

A Market Feasibility Study
for Active Adult Senior Housing and
Affordable General Occupancy Housing in
St. Francis, Minnesota

Prepared for:

Anoka County HRA
Anoka, Minnesota

September 2012



1221 Nicollet Avenue
Suite 218
Minneapolis, MN 55403
612.338.0012
www.maxfieldresearch.com



September 11, 2012

Ms. Karen Skepper
Anoka County HRA
2100 3rd Avenue
Anoka, MN 55303

Dear Ms. Skepper:

Attached is our report *A Market Feasibility Study for Active Adult Senior Housing and Affordable General Occupancy Housing in St. Francis, Minnesota*. Based on an analysis of demographic trends and an analysis of the current and proposed supply of active adult senior housing and affordable general occupancy affordable housing, we find that demand exists for 22 market rate owner-occupied active adult units, 28 market rate active adult rental units, 43 affordable active adult units, and 45-49 affordable general occupancy rental units by 2017.

We recommend building either affordable active adult or affordable general occupancy rental units due to the greatest demand and lack of competitive properties. We estimate that approximately 35% of the affordable active adult units would be pre-leased (14 units) with the remaining units leasing at a rate of between 4 and 5 units per month, with stabilized occupancy (95%) reached within 5 to 6 months of opening. For the affordable general occupancy units, we project that approximately 45% of the units would be pre-leased (20 to 22 units) with the remaining units leasing at a rate of between 5 and 6 units per month, with stabilized occupancy (95%) reached within 4 to 5 months of opening.

We have enjoyed performing this study for you and are available if you need additional information.

Sincerely,

MAXFIELD RESEARCH INC.

A handwritten signature in black ink that reads 'Mary C. Bujold'.

Mary Bujold
President

A handwritten signature in black ink that reads 'Amanda Janzen'.

Amanda Janzen
Research Analyst

Attachment

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Study Purpose

Maxfield Research Inc. was engaged by Anoka County Housing and Redevelopment Authority (HRA) to complete a market feasibility study for market rate active adult senior housing, affordable active adult senior housing, and/or affordable general occupancy rental housing to be located at 3518 Bridge Street, immediately east of the Rum River in St. Francis, Minnesota.

Scope of Services

The scope of this study includes an evaluation of the subject Site, a demographic review including population and household growth trends, age distribution trends, household incomes, tenure by age of householder, and a survey of active adult senior and affordable general occupancy rental developments in the Primary Market Area. Maxfield Research Inc. also inventories pending developments in the Primary Market Area and provides a calculation of demand for additional active adult senior housing and affordable general occupancy rental housing. We provide recommendations for an appropriate development concept for the property based on the type of housing with the greatest demand.

This report includes both primary and secondary research. Primary research includes interviews with rental property managers, city staff and other housing professionals. All of the information on competitive rental housing projects and pending rental housing developments was gathered by Maxfield Research Inc. and is accurate to the best of our knowledge. Secondary research is credited to the source when used. This study utilizes secondary data from the sources listed below. Secondary research is always used as a basis for analysis and is carefully reviewed in light of other factors that may impact projections.

- U.S. Census Bureau
- ESRI
- Minnesota Department of Employment and Economic Development
- Metropolitan Council
- Minnesota Demographic Center

Site Location and Surrounding Land Uses

The subject Site is located south of Bridge Street and East of the Rum River at 3518 Bridge Street in St. Francis, Minnesota. The parcel is approximately 5.1 acres and currently has a garage located on site, which would be demolished. The following summarizes the land uses that surround the subject Site.

- North: The St. Francis Branch Library and a farmstead that also sells antiques.
- East: Casey’s General Store Gas Station. Further east is the St. Francis High School.
- South: Single-family homes and wooded areas.
- West: The Rum River. Across the Rum River is Downtown St. Francis with businesses including Rum River Inn, St. Francis True Value Hardware, Bridge Street Market, Subway, St. Francis Dental Care, etc.

The following photos and map show the Site’s location in St. Francis. Maxfield Research Inc. visited the Site on September 7, 2012.



View of Site looking South.



View of Site looking East.



View of St. Francis Library north of subject Site.



View of farmstead north of subject Site.

SITE LOCATION AND ANALYSIS



View of Casey's General Store located east of subject Site.



View of St. Francis High School located east of subject Site.



View of single-family homes near 229th Lane NW and Quay Street NW located south of subject Site.



View of Bridge Street looking West of subject Site.



View of Rum River located west of subject Site.



View of Woodbury Park located west of Rum River.

Access and Visibility

Primary access to the subject Site will be Bridge Street, a main east-west thoroughfare in the City. The subject Site is located approximately one mile east of Highway 47 that travels through Nowthen, Ramsey, Anoka, and Coon Rapids.

