

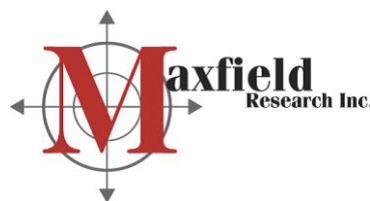
Comprehensive Housing Market Analysis for The City of Montrose, Minnesota

Prepared for:

City of Montrose
Montrose, Minnesota

November 2014





November 6, 2014

Ms. Barb Swanson
City Administrator
City of Montrose
31 Buffalo Avenue South
Montrose, MN 55363

Dear Ms. Swanson:

Attached is the *Comprehensive Housing Market Analysis for Montrose, Minnesota* conducted by Maxfield Research Inc. The study projects housing demand from 2014 through 2020, and gives recommendations on the amount and type of multifamily housing that could be built in Montrose to satisfy demand from current and future residents over the next decade.

The study identifies a potential demand for about 360 new housing units through 2020. About two-thirds of the demand will be for general-occupancy housing, while senior housing will account for about one-third of the demand. Demand was highest for for-sale housing; showing a need for nearly 190 units through 2020. The for-sale market has bottomed out and is slowly recovering but appreciation and new development is not expected to increase significantly until the lender-mediated supply of homes dwindles even further. Therefore, the existing lot supply appears it will meet demand in short-term. There are few rental options in Montrose and the development of multifamily housing is recommended. Detailed information regarding recommended housing concepts can be found in the *Conclusions and Recommendations* section at the end of the report.

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

Sincerely,

MAXFIELD RESEARCH INC.

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

Matt Mullins
Vice President

A handwritten signature in black ink that reads 'Rob Wilder'.

Rob Wilder
Analyst

Attachment

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	1
DEMOGRAPHIC ANALYSIS	5
Introduction	5
Market Area Definition	5
Population and Household Growth, Estimates and Projections from 2000 to 2020	6
Age Distribution Trends	8
Household Income by Age of Householder	10
Tenure by Age of Householder	13
Household Type	15
Peer City Demographic Comparison	18
EMPLOYMENT ANALYSIS	19
Employment Trends	19
Resident Labor Force.....	19
Commuting Patterns	22
Inflow/Outflow.....	23
HOUSING CHARACTERISTICS	25
Introduction	25
Residential Construction Trends 2000 to Present	25
Housing Units by Occupancy Status & Tenure.....	27
American Community Survey.....	28
Age of Housing Stock.....	28
Housing Units by Structure and Occupancy or (Housing Stock by Structure Type)	30
Owner Occupied Housing Units by Mortgage Status	32
Owner-Occupied Housing Units by Value.....	33
Renter-Occupied Units by Contract Rent.....	34
RENTAL MARKET ANALYSIS	36
Introduction	36
Overview of Rental Market Conditions.....	36
General Occupancy Rental Projects.....	39
MHFA/HUD Income Limits	42
SENIOR HOUSING ANALYSIS	43
Senior Housing Defined.....	43
Senior Housing in Montrose and the Market Area.....	44

FOR-SALE HOUSING ANALYSIS	46
Introduction	46
Overview of For-Sale Housing Market Conditions.....	46
Current Supply of Homes on the Market.....	50
Months of Active Supply	52
Owner Occupied Turnover.....	55
Pending For-Sale Developments.....	55
Peer City For-Sale Comparisons.....	55
 HOUSING DEMAND ANALYSIS	57
Introduction	57
Demographic Profile and Housing Demand	57
Housing Demand Overview	58
Estimated Demand for For-Sale Housing.....	62
Estimated Demand for General Occupancy Rental Housing	64
Estimated Demand for Independent Adult Few Services Senior Housing	66
Estimated Demand for Subsidized/Affordable Independent Senior Housing.....	68
Estimated Demand for Congregate Senior Housing	70
Demand Estimate for Assisted Living Housing	72
Estimated Demand for Memory Care Housing.....	75
 RECOMMENDATIONS AND CONCLUSIONS	78
Introduction/Overall Housing Recommendations.....	79
Recommended Housing Product Types.....	81
Redevelopment Sites	84

LIST OF TABLES

<u>Table Number and Title</u>	<u>Page</u>
D1. Population & Households, Primary Market Area 2000 to 2020	7
D2. Population Age Distribution, Primary Market Area, 2000 to 2020	9
D3. Household Income by Age of Householder, Primary Market Area, 2014 and 2020	11
D4. Tenure by Age of Householder, Montrose Market Area & Wright County, 2000 and 2010	14
D5. Household Type, Montrose Market Area, 2000 and 2010	17
D6. Peer City Demographic Comparison, Multiple Cities, 2010	18
E-1. Annual Resident Employment, Wright County and Minnesota, 2000 to 2013	20
E-2. Covered Employment Trends, Wright County, 2000, 2005, 2010 – 2012	21
E-3. Commuting Patterns, Montrose, 2011	22
E-4. Commuting Patterns, Wright County, 2011	23
E-5. Commuting Inflow/Outflow, City of Montrose/Wright County, 2011	24
HC1. Residential Construction/Annual Building Permits Issued, City of Montrose, 2000 to 2013	26
HC2. Housing Units by Occupancy Status and Tenure, Montrose Market Area, 2000 & 2010	28
HC3. Age of Housing Stock, Montrose Market Area, 2012	29
HC4. Housing Units by Structure & Tenure, Montrose Market Area, 2012	31
HC5. Owner-Occupied Housing Units by Mortgage Status, Montrose Market Area, 2012..	32
HC6. Owner-Occupied Units by Value, Montrose Market Area, 2012	33
HC7. Renter-Occupied Units by Contract Rent, Montrose Market Area, 2012	35
R-1. Bedrooms by Gross Rent, Renter Occupied Housing Units, Montrose Market Area, 2012	37
R-2. General Occupancy Rental Developments, Montrose Market Area, 2014	40
R-3. MHFA/HUD Income and Rent Limits, Wright County, 2014	42
S-1. Senior Rental Projects, Montrose Market Area, 2014	45
S-2. Market Rate Senior Housing Developments, Near Market Area, 2014	45

LIST OF TABLES
(continued)

<u>Table Number and Title</u>	<u>Page</u>
FS1. Home Resales, City of Montrose, 2000 to 2013	47
FS2. Single Family and Multifamily Residential Resales, City of Montrose, 2000 through 2014	48
FS3. Homes Currently Listed For-Sale, City of Montrose and Market Area, September 2013.....	51
FS4. Active Listings by Housing Type, City of Montrose, September 2014.....	52
FS5. Active Supply of Homes for Sale, Montrose, Wright County and Twin Cities, 2005 to 2013	53
FS6. Owner Occupied Turnover, Montrose Market Area	55
FS7. Peer City Comparisons, Multiple Cities, Year-End 2013	56
HD1. For-Sale Housing Demand, Montrose Market Area, 2014 to 2020	63
HD2. Rental Housing Demand, Montrose Market Area, 2014 to 2020.....	65
HD3. Market Rate Adult/Few Services Housing Demand, Montrose Market Area, 2014 & 2020.....	67
HD4. Subsidized/Affordable Independent Housing Demand, Montrose Market Area, 2014 & 2020.....	69
HD5. Market Rate Congregate Rental Housing Demand, Montrose Market Area, 2014 & 2020.....	71
HD6. Market Rate Assisted Living Demand, Montrose Market Area, 2014 & 2020	73
HD7. Market Rate Memory Care Demand, Montrose Market Area, 2014 & 2020.....	76
CR1. Summary of Housing Demand, Montrose Market Area, May 2014.....	78
CR2. Recommended Housing Development, City of Montrose, 2014 to 2020	79

Purpose and Scope of Study

Maxfield Research Inc. was engaged by the City of Montrose to conduct a *Comprehensive Multi-Family Housing Needs Analysis* for the City of Montrose. The Housing Needs Analysis provides recommendations on the amount and types of multifamily 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 and building permit trends; an analysis of the market condition for a variety of rental and for-sale multifamily housing products; and an assessment of the need for housing by product type in the City. Recommendations on the number and types of multifamily housing products that should be considered in the City are also supplied.

Demographic Analysis

- As of the 2010 Census, the City of Montrose had 2,847 people and 1,043 households. The City of Montrose is forecast to add an additional 653 people and 248 households between 2010 and 2020.
- The population in Montrose is aging and older age cohorts are accounting for a significant percentage of the total population. Older Millennials and Generation X (comprising the age groups 25 to 34 and 35 to 44 in 2010), accounted for an estimated 27.1% of the City's population. Over the next six years, the age 35 to 44 cohort will have the highest growth by percentage and numerically (530 people, or 294.1%).
- Montrose had an estimated median household income of \$67,083 in 2014. The largest non-senior cohort, 35 to 44 year olds, had an income had a higher median household income (\$79,103) compared to senior households (\$46,093).
- Between 2000 and 2010, homeownership rates increased from 74.7% to 83.9% in the City of Montrose.
- Approximately 33% of all households in Montrose were married with a child in 2010. Living Alone households accounted for the second highest percentage at 22%.
- Wright County's unemployment rate of 3.1% as of 2013 is higher than the State of Minnesota (3.2%). Wright County's unemployment rate has been slightly higher than the State of Minnesota in every year from 2000 to 2013.
- The majority of Montrose residents are employed outside of the area (98.5%). Most residents commuted to jobs in the Buffalo, Minneapolis, Plymouth, and Delano.

Housing Characteristics

- The City of Montrose issued permits for the construction of 831 new residential units from 2000 to 2013. Between 2000 and 2006, residential construction averaged over 100 units per year. However, beginning in 2007, which was the start of the Great Recession, building permits started declining rapidly and from 2007 to 2013 the City has averaged only 20 new units per year.
- In total, Montrose is reported to have approximately 1,116 housing units, of which about 875 are owner-occupied, 168 are renter-occupied, and 73 are vacant as of 2010.
- The majority of the homes in Montrose are newer. Approximately 56% of Montrose's housing stock was built in the 2000's or later.
- Approximately 80% of Montrose homeowners have a mortgage. About 23% of homeowners with mortgages also have a second mortgage or home equity loan.
- The median owner-occupied home in Montrose was \$152,400 in 2012. The majority of the owner-occupied housing stock in the City of Montrose was estimated to be valued between \$100,000 and \$199,999 (64.4%).
- The median contract rent in Montrose was \$668 in 2012. Approximately 59% of Montrose renters paying cash have monthly rents ranging from \$500 to \$749.

Rental Housing Market Analysis

- In order to assess the current market conditions for rental housing in Montrose, Maxfield Research Inc. conducted an inventory of subsidized (i.e. housing that is income-restricted to households earning at or below 30% of the Area Median Income), affordable (i.e. housing that is income-restricted between 30% and 80% of the Area Median Income) and market rate (i.e. housing that is not income-restricted) projects located in the City.
- In total, Maxfield Research inventoried 20 general occupancy market rate rental units in the City of Montrose spread across three multifamily developments (8 units and larger). At the time of the survey, there were no vacant units; however, despite multiple attempts at contact over the course of the study, property managers did not return our calls. 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.
- Maxfield Research did not identify any affordable/subsidized general occupancy projects with eight or more units.

Senior Housing Market Analysis

- There are two rural development senior housing facilities located in Montrose with a total of 30 units. Our phone calls to property managers were not returned, despite multiple attempts over the course of the study. Given the type of units, low-income rural development, we suspect the vacancy rate is very low. Generally, healthy senior housing vacancy rates range from 5% to 7% depending on service level.
- There are no active adult, independent living, assisted living, or memory care senior housing facilities in the Market Area.

For-Sale Housing Market Analysis

- The average and median resale price of homes in Montrose was approximately \$146,371 and \$149,000 respectively as of 2013. The median sales price over the last decade peaked in 2005. Since 2005, median sales prices have declined by over 35%.
- An average of 73 homes has been sold annually in Montrose since 2000. Considering that Montrose has a supply of 1,043 owned-occupied housing units in 2013, this represents turnover of 8% of the owned homes annually.
- The median list price of single-family homes for sale in Montrose was about \$169,000 in October 2014. Based on a median list price of \$169,000, a household would need an income of about \$48,285 to \$56,333 based on an industry standard of 3.0 to 3.5 times the median income. About 73% of Montrose households have annual incomes at or above \$48,285.
- Maxfield Research did not identify vacant lot counts as it was beyond the scope of this study. However, based on the existing lot supply and recent building trends it appears the single-family lot supply should meet consumer demand in the short-term.

Housing Needs Analysis

- Based on our calculations, demand exists for the following general occupancy product types between 2014 and 2020:
 - Market rate rental 33 units
 - Affordable rental 15 units
 - Subsidized rental 7 units
 - For-sale single-family 142 units
 - For-sale multifamily 47 units
- In addition, we find demand for multiple senior housing product types. By 2020, demand in Montrose for senior housing is forecast for the following:
 - Active adult ownership 41 units

EXECUTIVE SUMMARY

- Active adult market rate rental 14 units
- Active adult affordable 29 units
- Active adult subsidized 7 units
- Congregate 16 units
- Assisted living 11 units
- Memory care 12 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 Montrose through 2020. Detailed findings are described in the *Conclusions and Recommendations* section of the report.

RECOMMENDED MULTIFAMILY HOUSING DEVELOPMENT CITY OF MONTROSE 2014 to 2020				
	Purchase Price/ Monthly Rent Range ¹	No. of Units	Development Timing	
Multifamily Owner-Occupied Homes				
Townhomes/Twinhomes				
Entry-level	>\$150,000	16 - 18	2017+	
Move-up	\$150,000+	24 - 28	2016+	
Total		40 - 46		
Total Owner-Occupied		40 - 46		
General Occupancy Rental Housing				
Market Rate Rental Housing				
Apartment-style	\$725/1BR - \$1,100/3BR	18 - 20	2015+	
Townhomes	\$850/2BR - \$1,225/3BR	12 - 14	2015+	
Total		30 - 34		
Total Renter-Occupied		30 - 34		
Senior Housing (i.e. Age Restricted)				
Active Adult Affordable Rental ³	Moderate Income ²	26 - 30	2019+	
Active Adult Market Rate Rental ³	\$900/1BR - \$1,300/2BR	20 - 24	2018+	
Catered Living	\$1,500+	30 - 40	2019+	
Total		76 - 94		
Total - All Units		146 - 174		
¹ Pricing in 2014 dollars. Pricing can be adjusted to account for inflation.				
² Affordability subject to income guidelines per Minnesota Housing Finance Agency (MHFA). See Table R-3 for Wright County Income limits.				
³ Alternative development concept is to combine active adult affordable and market rate active adult into mixed-income senior community				
Note - Recommended development does not coincide with total demand. Montrose 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 Inc.				

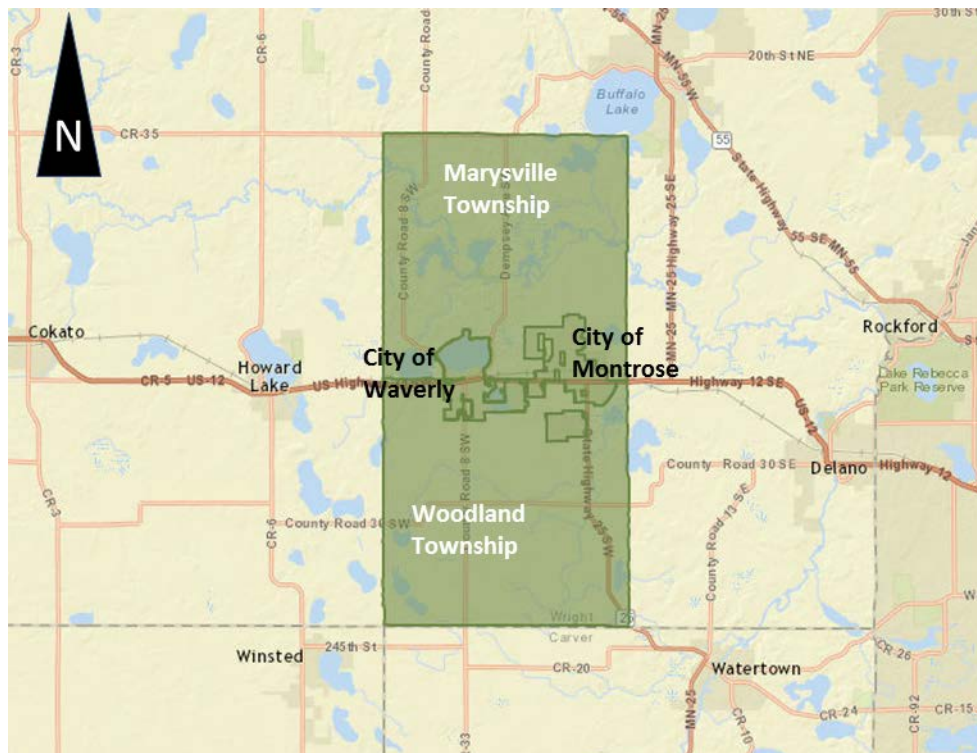
Introduction

This section of the report examines factors related to the current and future demand for both owner- and renter-occupied housing in Montrose, Minnesota. It includes an analysis of population and household growth trends and projections, projected age distribution, household income, household types, household tenure, employment growth trends and characteristics, age of housing stock, and housing characteristics for Montrose. 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 Montrose was defined based on traffic patterns, community and school district boundaries, and geographic and our general knowledge of the draw area. The Market Area includes two townships (Marysville Township, and Woodland Township) and two cities (Montrose and Waverly). Many in the PMA live in the PMA but work outside of it. Some persons prefer a more rural atmosphere while others have attachments to the communities where they currently live or a spouse working in that community.

Montrose Market Area



Population and Household Growth Estimates and Projections from 2000 to 2020

Table D-1 present the population and household growth, respectively, of each Market Area city and township for 2000, 2010, 2014 and 2020. The 2000 and 2010 data is from the U.S. Census, the 2014 and 2020 estimates are from Esri, with adjustments based by Maxfield Research based on local trends, economic indicators, and building permits.

Population

- The PMA's population grew by 2,324 people (+45.5%) between 2000 and 2010. Population growth was faster in Montrose during the 2000s, increasing by 1,704 people (+149.1%) to 2,847 in 2000.
- The majority of the growth in the Market Area can be attributed to the growth in the City of Montrose. Approximately 73% of all population growth in the Market Area occurred in the city between 2000 and 2010.
- Market Area includes roughly 6% of the total population in Wright County.

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.
- Montrose added 589 households during the 2000s (an increase of 129.7%), increasing its household base to 1,043 households as of 2010. The Remainder of the Market Area added 314 households during the decade (a 22.9% increase), increasing to 1,683 households.
- Household growth rates outpaced population growth in the Market Area during the 2000s. The Market Area's population increased 45.5% compared to a 49.5% increase in households between 2000 and 2010. 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.
- Between 2000 and 2010, the population in the Remainder of the Market Area increased by 620 persons (15.6%). It is projected to increase by 529 people (+11.5%) between 2010 and 2020. The number of households is also projected to increase by 223 households (+13.3%).

DEMOGRAPHIC ANALYSIS

- Overall, the Market Area population is projected to increase between 2010 and 2020. The Market Area is expected to increase by nearly 1,182 people (+15.6%) by 2020, for a total of 8,615 people. Household growth is expected to increase by 471 households (+17.3%) by 2020.

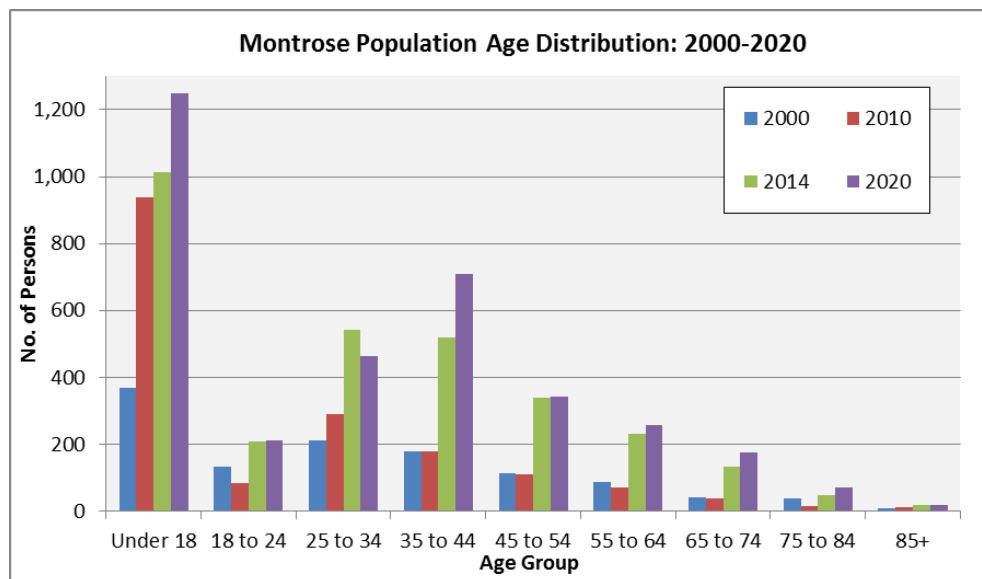
TABLE D-1 POPULATION & HOUSEHOLDS PRIMARY MARKET AREA 2000 to 2020								
	Number of People				Change			
	U.S. Census		Projections					
	2000	2010	2014	2020	2000-2010		2010-2020	
Population	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Montrose	1,143	2,847	3,047	3,500	1,704	149.1%	653	22.9%
Remainder of PMA	3,966	4,586	4,692	5,115	620	15.6%	529	11.5%
PMA Total	5,109	7,433	7,739	8,615	2,324	45.5%	1,182	15.9%
Wright County	89,986	124,700	128,450	134,922	34,714	38.6%	10,222	8.2%
Households	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Montrose	454	1,043	1,120	1,291	589	129.7%	248	23.7%
Remainder of PMA	1,369	1,683	1,734	1,906	314	22.9%	223	13.3%
PMA Total	1,823	2,726	2,854	3,197	903	49.5%	471	17.3%
Wright County	31,465	44,473	45,861	48,300	13,008	41.3%	3,827	8.6%
Persons per Household								
Montrose	2.52	2.73	2.72	2.71				
Remainder of PMA	2.90	2.72	2.71	2.68				
PMA Total	2.80	2.73	2.71	2.69				
Wright Co.	2.86	2.80	2.80	2.79				
Source: U.S. Census Bureau, ESRI, Inc., Maxfield Research, Inc.								

