseca was built pre-1940, with the next highest decade in the 1970s (26.3%). Only 7% of Waseca's housing stock was built since 2000. Because of the older housing stock, many

housing units in throughout Waseca become affordable through a combination of factors such age of structure, condition, square footage, functionally obsolete, etc. Housing units that are older with low rents or low market values are considered “naturally occurring affordable housing” as the property values on these units are low (see *Affordable Housing* above).

Maxfield Research & Consulting, LLC conducted a windshield survey of Waseca home’s and found most of the homes were in adequate to good condition; but there were older homes with deferred maintenance. Since Waseca’s housing stock is older, the demand for remodeling and replacement and demolition needs will continue to increase as today’s consumer’s desire updated features and amenities. Realtors commented that many of the entry-level homes selling for under \$100,000 need updating. In addition, Realtors commented on the desire for “turn-key or move in ready” homes. As such, some real estate investors have been purchasing entry-level homes and rehabbing properties and trying to deliver a housing product that has essential updates today’s buyers’ desire. Maxfield Research & Consulting recommends encouraging housing programs that will enhance the existing housing stock. Examples of housing programs are located in the section titled “Housing Resources and Programs” located previously.

- **Shadow Rental Inventory (i.e. Single Family Rentals).** Shadow rentals are generally considered nontraditional rentals that were previously owner-occupied single-family homes, townhomes, etc. A significantly portion of the rental stock in Waseca is within the single-family housing market. Based on interviews with Realtors and property managers, there is demand for single family rentals throughout Waseca area. A large percentage of renters have sought out single-family homes versus traditional multifamily rental developments; in part because of the lack of newer rental housing developments in Waseca. Based on housing unit data outlined in Table HC-3, nearly one 30% of all rental units in Waseca are located in single-family and mobile homes.

APPENDIX

Definitions

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

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

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

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

Affordable housing – The general definition of affordability is for a household to pay no more than 30% of their income for housing. For purposes of this study we define affordable housing that is income-restricted to households earning at or below 80% AMI, though individual properties can have income-restrictions set at 40%, 50%, 60% or 80% AMI. Rent is not based on income but instead is a contract amount that is affordable to households within the specific income restriction segment. It is essentially housing affordable to low or very low-income tenants.

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

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

Assisted Living – Assisted Living properties come in a variety of forms, but the target market for most is generally the same: very frail seniors, typically age 80 or older (but can be much younger, depending on their particular health situation), who are in need of extensive support services and personal care assistance. Absent an assisted living option, these seniors would otherwise need to move to a nursing facility. At a minimum, assisted living properties include two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or for an additional cost). Assisted living properties also have either staff on duty 24 hours per day or at least 24-hour emergency response.

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

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

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

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

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

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

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

Density – Number of units in a given area. Density is typically measured in dwelling units (DU) per acre – the larger the number of units permitted per acre the higher the density; the fewer units permitted results in lower density. Density is often presented in a gross and net format:

- **Gross Density** – The number of dwelling units per acre based on the gross site acreage.
Gross Density = Total residential units/total development area
- **Net Density** - The number of dwelling units per acre located on the site, but excludes public right-of-ways (ROW) such as streets, alleys, easements, open spaces, etc.
Net Density = Total residential units/total residential land area (excluding ROWs)

Detached housing – a freestanding dwelling unit, most often single-family homes, situated on its own lot.

Effective Rents – Contract rent less applicable concessions.

Elderly or Senior Housing – Housing where all the units in the property are restricted for occupancy by persons age 62 years or better, or at least 80% of the units in each building are restricted for occupancy by households where at least one household member is 55 years of age or better and the housing is designed with amenities, facilities and services to meet the needs of senior citizens.

Extremely low-income – person or household with incomes below 30% of Area Median Income, adjusted for respective household size.

Fair Market Rent – Estimates established by HUD of the Gross Rents needed to obtain modest rental units in acceptable conditions in a specific geographic area. The amount of rental income a given property would command if it were open for leasing at any given moment and/or the amount derived based on market conditions that is needed to pay gross monthly rent at modest rental housing in a given area. This figure is used as a basis for determining the payment standard amount used to calculate the maximum monthly subsidy for families on at financially assisted housing.

**Fair Market Rent
Waseca County – 2015**

	Fair Market Rent				
	EFF	1BR	2BR	3BR	4BR
Fair Market Rent	\$428	\$475	\$643	\$948	\$1,139

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

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

Gross Rent – The monthly housing cost to a tenant which equals the Contract Rent provided for in the lease, plus the estimated cost of all utilities paid by tenants. Maximum Gross Rents for Waseca County can be shown on the following page.

**Gross Rent
Waseca County – 2015**

	Maximum Gross Rent				
	EFF	1BR	2BR	3BR	4BR
30% of median	\$358	\$409	\$460	\$511	\$552
50% of median	\$597	\$682	\$767	\$852	\$921
60% of median	\$717	\$819	\$921	\$1,023	\$1,105
80% of median	\$956	\$1,092	\$1,228	\$1,364	\$1,474
100% of median	\$1,195	\$1,365	\$1,535	\$1,705	\$1,842
120% of median	\$1,434	\$1,638	\$1,842	\$2,046	\$2,211

Household – All persons who occupy a housing unit, including occupants of a single-family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Household Trends – Changes in the number of households for any particular areas over a Measurable period of time, which is a function of new households formations, changes in average household size, and net migration.

Housing Choice Voucher Program – The federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program.

Housing choice vouchers are administered locally by public housing agencies. They receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program. A housing subsidy is paid to the landlord directly by the public housing agency on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Population – All people living in a geographic area.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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