According to the most recent information available (2011) from the Minnesota Department of Transportation (MNDOT), the segment of Bridge Street west of the subject Site to Ambassador Boulevard experienced a daily traffic volume of 9,400 trips per day. Bridge Street, east of the subject Site to Rum River Boulevard experienced a daily traffic volume of 10,800 trips per day. Sufficient traffic in the immediate area is available to facilitate awareness of the development.

Finally, visibility will be excellent for motorists and pedestrians. The subject Site has direct frontage on Bridge Street providing unobstructed views. Its close proximity to the Rum River and the Downtown also provides greater exposure.

Proximity to Area Retail and Services

Potential residents on the subject Site will have convenient access to retail goods and services.

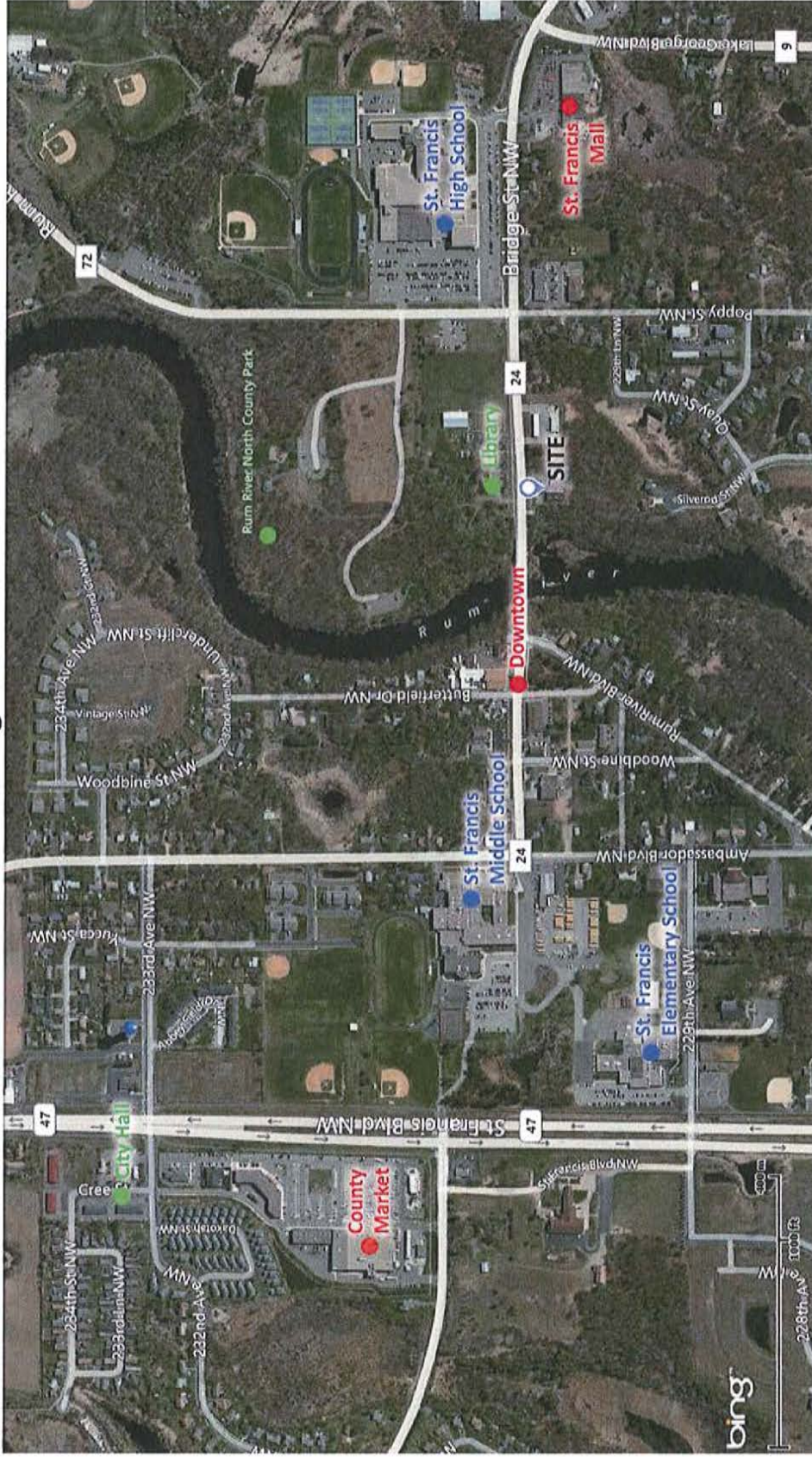
Downtown St. Francis is located just west of the Rum River and includes goods and services such as Rum River Inn, St. Francis True Value Hardware, Bridge Street Market, Subway, St. Francis Dental Care, etc.

The main commercial area in St. Francis is located along Highway 47 and Pederson Drive and is anchored by County Market grocery store. Other retailers in the area include McDonald's, Credit Union St. Francis, Verizon Wireless, Dominos, Totally Tan, Great Clips, Dollar Plus, etc.