- Due to the slowdown in the housing market and other economic pressures, we project that the City of Montrose will continue to grow, albeit at a slower pace through the end of the decade. We project that Montrose will increase by 653 persons (+22.9%) and 248 households (+23.7%) between 2010 and 2020.

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 the Market Area in 2000 and 2010 with estimates for 2014 and projections for 2020. The 2000 and 2010 age distribution is from the U.S. Census Bureau and the 2014 figures are an estimate based on 2010 Census data. Maxfield Research Inc. derived the 2020 projections by adjustments made to data obtained from Esri. The following are key points from the table.

- The majority of the growth in the Market Area occurred in the middle aged and senior population (ages 55+). There has been an outmigration of young adults from the Market Area partially due to Metro Area communities offering higher paying jobs. Between 2000 and 2010, the 18 to 24 age cohort lost -50 people.
- The Market Area's population of 35 to 44 year olds, which consists primarily of homeowners and families with children, increased by 0.1% between 2000 and 2010, but is projected to almost quadruple (+294.1%) between 2010 and 2020.



DEMOGRAPHIC ANALYSIS

TABLE D-2
POPULATION AGE DISTRIBUTION
PRIMARY MARKET AREA
2000 to 2020

	Number of People				Change			
	U.S. Census		Projections					
	2000	2010	2014	2020	2000-2010		2010-2020	
Montrose	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Under 18	370	937	1014	1,250	567	153.2%	313	33.4%
18 to 24	133	83	207	212	-50	-37.7%	129	156.3%
25 to 34	211	291	542	464	80	37.9%	173	59.6%
35 to 44	179	180	518	710	1	0.6%	530	294.1%
45 to 54	114	109	338	343	-5	-4.2%	234	214.4%
55 to 64	88	72	230	256	-16	-18.5%	185	257.3%
65 to 74	41	38	133	175	-3	-7.5%	137	361.4%
75 to 84	39	15	48	72	-24	-62.0%	57	383.9%
85+	10	11	18	17	1	11.3%	6	57.0%
Total	1,185	1,736	3,047	3,500	551	46.5%	1,764	101.6%
Remainder of PMA	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Under 18	1,383	1,286	1,345	1,541	-97	-7.0%	255	19.8%
18 to 24	278	308	318	315	30	10.8%	7	2.2%
25 to 34	520	684	670	593	164	31.5%	-91	-13.3%
35 to 44	715	642	668	829	-73	-10.2%	187	29.1%
45 to 54	568	710	660	582	142	25.0%	-128	-18.1%
55 to 64	374	541	537	601	167	44.7%	60	11.1%
65 to 74	198	298	317	433	100	50.5%	135	45.3%
75 to 84	131	133	134	172	2	1.5%	39	29.5%
85+	27	37	44	50	10	37.0%	13	34.4%
Total	4,194	4,639	4,692	5,115	445	10.6%	476	10.3%
Primary Market Area	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Under 18	1,753	2,223	2,359	2790	470	26.8%	567	25.5%
18 to 24	411	509	525	527	98	23.8%	18	3.5%
25 to 34	731	1,390	1,212	1058	659	90.2%	-332	-23.9%
35 to 44	894	1,079	1,186	1538	185	20.7%	459	42.6%
45 to 54	682	975	998	925	293	43.0%	-50	-5.1%
55 to 64	462	715	767	858	253	54.8%	143	19.9%
65 to 74	239	390	450	608	151	63.2%	218	55.9%
75 to 84	170	169	181	244	-1	-0.6%	75	44.4%
85+	37	64	61	67	27	73.0%	3	5.0%
Total	5,379	7,514	7,739	8,615	2,135	39.7%	1,101	14.7%

Sources: U.S. Census, Maxfield Research, Inc., Esri, Inc.

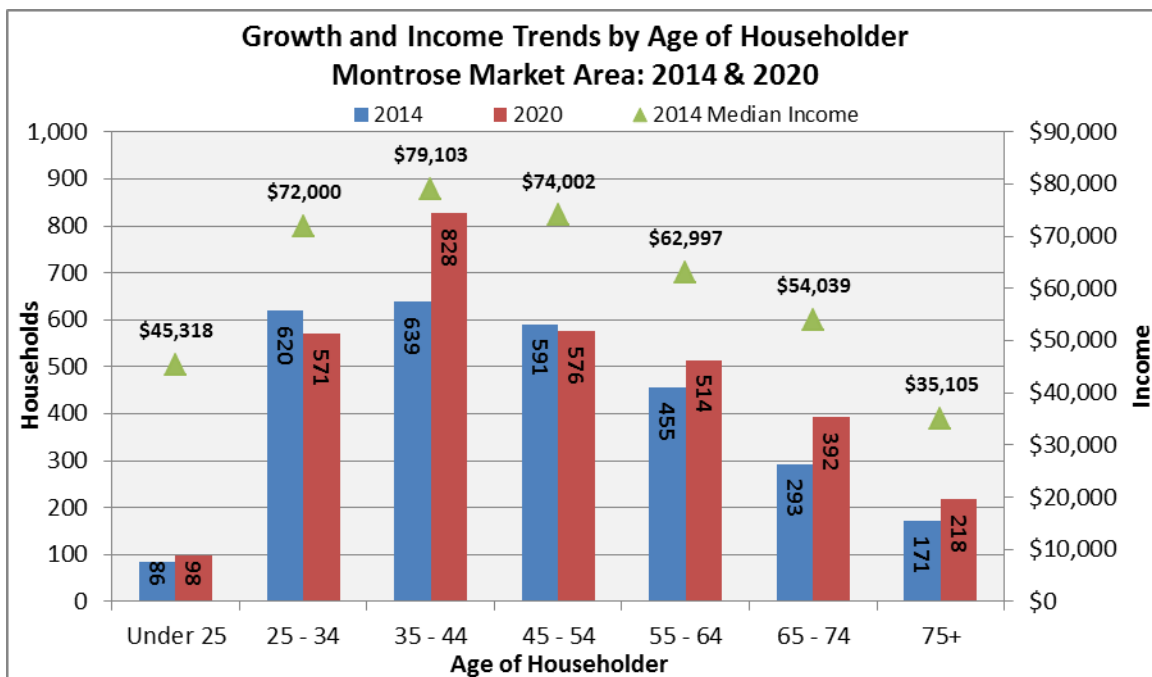
Household Income by Age of Householder

The estimated distribution of household incomes in the Market Area for 2014 and 2020 are shown in Table D-5. The data was estimated by Maxfield Research Inc. 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 with an income of \$50,000 per year would be able to afford a monthly housing cost of about \$1,250. Maxfield Research Inc. uses a figure of 25% to 30% for younger households and 40% or more for seniors, since seniors generally have lower living expenses and can often sell their homes and use the proceeds toward 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 \$50,000 income would translate to an affordable single-family home of \$150,000 to \$175,000. The higher end of this range assumes that the person has adequate funds for down payment and closing costs, but also does not include savings or equity in an existing home which would allow them to purchase a higher priced home.

- The Montrose Market Area had an estimated median household income of \$67,083 in 2014. It is projected to increase over the next 5 years to \$74,172 in 2020 (+10.6%).



DEMOGRAPHIC ANALYSIS

TABLE D-3
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
PRIMARY MARKET AREA
2014 & 2020

	Age of Householder							
Total	<25	25-34	35-44	45-54	55-64	65 -74	75+	
2014								
Less than \$15,000	193	17	20	19	41	50	19	27
\$15,000 to \$24,999	140	8	18	21	25	21	19	28
\$25,000 to \$34,999	156	9	13	14	20	32	38	30
\$35,000 to \$49,999	296	12	56	46	42	44	53	43
\$50,000 to \$74,999	829	26	220	186	172	127	73	25
\$75,000 to \$99,999	624	11	179	147	139	99	40	9
\$100,000 or more	617	3	114	206	152	82	51	9
Total	2,854	86	620	639	591	455	293	171
Median Income	\$67,083	\$45,318	\$72,000	\$79,103	\$74,002	\$62,997	\$54,039	\$35,105
2020								
Less than \$15,000	187	18	13	18	32	48	21	36
\$15,000 to \$24,999	109	6	11	16	17	14	17	26
\$25,000 to \$34,999	119	8	7	11	11	20	34	28
\$35,000 to \$49,999	282	10	44	44	29	41	58	57
\$50,000 to \$74,999	917	35	198	239	170	142	101	33
\$75,000 to \$99,999	766	15	179	210	149	128	66	18
\$100,000 or more	815	5	118	288	168	120	95	20
Total	3,196	98	571	828	576	514	392	218
Median Income	\$74,172	\$52,463	\$75,987	\$82,709	\$78,344	\$72,855	\$63,617	\$38,649
Change 2014 - 2020								
Less than \$15,000	-6	1	-7	-1	-9	-2	2	9
\$15,000 to \$24,999	-31	-2	-7	-5	-8	-7	-2	-1
\$25,000 to \$34,999	-37	-1	-6	-3	-9	-12	-4	-2
\$35,000 to \$49,999	-14	-2	-12	-2	-13	-3	5	14
\$50,000 to \$74,999	89	9	-22	54	-2	15	28	8
\$75,000 to \$99,999	143	4	0	63	10	29	26	9
\$100,000 or more	199	2	4	82	16	38	44	11
Total	342	12	-49	189	-15	59	99	47
Median Income	\$7,089	\$7,145	\$3,987	\$3,606	\$4,342	\$9,858	\$9,578	\$3,544

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

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

- With a household income of \$72,000, a younger household (the median household income for the 25 to 34 cohort) could afford a monthly housing cost of about \$1,800, based on an allocation of 30% of income toward housing. A senior household (65+) with an income of \$46,093 (the median household income of seniors in Montrose) could afford a monthly housing cost of \$1,536, based on an allocation of 40% of income toward housing.

Non-Senior Households

- In 2014, 6.1% of the non-senior (under age 65) households in the Market Area had incomes under \$15,000 (147 households). All of these households would be eligible for subsidized rental housing. Another 3.9% of the Market Area's non-senior households had incomes between \$15,000 and \$25,000 (93 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.
- Median incomes for households in the Market Area peak at \$79,103 for the 35 to 44 age group in 2014. By 2020, the median income for the 35 to 44 age group is projected to increase to \$82,709, a 4.6% increase.
- The median resale price of homes in Montrose was roughly \$149,000 through 2013 (see Table FS-1). The income required to afford a home at this price would be about \$42,570 to \$49,670, 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 10.5% between 2014 and 2020 in the Market Area. This equates to an increase of 1.6% annually.

Senior Households

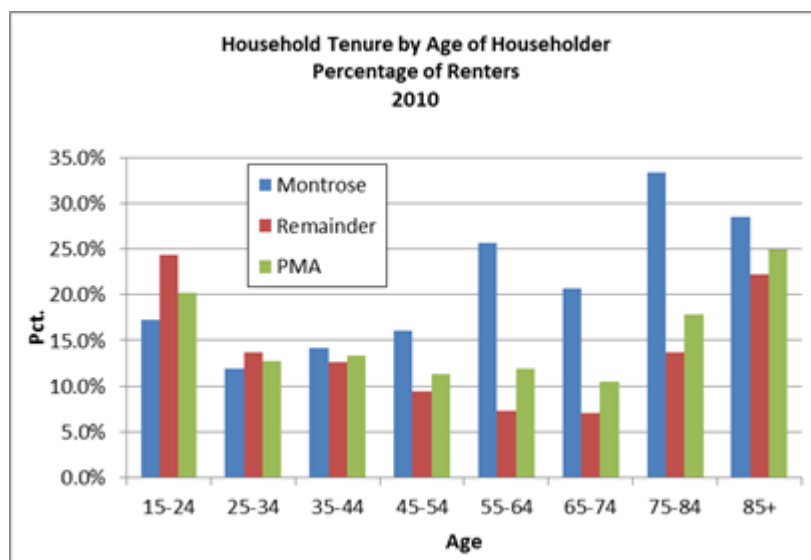
- The oldest householders are likely to have lower incomes in 2014. In the Market Area, 6.5% of households ages 65 to 74 had incomes below \$15,000, compared to 15.7% of households ages 75 and over. Many of these low-income older senior households rely solely on social security benefits. Typically, younger 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 2014 median income for Market Area householders age 65 to 74 and 75+ are \$54,039, and \$35,105, respectively.
- Generally, senior households with incomes greater than \$30,000 can afford market rate senior housing. Based on a 40% allocation of income for housing, this translates to monthly rents of at least \$1,000. About 336 senior households in Montrose (72.6% of senior households) had incomes above \$30,000 in 2014.
- Seniors who are able and willing to pay 80% or more of their income on assisted living housing would need an annual income of \$33,000 to afford monthly rents of \$2,200, which is about the beginning monthly rent for assisted living projects in the Market Area. There were an estimated 101 older senior (ages 75 and over) households with incomes greater than \$30,000 in 2014. 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 \$46,093 in 2014. It is projected to increase by \$9,155 (+19.9%) to \$55,248 by 2020.

Tenure by Age of Householder

Table D-6 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-6.

- In 2000, 86.6% of all households in the Market Area owned their housing. By 2010, that percentage increased to 87.1%.
- The number of owner households in the Market Area increased by 50.3% compared to a 44.3% in renter households between 2000 and 2010.
- In 2000, 74.7% of all households in Montrose owned their own housing. By 2010, that percentage increased to 83.9%. 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 decreased to 89.1%.
- 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.



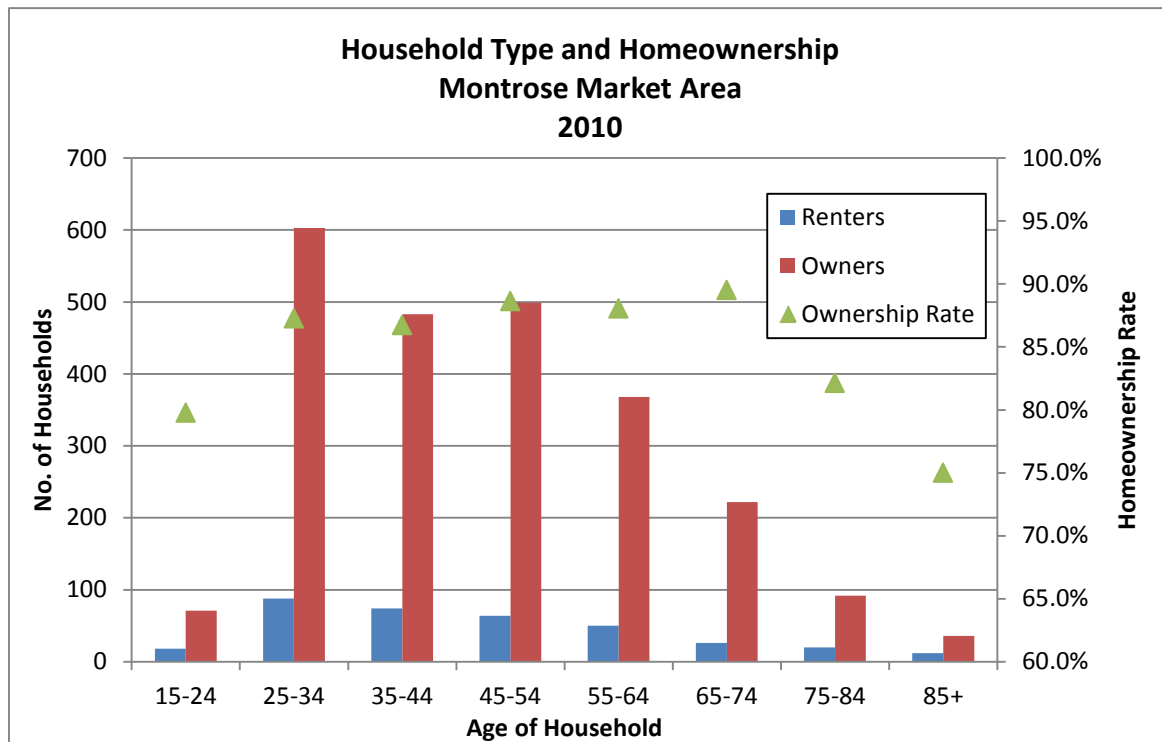
DEMOGRAPHIC ANALYSIS

**TABLE D-4
TENURE BY AGE OF HOUSEHOLDER
MONTROSE MARKET AREA & WRIGHT COUNTY
2000 & 2010**

Age		Montrose				PMA				Wright County			
		2000		2010		2000		2010		2000		2010	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
15-24	Own	37	77.1	43	82.7	65	77.4	71	79.8	646	49.1	602	47.4
	Rent	11	22.9	9	17.3	19	22.6	18	20.2	669	50.9	668	52.6
	Total	48	100.0	52	100.0	84	100.0	89	100.0	1,315	100.0	1,270	100.0
25-34	Own	79	75.2	327	88.1	262	80.4	603	87.3	4,988	80.3	6,463	79.1
	Rent	26	24.8	44	11.9	64	19.6	88	12.7	1,222	19.7	1,704	20.9
	Total	105	100.0	371	100.0	326	100.0	691	100.0	6,210	100.0	8,167	100.0
35-44	Own	91	80.5	205	85.8	426	87.8	483	86.7	7,923	89.4	8,702	85.6
	Rent	22	19.5	34	14.2	59	12.2	74	13.3	941	10.6	1,468	14.4
	Total	113	100.0	239	100.0	485	100.0	557	100.0	8,864	100.0	10,170	100.0
45-54	Own	54	85.7	141	83.9	340	93.4	499	88.6	5,682	91.7	9,199	87.9
	Rent	9	14.3	27	16.1	24	6.6	64	11.4	514	8.3	1,264	12.1
	Total	63	100.0	168	100.0	364	100.0	563	100.0	6,196	100.0	10,463	100.0
55-64	Own	39	65.0	78	74.3	242	89.6	368	88.0	3,553	90.8	6,168	89.3
	Rent	21	35.0	27	25.7	28	10.4	50	12.0	361	9.2	742	10.7
	Total	60	100.0	105	100.0	270	100.0	418	100.0	3,914	100.0	6,910	100.0
65-74	Own	19	65.5	50	79.4	127	88.2	222	89.5	2,170	85.5	3,645	86.9
	Rent	10	34.5	13	20.6	17	11.8	26	10.5	368	14.5	549	13.1
	Total	29	100.0	63	100.0	144	100.0	248	100.0	2,538	100.0	4,194	100.0
75-84	Own	15	53.6	16	66.7	98	80.3	92	82.1	1,277	70.2	1,847	78.9
	Rent	13	46.4	8	33.3	24	19.7	20	17.9	543	29.8	495	21.1
	Total	28	100.0	24	100.0	122	100.0	112	100.0	1,820	100.0	2,342	100.0
85+	Own	5	62.5	15	71.4	19	67.9	36	75.0	321	52.8	530	55.4
	Rent	3	37.5	6	28.6	9	32.1	12	25.0	287	47.2	427	44.6
	Total	8	100.0	21	100.0	28	100.0	48	100.0	608	100.0	957	100.0
TOTAL	Own	339	74.7	875	83.9	1,579	86.6	2,374	87.1	26,560	84.4	37,156	83.5
	Rent	115	25.3	168	16.1	244	13.4	352	12.9	4,905	15.6	7,317	16.5
	Total	454	100.0	1,043	100.0	1,823	100.0	2,726	100.0	31,465	100.0	44,473	100.0

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

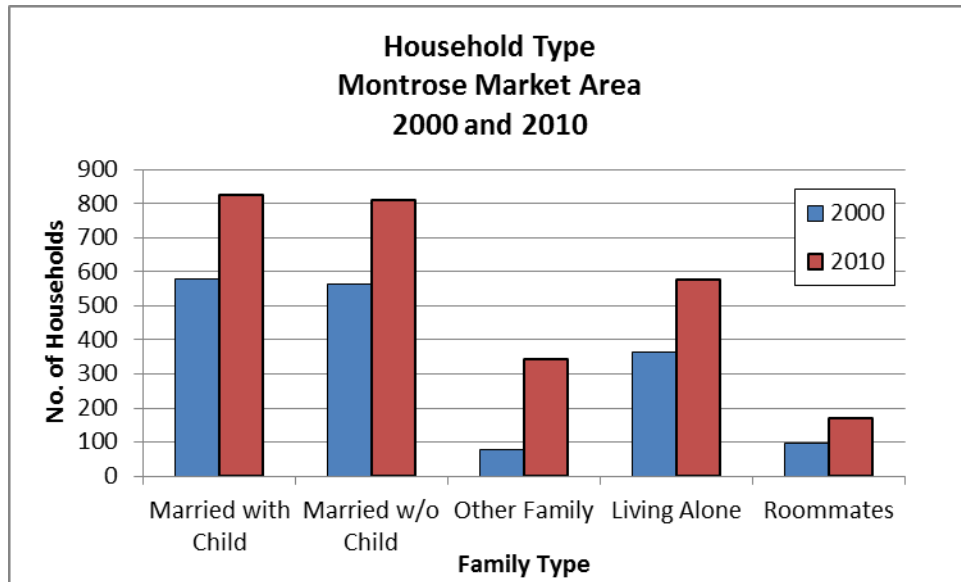
- In 2010, 20.2% of the Market Area's households between the ages of 15 and 24 rented their housing, compared to 12.7% of households between the ages of 25 and 34. Householders between 35 and 64 were overwhelmingly homeowners, with no more than 15% of the householders in each 10-year age cohort renting their housing.



Household Type

Table D-7 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 all types of households. Married families without children and married families with children experienced nearly identical growth numerically (+245 households and +247 households, respectively). 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.
- Persons Living Alone experienced an increase of 213 households (58.4%). This could indicate an aging senior population. As the frailty level of these seniors increases, they typically move out of their homes in pursuit of housing with services. However, the recession has affected many seniors, and their fears of the market can be affecting their decisions to move out of the homes and into age-restricted housing.
- The Market Area also had significant increases in other family households (a gain of 268 households, or +352.6%). Other families include single-parents and unmarried couples with children. With only one income, these families are most likely to need affordable or modest housing, both rental and for-sale.