For more extensive retail needs, Riverdale Village, a major regional shopping center, is located in Coon Rapids approximately 13 miles south of the subject Site. Anchor tenants include Target, Rainbow Foods, Home Depot, JCPenney, Costco, Menards, Best Buy, Sears, Old Navy, Kohls, Cub Foods and Walmart.

The subject Site is also located within one mile of area schools, a key factor that has attracted current residents to the community. It is also located immediately east of the Rum River North County Park Trail Access.

Site Location and Neighborhood Amenities



Appropriateness of Site for Senior or General Occupancy Rental Housing

Based on our analysis of the community orientation and layout of the subject Site, we identified key characteristics and classified them as strengths and weaknesses for senior and general occupancy rental housing:

Rental Housing – Strengths

- Convenient access to neighborhood goods and services in Downtown St. Francis as well as the commercial district near Highway 47.
- Scenic views of the Rum River to the west.
- The City of St. Francis has a small-town feel and is located within a reasonable distance from employment, either in St. Francis or closer in the Metro Area.
- Limited supply of newer rental properties in the area.

Rental Housing – Weaknesses

- Potential noise, odor, and traffic coming from the Casey's General Store gas station located immediately east of the subject Site;
- Potential for noise and odor and delay from traffic congestion along Bridge Street.

Primary Market Area Definition

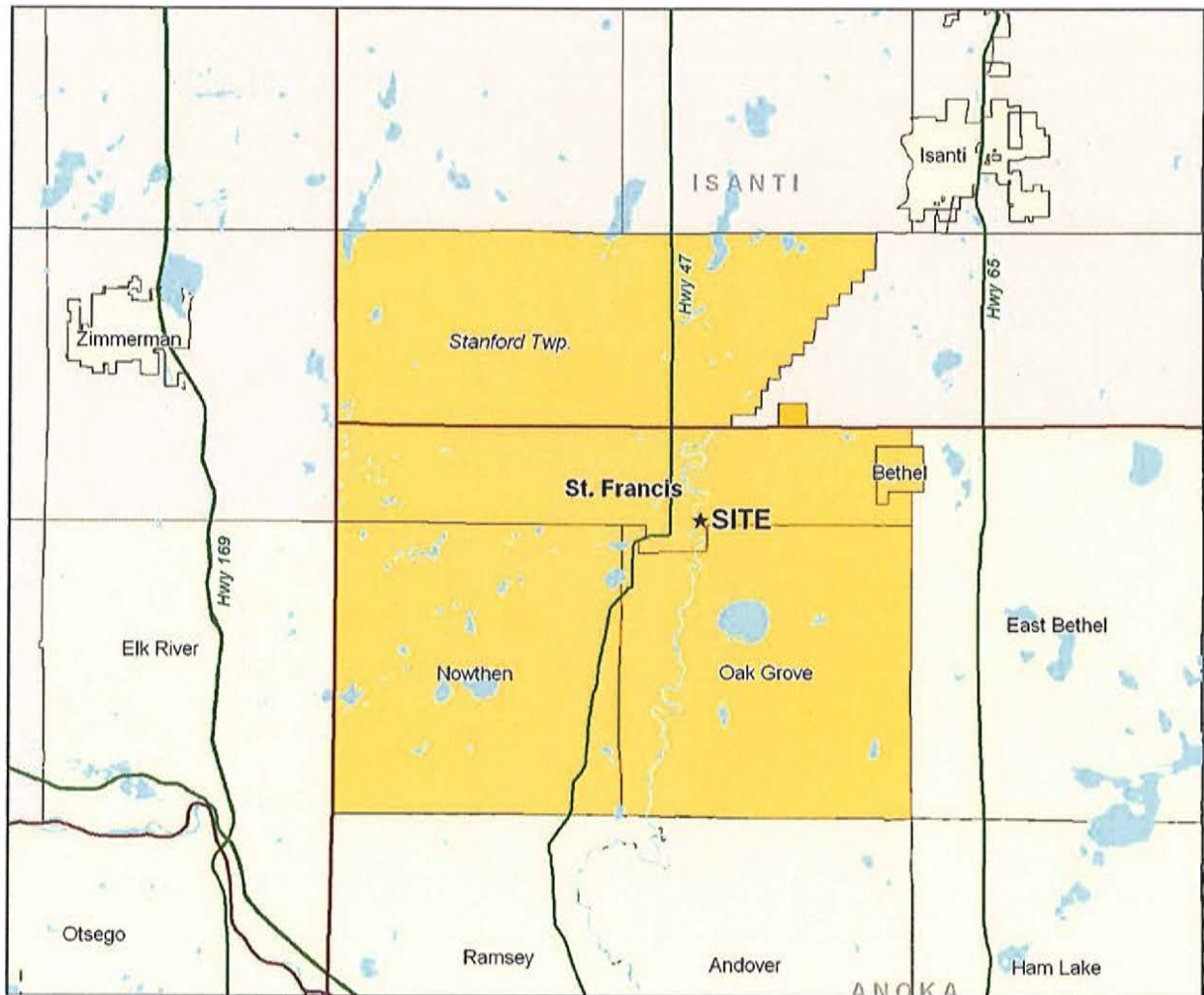
The draw area (herein referred to as the Primary Market Area) for senior and general occupancy rental housing in St. Francis was determined based on our analysis of the subject Site’s accessibility and visibility, characteristics of the surrounding area, community orientation, renter leasing patterns, geographic and man made boundaries and our experience in housing feasibility. The primary draw or Primary Market Area (otherwise referred to as the “PMA”) for both product categories, includes the Cities of St. Francis, Bethel, Nowthen and Oak Grove as well as the Township of Stanford.