DEMOGRAPHIC ANALYSIS

**TABLE D-5
HOUSEHOLD TYPE
MONTROSE MARKET AREA
2000 & 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												
Montrose	442	1,043	98	228	134	341	38	165	140	231	32	78
Rem. of Market Area	1,239	1,683	466	581	444	484	38	179	225	347	66	92
Market Area Total	1,681	2,726	564	809	578	825	76	344	365	578	98	170
Percent of Total												
Montrose	100.0	100.0	22.2	21.9	30.3	32.7	8.6	15.8	31.7	22.1	7.2	7.5
Rem. of Market Area	100.0	100.0	37.6	34.5	35.8	28.8	3.1	10.6	18.2	20.6	5.3	5.5
Market Area Total	100.0	100.0	33.6	29.7	34.4	30.3	4.5	12.6	21.7	21.2	5.8	6.2
Change												
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Montrose	601	136.0	130	132.7	207	154.5	127	334.2	91	65.0	46	143.8
Rem. of Market Area	444	35.8	115	24.7	40	9.0	141	371.1	122	54.2	26	39.4
Market Area Total	1,045	62.2	245	43.4	247	42.7	268	352.6	213	58.4	72	73.5
* Single-parent families, unmarried couples with children.												
Sources: U.S. Census Bureau; Maxfield Research Inc.												

Peer City Demographic Comparison

Table D-8 shows common statistics of Montrose compared to peer cities nearby. Data comes from 2010 census figures as well as the 2012 American Community Survey. Of these cities, Buffalo is the largest, followed by Delano, with 15,453 people and 5,464 people, respectively.

Delano has the highest median income measured in 2012 dollars with a household annual income of \$79,712. Rockford has the second highest household annual income, with an annual household income of \$72,222 measured in 2012 dollars.

Montrose has the highest percentage of households with children, with 45.5% of all households having children present. The next closest is Delano, with 43.8% of households having children present.

Delano has the lowest unemployment rate as of 2012, with just 3.9% seeking employment. Montrose is a near second, with 4.0% seeking jobs as of 2012.

TABLE D-6 DEMOGRAPHIC SUMMARY PEER CITY COMPARISON 2010						
	Montrose	Waverly	Howard Lake	Delano	Buffalo	Rockford
Demographic Summary						
Population	2,847	1,357	1,962	5,464	15,453	3,890
Households	1,043	520	786	1,958	5,699	1,438
HH Size	2.73	2.61	2.50	2.79	2.71	2.71
HH Income/Median	\$59,696	\$62,656	\$35,120	\$79,712	\$61,721	\$72,222
Percent HH's w/Children	45.5%	36.5%	35.6%	43.8%	40.1%	41.2%
Percent HH's Living Alone	22.1%	24.0%	30.2%	23.0%	24.9%	21.7%
Housing Characteristics						
Percent Own	83.9%	82.5%	71.8%	76.4%	73.3%	82.2%
Percent Rent	16.1%	17.5%	28.2%	23.6%	26.7%	17.8%
Median Contract Rent (2012) ¹	\$668	\$594	\$618	\$580	\$729	\$831
Mobility Rate (Percent Moved in past year)	19.6%	10.2%	13.7%	10.2%	16.4%	11.0%
Employment						
Avg. Weekly Wage	\$805	\$558	\$728	\$753	\$690	\$871
Unemployment Rate (2012)	4.0%	5.9%	15.5%	3.9%	7.6%	7.5%
Total Labor Force (2012)	1,657	695	1,030	2,981	8,369	2,387
¹ Median contract rents subject to margin of error and includes income-restricted units						
Source: U.S. Census Bureau; ESRI; DEED; Maxfield Research, Inc.						

Employment Trends and Resident Labor Force

Recent employment growth trends for Wright County are shown in Tables E-1 and E-2. Table E-1 presents resident employment data for Wright County and Minnesota from 2000 through 2013. Resident employment data is calculated as an annual average *and reveals the work force and number of employed persons living in the County*. It is important to note that not all of these individuals necessarily work in the County. Table E-2 presents covered employment in Wright County from 2000 through 2012. Covered employment data is calculated as an annual average and *reveals the number of jobs in the County*, which are covered by unemployment insurance. Most farm jobs, self-employed persons, and some other types of jobs are not covered by unemployment insurance and are not included in the table. The data in both tables is from the Minnesota Department of Employment and Economic Development. The following are key trends derived from the employment data:

- Resident employment in Wright County increased by about 17,206 people between 2000 and 2013 (32.8%). The number of unemployed individuals in the labor market increased the unemployment rate from 3.2% (2000) to 5.4% (2013).
- Wright County's unemployment rate has been higher than the State of Minnesota in every year from 2000 to 2013.
- Since 2006, the unemployment rate in Wright County has increased rapidly to a high of 9.4% (2009). However, as of 2013, the unemployment rate has fallen to 5.4%; however it is 0.3 percentage points higher than the State of Minnesota.

TABLE E-1
ANNUAL RESIDENT EMPLOYMENT
WRIGHT COUNTY & MINNESOTA

2000 to 2013

Wright County

Year	Labor Force	Employed	Unemployed	Rate
2000	52,498	50,841	1,657	3.2%
2001	54,490	52,374	2,116	3.9%
2002	56,843	54,056	2,787	4.9%
2003	59,279	56,234	3,045	5.1%
2004	61,192	58,204	2,988	4.9%
2005	62,756	60,017	2,739	4.4%
2006	64,789	61,967	2,822	4.4%
2007	66,202	62,810	3,392	5.1%
2008	67,546	63,447	4,099	6.1%
2009	68,324	62,009	6,315	9.2%
2010	68,909	63,257	5,652	8.2%
2011	69,480	64,541	4,939	7.1%
2012	69,178	64,960	4,218	6.1%
2013	69,704	65,969	3,735	5.4%

Change 2000-2013

Number	17,206	15,128	2,078	--
Percent	32.8%	29.8%	125.4%	--

Minnesota

Year	Labor Force	Employed	Unemployed	Rate
2000	2,807,668	2,720,492	87,176	3.1%
2001	2,866,023	2,755,808	110,216	3.8%
2002	2,880,329	2,749,525	130,805	4.5%
2003	2,891,661	2,750,938	140,723	4.9%
2004	2,885,974	2,752,403	133,571	4.6%
2005	2,876,953	2,756,709	120,245	4.2%
2006	2,893,029	2,774,524	118,505	4.1%
2007	2,903,453	2,768,068	135,385	4.7%
2008	2,929,859	2,771,749	158,110	5.4%
2009	2,950,277	2,713,601	236,676	8.0%
2010	2,962,633	2,744,470	218,163	7.4%
2011	2,969,696	2,777,285	192,411	6.5%
2012	2,969,366	2,801,671	167,696	5.6%
2013	2,973,511	2,822,648	150,863	5.1%

Change 2000-2013

Number	165,843	102,156	63,687	--
Percent	5.9%	3.8%	73.1%	--

Source: MN DEED, Maxfield Research, Inc.

EMPLOYMENT

Covered Employment by Industry

- Trade, Transportation and Utilities accounted for about 26.6% of the County's jobs in 2013, which is a far greater percentage than any other sector in the County. Education and Health Services and manufacturing accounted for 22.2% and 13.6% of the all jobs in Wright County, respectively.
- Between 2000 and 2013, the number of jobs increased by 8,736, a 30.3% increase. Trade, Transportation, and Utilities gained, by far, the greatest number of jobs (+3,154 jobs) between 2000 and 2013, while Professional and Business Services lost the greatest percentage of jobs (-6.9%). The Leisure and Hospitality Sector grew the fastest (+57.8%), while Education and Health Services increased by 46.1% between 2000 and 2013.
- There were two other sectors that experienced growth which include by numerical growth: Public Administration added 353 jobs (+35.2%) and Construction added 794 jobs (34.2%). However, there were three other sectors that experienced a decline: Information lost 28 jobs (-8.9%), Financial Activities lost 69 jobs (-7.2%), and Professional and Business Services lost 38 jobs (-6.9%).

TABLE E-2 COVERED EMPLOYMENT TRENDS WRIGHT COUNTY 2000, 2005, 2010, 2013										
Average Number of Employees					Change 2000 - 2013		% of Total			
Industry	2000	2005	2010	2013	No.	Pct.	2000	2005	2010	2013
Natural Resources and Mining	328	440	472	402	74	22.6%	1.1%	1.2%	1.3%	1.1%
Construction	2,319	3,874	2,488	3,113	794	34.2%	8.0%	10.8%	7.1%	8.3%
Manufacturing	5,110	5,264	4,079	5,126	16	0.3%	17.7%	14.7%	11.6%	13.6%
Trade, Transportation and Utilities	6,848	--	9,326	10,002	3,154	46.1%	23.7%	na	26.6%	26.6%
Information	314	--	--	286	-28	-8.9%	1.1%	na	na	0.8%
Financial Activities	960	1,201	904	891	-69	-7.2%	3.3%	3.4%	2.6%	2.4%
Professional and Business Services	2,420	--	2,111	2,253	-167	-6.9%	8.4%	na	6.0%	6.0%
Education and Health Services	5,669	7,526	8,542	8,364	2,695	47.5%	19.6%	21.0%	24.3%	22.2%
Leisure and Hospitality	2,829	--	4,170	4,465	1,636	57.8%	9.8%	na	11.9%	11.9%
Other Services	1,061	1,156	1,276	1,336	275	25.9%	3.7%	3.2%	3.6%	3.6%
Public Administration	1,002	1,229	1,349	1,355	353	35.2%	3.5%	3.4%	3.8%	3.6%
Total, All Industries	28,860	35,793	35,113	37,596	8,736	30.3%				

Source: MN DEED, Maxfield Research, Inc.

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-4 highlights the commuting patterns of workers in Montrose in 2011 (the most recent data available), based on Employer-Household Dynamics data from the U.S. Census Bureau. Likewise, Table E-5 highlights commuting patterns of all Wright County workers.

- The vast majority of Montrose residents work outside of Montrose. Of Montrose residents that commuted to jobs outside the City, the most commuted to jobs in Buffalo, Minneapolis, Plymouth and Delano.
- Of the workers who work in Montrose, 18.3% live in Montrose. The remaining 81.7% of the workers are commuting from a large variety of cities including Waverly, Howard Lake, Brooklyn Park and Buffalo.
- A large number of Wright County residents also work in Wright County (29.3%). Of the 70.7% of Wright County residents that commuted to jobs outside the County, the majority commuted to jobs Hennepin County.

**TABLE E-3
COMMUTING PATTERNS
MONTROSE
2011**

Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Montrose city, MN	22	18.3%	Buffalo city, MN	122	9.1%
Waverly city, MN	8	6.7%	Minneapolis city, MN	94	7.0%
Howard Lake city, MN	5	4.2%	Plymouth city, MN	75	5.6%
Brooklyn Park city, MN	3	2.5%	Delano city, MN	72	5.4%
Buffalo city, MN	3	2.5%	Golden Valley city, MN	54	4.0%
Delano city, MN	3	2.5%	Minnetonka city, MN	46	3.4%
Rockford city, MN	3	2.5%	Edina city, MN	37	2.8%
Champlin city, MN	2	1.7%	Howard Lake city, MN	33	2.5%
Maple Lake city, MN	2	1.7%	Waverly city, MN	33	2.5%
St. Paul city, MN	2	1.7%	Bloomington city, MN	31	2.3%
All Other Locations	67	55.8%	All Other Locations	746	55.5%
Total Primary Jobs	120	100.0%	Total Primary Jobs	1,343	100.0%

Home Destination = Where workers live who are employed in the selection area
Work Destination = Where workers are employed who live in the selection area

Sources: U.S. Census Bureau Local Employment Dynamics; Maxfield Research, Inc.

TABLE E-4
COMMUTING PATTERNS
WRIGHT COUNTY
2011

Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Buffalo city, MN	2,947	8.6%	Minneapolis city, MN	4,707	7.5%
Monticello city, MN	2,046	6.0%	Buffalo city, MN	4,556	7.3%
St. Michael city, MN	1,700	4.9%	Plymouth city, MN	3,581	5.7%
Otsego city, MN	921	2.7%	Monticello city, MN	2,644	4.2%
Delano city, MN	744	2.2%	Maple Grove city, MN	2,141	3.4%
Big Lake city, MN	740	2.2%	St. Cloud city, MN	1,776	2.8%
Albertville city, MN	718	2.1%	Albertville city, MN	1,686	2.7%
Annandale city, MN	691	2.0%	Golden Valley city, MN	1,656	2.6%
St. Cloud city, MN	555	1.6%	St. Paul city, MN	1,639	2.6%
Rockford city, MN	512	1.5%	Minnetonka city, MN	1,609	2.6%
All Other Locations	22,781	66.3%	All Other Locations	36,497	58.4%
Total Primary Jobs	34,355	100.0%	Total Primary Jobs	62,492	100.0%

Home Destination = Where workers live who are employed in the selection area

Work Destination = Where workers are employed who live in the selection area

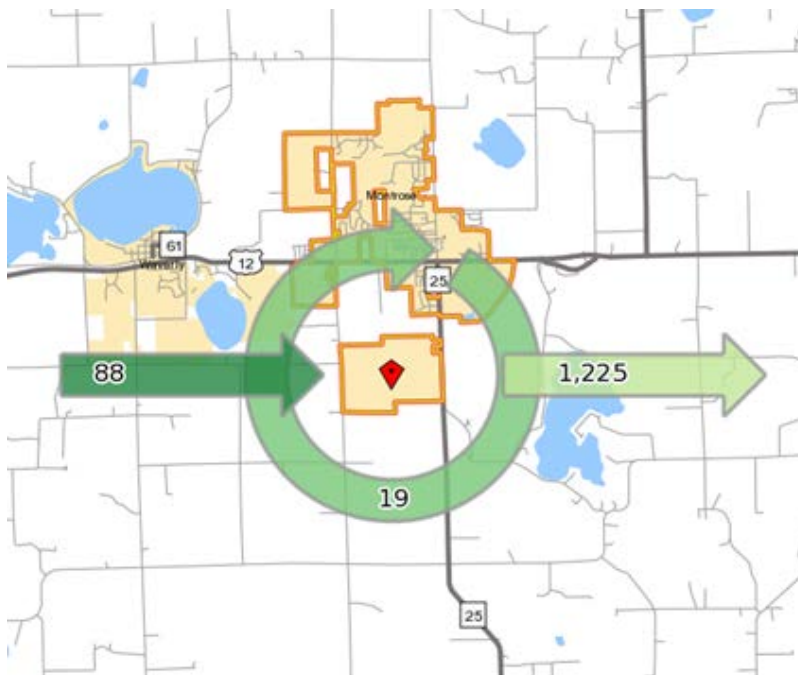
Sources: U.S. Census Bureau Local Employment Dynamics; Maxfield Research, Inc.

Inflow/Outflow

Table E-5 provides a summary of the inflow and outflow of workers in Montrose and Wright County. Outflow reflects the number of workers living in Montrose or Wright County but employed outside of the respective selection areas while inflow measures the number of workers that are employed in the selection areas but live outside. Interior flow reflects the number of workers that both live and work in the selection areas.

- Montrose can be considered an exporter of workers, as the number of residents coming into the Montrose (inflow) for employment did not exceed the number of residents leaving the Montrose for work (outflow). Approximately 22 workers came into the Montrose for work while 1,321 workers left, for a net difference of 1,299.

TABLE E-5 COMMUTING INFLOW/ OUTFLOW CITY OF MONTROSE/ WRIGHT COUNTY 2011		
	Montrose	
	No.	Pct.
Employed in the Selection Area	120	100.0%
Employed and Living in the Selection Area	22	17.8%
Employed in the Selection Area but Living Outside	98	82.2%
Living in the Selection Area	1,343	100.0%
Living and Employed in the Selection Area	22	1.5%
Living in the Selection Area but Employed Outside	1,321	98.5%
	Wright County	
	No.	Pct.
Employed in the Selection Area	34,355	100.0%
Employed and Living in the Selection Area	18,340	52.9%
Employed in the Selection Area but Living Outside	16,015	47.1%
Living in the Selection Area	62,492	100.0%
Living and Employed in the Selection Area	18,340	28.7%
Living in the Selection Area but Employed Outside	44,152	71.3%
Sources: Longitudinal Employer-Household Dynamics; Maxfield Research, Inc.		



- Wright County can be considered an exporter of workers, as the number of residents leaving the County for work (outflow) exceeded the number of residents coming into the County (inflow). Approximately 16,015 workers came into the County for work while 44,152 workers left, for a net difference of -28,137.

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

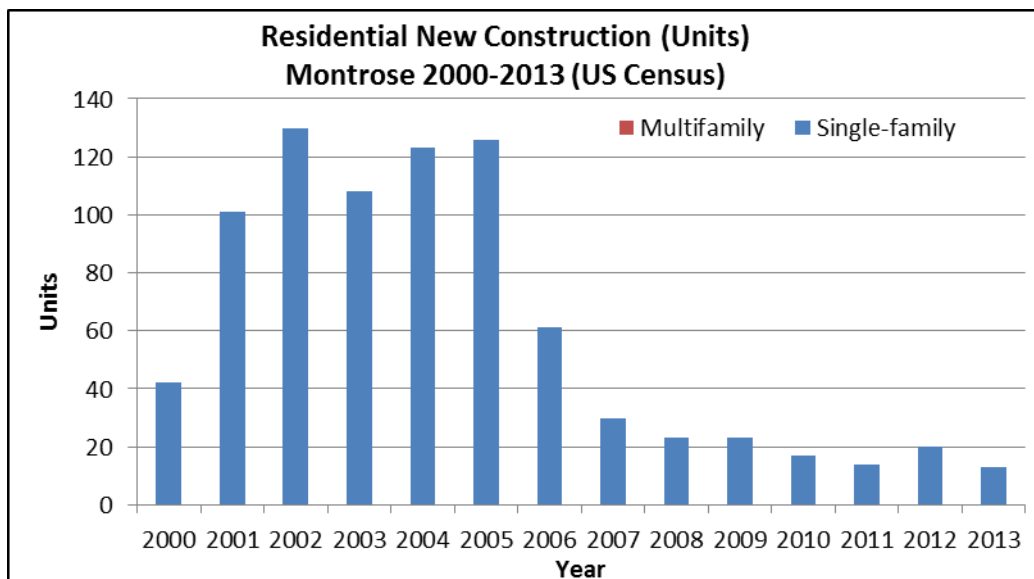
Residential Construction Trends 2000 to Present

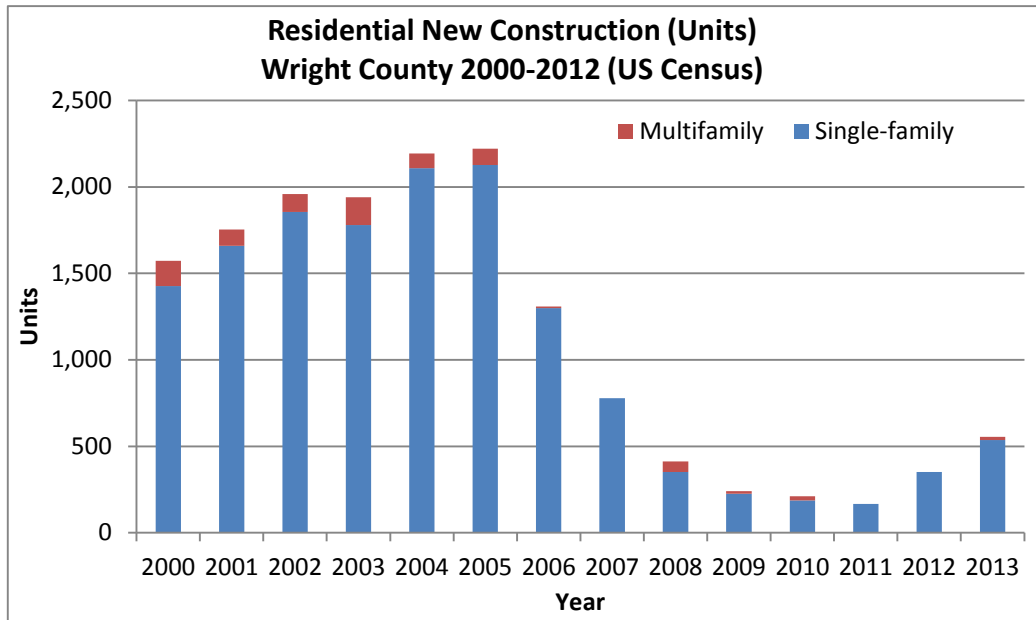
Maxfield Research obtained data from the City of Montrose on the number of building permits issued for new housing units in Montrose from 2000 to 2013. Table HC-1 displays permits issued for single-family and multifamily dwellings. Multifamily units include both for-sale (condominium, townhomes, and townhomes) and rental projects. The following are key points about housing development since 2000.

- The City of Montrose issued permits for the construction of 831 new residential units from 2000 to 2013. That equates to about 59 units annually since 2000.
- Through 2006, the City of Montrose issued about 83% of the overall permitted units for the period. Over this period, residential construction averaged over 98 units per year. However, beginning in 2007, which was the start of the Great Recession, building permits started declining rapidly, and from 2007 to 2013 the City has averaged only 20 units per year. All of the homes constructed in Montrose from 2000 to 2013 have been single family homes.
- A large number of housing units were built in 2001 and 2005, constructing over 100 single family homes per year consecutively for five years.
- Montrose accounted for 5.3% of all new housing units constructed in Wright County between 2000 and 2013. Similar to Montrose, the majority of construction occurred between 2000 and 2005 which accounted for 75% of all permits since 2000.

TABLE HC-1
RESIDENTIAL CONSTRUCTION/ANNUAL BUILDING PERMITS ISSUED
CITY OF MONTROSE
US CENSUS BUREAU
2000 to 2013

	Montrose Permits				Total Housing Permits
	Single- Family Homes	Townhome/ Twinhome	3 & 4 Unit	Multifamily (5+ units)	
ESTIMATES WITH IMPUTATION					
2000	42	0	0	0	42
2001	101	0	0	0	101
2002	130	0	0	0	130
2003	108	0	0	0	108
2004	123	0	0	0	123
2005	126	0	0	0	126
2006	61	0	0	0	61
2007	30	0	0	0	30
2008	23	0	0	0	23
2009	23	0	0	0	23
2010	17	0	0	0	17
2011	14	0	0	0	14
2012	20	0	0	0	20
2013	13	0	0	0	13
Total	831	0	0	0	831
Avg.	59	0	0	0	59
Sources: U.S. Census; Maxfield Research Inc.					





Housing Units by Occupancy Status & Tenure

Tenure is a key variable that analyzes the propensity for householders to rent or own their housing unit. Tenure is an integral statistic used by numerous governmental agencies and private sector industries to assess neighborhood stability. Table HC-2 shows historic trends from 2000 and 2010.