We estimate that this PMA will constitute 80% of the PMA’s support for senior housing and 70% for general occupancy rental housing. A portion of the demand for housing products on the subject Site will come from outside the defined PMA. In the case for senior housing, these individuals will include persons currently residing just outside the PMA who have an orientation to the area (i.e. church, doctor, etc.); persons who once resided in the area that desire to move back to be near friends and family, as well as parents of adult children living in the PMA. In the case of rental housing, it will include people who are working but not living in the area, those who will move to the area because of product that meets their needs and those working just outside of the PMA who find the location and product type attractive.

A map of the PMA is located on the following page.

The following sections present our analysis for senior housing and then general occupancy rental housing.

Primary Market Area



Older Adult (Age 55+) Population and Household Trends

Table 1 shows the age distribution of people and households age 55 and older in the PMA. Historical information for 2000 and 2010 is supplied by the U.S. Census Bureau. Estimates for 2012 and projections through 2017 were based on demographic information supplied by ESRI (national demographics service provider) and the Metropolitan Council along with the Minnesota Demographic Center for Stanford Township in Isanti County. Maxfield Research Inc. adjusted projections from the Metropolitan Council and Minnesota Demographic Center downward based on the slowdown in the housing market due to the recession.

- As of 2010, the PMA totaled 22,425 people and 7,695 households. The older adult and senior population (age 55+) comprised 18.8% of the total population and 32.1% of the total households in the PMA.
- The 55+ population experienced more rapid population growth between 2000 and 2010 than the PMA as a whole. Between 2000 and 2010, the PMA population age 55+ increased by +2,164 (+103.6%) and +1,206 households (+95.1%).

**TABLE 1
55+ POPULATION & HOUSEHOLD AGE DISTRIBUTION
PRIMARY MARKET AREA
2000-2017**

POPULATION									
Age	2000	2010	2012	2017	2000-2010		2012-2017		
55 to 64	1,324	2,491	2,509	2,775	1,167	88.1%	266	10.6%	
65 to 69	315	742	747	890	427	135.6%	143	19.1%	
70 to 74	192	472	475	641	280	145.8%	166	34.9%	
75 to 79	141	267	269	356	126	89.4%	87	32.3%	
80 to 84	70	148	149	185	78	111.4%	36	24.4%	
85 +	46	102	103	110	56	121.7%	7	6.7%	
Total 55+	2,088	4,222	4,252	4,958	2,164	103.6%	705	16.6%	
Total 65+	764	1,731	1,743	2,182	967	126.6%	439	25.2%	
Total 75+	257	517	521	651	260	101.2%	130	25.0%	
Tot. Pop.	17,888	22,425	22,585	24,666	4,537	25.4%	2,081	9.2%	

HOUSEHOLDS									
Age	2000	2010	2012	2017	2000-2010		2012-2017		
55 to 64	756	1,399	1,408	1,645	643	85.1%	237	16.8%	
65 to 74	337	753	758	996	416	123.4%	238	31.5%	
75 +	175	322	324	450	147	84.0%	126	38.8%	
Total 55+	1,268	2,474	2,490	3,091	1,206	95.1%	601	24.1%	
Total 65+	512	1,075	1,082	1,446	563	110.0%	364	33.6%	
Total 75+	175	322	324	450	147	84.0%	126	38.8%	
Tot. HH	5,814	7,695	7,745	8,639	1,881	32.4%	894	11.5%	

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

DEMOGRAPHIC ANALYSIS – SENIOR HOUSING

- Projected forward, the older adult and senior population is anticipated to grow through 2017. Between 2012 and 2017, the PMA's older adult and senior population is projected to add 705 people (+16.6%) and 671 households (26.9%).
- The target market for active adult housing varies somewhat by age. Typically, older adult households (55 to 64) often prefer to continue to own their housing yet want more conveniences in their living arrangements and less outdoor and exterior maintenance. As seniors age, a larger proportion consider senior housing alternatives such as rental, condominiums or cooperatives. This trend is shown later in the household tenure information. Between 2012 and 2017, the PMA population age 55 to 64 is projected to increase by +266 people (+10.6%).
- Representing the leading edge of the baby boom population, growth among the 55 to 64 age cohort is likely to impact the demand for active adult housing, but we project, only modestly. A more direct impact will be felt from those ages 65 to 74, many of which are likely to consider more convenient lifestyle options to their single-family homes. Seniors age 75+ are also a market for active adult housing, but a portion of the oldest elderly typically prefers housing with services. Between 2012 and 2017, the PMA population age 65 to 74 is projected to increase by +309 people (+25.3%) and those 75+ are projected to increase by +651 people (+25.0%).

Older Adult and Senior Household Incomes

Table 2 provides data on incomes for older adult and senior households in the PMA in 2012 and 2017 based on information provided by ESRI. It is important to note that the data does not account for the asset base of senior households or supplemental income that a senior household could gain from the proceeds of the sale of a home or from contributions from family members. This data helps determine demand for senior housing based on the size of the market at specific income levels. This data is incorporated into our demand calculations, which are presented in a following section.

The frailer the senior, the greater the proportion of their income they will typically spend on housing and services. Studies have shown that seniors are willing to pay increasing proportions of their incomes on housing with services, beginning with an income allocation of 40% to 50% for market rate adult senior housing with little or no services, increasing to 65% for congregate (independent with some services) and to 80% to 90% or more for assisted living and memory care housing. Seniors also often use the proceeds from the sales of their homes, as well as financial assistance from their adult children, as supplemental income in order to afford senior housing alternatives. Those at the highest level of care will often spend down assets to avoid nursing home placement.

DEMOGRAPHIC ANALYSIS – SENIOR HOUSING

**TABLE 2
OLDER ADULT INCOME DISTRIBUTION
PRIMARY MARKET AREA
2012 & 2017**

2012								
	55-64		65-74		75+		Total 65+	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$15,000	30	2.1	45	5.9	18	5.6	63	5.8
\$15,000-\$24,999	38	2.7	87	11.5	80	24.7	167	15.4
\$25,000-\$34,999	143	10.2	122	16.1	52	16.0	174	16.1
\$35,000-\$49,999	173	12.3	210	27.7	73	22.5	283	26.2
\$50,000-\$74,999	334	23.7	161	21.2	22	6.8	183	16.9
\$75,000-\$99,999	194	13.8	66	8.7	31	9.6	97	9.0
\$100,000 or more	495	35.2	67	8.8	47	14.5	114	10.5
Total	1,408	100.0	758	100.0	324	100.0	1,082	100.0
Median Income	\$73,863		\$43,915		\$37,399		\$42,261	
2017								
	55-64		65-74		75+		Total 65+	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$15,000	15	0.9	52	5.1	32	7.1	84	5.7
\$15,000-\$24,999	36	2.1	77	7.6	76	16.8	153	10.5
\$25,000-\$34,999	98	5.8	139	13.7	53	11.7	192	13.1
\$35,000-\$49,999	162	9.5	230	22.7	75	16.6	305	20.8
\$50,000-\$74,999	378	22.3	253	25.0	38	8.4	291	19.9
\$75,000-\$99,999	239	14.1	106	10.5	58	12.8	164	11.2
\$100,000 or more	770	45.4	153	15.1	120	26.5	273	18.6
Total	1,697	100.0	1,011	100.0	453	100.0	1,464	100.0
Median Income	\$91,807		\$50,638		\$47,963		\$49,901	
Change 2012-2017								
	55-64		65-74		75+		Total 65+	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$15,000	-15	-50.0	7	15.6	14	77.8	21	33.3
\$15,000-\$24,999	-2	-5.3	-10	-11.5	-4	-5.0	-14	-8.4
\$25,000-\$34,999	-45	-31.5	17	13.9	1	1.9	14	8.3
\$35,000-\$49,999	-11	-6.4	20	9.5	2	2.7	22	7.8
\$50,000-\$74,999	44	13.2	92	57.1	16	72.7	108	59.0
\$75,000-\$99,999	45	23.2	40	60.6	27	87.1	67	69.1
\$100,000 or more	275	55.6	86	128.4	73	155.3	159	139.5
Total	291	20.7	252	33.3	129	39.8	377	34.9
Median Income	\$17,944 24.3		\$6,723 15.3		\$10,564 28.2		\$7,640 18.1	

Sources: ESRI; Maxfield Research Inc.