- Even though owner-occupied housing units increased substantially over the decade, the percentage decreased from 82.6% in 2000 to 80.5% in 2010 due to an increased number of renter and vacant units in the PMA. Additionally, the percentage of renter-occupied housing units decreased from 12.8% to 11.9%, while vacant units increased from 4.6% to 7.5%.
- The City of Montrose had significantly higher percentage of renter occupied units compared to the Remainder of the Market Area (15.1% compared to 10.0% in 2010). However, there are fewer vacant units in Montrose than in the Remainder of the Market Area (6.5% compared to 8.1%).
- About 7.5% of the Market Area's housing stock was vacant in 2010. It is important to note, however, that the Census's definition of vacant housing units includes: units that have been rented or sold, but not yet occupied, seasonal housing (vacation or second homes), housing for migrant workers, and even boarded-up housing. Thus, the U.S. Census vacancy figures are not always a true indicator of adequate housing available for new households wishing to move into the area.

TABLE HC-2 HOUSING UNITS BY OCCUPANCY & TENURE MONTROSE MARKET AREA 2000 & 2010						
Year/Occupancy	Montrose		Remainder		PMA	
	No.	Pct.	No.	Pct.	No.	Pct.
2000						
Owner Occupied	339	72.6%	1,240	85.9%	1,579	82.6%
Renter Occupied	115	24.6%	129	8.9%	244	12.8%
Vacant	13	2.8%	75	5.2%	88	4.6%
Total	467	100.0%	1,444	100.0%	1,911	100.0%
2010						
Owner Occupied	875	78.4%	1,499	81.8%	2,374	80.5%
Renter Occupied	168	15.1%	184	10.0%	352	11.9%
Vacant	73	6.5%	149	8.1%	222	7.5%
Total	1,116	100.0%	1,832	100.0%	2,948	100.0%
Sources: U.S. Census Bureau; Maxfield Research, Inc.						

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 2008 and 2012. Tables HC-3 to HC-7 show key data for Montrose and the Market Area.

Age of Housing Stock

The following graph shows the age distribution of the housing stock in 2012 based on data from the U.S. Census Bureau and 2012 from the 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 2,648 occupied housing units, of which roughly 87.3% are owner-occupied and 12.7% are renter-occupied.

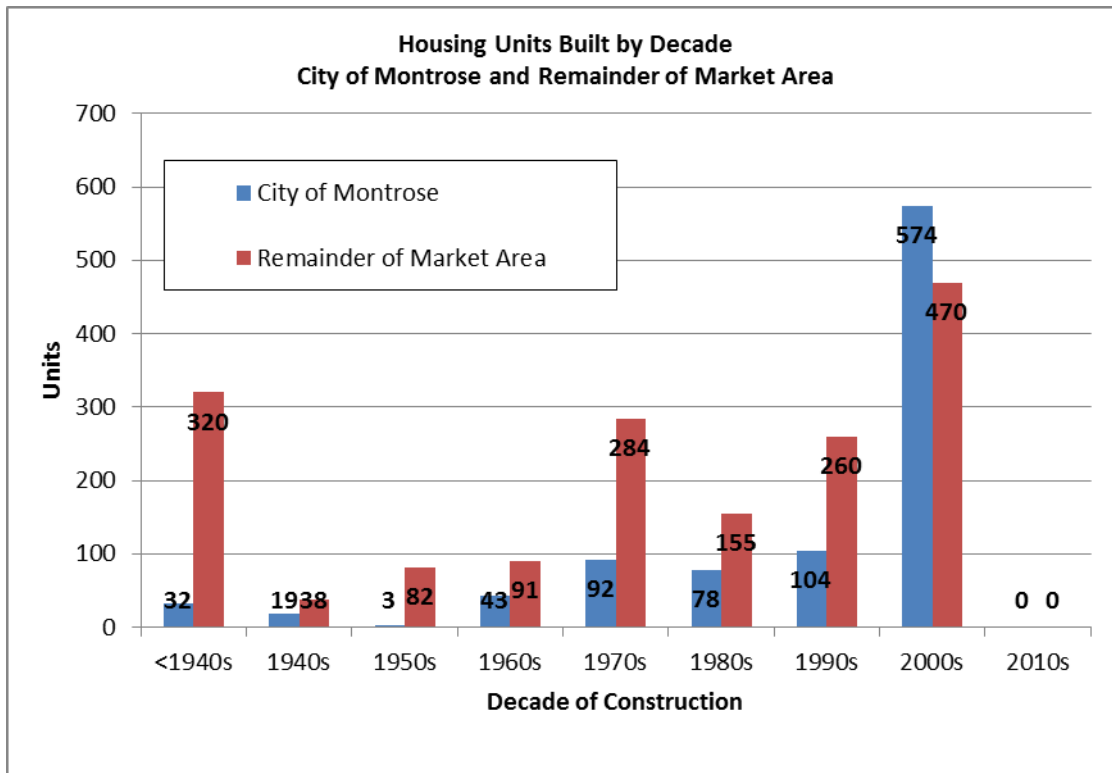
HOUSING CHARACTERISTICS

TABLE HC-3
AGE OF HOUSING STOCK
MONTROSE MARKET AREA
2012

			Year Unit Built																	
Total Units	Med. Yr. Built	<1940		1940s		1950s		1960s		1970s		1980s		1990s		2000s		2010s		
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	
CITY OF MONTROSE																				
Owner-Occupied	782	2003	20	2.6	10	1.3	0	0.0	25	3.2	47	6.0	47	6.0	100	12.8	533	68.2	0	0.0
Renter-Occupied	163	1979	12	7.4	9	5.5	3	1.8	18	11.0	45	27.6	31	19.0	4	2.5	41	25.2	0	0.0
Total	945	2002	32	3.4	19	2.0	3	0.3	43	4.6	92	9.7	78	8.3	104	11.0	574	60.7	0	0.0
REMAINDER OF MARKET AREA																				
Owner-Occupied	1,527	1985	251	16.4	38	2.5	76	5.0	84	5.5	246	16.1	155	10.2	243	15.9	434	28.4	0	0.0
Renter-Occupied	173	1958	69	39.9	0	0.0	6	3.5	7	4.0	38	22.0	0	0.0	17	9.8	36	20.8	0	0.0
Total	1,700	1982	320	18.8	38	2.2	82	4.8	91	5.4	284	16.7	155	9.1	260	15.3	470	27.6	0	0.0
MARKET AREA TOTAL																				
Owner-Occupied	2,309	1991	271	11.7	48	2.1	76	3.3	109	4.7	293	12.7	202	8.7	343	14.9	967	41.9	0	0.0
Renter-Occupied	336	1968	81	24.1	9	2.7	9	2.7	25	7.4	83	24.7	31	9.2	21	6.3	77	22.9	0	0.0
Total	2,645	1988	352	13.3	57	2.2	85	3.2	134	5.1	376	14.2	233	8.8	364	13.8	1,044	39.5	0	0.0
WRIGHT COUNTY																				
Owner-Occupied	37,801	1993	3,423	9.1	747	2.0	1,225	3.2	1,755	4.6	5,389	14.3	4,449	11.8	7,485	19.8	13,277	35.1	51	0.1
Renter-Occupied	7,015	1981	907	12.9	249	3.5	427	6.1	454	6.5	1,381	19.7	992	14.1	914	13.0	1,660	23.7	31	0.4
Total	44,816	1991	4,330	9.7	996	2.2	1,652	3.7	2,209	4.9	6,770	15.1	5,441	12.1	8,399	18.7	14,937	33.3	82	0.2
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.																				

HOUSING CHARACTERISTICS

- Homes in Montrose are newer than homes in the Market Area. The highest numbers of homes by decade in Montrose were constructed in the 2000s. Overall, roughly 60% of housing units were built during this period. As a comparison, the highest numbers of homes in the Remainder of the Market Area were also built in the 2000s (27.6%). About 31% of the Remainder of the Market Area's housing stock was built before 1970. Some of these housing units may be dilapidated and in need of replacement or repair.



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 2012.

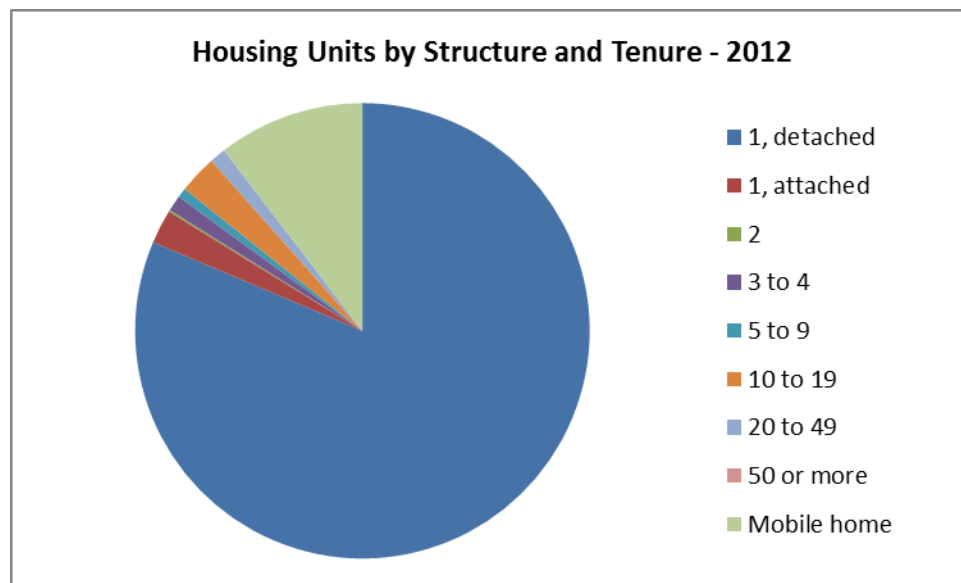
- The dominant housing type in the Market area is the single-family detached home, representing an estimated 86.1% of all owner-occupied housing units and 49.1% of renter-occupied housing units as of 2012.
- Most of the housing units with five or more units are renter-occupied. About 86% of renter-occupied housing units with five or more units are located in the City of Montrose.
- Mobile homes account for about 10% of all housing units in the Market Area.

HOUSING CHARACTERISTICS

TABLE HC-4 HOUSING UNITS BY STRUCTURE & TENURE MONTROSE MARKET AREA 2012																
Units in Structure	MONTROSE				REMAINDER				PMA				WRIGHT COUNTY			
	Owner-		Renter-		Owner-		Renter-		Owner-		Renter-		Owner-		Renter-	
	Occupied	Pct.	Occupied	Pct.	Occupied	Pct.	Occupied	Pct.	Occupied	Pct.	Occupied	Pct.	Occupied	Pct.	Occupied	Pct.
1, detached	608	77.7%	41	25.2%	1,379	90.3%	124	71.7%	1,987	86.1%	165	49.1%	32,655	86.4%	2,110	30.1%
1, attached	14	1.8%	13	8.0%	22	1.4%	15	8.7%	36	1.6%	28	8.3%	2,961	7.8%	1,314	18.7%
2	0	0.0%	0	0.0%	0	0.0%	3	1.7%	0	0.0%	3	0.9%	66	0.2%	119	1.7%
3 to 4	0	0.0%	17	10.4%	0	0.0%	13	7.5%	0	0.0%	30	8.9%	71	0.2%	243	3.5%
5 to 9	0	0.0%	0	0.0%	3	0.2%	15	8.7%	3	0.1%	15	4.5%	71	0.2%	474	6.8%
10 to 19	10	1.3%	62	38.0%	0	0.0%	0	0.0%	10	0.4%	62	18.5%	44	0.1%	875	12.5%
20 to 49	0	0.0%	30	18.4%	0	0.0%	0	0.0%	0	0.0%	30	8.9%	0	0.0%	1,433	20.4%
50 or more	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	376	5.4%
Mobile home	150	19.2%	0	0.0%	123	8.1%	3	1.7%	273	11.8%	3	0.9%	1,886	5.0%	71	1.0%
Boat, RV, van, etc.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	47	0.1%	0	0.0%
Total	782	100%	163	100%	1,527	100%	173	100%	2,309	100%	336	100%	37,801	100%	7,015	100%
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.																

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.

There is also one condo project, County View Estates, built in 1985 and located at 157-161 Mindy Lane in Montrose. Units sold for a historical median price of \$38,500, based on sales data from 1995 to 2014. The most recent sale was in June of 2014, and was also the historically lowest selling price, \$25,000. Units vary in size from 800 square feet to over 1,100 square feet, with most having approximately 900 square feet of living space. On average, units sold for \$48 per square foot.



Owner-Occupied Housing Units by Mortgage Status

Table HC-5 shows mortgage status and average values from the American Community Survey for 2012 (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.

- Approximately 80.4% of Montrose homeowners and 68% of homeowners in the Remainder of the Market Area have a mortgage.
- The median value for homes with a mortgage for the City of Montrose homeowners is approximately \$157,200. By comparison, the Remainder of the Market Area is about \$219,770.

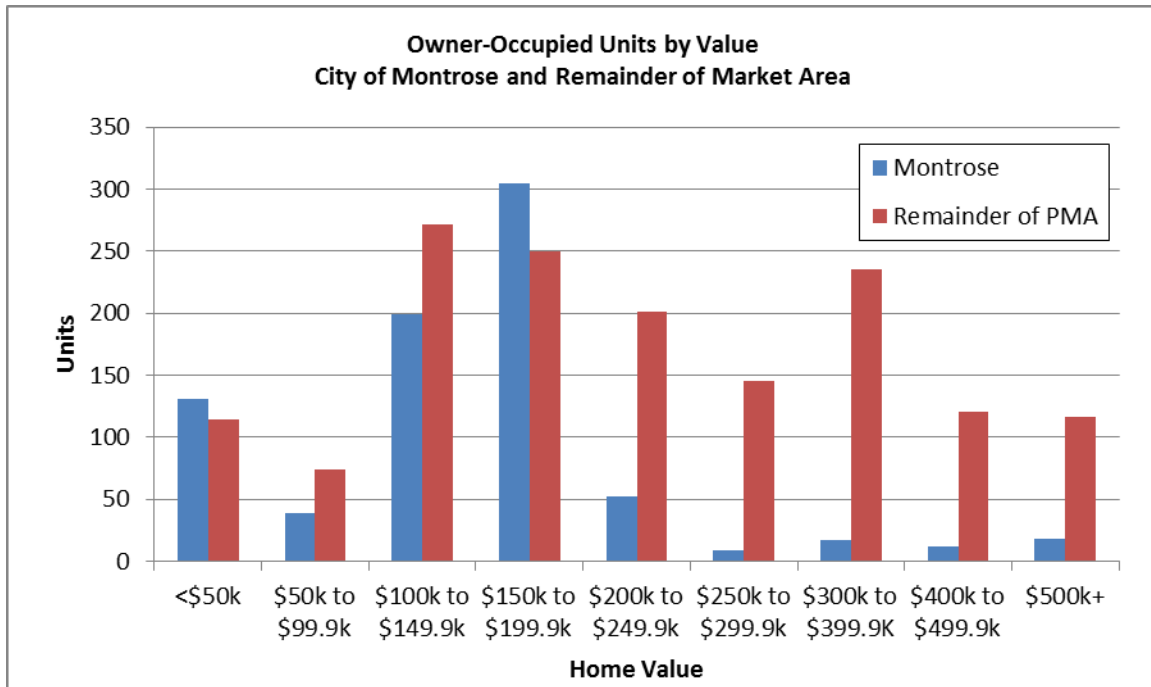
TABLE HC-5 OWNER-OCCUPIED HOUSING UNITS BY MORTGAGE STATUS MONTROSE MARKET AREA 2012								
Mortgage Status	MONTROSE		REMAINDER		PMA		WRIGHT COUNTY	
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.	Pct.
Housing units without a mortgage	153	19.6	491	32.2	644	27.9	7,982	21.1
Housing units with a mortgage/debt	629	80.4	1,036	67.8	1,665	72.1	29,819	78.9
<i>Second mortgage only</i>	108	13.8	93	6.1	201	8.7	2,862	7.6
<i>Home equity loan only</i>	74	9.5	224	14.7	298	12.9	6,651	17.6
<i>Both second mortgage and equity loan</i>	0	0.0	14	0.9	14	0.6	401	1.1
<i>No second mortgage or equity loan</i>	447	57.2	705	46.2	1,152	49.9	19,905	52.7
Total	782	100.0	1,527	100.0	2,309	100.0	37,801	100.0
Average Value by Mortgage Status								
Housing units with a mortgage	\$157,200		\$219,770		\$196,132		\$207,100	
Housing units without a mortgage	\$19,700		\$186,703		\$147,027		\$193,700	
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.								

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 Montrose is estimated to be valued between \$100,000 and \$199,999 (65%).
- The median owner-occupied home in Montrose is \$152,400, or \$62,932 less than the Remainder of the Market Area median home value (\$215,332). There is a greater percentage of higher valued homes in the Remainder of the Market Area (\$300,000 or greater) than the City of Montrose. Approximately 6% of homes in Montrose are valued at \$300,000 or greater compared to 31% in the Remainder of the Market Area. A percentage of these in the Remainder of the Market Area are located on lakes or farmsteads.

TABLE HC-6 OWNER-OCCUPIED UNITS BY VALUE MONTROSE MARKET AREA 2012						
Home Value	MONTROSE		REMAINDER		PMA	
	No.	Pct.	No.	Pct.	Pct.	Pct.
Less than \$50,000	131	16.8	114	7.5	245	10.6
\$50,000-\$99,999	39	5.0	74	4.8	113	4.9
\$100,000-\$149,999	199	25.4	272	17.8	471	20.4
\$150,000-\$199,999	305	39.0	250	16.4	555	24.0
\$200,000-\$249,999	52	6.6	201	13.2	253	11.0
\$250,000-\$299,999	9	1.2	145	9.5	154	6.7
\$300,000-\$399,999	17	2.2	235	15.4	252	10.9
\$400,000-\$499,999	12	1.5	120	7.9	132	5.7
Greater than \$500,000	18	2.3	116	7.6	134	5.8
Total	782	100.0	1,527	100.0	2,309	100.0
Median Home Value	\$152,400		\$215,332		\$194,018	
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.						



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 Montrose and the Remainder of the Market Area was \$668 and \$706, respectively. Based on a 30% allocation of income to housing, a household in Montrose would need an income of about \$26,720 to afford an average monthly rent of \$668 and an income of \$28,240 in the Remainder of the Market Area to afford an average monthly rent of \$706.
- Approximately 59% of Montrose renters paying cash have monthly rents ranging from \$500 to \$749. Approximately 27.0% of renters have monthly rents of \$1,000 or greater. Due to the limited number of units with rents over \$1,000, we can assume the majority of these renters are renting single-family homes.
- There are no “no cash rent” housing units in Montrose renters. Typically units may be owned by a relative or friend who lives elsewhere whom allow occupancy without charge. Other sources may include caretakers or ministers who may occupy a residence without charge. There were 41 units with no cash rent in the Remainder of the Market area, accounting for 23.7% of all rental units in the Remainder of the Market Area.

TABLE HC-7						
RENTER-OCCUPIED UNITS BY CONTRACT RENT						
MONTROSE MARKET AREA						
2012						
Contract Rent	MONTROSE		REMAINDER		PRIMARY MARKET AREA	
	No.	Pct.	No.	Pct.	No.	Pct.
No Cash Rent	0	0.0	41	23.7	41	12.2
Cash Rent	163	100.0	132	76.3	295	87.8
\$0 to \$249	12	7.4	0	0.0	12	3.6
\$250-\$499	7	4.3	21	12.1	28	8.3
\$500-\$749	96	58.9	39	22.5	135	40.2
\$750-\$999	4	2.5	36	20.8	40	11.9
\$1,000+	44	27.0	36	20.8	80	23.8
Total	163	100.0	173	100.0	336	100.0
Median Contract Rent	\$668		\$706		\$685	
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.						

Introduction

Maxfield Research Inc. identified and surveyed larger rental properties of eight or more units in the Montrose. In addition, interviews were conducted with real estate agents, developers, rental housing management firms, and others in the community familiar with Montrose'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 Montrose Market Area and selected communities in the surrounding area. The ACS is an ongoing survey conducted by the United States Census Bureau that provides data every year rather than every ten years as presented by the decennial census. We use this data because these figures are not available from the decennial census. 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 2008-2012 ACS in Montrose Market Area, broken down into three submarkets, 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.

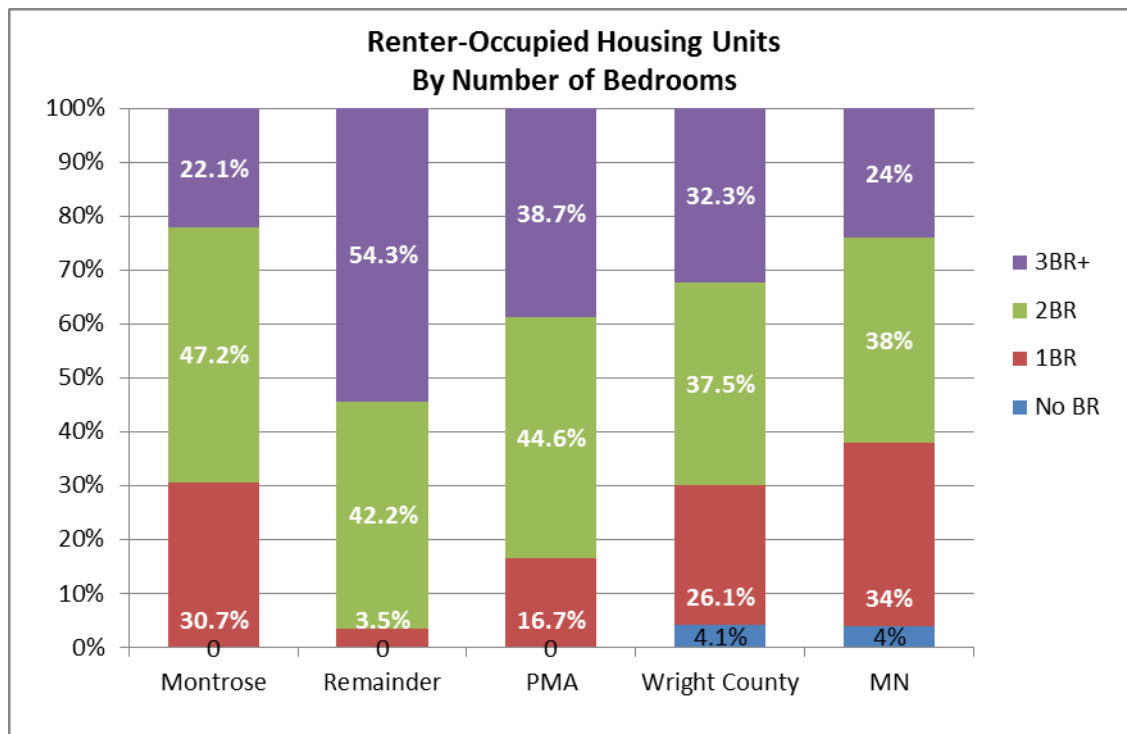
- Montrose Market Area has more affordable rents when compared to Minnesota. The median gross rent in the area is at \$737 which is 8.1% lower than the median rent of \$802 in Minnesota. Rural communities often have lower rents than metropolitan areas due to wage rates and the age of rental properties in rural areas.
- Three bedroom or more units are the second most common rental unit type in Market Area, representing 38.7% of all occupied rental units in the Market Area. However, in the State of Minnesota, three bedroom or more units are the third most common (24%). In Minnesota, two-bedroom units make up the largest percentage (38%).

RENTAL MARKET ANALYSIS

TABLE R-1
BEDROOMS BY GROSS RENT, RENTER-OCCUPIED HOUSING UNITS
MONTROSE MARKET AREA
2012

	Montrose		Remainder of PMA		Primary Market Area		Wright County		MN
	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total	% of Total
Total:	163	100.0%	173	100.0%	336	100.0%	7,015	100.0%	100
Median Gross Rent	\$737		\$995		\$869		\$852		\$802
No Bedroom	0	0	0	0	0	0	288	4.1%	4%
Less than \$200	0	0.0%	0	0.0%	0	0.0%	0	0.0%	4%
\$200 to \$299	0	0.0%	0	0.0%	0	0.0%	6	0.1%	0%
\$300 to \$499	0	0.0%	0	0.0%	0	0.0%	69	1.0%	0%
\$500 to \$749	0	0.0%	0	0.0%	0	0.0%	78	1.1%	1%
\$750 to \$999	0	0.0%	0	0.0%	0	0.0%	64	0.9%	2%
\$1,000 or more	0	0.0%	0	0.0%	0	0.0%	71	1.0%	0%
No Cash Rent	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0%
1 Bedroom	50	30.7%	6	3.5%	56	16.7%	1834	26.1%	34%
Less than \$200	12	7.4%	0	0.0%	12	3.6%	158	2.3%	34%
\$200 to \$299	0	0.0%	0	0.0%	0	0.0%	133	1.9%	1%
\$300 to \$499	7	4.3%	3	1.7%	10	3.0%	389	5.5%	3%
\$500 to \$749	31	19.0%	0	0.0%	31	9.2%	599	8.5%	5%
\$750 to \$999	0	0.0%	0	0.0%	0	0.0%	334	4.8%	11%
\$1,000 or more	0	0.0%	0	0.0%	0	0.0%	152	2.2%	9%
No Cash Rent	0	0.0%	3	1.7%	3	0.9%	69	1.0%	4%
2 Bedroom	77	47.2%	73	42.2%	150	44.6%	2628	37.5%	38%
Less than \$200	0	0.0%	0	0.0%	0	0.0%	38	0.5%	36%
\$200 to \$299	0	0.0%	0	0.0%	0	0.0%	39	0.6%	1%
\$300 to \$499	0	0.0%	15	8.7%	15	4.5%	99	1.4%	1%
\$500 to \$749	35	21.5%	13	7.5%	48	14.3%	724	10.3%	2%
\$750 to \$999	30	18.4%	4	2.3%	34	10.1%	943	13.4%	8%
\$1,000 or more	12	7.4%	21	12.1%	33	9.8%	634	9.0%	12%
No Cash Rent	0	0.0%	20	11.6%	20	6.0%	151	2.2%	12%
3 or More Bedroom	36	22.1%	94	54.3%	130	38.7%	2265	32.3%	24%
Less than \$200	0	0.0%	0	0.0%	0	0.0%	41	0.6%	21%
\$200 to \$299	0	0.0%	0	0.0%	0	0.0%	63	0.9%	0%
\$300 to \$499	0	0.0%	0	0.0%	0	0.0%	186	2.7%	0%
\$500 to \$749	0	0.0%	0	0.0%	0	0.0%	229	3.3%	1%
\$750 to \$999	0	0.0%	15	8.7%	15	4.5%	1511	21.5%	3%
\$1,000 or more	36	22.1%	61	35.3%	97	28.9%	235	3.3%	4%
No Cash Rent	0	0.0%	18	10.4%	18	5.4%	0	0.0%	12%

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



- Approximately 44.6% of the renter-occupied housing units in Market Area have two bedrooms compared to 38% in Minnesota. One-bedroom units comprise 16.7% of Market Area's renter-occupied housing supply and units while there are zero no bedroom units in the Market Areas. By comparison, roughly 34% of Minnesota's renter-occupied housing units are one-bedroom and 4% have no bedrooms.
- Nearly 19% of the two-bedroom units in Market Area have gross monthly rents ranging from \$750 to \$999, and 21.5% have a rental rate range of \$500 to \$749. Units with rents of \$1,000 or more represent roughly 7.4% of the two-bedroom units in Market Area.
- All of the units with three or more bedrooms in Market Area rent for \$1,000 or more per month.
- The majority of the one bedroom units in Market Area have gross monthly rents between \$500 and \$749.

General-Occupancy Rental Projects

Our research of Montrose's general occupancy rental market included a survey of three market rate apartment properties (8 units and larger) and three affordable/subsidized communities in 3rd Quarter 2014. These projects represent a combined total of 20 units. Although we were able to obtain basic information on the majority of rental properties, there were some projects we were unable to reach. In these circumstances, we identified the properties as unavailable and those properties will not be included in our average rent or vacancy rate calculations.

At the time of our survey, we identified no vacant general occupancy units. One property, Keystone 1, had one unit available but had just filled it. The industry standard of 5% vacancy for a stabilized rental market, which promotes competitive rates, ensures adequate choice, and allows for unit turnover. Despite multiple attempts to contact local property managers over several weeks, low participation from competitive properties makes local vacancy rates difficult to ascertain. However, given the small number of units in question, we feel confident that the vacancy rate is below 5%.

Table R-2 summarizes information on rental projects.

Market Rate

- Overall, Montrose's rental housing stock is newer as the median year built is 2003.
- Because of the lack of rental options in the Market Area, units outside the PMA were evaluated to establish baselines for unit types not present in the market area.
- No vacancies were found in the sample properties outside the PMA, resulting in a vacancy rate of 0.0% as of 3rd Quarter 2014.
- Over half of the market rate units surveyed in Montrose are four-bedroom units. The breakout by unit type is summarized below.
 - Efficiency units: 0.0%
 - One-bedroom units: 0.0%
 - One-bedroom/Den units: 0.0%
 - Two-bedroom units: 40.0%
 - Three-bedroom units: 0.0%
 - Four-Bedroom units 60.0%

RENTAL MARKET ANALYSIS

- The following is the monthly rent ranges and average rent for each unit type:
 - Efficiency units: Not Available
 - One-bedroom units: \$440 to \$543
 - One-bedroom/Den units: Not Available
 - Two-bedroom units: \$510 to \$566
 - Three-bedroom units: \$540 to \$605
 - Four-bedroom units: \$1,050

TABLE R-2 GENERAL OCCUPANCY RENTAL PROJECTS MONTROSE MARKET AREA OCTOBER 2014						
Project Name/Location	Year Built	Units/ Vacant	Unit Mix	Unit Size	Monthly Rent	Amenities/Comments
MONTROSE						
Villager Apartments 260 Buffalo Avenue North Montrose, MN	Contact for additional information was attempted, but calls were not returned.					
Meadow Brook Cottages 30 Meadow Brook Way Montrose, MN	2006	8	8 - 2BR	1,008	Contact for additional information was attempted, but calls were not returned.	
Keystone 1 110-132 2nd Street South Montrose, MN	2000	12 0	12 - 4BR	1,400	\$1,050	Utilities paid by tenant.
NEAR MARKET AREA						
Neff Apartments 150 5th Street South Winsted, MN	1984	8	5 - 1BR 3 - 2BR	- -	\$440 \$525	
Winsted Park Apartments 241-251 Baker Avenue East Winsted, MN		24	1BR 2BR 3BR	- - -	\$475 - \$543 \$510 - \$566 \$540 - \$605	Rent includes heat, water, sewer and garbage
Honeytree III 307 Honeytree Drive Delano, MN		25 2	13 - 1BR 12 - 2BR	550 650	\$585 \$585	Rural Development
Lakeside Apartments 404 Catlin Street Buffalo, MN		61 3	38 - 1BR 15 - 2BR 8 - 3BR	600 778 1,026	\$610 \$640 \$690	26 units are subsidized.

Montrose General Occupancy and Senior Housing Developments



Affordable/Subsidized

Table R-3 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 Wright 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 (MHFA) 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.

- Maxfield Research did not find any general occupancy affordable/subsidized projects in the PMA. Typically, subsidized and affordable rental properties should be able to maintain vacancy rates of 3% or less in most housing markets. The low vacancy rates in the market indicate pent-up demand for affordable and subsidized units and also are an indication of the current economic climate in the area.

TABLE R-3 MHFA/HUD INCOME AND RENT LIMITS WRIGHT COUNTY- 2014								
	Income Limits by Household Size							
	1 pph	2 phh	3 phh	4 phh	5 phh	6 phh	7 phh	8 phh
30% of median	\$12,750	\$14,580	\$16,380	\$18,210	\$19,680	\$21,120	\$22,590	\$24,030
50% of median	\$21,250	\$24,300	\$27,300	\$30,350	\$32,800	\$35,200	\$37,650	\$40,050
60% of median	\$25,500	\$29,160	\$32,760	\$36,420	\$39,360	\$42,240	\$45,180	\$48,060
80% of median	\$34,000	\$38,880	\$43,680	\$48,560	\$52,480	\$56,320	\$60,240	\$64,080
100% of median	\$42,500	\$48,600	\$54,600	\$60,700	\$65,600	\$70,400	\$75,300	\$80,100
120% of median	\$51,000	\$58,320	\$65,520	\$72,840	\$78,720	\$84,480	\$90,360	\$96,120
	Maximum Gross Rent							
	EFF	1BR	2BR	3BR	4BR			
30% of median	\$435	\$498	\$560	\$621	\$672			
50% of median	\$726	\$830	\$933	\$1,036	\$1,120			
60% of median	\$871	\$996	\$1,120	\$1,243	\$1,344			
80% of median	\$1,162	\$1,328	\$1,494	\$1,658	\$1,792			
100% of median	\$1,452	\$1,660	\$1,867	\$2,072	\$2,240			
120% of median	\$1,743	\$1,992	\$2,241	\$2,487	\$2,688			
	Fair Market Rent							
	EFF	1BR	2BR	3BR	4BR			
Fair Market Rent	\$608	\$756	\$946	\$1,332	\$1,573			
Sources: MHFA, HUD, Maxfield Research Inc.								

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 Inc. classifies senior housing projects into five categories based on the level of support services offered:

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

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

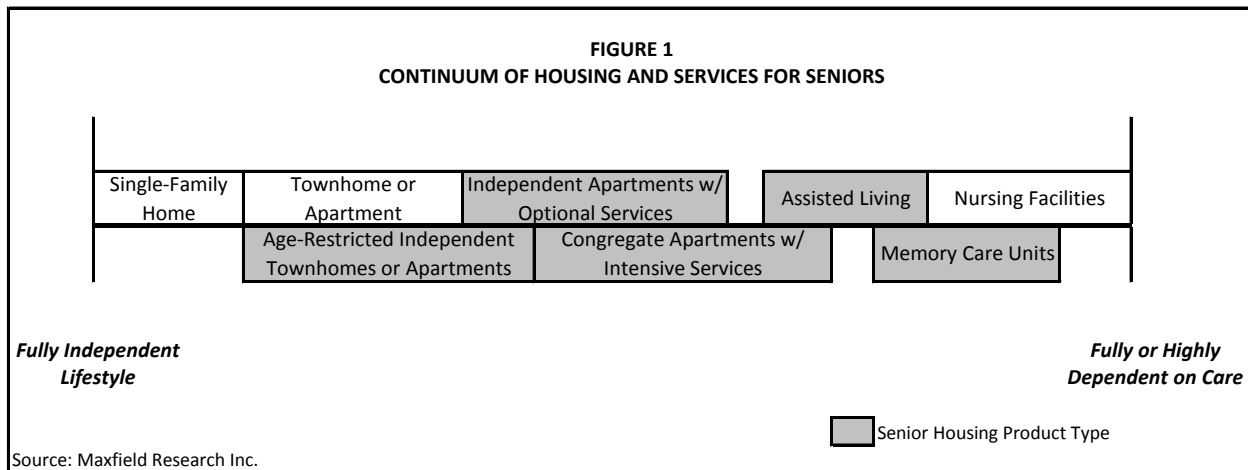
Congregate/Service-Intensive; where support services such as meals and light housekeeping are included in the monthly rents;

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

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

These five senior housing products tend to share several characteristics. First, they usually offer 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 Montrose and the Market Area

As of 3rd Quarter 2014, Maxfield Research identified two senior housing developments in Montrose, proper. Combined, these projects contain a total of 30 units. Both of the projects are subsidized. Table S-1 provides information on these projects. Information in the table includes year built, number of units, unit mix, number of vacant units, rents, and general comments about each project. While Maxfield Research was able to collect basic information on these properties, property managers did not return requests for additional information.

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

Affordable/Subsidized Senior Housing Projects

- Subsidized senior housing offers affordable rents to qualified lower income seniors and handicapped/disabled persons. Typically, rents are tied to residents' incomes and based on 30 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 Wright County's area median income.
- There are a total of 30 units in two affordable/subsidized senior projects as of 3rd Quarter 2014. Although we were unable to confirm the vacancy rate from the owner; it is very likely this property is fully leased.
- Most of the units are one bedrooms. Typically units sizes at subsidize senior projects are smaller than many of the market rate senior rental projects.

SENIOR HOUSING ANALYSIS

- Typically subsidized senior housing offers limited to no amenities. Also, given the age of tenants, turnover is typically very low, and most seniors prefer to “age in place” rather than move.

TABLE S-1 SENIOR RENTAL PROJECTS MONTROSE MARKET AREA OCTOBER 2014					
Project Name/Location	Year Built	Units/ Vacant	Unit Mix	Monthly Rent	Amenities/Comments
Rosehaven I 330 Garfield Ave SW Montrose		18 N/A	18 - 1BR	Subsidized unit rents are based on Income.	Elderly. 12 units are subsidized Rural Development.
Rosehaven II 320 Garfield Ave SW Montrose		12 N/A	11 - 1BR 1 - 2BR	Subsidized unit rents are based on Income.	Elderly. 8 units are subsidized Rural Development.

Active Adult/Few Services Projects

There are no Active Adult/Few Services projects in the PMA.

Assisted Living

There are no Assisted Living facilities in the PMA.

Memory Care

There are no Memory Care Facilities in the PMA.

TABLE S-2 MARKET RATE SENIOR HOUSING DEVELOPMENTS NEAR MARKET AREA OCTOBER 2014				
Project	Address	City	Year Built	Total Units
Congregate				
Elim Meadows	415 Jefferson Ave SW	Watertown	1989	11
Total Units				11
Assisted Living				
Westwood Place	209 Jefferson Ave SW	Watertown	1989	55
The Garden House at St. Mary's	300 Fairlawn Ave W	Winsted	2011	8
Total Units				63
Memory Care				
The Garden House at St. Mary's	300 Fairlawn Ave W	Winsted	2011	8
Total Units				8

Introduction

Maxfield Research Inc. analyzed the for-sale housing market in Montrose by analyzing data on single-family and multifamily home sales and active listings, pending for-sale developments; and conducting interviews with planning officials.

Overview of For-Sale Housing Market Conditions

Table FS-1 presents home resale data on single-family and multifamily housing in Montrose from 2000 through 2013. The data was obtained from the Regional Multiple Listing Services of Minnesota and shows annual number of sales, median and average pricing, average days of market, cumulative days on market, and percentage of sales that are lender-mediated (i.e. short-sale or foreclosure). It should be noted that lender-mediated sales were not categorized until July 2008 and the cumulative days on market were not calculated until 2006.

Table FS-2 breaks down resale activity from Table FS-1 into single-family and multifamily resales. The following are key points observed from our analysis of this data.

- Like across Minnesota and the nation, pricing peaked in 2005 at the height of the real estate boom. The median and average sales price peaked at \$203,900 and \$225,623 respectively.
- Between 2000 and 2005, the median sales price increased annually from \$124,900 to \$203,900, a gain of +63.2%. However, from 2005 to 2010 the median sales price declined to \$131,371 (-35.6%).
- The median sales price bottomed out in 2011 at \$114,950 and has increased annually since. Over the past three years, the median sales price increased to \$149,000 in 2013 (+16.7%), and through the first half of 2014.
- The number of lender-mediated properties accounted for over one-half of transactions between 2009 and 2010, falling to 40.3% of all sales in 2011. Over the past two years the percentage of lender-mediated transactions has fallen dramatically to 28.3% in 2012 to 17.3% in 2013.
- Single-family housing types accounted for about 86% of all resales since 2000 in Montrose. Multifamily resales were highest in 2008 and 2009 when 17 units were sold each year, respectively. There were sporadic multifamily sales in the Remainder of the Market Area, with seven total sales from 2000 to 2013.

TABLE FS-1
HOME RESALES (SINGLE-FAMILY & MULTIFAMILY)
CITY OF MONTROSE
2000 to 2014*

Year	No. Sold	Avg. Sales Price	Avg. % Change	Med. Sales Price	Median % Change
2000	19	\$179,381	-	\$124,900	-
2001	42	\$170,984	-4.7%	\$156,500	25.3%
2002	50	\$165,477	-3.2%	\$163,031	4.2%
2003	66	\$171,667	3.7%	\$161,800	-0.8%
2004	106	\$204,776	19.3%	\$188,629	16.6%
2005	85	\$225,623	10.2%	\$203,900	8.1%
2006	85	\$203,239	-9.9%	\$193,000	-5.3%
2007	59	\$209,667	3.2%	\$184,000	-4.7%
2008	66	\$144,065	-31.3%	\$139,900	-24.0%
2009	104	\$131,462	-8.7%	\$133,943	-4.3%
2010	87	\$131,672	0.2%	\$131,371	-1.9%
2011	76	\$116,999	-11.1%	\$114,950	-12.5%
2012	79	\$137,415	17.4%	\$130,357	13.4%
2013	102	\$146,371	6.5%	\$149,000	14.3%
2014*	46	\$160,693	9.8%	\$164,550	10.4%
Total 00'-13'	1,026	-18.4%		19.3%	
Summary 08' to 13'					
Change		1.6%		6.5%	
Average	86	\$134,664		\$133,254	

*2014 Sales are through September, 2014.

Sources: RMLS, Maxfield Research Inc.

- Although multifamily housing units accounted for only 13.2% of all resales in Montrose since 2000; multifamily housing units have sold for higher values than single-family. Over this time frame the median sales price for a single-family unit has been about \$159,377 compared to \$111,713 for multifamily housing.
- Approximately two-thirds of all single-family resales in the Market Area occurred in Montrose. Like the City of Montrose, the Remainder of the Market Area experienced steep pricing declines since 2006. Pricing plateaued at \$190,000 in 2005 before declining to \$111,450 in 2011. However, the Remainder of the Market Area experienced strong appreciation between 2012 and 2013 (+27%).