DEMOGRAPHIC ANALYSIS – SENIOR HOUSING

- In 2012, the median income for all age 65+ households in the PMA was \$42,261. Within this age group, the median incomes for households between the ages of 65 and 74 and 75+ were \$43,915 and \$37,399, respectively. The higher median income for younger senior households (age 65 to 74) compared to older seniors (age 75+) is primarily due to the fact that a higher proportion of younger seniors is married and more likely to have two pensions, along with the fact that many younger seniors continue to have income-producing employment.
- The target market for active adult senior housing is typically senior households age 65+ with incomes of at least \$35,000 (plus some senior homeowners with incomes of at least \$25,000). Older adults, ages 55 to 64, may also move to active adult housing, but overall, they usually account for a small portion of the demand depending on the type of housing product developed. As of 2012, there were approximately 677 senior households age 65+ in the PMA with incomes of at least \$35,000, or about 62.6% of all 65+ households.
- This study also considers the portion of senior households that cannot afford market rate senior housing alternatives. The target market for affordable senior housing is senior households with incomes below 60% Area Median Income (AMI). Based on the Anoka County AMI, the following are current income-restrictions at 60% AMI:

2012 Income Limits by Household Size

Pct of AMI	1P	2P	3P	4P
60%	\$35,280	\$40,320	\$45,360	\$50,340

- After adjusting for typical household sizes, approximately 4,095 households age 65+ earn \$40,000 or less, or about 50.0% of all 65+ households. A portion of these individuals, however, would not be able to afford the contract rent prices associated with the proposed development. Based on the recommended pricing for a one-bedroom unit (see Table 23), a household would have to earn about \$27,450 to afford monthly rents of \$800, if they are willing to allocate 35% of their adjusted gross income. Thus, the more specific target market would be renter households that earn an estimated \$27,450 to \$40,000 annually. There are approximately 224 households (20.7%) age 65+ earning between \$27,450 and \$40,000 in 2012.

Older Adult and Senior Household Tenure

Table 3 shows the number of older adult and senior households that owned and rented their housing in the PMA in 2000 and 2010. Data from 2000 and 2010 is from the U.S. Census. This information aids in quantifying the number of households that may still have homes to sell and could potentially supplement their incomes from the sales of their homes to cover the costs associated with either purchasing a new residence or using the income derived to support a rent-

DEMOGRAPHIC ANALYSIS – SENIOR HOUSING

al format. Additionally, the information provides insight into the propensity of seniors to rent instead of own their housing.

- Typically, homeownership declines as households age. In 2010, homeownership rates remained high in older adult and younger senior household groups, with 96% among households age 55 to 64 and 95% among households age 65 to 74.
- As seniors age, they may no longer desire or be able to maintain their single-family homes. They may prefer to move to housing that offers greater freedom from maintenance and/or has supportive services. The decline in homeownership between the 65 to 74 and 75+ age cohorts indicates that PMA seniors begin to consider moving into senior housing alternatives in their mid-70s.

TABLE 3								
OLDER ADULT HOUSEHOLD TENURE								
PRIMARY MARKET AREA								
2000 & 2010								
	Age of Householder							
	55-64		65-74		75+		Total 65+	
	Own	Rent	Own	Rent	Own	Rent	Own	Rent
2010								
No. of Households	1,345	54	712	41	284	38	996	79
Homeownership Rate	96%		95%		88%		93%	
2000								
No. of Households	751	21	303	16	147	20	450	36
Homeownership Rate	97%		95%		88%		93%	
Change 2010 - 2000								
No. of Households	594	33	409	25	137	18	546	43
Homeownership Rate	44%	61%	57%	61%	48%	47%	55%	54%
Sources: U.S. Census Bureau, Maxfield Research Inc.								

- With homeownership rates of 93% for all households over the age of 65, a sizeable portion of residents would be able to use the proceeds from the sales of their homes toward purchasing an equal or lower cost alternative such as a cooperative or condominium. Additionally, residents could use the proceeds from resales of their single-family homes toward a rental format. A greater proportion of seniors could qualify for market rate housing products, since equity from the home sale could be used as supplemental income for alternative housing.

Home Resale Values

Table 4 presents residential sales data for single-family homes (built before 1997) for the City of St. Francis and the Remainder of the PMA from the Regional Multiple Listing Service of Minnesota. The data is presented from 2006 through August 31, 2012. This data is useful in that it represents the amount of equity seniors may be able to derive from the sales of their homes that could be used to cover the cost of senior housing alternatives. We exclude newer homes, since most seniors have lived in their homes for about 15 years or more.

- As of the end of August 2012, the average sales price of a single-family home built before 1997 in St. Francis was \$99,887 and the median price was \$106,000. It should be noted that median sale prices are generally a more accurate portrayal of home equity since average figures can be skewed by a few very high- or low-priced homes. Sale prices in St. Francis are lower than the Remainder of the PMA. The median sale price in St. Francis in 2012 is \$106,000 compared to \$141,000 in the Remainder of the PMA.
- Consistent with housing conditions across the Nation, home values have depreciated in St. Francis and the Remainder of the PMA due to the slow down in the housing market and economy. From 2006 to 2012, the median sales price in St. Francis decreased -13.1% and in the Remainder of the PMA decreased -11.6%.
- The Cumulative Days on Market (CDOM) differs from Days on Market (DOM) by keeping a running tally of the DOM for a property for any listing of that property that occurs within one year of a listing of that same property. Data from the MLS was incomplete regarding CDOM in 2006 as many listings were missing the information.
- Based on the 2012 year-to-date median resale value of homes built before 1997 in St. Francis (\$106,000), a senior household could generate approximately \$1,995 of additional income annually (about \$166 per month), if they invested in an income-producing account (2.0% interest rate) after accounting for marketing costs and/or real estate commissions (6.0% of home sale price).
- Residents living in the Remainder of the PMA will generate slightly higher additional revenue because the median resale value is higher than in St. Francis. Based on the 2012 year-to-date median resale value in the Remainder of the PMA (\$141,000), a senior household could generate approximately \$2,650 of additional income annually (about \$220 per month), if they invested in an income-producing account (2.0% interest rate) after accounting for marketing costs and/or real estate commissions (6.0% of home sale price).