FOR-SALE HOUSING ANALYSIS

TABLE FS-2
SINGLE-FAMILY AND MULTIFAMILY RESIDENTIAL REALES
CITY OF MONTROSE & MARKET AREA
2000 through 2014*

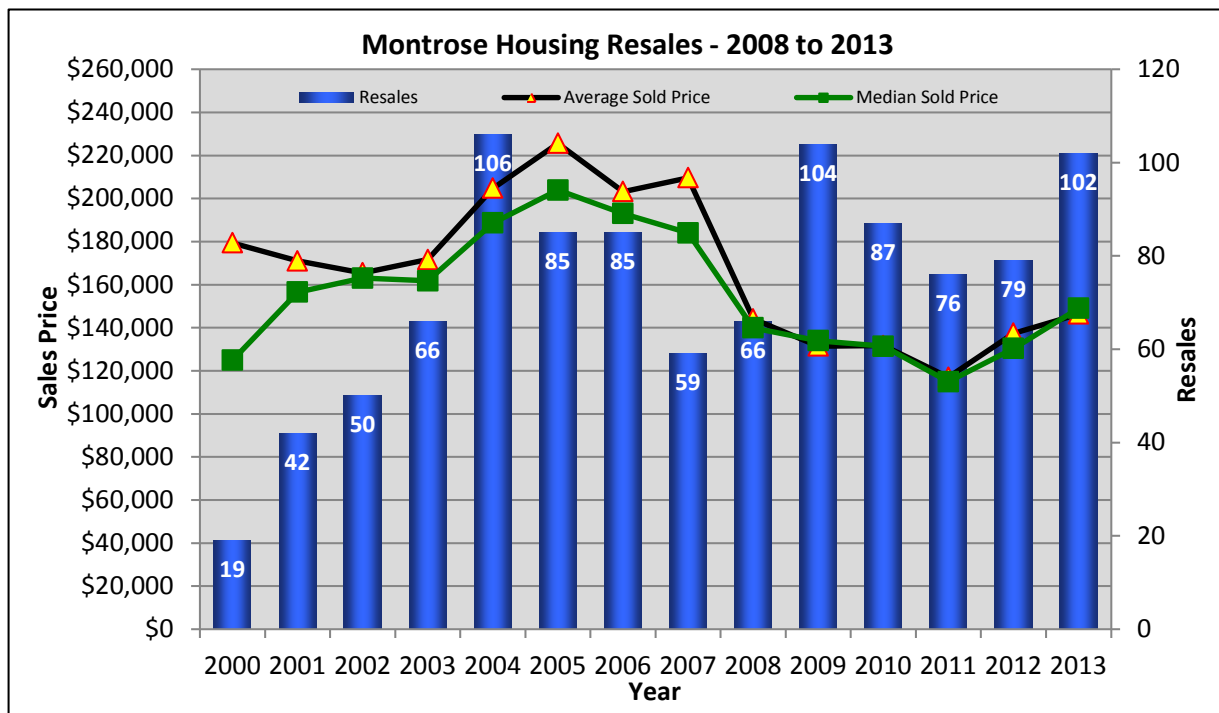
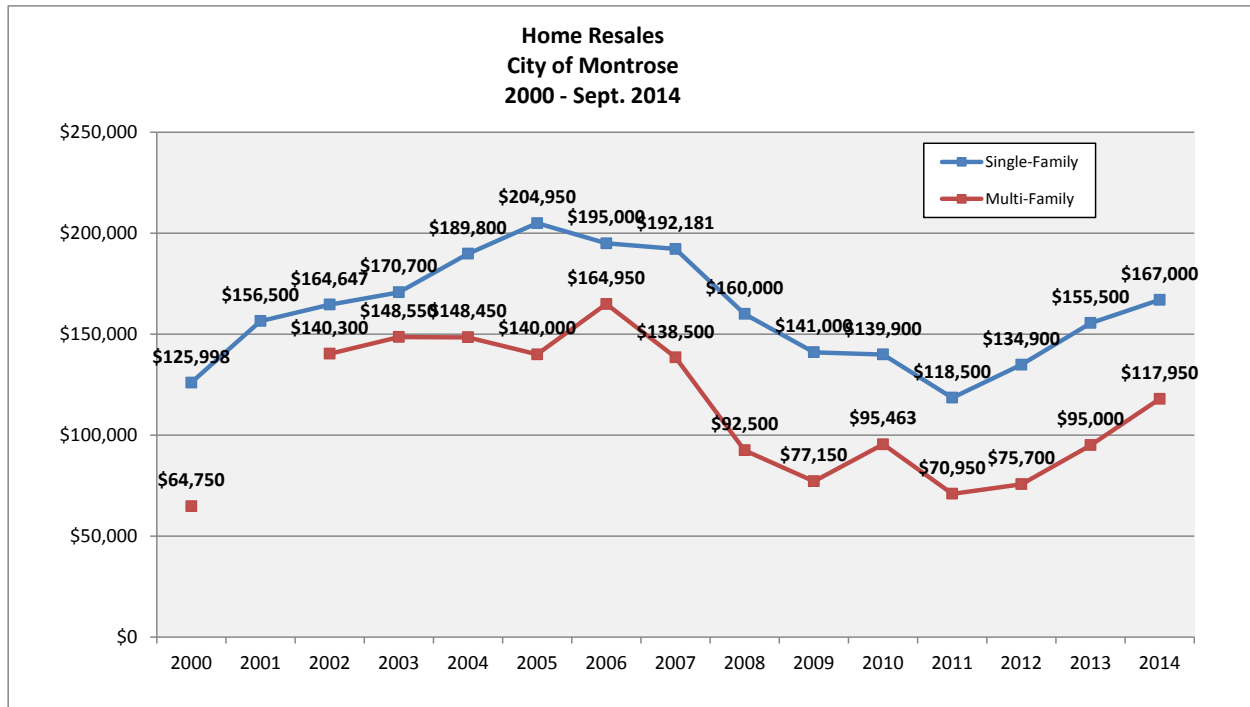
Year	Number of Sales	Average Sales Price	% Chg.	Median Sales Price	% Chg.	Year	Number of Sales	Average Sales Price	% Chg.	Median Sales Price	% Chg.	Year	Number of Sales	Average Sales Price	% Chg.	Median Sales Price	% Chg.
Montrose						Remainder of Market Area						Market Area Total					
Single-Family						Single-Family						Single-Family					
2000	17	\$192,867	--	\$127,095	--	2000	30	\$149,045	--	\$135,000	--	2000	47	\$163,248	--	\$134,500	--
2001	42	\$170,984	-11.3%	\$156,500	23.1%	2001	23	\$177,021	18.8%	\$168,900	25.1%	2001	65	\$173,120	6.0%	\$158,900	18.1%
2002	41	\$173,823	1.7%	\$164,647	5.2%	2002	32	\$209,027	18.1%	\$190,900	13.0%	2002	73	\$186,475	7.7%	\$171,028	7.6%
2003	50	\$183,859	5.8%	\$170,700	3.7%	2003	52	\$183,654	-12.1%	\$174,950	-8.4%	2003	102	\$183,773	-1.4%	\$172,838	1.1%
2004	97	\$199,370	8.4%	\$189,800	11.2%	2004	63	\$198,548	8.1%	\$176,578	0.9%	2004	160	\$199,076	8.3%	\$188,000	8.8%
2005	82	\$228,457	14.6%	\$204,950	8.0%	2005	45	\$233,639	17.7%	\$196,650	11.4%	2005	127	\$230,156	15.6%	\$199,975	6.4%
2006	75	\$208,557	-8.7%	\$195,000	-4.9%	2006	56	\$208,906	-10.6%	\$190,000	-3.4%	2006	131	\$208,684	-9.3%	\$194,000	-3.0%
2007	53	\$219,248	5.1%	\$192,181	-1.4%	2007	31	\$214,549	2.7%	\$184,900	-2.7%	2007	84	\$217,742	4.3%	\$187,250	-3.5%
2008	49	\$161,494	-26.3%	\$160,000	-16.7%	2008	48	\$181,833	-15.2%	\$157,000	-15.1%	2008	97	\$169,375	-22.2%	\$159,950	-14.6%
2009	87	\$141,360	-12.5%	\$141,000	-11.9%	2009	83	\$139,369	-23.4%	\$129,950	-17.2%	2009	170	\$140,501	-17.0%	\$135,000	-15.6%
2010	73	\$138,549	-2.0%	\$139,900	-0.8%	2010	54	\$160,066	14.9%	\$126,750	-2.5%	2010	127	\$146,165	4.0%	\$139,000	3.0%
2011	64	\$125,317	-9.5%	\$118,500	-15.3%	2011	60	\$152,779	-4.6%	\$111,450	-12.1%	2011	124	\$137,086	-6.2%	\$117,800	-15.3%
2012	71	\$145,044	15.7%	\$134,900	13.8%	2012	49	\$159,773	4.6%	\$127,000	14.0%	2012	120	\$150,436	9.7%	\$131,750	11.8%
2013	89	\$155,980	7.5%	\$155,500	15.3%	2013	67	\$180,968	13.3%	\$152,750	20.3%	2013	156	\$165,195	9.8%	\$154,600	17.3%
2014	40	\$168,779	8.2%	\$167,000	7.4%	2014	30	\$164,270	-9.2%	\$148,500	-2.8%	2014	70	\$167,088	1.1%	\$164,950	6.7%
Pct. Change						Pct. Change						Pct. Change					
08' - 13'						08' - 13'						08' - 13'					
81.6%						39.6%						60.8%					
-3.4%						-0.5%						-2.5%					
-2.8%						-2.7%						-3.3%					
Multifamily**						Multifamily**						Multifamily**					
2000	2	\$64,750	--	\$64,750	--	2000	--	--	--	--	--	2000	2	\$64,750	--	\$64,750	--
2001	--	--	--	--	116.7%	2001	--	--	--	--	--	2001	--	--	--	--	--
2002	9	\$127,453	--	\$140,300	5.9%	2002	--	--	--	--	--	2002	9	\$127,453	--	\$140,300	--
2003	16	\$133,565	4.8%	\$148,550	-0.1%	2003	--	--	--	--	--	2003	16	\$133,565	4.8%	\$148,550	5.9%
2004	9	\$263,042	96.9%	\$148,450	-5.7%	2004	--	--	--	--	--	2004	9	\$263,042	96.9%	\$148,450	-0.1%
2005	3	\$148,167	-43.7%	\$140,000	17.8%	2005	2	\$152,850	--	152850	--	2005	5	\$150,040	-43.0%	\$151,700	2.2%
2006	10	\$163,361	10.3%	\$164,950	-16.0%	2006	3	\$160,600	5.1%	164900	7.9%	2006	13	\$162,724	8.5%	\$164,900	8.7%
2007	6	\$125,029	-23.5%	\$138,500	-33.2%	2007	--	--	--	--	--	2007	6	\$125,029	-23.2%	\$138,500	-16.0%
2008	17	\$93,831	-25.0%	\$92,500	-16.6%	2008	--	--	--	--	--	2008	17	\$93,831	-25.0%	\$92,500	-33.2%
2009	17	\$80,812	-13.9%	\$77,150	23.7%	2009	--	--	--	--	--	2009	17	\$80,812	-13.9%	\$77,150	-16.6%
2010	14	\$95,817	18.6%	\$95,463	-25.7%	2010	--	--	--	--	--	2010	14	\$95,817	18.6%	\$95,463	23.7%
2011	12	\$72,638	-24.2%	\$70,950	6.7%	2011	--	--	--	--	--	2011	12	\$72,638	-24.2%	\$70,950	-25.7%
2012	8	\$69,705	-4.0%	\$75,700	25.5%	2012	--	--	--	--	--	2012	8	\$69,705	-4.0%	\$75,700	6.7%
2013	13	\$80,586	15.6%	\$95,000	24.2%	2013	2	\$96,000	--	96000	--	2013	15	\$82,641	18.6%	\$95,000	25.5%
2014	6	\$106,783	32.5%	\$117,950	24.2%	2014	--	--	--	--	--	2014	6	\$106,783	29.2%	\$117,950	24.2%
Pct. Change						Pct. Change						Pct. Change					
08' - 13'						08' - 13'						08' - 13'					
-23.5%						--						-11.8%					
-0.3%						--						-11.9%					
23.1%						--						2.7%					

*Sales as of September, 2014.

** Multifamily includes twinhomes, townhomes, and condominiums (cooperatives are typically not listed in the MLS)

Source: Minneapolis Area Association of Realtors; Maxfield Research Inc.

FOR-SALE HOUSING ANALYSIS



Current Supply of Homes on the Market

To more closely examine the current market for available owner-occupied housing in Montrose, we reviewed the current supply of homes on the market (listed for sale). Table FS-3 homes shows currently listed for sale in Montrose and the Market Area distributed into 14 price ranges. The data was provided by the Regional Multiple Listing Services of Minnesota and is based on active listings in September 2014. MLS listings generally account for the vast majority of all residential sale listings in a given area. Table FS-4 shows listings by home type.

- As of September 2014, there were 23 homes listed for sale in Montrose and 15 homes in the Remainder of the Market Area. Only four listings are multifamily properties.
- The median list price in Montrose for a single-family home is \$169,000. The median sale price is generally a more accurate indicator of housing values in a community than the average sale price. Average sale prices can be easily skewed by a few very high-priced or low-priced home sales in any given year, whereas the median sale price better represents the pricing of a majority of homes in a given market.
- Based on a median list price of \$169,000, the income required to afford a home at this price would be about \$48,285 to \$56,333, 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 75% of PMA households have annual incomes at or above \$48,285.
- Only one home for sale in Montrose is priced under \$100,000; however most of the listings are priced between \$150,000 and \$174,999. About 38% of Montrose's listings are priced more than \$200,000.
- Single-family homes account for the majority of listings in the Market Area. All of the multifamily listings are likewise located in Montrose.

FOR-SALE MARKET ANALYSIS

**TABLE FS-3
HOMES CURRENTLY LISTED FOR-SALE
CITY OF MONTROSE AND MARKET AREA
SEPTEMBER 2014**

Price Range	City of Montrose				Remainder of Market Area				Market Area Total			
	Single-Family		Multifamily ¹		Single-Family		Multifamily ¹		Single-Family		Multifamily ¹	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
< \$49,999	0	0.0%	0	0.0%	1	6.7%	0	0.0%	1	2.9%	0	0.0%
\$50,000 to \$74,999	1	5.3%	1	25.0%	1	6.7%	0	0.0%	2	5.9%	1	25.0%
\$75,000 to \$99,999	0	0.0%	1	25.0%	2	13.3%	0	0.0%	2	5.9%	1	25.0%
\$100,000 to \$124,999	1	5.3%	2	50.0%	0	0.0%	0	0.0%	1	2.9%	2	50.0%
\$125,000 to \$149,999	0	0.0%	0	0.0%	3	20.0%	0	0.0%	3	8.8%	0	0.0%
\$150,000 to \$174,999	11	57.9%	0	0.0%	2	13.3%	0	0.0%	13	38.2%	0	0.0%
\$175,000 to \$199,999	1	5.3%	0	0.0%	1	6.7%	0	0.0%	2	5.9%	0	0.0%
\$200,000 to \$249,999	2	10.5%	0	0.0%	1	6.7%	0	0.0%	3	8.8%	0	0.0%
\$250,000 to \$299,999	1	5.3%	0	0.0%	2	13.3%	0	0.0%	3	8.8%	0	0.0%
\$300,000 to \$349,999	1	5.3%	0	0.0%	2	13.3%	0	0.0%	3	8.8%	0	0.0%
\$350,000 to \$399,999	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$400,000 to \$449,999	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$450,000 to \$499,999	1	5.3%	0	0.0%	0	0.0%	0	0.0%	1	2.9%	0	0.0%
\$500,000 and Over	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	19	100%	4	100%	15	100%	0	0%	34	100%	4	100%
Minimum	\$69,900		\$99,900		\$29,900		\$0		\$29,900		\$99,900	
Maximum	\$450,000		\$134,900		\$450,000		\$0		\$450,000		\$134,900	
Median	\$169,000		\$119,400		\$169,200		\$0		\$169,900		\$119,400	
Average	\$194,400		\$118,400		\$217,619		\$0		\$205,014		\$118,400	

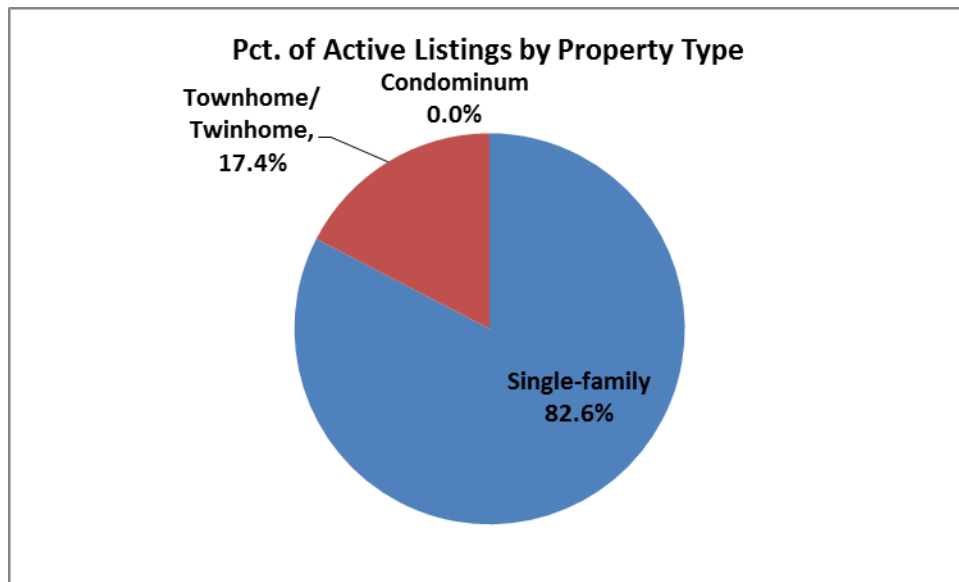
¹ Includes townhomes, twinhomes, and condominiums

Sources: Regional Multiple Listing Service of Minnesota
Maxfield Research Inc.

TABLE FS-4
ACTIVE LISTINGS BY HOUSING TYPE
CITY OF MONTROSSE
October 2014

Property Type	Listings	Pct.
Single-family	19	82.6%
Townhome/Twinhome	4	17.4%
Condominium	0	0.0%
Total	23	100.0%

Sources: Regional Multiple Listing Service of MN; Maxfield Research Inc.



Months of Active Supply

Table FS-6 illustrates the historic supply of actively marketing properties in Montrose and Wright County from 2005 to 2013. The table depicts the number of homes for sale at the end of each 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-6 follow.

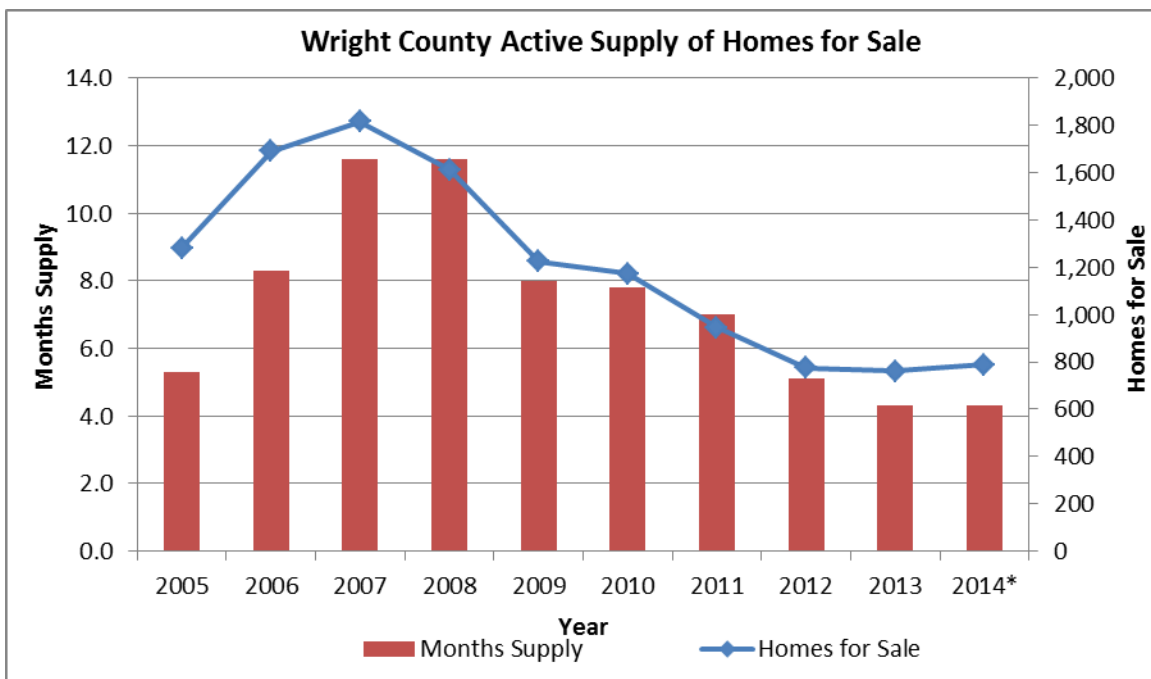
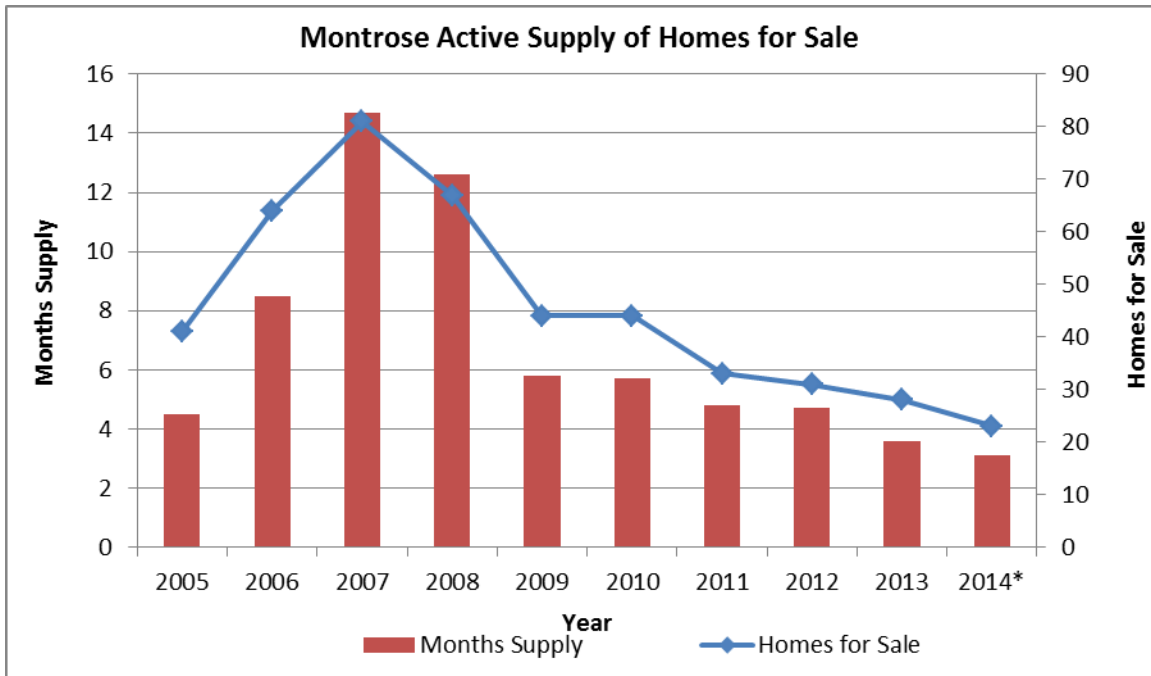
FOR SALE MARKET ANALYSIS

- The number of homes for-sale in Montrose peaked in 2007 at 81 homes. However the supply has decreased annually since 2007 and there are about one quarter of the homes on the market at the end of 2013 then 2007.
- The number of homes for sale has a direct correlation with the months supply. Montrose has been a seller's market every year since 2005 except 2007 and 2008 as the months supply has exceeded nine months between 2007 and 2008.
- As Tables FS-1 indicated, home values bottomed out in 2011 and are slowly rising. Because of rising prices, some sellers who would have previously been underwater may consider listing their home thereby increasing the supply of homes for sale.
- Since 2005, Montrose has accounted for about 3.8% of all homes for sale in Wright County.

TABLE FS-5
ACTIVE SUPPLY OF HOMES FOR SALE
MONTROSE , WRIGHT COUNTY, & METRO AREA
2005 to 2014 (August)

Year	Months Supply			Homes for Sale		
	Montrose	Wright County	Twin Cities Region	Montrose	Wright County	Twin Cities Region
2005	4.5	5.3	4.2	41	1,282	22,706
2006	8.5	8.3	6.6	64	1,691	29,366
2007	14.7	11.6	8.8	81	1,817	32,373
2008	12.6	11.6	9.7	67	1,613	31,557
2009	5.8	8.0	7.3	44	1,224	26,156
2010	5.7	7.8	7.4	44	1,172	26,498
2011	4.8	7.0	7.1	33	946	22,712
2012	4.7	5.1	4.5	31	775	17,217
2013	3.6	4.3	3.5	28	762	15,052
2014*	3.1	4.3	3.6	23	789	15,648

Source: 10K Research & Marketing, Maxfield Research Inc.