TABLE 4 SINGLE-FAMILY HOME RESALE VALUES BUILT BEFORE 1997 PRIMARY MARKET AREA 2006 to 2012*				
Area	No. of Sales	Average Price	Median Price	Average CDOM**
City of St. Francis				
2012*	12	\$99,887	\$106,000	81
2011	34	\$91,083	\$88,000	141
2010	16	\$87,226	\$79,750	85
2009	29	\$100,066	\$104,800	153
2008	6	\$106,808	\$113,375	127
2007	2	\$100,375	\$100,375	173
2006	1	\$122,000	\$122,000	21
% Change 2006-2011		-18.1%	-13.1%	
Remainder of Primary Market Area				
2012*	20	\$150,101	\$141,000	110
2011	28	\$123,679	\$126,522	176
2010	18	\$158,467	\$142,500	114
2009	16	\$134,038	\$135,500	174
2008	6	\$131,917	\$142,200	256
2007	6	\$169,133	\$181,750	127
2006	6	\$163,550	\$159,450	85
% Change 2006-2011		-8.2%	-11.6%	
* January 1, 2012 to August, 2012				
** Data from 2007 through 2012 is the Cumulative Days on Market.				
Sources: Multiple Listing Service; Maxfield Research Inc.				

Introduction

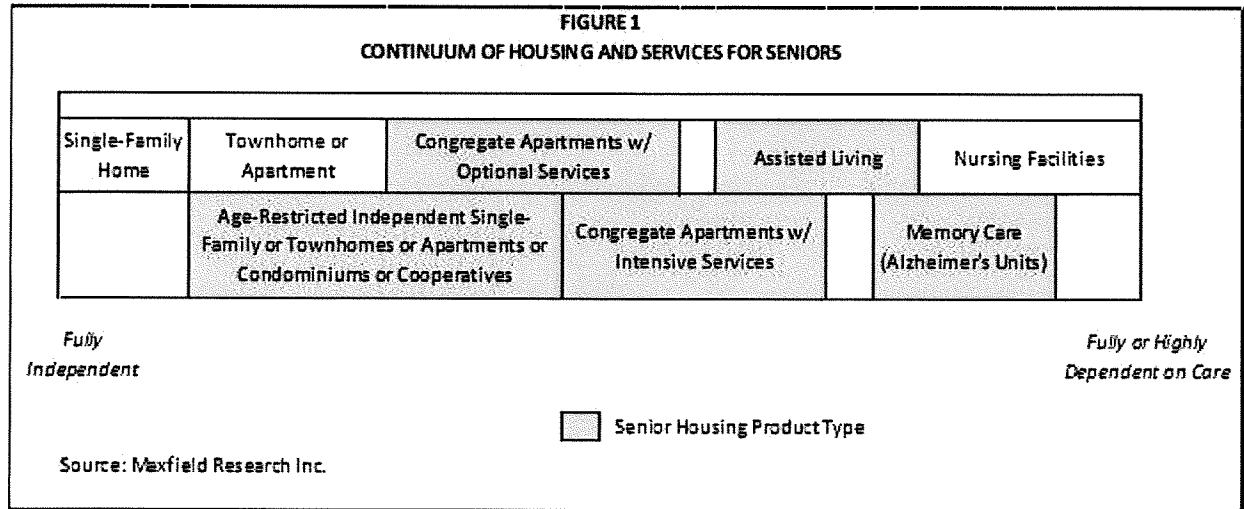
The preceding section examined demographic factors that impact demand for active adult senior housing. This section provides an overview of contemporary senior housing alternatives and an assessment of the current supply of competitive active adult housing in the PMA. Additionally, any planned or pending senior housing developments are identified that may compete with the subject development and would satisfy some potential demand for senior housing in St. Francis.