Owner-Occupied Turnover

Table FS-7 illustrates existing home turnover as a percentage of owner occupied units in Montrose and the Market Area. Resales are based on historic transaction volume between 2000 and 2013 as listed on the Multiple Listing Service. Owner-occupied housing units are sourced to the U.S. Census as of 2010.

As displayed in the table, approximately 4.6% of the Montrose Market Area's owner-occupied housing stock is sold annually. Montrose had a turnover rate of 8.1% while the Remainder of the Market Area had a low turnover of only 2.5%. The low turnover outside of Montrose is typical in rural setting. Typically we find owner-occupied turnover ranges from 3% at the low-end to 8% at the high-end in many communities throughout Minnesota.

TABLE FS-6 OWNER OCCUPIED HOUSING UNITS MONTROSE MARKET AREA			
Submarket	Owner-Occupied Housing Units ¹	Resales Annual Avg. ²	Turnover Pct.
Montrose	1,043	84	8.1%
Remainder of Market Area	1,683	42	2.5%
PMA	2,726	126	4.6%
¹ Owner-Occupied housing units in 2010			
² Average MLS resales between 2000 and 2013			
Sources: U.S. Census Bureau, Minneapolis Association of Realtors, Maxfield Research, Inc.			

Pending For-Sale Developments

According to the City of Montrose, there are no pending for-sale housing developments in the planning process at this time.

Peer City For-Sale Comparisons

Maxfield Research also reviewed For-Sale markets for peer cities nearby Montrose, to provide some context to better understand how Montrose compares to neighboring cities. Statistics are for 2013 year end, and are provided by 10k Research & Marketing.

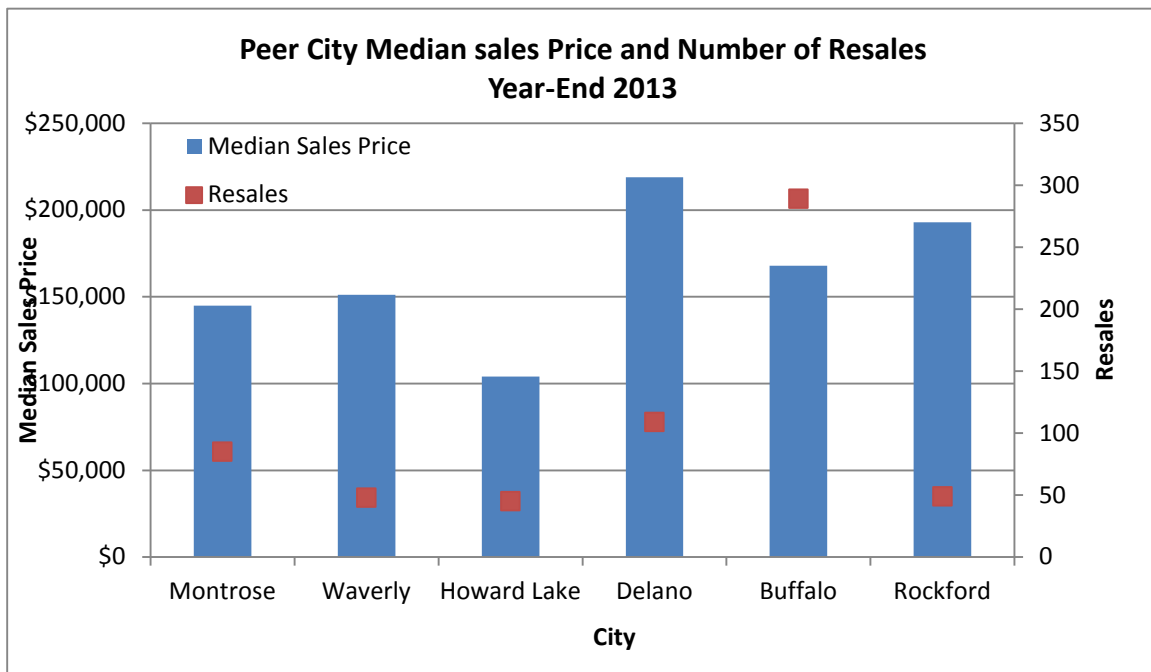
Overall, Buffalo and Delano have the most active housing markets, which is expected given their relative size to Montrose. Buffalo had 289 home sales in 2013, and Delano had 109 resales, selling for \$89 per square foot and \$102 per square foot, respectively.

FOR SALE MARKET ANALYSIS

Montrose has a 4.1 months supply, which is considered to be in the healthy range between three and six months. Howard Lake has the highest inventory, with a 6.1 months supply.

TABLE FS-7 PEER CITY COMPARISONS YEAR-END 2013					
Geography	Resales	Median Sales Price	PSF	Days on Market (DOM)	Months Supply
Montrose	85	\$145,000	\$83	58	4.1
Waverly	48	\$151,250	\$87	112	3.9
Howard Lake	45	\$104,000	\$69	78	6.1
Delano	109	\$219,000	\$102	48	5.2
Buffalo	289	\$168,000	\$89	42	3.6
Rockford	49	\$193,000	\$92	38	3.1
Wright County	1,930	\$169,900	\$90	50	4.3

Sources: 10k Research & Marketing, Maxfield Research Inc.



Introduction

Previous sections of this study analyzed the existing housing supply and the growth and demographic characteristics of the population and household base in Montrose and the Montrose Market Area. This section of the report presents our estimates of housing demand in Montrose and the Market Area from 2014 through 2020.

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.

Smaller, outstate communities and rural areas tend to have higher proportions of younger households that own their housing than in the larger growth centers or metropolitan areas. In addition, senior households tend to move to alternative housing at an older age. These conditions are a result of housing market dynamics, which typically provide more affordable single-family housing for young households and a scarcity of senior housing alternatives for older households. Therefore, the age categories for housing life cycles will be somewhat different in Montrose 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 Montrose Market Area. In this section, we utilize findings from the economic and demographic analysis to calculate demand for new general occupancy housing units in Montrose.

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/ Downsizer	Senior Housing
18-24	18 - 24						
25-29		18-34					
30-34			25-39				
35-39				30-49			
40-44							
45-49							
50-54					40-64		
55-59							
60-64						55-74	
65-69		65-79					
70-74							55+ & 65+
75-79							
80-84							
85+							

Source: Maxfield Research Inc.

HOUSING DEMAND ANALYSIS

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

Source: Maxfield Research Inc.

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 & 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.

Estimated Demand for For-Sale Housing

Table HD-1 presents our demand calculations for general occupancy for-sale housing in the Montrose Market Area between 2014 and 2020. Maxfield Research did not identify platted lots as that was outside the scope of the study.

Between 2014 and 2020, the Montrose Market Area is projected to add 196 new households under age 65. Because the 65 and older cohort is typically not a target market for new general occupancy for-sale housing, we limit demand from household growth to only those households under the age of 65. Based on our analysis of household growth forecast in specific age cohorts, we estimate that only 87% (195 households) will be added from non-senior households.

Demand for housing is apportioned between ownership and rental housing products. According to historic U.S. Census data, approximately 87% of households under age 65 owned their housing in 2010 in the Montrose Market Area. Applying this percentage to the total demand for general occupancy units yields demand for 171 for-sale units between 2014 and 2020.

Demand is also forecast to emerge from existing Market Area householders through turnover. An estimated 1,869 owner-occupied households are located in the Montrose Market Area in 2014. Based on mobility data from the Census Bureau, an estimated 32% of owner households will turnover in a six-year period, resulting in 598 existing households projected to turnover. Finally, we estimate 7% of the existing owner households will seek new for-sale housing, resulting in demand for nearly 213 for-sale units through 2020.

Next, we estimate that 30% of the total demand for new for-sale units in the Montrose 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 Montrose Market Area to the existing demand potential, results in a total estimated demand for 304 for-sale housing units by 2020.

Based on land available, building trends, and demographic shifts (increasing older adult population), we project 78% of the for-sale owners will prefer traditional single-family product types while the remaining 22% will prefer a maintenance-free multi-family product (i.e. twin homes, townhomes, or condominiums).

We then subtract the current identified platted lots that are under construction or approved. After subtracting the current lot supply in subdivisions we find total demand through 2020 resulting in 237 single-family lots and 67 multifamily lots. Note that single family demand is beyond the scope of this study, and we believe current lots supply is sufficient to satisfy demand.

Finally, we estimate that 60% of the excess single family demand and 70% of the excess multifamily demand from the Montrose Market Area demand could be captured in Montrose.

HOUSING DEMAND ANALYSIS

Therefore, total for-sale demand in Montrose through 2020 is about 142 single-family units and 47 multifamily units.

TABLE HD-1 FOR-SALE HOUSING DEMAND MONTROSE MARKET AREA 2014 to 2020			
Demand from Projected Household Growth			
Projected HH growth under age 65 in the Montrose Market Area 2014 to 2020 ¹			196
(times) % propensity to own ²	x		87%
(equals) Projected demand from new HH growth	=		171
Demand from Existing Owner Households			
Number of owner households (age 64 and younger) in Montrose Market Area (2014) ³			1,869
(times) Estimated percent of owner turnover ⁴	x		32%
(equals) Total existing households projected to turnover	=		598
(times) Estimated percent desiring new housing	x		7%
(equals) Demand from existing households	=		42
(equals) Total demand from HH growth and existing HHs 2014 to 2020	=		213
(times) Demand from outside Montrose Market Area			30%
(equals) Total demand potential for ownership housing, 2014 to 2020			304
		Single Family	Multi-family*
(times) Percent desiring for-sale single-family vs. multifamily ⁵	x	78%	22%
(equals) Total demand potential for new single-family & multifamily for-sale housing	=	237	67
(minus) Units under construction or approved platted lots (undeveloped and developed lots) ⁶	-	0	0
(equals) Excess demand for new general occupancy for-sale housing	=	237	67
(times) Percent of Market Area demand capturable by Montrose	x	60%	70%
(equals) number of units supportable by the City of Montrose		142	47
¹ Estimated household growth based on data from Table D-3 as adjusted by Maxfield Research Inc. ² Pct. of owner households under the age of 65 (U.S. Census - 2010, ESRI, Maxfield Research Inc.). ³ Estimate based on 2010 owner households and new owner household growth 2010 to 2014 (under age 65) ⁴ Based on on turnover from 2010 American Community Survey for households moving over 7-year period. ⁵ Based on preference for housing type and land availability ⁶ Single Family Demand is beyond the scope of this study. However, we believe current lot supply is sufficient to satisfy demand. * Multi-family demand includes demand for townhomes, twinhomes, and condominium units.			
Source: Maxfield Research Inc.			

Estimated Demand for General-Occupancy Rental Housing

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

First, we calculate potential demand from new household growth by age group based on the propensity of households to rent their housing. For purposes of our analysis, we focus on households between the ages of 18 and 64 that will account for the vast majority of general-occupancy rental demand. Based on our analysis of household growth forecast in specific age cohorts, household growth will be highest in the ages 35 to 44 age cohort (+189 households). Next, we calculate the percentage of household growth that will likely rent their housing. In the 35 to 44 age cohort, about 13% rent their housing.

The second part of our analysis calculates demand from existing households, or turnover demand. Younger households tend to be highly mobile, relative to older households. Mobility rates were calculated for the renter population based on Census data and were applied to the existing renter household base. Finally, we estimate the percentage of the existing renter households will seek new rental housing by age cohort resulting in demand for just over 51 units through 2020.

We estimate that 25% of the total demand for new rental housing units in the Montrose Market Area will come from people currently living outside of the Market Area. As a result, we find demand for 68 renter households based on household growth and existing households alone between 2014 and 2020.

Based on a review of rental household incomes and sizes and monthly rents at existing projects, we estimate that approximately 12% of the total demand will be for subsidized housing (30% AMI), 28% will be for affordable housing (40% to 60% AMI), and 60% will be for market rate housing (non-income restricted).

Next we subtract housing projects that are under construction or pending at this time, since these projects will satisfy some of the calculated demand for general occupancy rental housing. However, since there are no rental housing projects moving forward at this time there is no supply subtracted from the demand. Therefore, there is demand in the Montrose Market Area for 8 subsidized units, 19 affordable units, and 41 market rate units through 2020.

Finally, we estimate that a site in Montrose can capture from 80% of the total Market Area demand, resulting in demand for 7 subsidized units, 15 affordable units, and 41 market rate units in Montrose.

HOUSING DEMAND ANALYSIS

**TABLE HD-2
RENTAL HOUSING DEMAND
MONTROSE MARKET AREA
2014 to 2020**

Demand from Projected Household Growth			
Projected HH growth under age 65 in the Montrose Market Area 2014 to 2020 ¹			196
(times) Estimated % to be renting their housing ²	x		13%
(equals) Projected demand from new HH growth	=		25
Demand from Existing Renter Households			
Number of renter HHs (age 64 and younger) in Montrose Market Area (2014) ³			309
(times) Estimated percent of renter turnover ⁴	x		71%
(equals) Total existing households projected to turnover	=		219
(times) Estimated percent desiring new rental housing	x		12%
(equals) Demand from existing households			26
(equals) Total demand from HH growth and existing HHs 2014 to 2020	=		51
(times) Demand from outside Montrose Market Area			25%
(equals) Total demand potential for rental housing, 2014 to 2020			68
		Subsidized	Affordable
(times) Percent of rental demand by product type ⁵	x	12%	28%
(equals) Total demand potential for general-occupancy rental housing units	=	8	19
(minus) Units under construction or pending ⁶	-	0	0
(equals) Excess demand for new general occupancy rental housing	=	8	19
(times) Percent of Market Area demand capturable by Montrose	x	80%	80%
(equals) number of units supportable by the City of Montrose		7	15
		33	

¹ Estimated household growth based on data from Table D-3 as adjusted by Maxfield Research Inc.

² Pct. of renter households under the age of 65 (U.S. Census - 2010, ESRI, Maxfield Research Inc.).

³ Estimate based on 2010 renter households and new renter household growth 2010 to 2014 (under age 65)

⁴ Based on on turnover from 2010 American Community Survey for households moving over 7-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 Inc.

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. In Montrose, we found that the overall general-occupancy vacancy rate was 0.0% among the general-occupancy rental supply – indicating some excess demand for general occupancy units.

Estimated Demand for Independent Adult/Few Service Senior Housing

Table HD-3 presents our demand calculations for market rate independent senior housing in Montrose in 2014 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 \$30,000 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 Montrose Market Area in 2014 to be 723 households.

Adjusting to include appropriate long-term capture rates for each age cohort (0.5% of households age 55 to 64, about 7.5% of households age 65 to 74, and 15.0% of households age 75 and over) results in a market rate demand potential for 36 independent senior rental units in 2014.

Some additional demand will come from outside the Montrose Market Area. We estimate that 15% of the long-term demand for independent senior housing will be generated by seniors currently residing outside the Montrose Market Area. This demand will consist primarily of parents of adult children living in the Montrose area, individuals who live just outside of the Montrose Market Area and have an orientation to the area, as well as former residents who desire to return. Together, the demand from Montrose Market Area seniors and demand from seniors who would relocate to Montrose results in a demand for 42 active adult units in 2014.

Independent demand in Montrose is apportioned between ownership and rental housing. Based on the age distribution, homeownership rates and current product available in Montrose, we project that 35% of Montrose's demand will be for adult ownership housing (15 units) and 65% will be for rental housing (27 units).

HOUSING DEMAND ANALYSIS

TABLE HD-3
MARKET RATE ADULT/FEW SERVICES HOUSING DEMAND
PRIMARY MARKET AREA
2014 & 2020

	2014			2020		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of >\$35,000 ¹	359	229	90	418	312	112
# of Households w/ Incomes of \$30,000 to \$34,999 ¹	+ 16	20	16	+ 14	20	20
(times) Homeownership Rate	x 88%	90%	80%	x 88%	90%	80%
(equals) Total Potential Market Base	= 374	247	102	= 430	330	128
(times) Potential Capture Rate	x 0.5%	7.5%	15.0%	x 0.5%	7.5%	15.0%
(equals) Potential Demand	= 2	19	15	= 2	25	19
Potential Demand from PMA Residents	= 36			= 46		
Preference of Ownership or Rental						
		Own	Rent		Own	Rent
	x	35.0%	65.0%	x	35.0%	65.0%
	=	13	23	=	16	30
(plus) Demand from Outside Market Area (15%)	+ 2	4		+ 3	5	
(equals) Total Demand Potential	= 15	27		= 19	35	
(minus) Existing and Pending Active Adult Units ²	- 0	0		- 0	0	
(equals) Total Demand Potential by Type	15	27		19	35	
(times) Percent capturable by Montrose	75%			75%		
(equals) # of units supportable by Montrose	11	21		= 14	26	
¹ 2020 calculations define income-qualified households as all households with incomes greater than \$40,000 and owner households ² Existing and pending are deducted at market equilibrium, or 95% occupancy.						
Source: Maxfield Research Inc.						

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 15 adult owner-occupied units and 27 adult rental units in 2014.

No one community, including Montrose, would be able to capture 100% of the demand. Since Montrose is the primary service center, containing health care and shopping in addition to other services, we believe that it can capture 75% of the demand for ownership projects and rental projects. This results in total demand for 11 adult owner-occupied units and 21 adult rental units in Montrose in 2014.

Adjusting for inflation, we have estimated that households with incomes of \$40,000 or more and homeowners with incomes of \$35,000 to \$39,999 would income qualify for market rate independent senior housing in 2020. Considering the growth in the older adult base and the income distribution of the older adult population in 2020, the methodology projected that

demand will be 19 adult owner-occupied units and 35 adult rental units in the City of Montrose by 2020.

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 Montrose in 2014 and 2020.

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 for the upper end of the range for affordable housing (60% AMI) are \$25,500 for a one-person households and \$29,160 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 12 subsidized units and 27 affordable units.

Next we subtract existing competitive units from the overall demand (minus a vacancy factor of 5% to allow for sufficient consumer choice and turnover). There are 12 existing subsidized independent units in the Market Area.

HOUSING DEMAND ANALYSIS

No single site can capture all of the demand in the Montrose Market Area. We estimate that a Site in Montrose could capture approximately 80% of the Market Area excess demand for a total of 1 subsidized unit and 13 affordable units through 2014.

Adjusting for inflation, we estimate that households with incomes up to \$45,000 would be candidates for financially-assisted independent housing in 2020. 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 Montrose for 7 subsidized units and 29 affordable units through 2020.

TABLE HD-4 SUBSIDIZED/AFFORDABLE INDEPENDENT HOUSING DEMAND MONTROSE MARKET AREA 2014 & 2020						
	2014			2020		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of <\$40,000	329	192	60	405	291	112
Less Households w/ Incomes of \$30,000 to \$39,999 ¹	- 31	39	31	- 27	40	39
(times) Homeownership Rate	x 87%	88%	71%	x 87%	88%	71%
(equals) Total Potential Market Base	= 302	158	38	= 381	256	84
(times) Potential Capture Rate	x 2.0%	10.0%	20.0%	x 2.0%	10.0%	20.0%
(equals) Demand Potential	= 6	16	8	= 8	26	17
(equals) Potential Demand from Montrose Residents	= 29			50		
(plus) Demand from Outside Montrose (25%)	+ 10			+ 17		
(equals) Total Demand Potential	= 39			= 67		
(times) % by Product Type	Subsidized		Affordable	Subsidized		Affordable
	x 30%	x 70%		x 30%	x 70%	
(equals) Demand Potential by Product Type	= 12	= 27		= 20	= 47	
(minus) Existing and Pending Independent Units ²	- 11	- 11		- 11	- 11	
(equals) Excess Demand for Aff/Sub Units	= 1	= 16		= 9	= 36	
(times) Percent that could be captured in Montrose	x 80%			x 80%		
(equals) Excess sub/aff independent demand in Montrose	= 1	13		7	29	
¹ 2020 calculations define income-qualified households as all households with incomes less than \$45,000. Homeowner households with incomes between \$35,000 and ² Existing units are deducted at market equilibrium, or 97% occupancy.						
Source: Maxfield Research Inc.						

Estimated Demand for Congregate Senior Housing

Table HD-5 presents our demand calculations for congregate housing in Montrose in 2014 and 2020.

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 Montrose Market Area seniors. The number of age, income, and asset-qualified households in Montrose is estimated to be 350 households in 2014.

Demand for congregate housing is needs-driven, 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 (2.5% of households age 65 to 74 and 8.0% of households age 75 and older) results in a local demand potential for 14 congregate units in 2014.

We estimate that seniors currently residing outside of the Montrose area will generate 15% of the demand for congregate senior housing. Together, the demand from Montrose Market Area seniors and demand from seniors who are willing to locate to the Montrose Market Area totals 17 congregate units in 2014.

TABLE HD-5 MARKET RATE CONGREGATE RENTAL HOUSING DEMAND PRIMARY MARKET AREA 2014 & 2020				
	2014		2020	
	Age of Householder		Age of Householder	
	65-74	75+	65-74	75+
# of Households w/ Incomes of >\$35,000 ¹	229	90	312	112
# of Households w/ Incomes of \$30,000 to \$34,999 ¹	+ 20	16	+ 20	20
(times) Homeownership Rate	x 90%	80%	x 90%	80%
(equals) Total Potential Market Base	= 247	102	= 330	128
(times) Potential Capture Rate ²	x 2.5%	8.0%	x 2.5%	8.0%
(equals) Potential Demand	= 6	8	= 8	10
Potential Demand from PMA Residents	=	14	=	18
(plus) Demand from Outside Market Area (15%)	+ 3		+ 3	
(equals) Total Demand Potential	=	17	=	22
(minus) Existing and Pending Congregate Units ³	- 0		- 0	
(equals) Total Congregate Demand Potential	=	17	=	22
(times) Percent Capturable by Site (75%)	x 75%		x 75%	
(equals) Demand capturable by Site	=	13	=	16
¹ 2020 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 ³ Competitive units include congregate units at 95% occupancy (market equilibrium).				
Source: Maxfield Research Inc.				

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 2020. Following the same methodology, demand is calculated to increase slightly to 16 units through 2020.

Demand Estimate for Assisted Living Housing

Table HD-6 presents our demand calculations for assisted living senior housing in Montrose in 2014 and 2020. 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 2014, there were 255 seniors age 75 and older in the Montrose 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 87 seniors in the Montrose 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 Montrose 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 Montrose 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 \$30,000 or greater, there is a substantial base of senior households with lower incomes who income-qualify based on assets – their homes, in particular.

HOUSING DEMAND ANALYSIS

TABLE HD-6 MARKET RATE ASSISTED LIVING DEMAND PRIMARY MARKET AREA 2014 & 2020						
Age group	2014			2020		
	People	Percent Needing Assistance ¹	Number Needing Assistance ¹	People	Percent Needing Assistance ¹	Number Needing Assistance ¹
75 - 79	120	25.5%	31	153	25.5%	39
80 - 84	72	33.6%	24	82	33.6%	28
85+	63	51.6%	32	67	51.6%	35
Total	255		87	302		101
Percent Income-Qualified²			57%			60%
Total potential market			50			61
(times) Percent living alone		x	42%		x	42%
(equals) Age/income-qualified singles needing assistance		=	21		=	26
(plus) Proportion of demand from couples (12%) ³		+	3		+	3
(equals) Total age/income-qualified market needing assistance		=	24		=	29
(times) Potential penetration rate ⁴		x	40%		+	40%
(equals) Potential demand from PMA residents		=	10		=	12
(plus) Proportion from outside the PMA (20%)		+	2		+	3
(equals) Total potential assisted living demand		=	12		=	15
(minus) Existing market rate assisted living units ⁵		-	0		-	0
(equals) Total excess market rate assisted living demand		=	12		=	15
(times) Percent Capturable by Site (75%)		x	75%		x	75%
(equals) Demand capturable by Site		=	9		=	11
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 \$2,800+ per month) plus 40% of estimated owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living)						
³ The 2009 Overview of Assisted Living (a collaborative project of AAHSA, ASHA, ALFA, NCAL & NIC) found that 12% of assisted living						
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						
⁵ Existing and pending units at 93% occupancy. We exclude 15% of units to account for seniors utilizing public subsidy.						
Source: Maxfield Research Inc.						

Eighty percent of the age 75+ households in the Montrose Market Area are homeowners, and the median resale price of homes through 2013 in Montrose was \$164,500. Seniors selling their homes for the median resale price would generate about \$153,031 in proceeds after selling costs. With an average monthly fee of \$2,500, these proceeds would last over 6 years in an assisted living facility, which is slightly 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-7, we estimate the income-qualified percentage to be all seniors in households with incomes above \$40,000 (who could afford monthly rents of \$3,500+ 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 50 units from the Montrose Market Area in 2014.

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 Montrose Market Area living alone. Based on 2010 Census data, 42% of age 75+ households in Montrose lived alone. Applying this percentage results in a total base of 74 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 24 age/income-qualified seniors needing assistance in the Montrose Market Area including both couples and singles.

We estimate that roughly 40% 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 10 assisted living units in 2014.

We estimate that a portion of demand for assisted living units (20%) will come from outside of the Montrose Market Area. Applying this figure results in total potential demand for 12 market rate assisted living units in the Montrose Market Area.

There are no assisted living units in the Montrose Market Area. Typically, a portion of assisted living units are occupied by residents with financial assistance, estimated to account for 20% of the total units in the Market Area. After deducting competitive units (minus a 93% occupancy rate) from the total demand potential, we calculate the excess supply of assisted living units in the Montrose Market Area.

The same calculations are applied to the age/income-qualified base in 2020. However, given the existing supply of assisted living product in the Montrose Market Area excess supply is calculated in 2020.

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 Minnesota 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 15%. Some facilities accept higher amounts of residents on waivers and many newer facilities do not accept any waivers.

Currently there is excess demand for 12 units of assisted living housing in Montrose in 2014. Any given site cannot capture all of the excess demand in a market, but we feel that a capture rate of 75% is appropriate for the site. Applying this capture rate to the site in Montrose shows that the site could capture 9 units of assisted living demand in 2014, increasing to 11 units in 2020.

Estimated Demand for Memory Care Housing

Table HD-7 presents our demand calculations for market rate memory care senior housing in Montrose in 2014 and 2020.

Demand is calculated by starting with the estimated Montrose senior (age 65+) population in 2014 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 73 seniors in the Montrose Market Area in 2014.

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 Montrose Market Area, homeownership rates and home sale data, we estimate that 32% of seniors in the Montrose 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 (73 seniors) by the income-qualified percentage results in a total of 45 age/income-qualified seniors in the Montrose Market Area in 2014.

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 11 seniors in the Montrose Market Area.

TABLE HD-7 MARKET RATE MEMORY CARE DEMAND PRIMARY MARKET AREA 2014 & 2020		
	2014	2020
65 to 74 Population	478	585
(times) Dementia Incidence Rate ¹	x <u>2%</u>	x <u>2%</u>
(equals) Estimated Age 65 to 74 Pop. with Dementia	= 10	= 12
75 to 84 Population	192	235
(times) Dementia Incidence Rate ¹	x <u>19%</u>	x <u>19%</u>
(equals) Estimated Age 75 to 84 Pop. with Dementia	= 37	= 45
85+ Population	63	67
(times) Dementia Incidence Rate ¹	x <u>42%</u>	x <u>42%</u>
(equals) Estimated Age 85+ Pop. with Dementia	= 26	= 28
(equals) Total Senior Population with Dementia	= 73	= 84
(times) Percent Income/Asset-Qualified ²	x <u>61%</u>	x <u>58%</u>
(equals) Total Income-Qualified Market Base	= 45	= 49
(times) Percent Needing Specialized Memory Care Assistance	x <u>25%</u>	x <u>25%</u>
(equals) Total Need for Dementia Care	= 11	= 12
(plus) Demand from Outside the PMA (20%)	+ <u>3</u>	+ <u>3</u>
Total Demand for Memory Care Units	= 14	= 15
(minus) Existing and Pending Memory Care Units ³	- <u>0</u>	- <u>0</u>
(equals) Excess PMA Demand Potential	= 14	= 15
(times) Percent Capturable by Site (75%)	x 75%	x 75%
(equals) Demand capturable by Site	= 10	= 12
¹ Alzheimer's Association: Alzheimer's Disease Facts & Figures (2007) ² Includes seniors with income at \$60,000 or above (\$65,000 in 2020) plus 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 Inc.		

We estimate that 20% of the overall demand for memory care housing would come from outside of the Montrose Market Area. Together, demand totals 14 memory care units in 2014.

We reduce the demand potential by accounting for the existing memory care product in the Montrose Market Area. There are no competitive units in the Market Area, so we move onto the capture rate.

No single site can capture all of the demand in the Montrose Market Area. We estimate that a Site in Montrose could capture approximately 75% of the Montrose Market Area excess demand for a total of 10 memory care units in 2014.

The same calculations are applied to the age/income-qualified base in 2020. Following the same methodology, potential demand for market rate memory care units is expected to increase to 12 units in Montrose through 2020.

Introduction/Overall Housing Recommendations

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

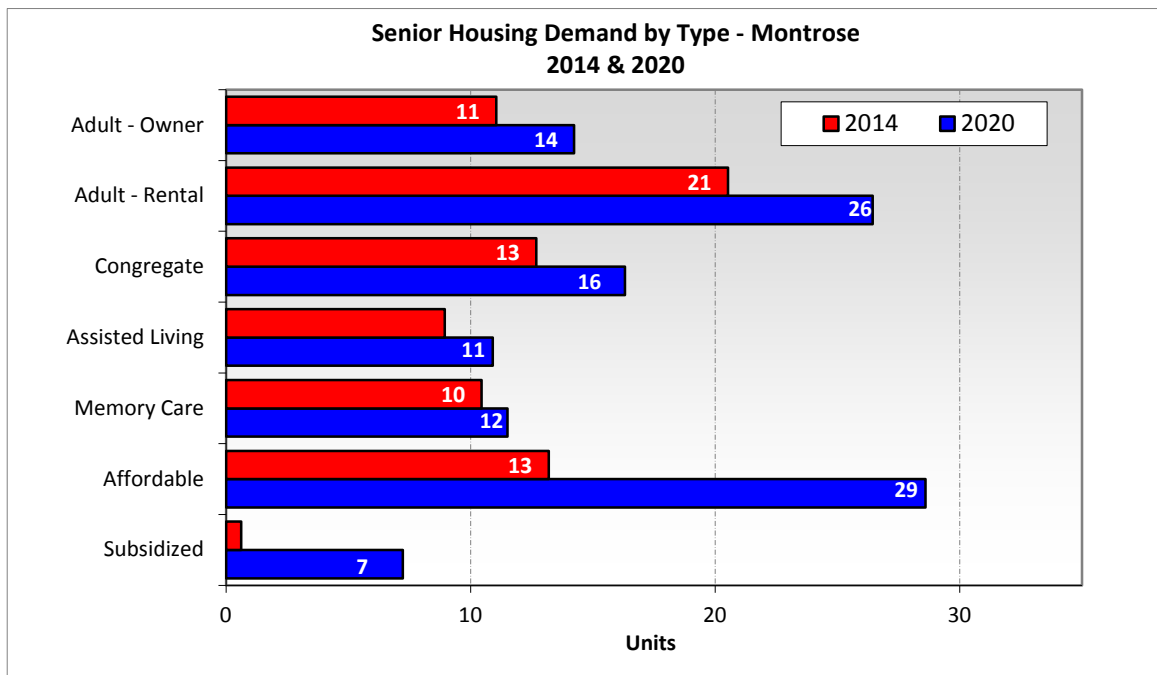
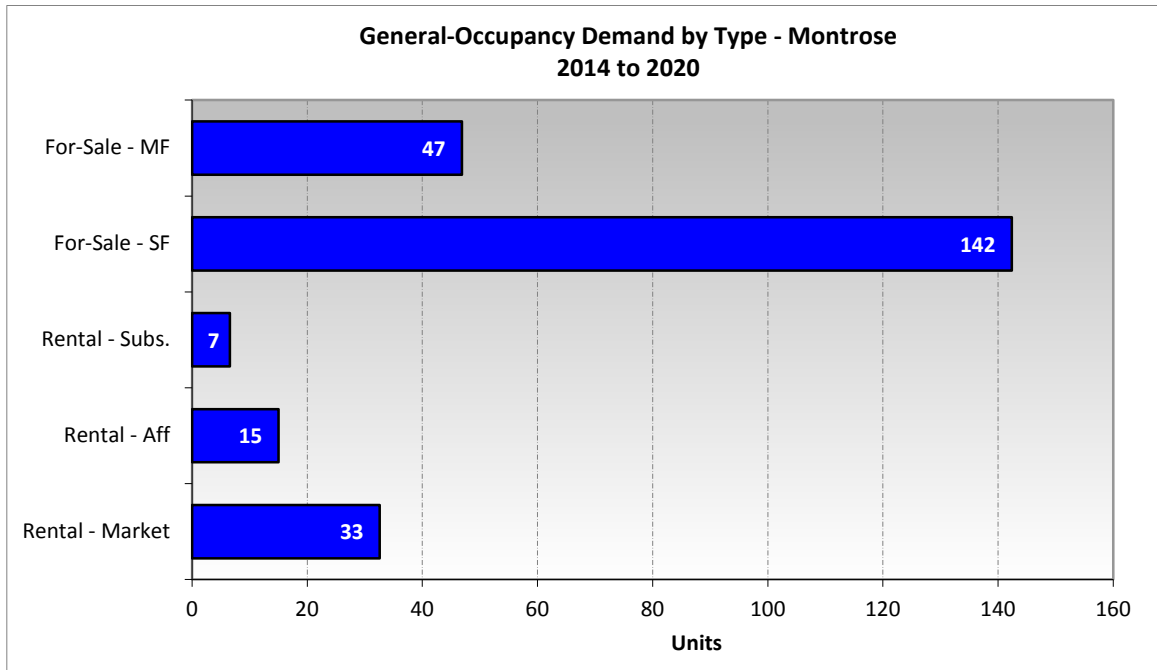
TABLE CR-1 SUMMARY OF HOUSING DEMAND MONTROSE MARKET AREA September 2014				
Type of Use	Demand in Market Area		Demand in Montrose	
	2014-2020		2014-2020	
General-Occupancy				
Rental Units - Market Rate	41		33	
Rental Units - Affordable	19		15	
Rental Units - Subsidized	8		7	
For-Sale Units - Single-family	237		142	
For-Sale Units - Multifamily	67		47	
Total General Occupancy Supportable	331		243	
	Demand in Market Area		Demand in Montrose	
	2014	2020	2014	2020
Age-Restricted (Senior)				
Market Rate				
Adult Few Services (Active Adult)	42	54	32	41
Ownership	15	19	11	14
Rental	27	35	21	26
Congregate	17	22	13	16
Assisted Living	12	15	9	11
Memory Care	14	15	10	12
Total Market Rate Senior Supportable	85	106	64	79
Affordable/Subsidized				
Active Adult - Subsidized	1	9	1	7
Active Adult - Affordable	16	36	13	29
Total Affordable Senior Supportable	17	45	14	36
Source: Maxfield Research Inc.				

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

RECOMMENDATIONS AND CONCLUSIONS

TABLE CR-2 RECOMMENDED MULTIFAMILY HOUSING DEVELOPMENT CITY OF MONTROSE 2014 to 2020			
	Purchase Price/ Monthly Rent Range¹	No. of Units	Development Timing
Multifamily Owner-Occupied Homes			
<i>Townhomes/Twinhomes</i>			
Entry-level	>\$150,000	16 - 18	2017+
Move-up	\$150,000+	24 - 28	2016+
Total		40 - 46	
Total Owner-Occupied		40 - 46	
General Occupancy Rental Housing			
<i>Market Rate Rental Housing</i>			
Apartment-style	\$725/1BR - \$1,100/3BR	18 - 20	2015+
Townhomes	\$850/2BR - \$1,225/3BR	12 - 14	2015+
Total		30 - 34	
Total Renter-Occupied		30 - 34	
Senior Housing (i.e. Age Restricted)			
Active Adult Affordable Rental ³	Moderate Income ²	26 - 30	2019+
Active Adult Market Rate Rental ³	\$900/1BR - \$1,300/2BR	20 - 24	2018+
Catered Living	\$1,500+	30 - 40	2019+
Total		76 - 94	
Total - All Units		146 - 174	
¹ Pricing in 2014 dollars. Pricing can be adjusted to account for inflation. ² Affordability subject to income guidelines per Minnesota Housing Finance Agency (MHFA). See Table R-3 for Wright County Income limits. ³ Alternative development concept is to combine active adult affordable and market rate active adult into mixed-income senior community Note - Recommended development does not coincide with total demand. Montrose 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 Inc.			

RECOMMENDATIONS AND CONCLUSIONS



Recommended Housing Product Types

Owner Occupied

Single-Family Housing

The impetus of the housing study was an analysis of the multifamily housing market in Montrose; hence single-family housing was not a component of the housing study. Given the number of existing platted lots of last decade and building permit activity since the housing downturn; the City of Montrose seems to have enough existing platted lots to meet demand in the short term. Maxfield Research recommends maintaining a three to five year supply of vacant lots to meet future demand.

For-Sale Multifamily Housing

The for-sale multifamily sector in the Twin Cities Metro Area was hit the hardest after the housing market plateaued in the mid-2000s. Townhomes and condominiums accounted for a high proportion of lender-mediated properties during the downturn. However, as the overall housing market is recovering the multifamily new construction is slowly returning across the Metro Area.

Nearly all of the new housing stock in Montrose has been the single-family detached home; which will continue to be a highly sought after product in Montrose due to a more affordable housing stock and popularity among families with children. At the same time, there are very few maintenance-free options in the City of Montrose. Nearly 50 units of for-sale multifamily housing product were found in demand in Montrose through 2020. However, this demand will not be realized until the existing lender-mediated properties in Montrose wanes and the single-family market continues to appreciate.

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.

New multifamily for-sale housing could be developed as townhomes/row homes, twin homes, detached townhomes, or any combination. Condominiums would be very difficult to develop given today's financing and underwriting criteria and location in a non-Metro setting. Move-up for-multifamily product would likely cater to older adults seeking one-level living housing in the form of twin home or cottage-style/patio homes. Entry-level townhomes typically are back-to-back and side-by-side townhomes that allow for increased density in a two-story design. This type of configuration has the greatest appeal among entry-level households without children, young families and singles and/or roommates across the age span. However, they can also be

RECOMMENDATIONS AND CONCLUSIONS

popular with older adults and retirees seeking a maintenance-free product. Two-story units can be designed with a master suite on the main-level to appeal to older adults.

We recommend twinhomes and/or detached townhomes or villas for the move-up buyer prior to an entry-level rowhome concept. The majority of new townhome construction that is occurring in today's market is move-up product targeting baby boomers who desire maintenance-free housing.

General Occupancy Rental Housing

Maxfield Research Inc. calculated demand for 55 general-occupancy rental units in Montrose through 2020 (33 market rate, 15 affordable, and 7 subsidized units). Because of the economies of scale needed for affordable and subsidized rental units; we do not recommend this product as demand is not sufficient to support new construction. Montrose lacks rental housing in general; especially newer rental housing units that today's renters desire. As a result we recommend market rate product.

- *Market Rate Rental* – Our inventory of rental housing in Montrose found very few options for householders seeking to lease a housing unit. We recommend a new market rental project with roughly 18 to 20 units that will attract a diverse resident profile; including young to mid-age professionals as well as singles and couples across all ages. To appeal to a wide target market, we suggest a market rate apartment project with a unit mix consisting of one-bedroom units, 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 2014 dollars) should range from \$725 for a one-bedroom unit to \$1,100 for a three-bedroom unit. Average rents in Montrose are likely renting for less than \$0.75 per square foot; however monthly rents at a new product will likely exceed \$1.00 per square foot to be financially feasible. Monthly rents can be trended up by 2.0% annually prior to occupancy to account for inflation depending on overall market conditions. Because of construction and development costs, it may be difficult for a market rate apartment to be financially feasible with rents lower than the suggested per square foot price. Thus, for this type of project to become a reality, there may need to be a public – private partnership to reduce development costs and bring down the rents or the developer will need to provide smaller unit sizes.

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

- *Market Rate General Occupancy Rental Townhomes*– In addition to the recommended apartment project, we find that demand exists for some larger townhome units for families – including those who are new to the community and want to rent until they find a home for purchase. An additional 12 to 14 rental townhome units could be supported in Mont-

rose. We recommend a project with rents of approximately \$850 for two-bedroom units to \$1,225 for three-bedroom units. Units should feature contemporary amenities (i.e. in-unit washer/dryer, high ceilings, etc.) and an attached two car garage.

Senior Housing

Table S-1 showed there are very few senior housing options in the Montrose Market Area. As illustrated in Table CR-1, demand exists for most types of senior housing product types in Montrose. There is demand for 115 total units across all incomes and service-levels. However, demand will not be realized in all service levels due to the economies of scale needed to support new development.

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 Montrose: older adult and senior residents are able to relocate to new age-restricted housing in Montrose, 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.

- *Affordable Senior Rental* – Montrose demand for affordable senior housing is approximately 30 units in 2020. 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. Maxfield recommends the development of a 26- to 30-unit project to meet this demand.
- *Active Adult Rental* – Demand was projected for 26 market rate active adult rental units in Montrose through 2020. It is very likely there are seniors who currently reside in general-occupancy housing that would consider a newer active adult rental product.

Development of this product could be in a separate stand-alone facility 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 the Minnesota Housing Finance Agency (see above). Across Minnesota and the U.S., many markets have experienced delays in realizing demand for market rate active adult housing. These delays were the result of seniors who choose not to sell their homes or find they are unable to sell their homes along with the fact that active adult rental housing is not need-based. However, as the real estate market is improving many seniors will consider selling their home and seek out active senior housing products.

RECOMMENDATIONS AND CONCLUSIONS

Because active adult rental housing is not need based, this product could be more difficult to develop in the short-term as many senior housing developers cater to service-intensive senior housing products.

- Service-Enhanced Senior Housing or “Catered Living” – Table CR-1 shows demand for 16 congregate units, 11 assisted living units, and 12 memory care units. Due to economies of scale, it will be difficult to develop stand-alone facilities for each of these service levels that are financially feasible. Therefore, we recommend a senior facility that allow seniors to “age in place” and remain in the same facility in the stages of later life. 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 tends to be a newer concept but tends to be developed in more rural communities that cannot support stand-alone facilities for each product type. We recommend a project of about 30 to 40 units later this decade. 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 \$1,500 for congregate care.

Redevelopment Sites

Per the City of Montrose’s request, Maxfield Research Inc. reviewed two potential housing development sites that could capture future housing development. The following is a discussion of those properties.

Preserve of Montrose

The Preserve of Montrose is a tax-forfeiture site located on the south side of Highway 12 at Willow Avenue. The property is currently zoned “R-3 Medium Density Residential” and was originally platted for about 190 townhome lots. A portion of the site has infrastructure in place (i.e. street, curbs and gutter, etc.) however work halted on the project as the housing market stalled. Although we found demand for for-sale multifamily housing and rental townhomes; the site as platted has too many townhome lots for the project demand.

Maxfield Research recommends replatting the subdivision to meet the changing needs of the housing market. A portion of the site could remain intact for townhomes (either rental or for-

RECOMMENDATIONS AND CONCLUSIONS

sale), however the majority of the site should be replatted for alternative housing products (i.e. single-family homes, twinhomes, or detached townhomes). Finally, the property abutting Highway 12 could be reserved for future commercial uses or multifamily housing products.

Preserve of Montrose Existing Plat



Meadow Brook Cottages

The Meadow Brook Cottages site is the southern-most parcel located in the existing Meadow Brook Cottages subdivision. The parcel is a vacant 0.85-acre site that is adjacent to eight previously constructed villa townhomes that were originally developed as for-sale townhomes. However because of slow sales and the housing downturn the project converted to rental townhomes.

The property is zoned “R-3 Medium Density Residential” and would be an excellent location for multifamily housing. We recommend maintaining the age-restricted designation in this neighborhood and targeting a senior housing developer for the subject site. The site would make a good senior housing site that would allow residents in the existing cottages a next-step service-based project that would allow residents to essentially age in place.

Alternatively, the site could also be attractive for a smaller general-occupancy rental project.

Meadow Brook Cottages Existing Plat