Types of Senior Housing in Today's Market

For analytical purposes, Maxfield Research Inc. classifies market rate senior housing into four categories based on the level and type of services offered:

- ▶ **Active Adult** properties (or independent living without services available) are similar to a general-occupancy apartment building, in that they offer virtually no services but have age-restrictions (typically 55 or 62 or older). Organized activities and occasionally a transportation program are usually all that are available at these properties. Because of the lack of services, active adult properties typically do not command the rent premiums of more service-enriched senior housing.
- ▶ **Congregate** properties (or independent living with services available) offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties typically dedicate a larger share of the overall building area to common areas, in part, because the units are smaller than in adult housing and in part to encourage socialization among residents. Congregate properties attract a slightly older target market than adult housing, typically seniors age 75 or older. Rents are also above those of the active adult buildings, even excluding the services. Sponsorship by a nursing home, hospital or other health care organization is common.
- ▶ **Assisted Living** properties come in a variety of forms, but the target market for most is generally the same: very frail seniors, typically age 80 or older (but can be much younger, depending on their particular health situation), who are in need of extensive support services and personal care assistance. Absent an assisted living option, these seniors would otherwise need to move to a nursing facility. At a minimum, assisted living properties include two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or for an additional cost). Assisted living properties also have either staff on duty 24 hours per day or at least 24-hour emergency response.

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- ▶ **Memory Care** properties, designed specifically for persons suffering from Alzheimer’s disease or other dementias, is one of the newest trends in senior housing. Properties consist mostly of suite-style or studio units or occasionally one-bedroom apartment-style units, and large amounts of communal areas for activities and programming. In addition, staff typically undergoes specialized training in the care of this population. Because of the greater amount of individualized personal care required by residents, staffing ratios are much higher than traditional assisted living and thus, the costs of care are also higher. Unlike conventional assisted living, however, which deals almost exclusively with widows or widowers, a higher proportion of persons afflicted with Alzheimer’s disease are in two-person households. That means the decision to move a spouse into a memory care facility involves the caregiver’s concern of incurring the costs of health care at a special facility while continuing to maintain their home.
- ▶ **Skilled Nursing Care**, or long-term care facilities, provides a living arrangement that integrates shelter and food with medical, nursing, psychosocial and rehabilitation services for persons who require 24-hour nursing supervision. Residents in skilled nursing homes can be funded under Medicare, Medicaid, Veterans, HMOs, insurance as well as use of private funds.

The senior housing products available today, when combined with long-term care facilities form a full continuum of care, extending from virtually a purely residential model to a medically intensive one. Often the services available at these properties overlap with another making these definitions somewhat ambiguous. In general, active adult properties tend to attract younger active seniors, who merely wish to rid themselves of home maintenance; congregate properties serve independent seniors that desire support services (i.e., meals, housekeeping, transportation, etc.) while assisted living properties tend to attract older, frail seniors who need assistance with daily activities, but not the skilled medical care available only in a nursing facility.

Supply of Active Adult Senior Housing in the PMA

Maxfield Research Inc. identified and collected market information on market rate and affordable active adult senior rental properties. There is only one development located in the PMA. Due to the limited supply of active adult properties in the PMA, we inventoried active adult developments located outside the PMA. The inventoried developments in neighboring cities are intended to serve as a guide in assessing current trends in the active adult housing industry. We do not, however, consider communities outside the PMA to be directly competitive. Information regarding age of the structure, number of units, vacancies, unit mix and sizes, and monthly rents are displayed in Tables 5, 6 and 7, while Table 8 provides a comparison of amenities available at the properties.

Market Rate Active Adult Ownership Developments

- There are no ownership developments located in the PMA. Maxfield Research Inc. surveyed four active adult ownership developments in Anoka, Andover, Coon Rapids, and Elk River. There is a total of 305 units with 12 units available for a vacancy rate of 3.9%. This is slightly above the market equilibrium rate of 2%.
- *Realife Cooperative* and *Pullman Place Cooperative* are limited equity cooperatives. Cooperative products involve purchasing a unit (or share of the blanket mortgage) and then paying monthly fees which include utilities, maintenance of property and common areas, and future building maintenance. Shares at *Realife Cooperative* range from \$25,889 to \$50,589 depending on the unit and \$46,000 to \$99,000 at *Pullman Place Cooperative*.
- The sale price for each unit type at *Historic Rum River District* and *Grey Oaks Community* is based on the resale values within the last few years. Unit types that have not been sold do not have data available.
- Approximately 60% of the units at the surveyed properties are two-bedroom units. One-bedroom plus den units comprise 22%, one-bedroom units comprise 17% of the units, and two-bedroom/three bedroom plus den units comprise 1% of the units.

Market Rate Active Adult Rental Developments

- Maxfield Research Inc. surveyed six market rate active adult senior housing developments. Only one development (*Oaks of Lake George*) is located in the PMA. The remaining developments are located in Ham Lake, Fridley, Ramsey, and Anoka.
- Typically, a healthy rental market should maintain a vacancy rate of 5% to allow for sufficient consumer choice and adequate turnover of units. *Oaks of Lake George* has eight vacant units, or a vacancy rate of 15.7%. Management has indicated that the property has had challenges leasing the units since it opened in 2006 due, in part, to seniors unable to sell their homes, the remote location, and lack of transportation for residents. However,

SENIOR HOUSING MARKET ANALYSIS

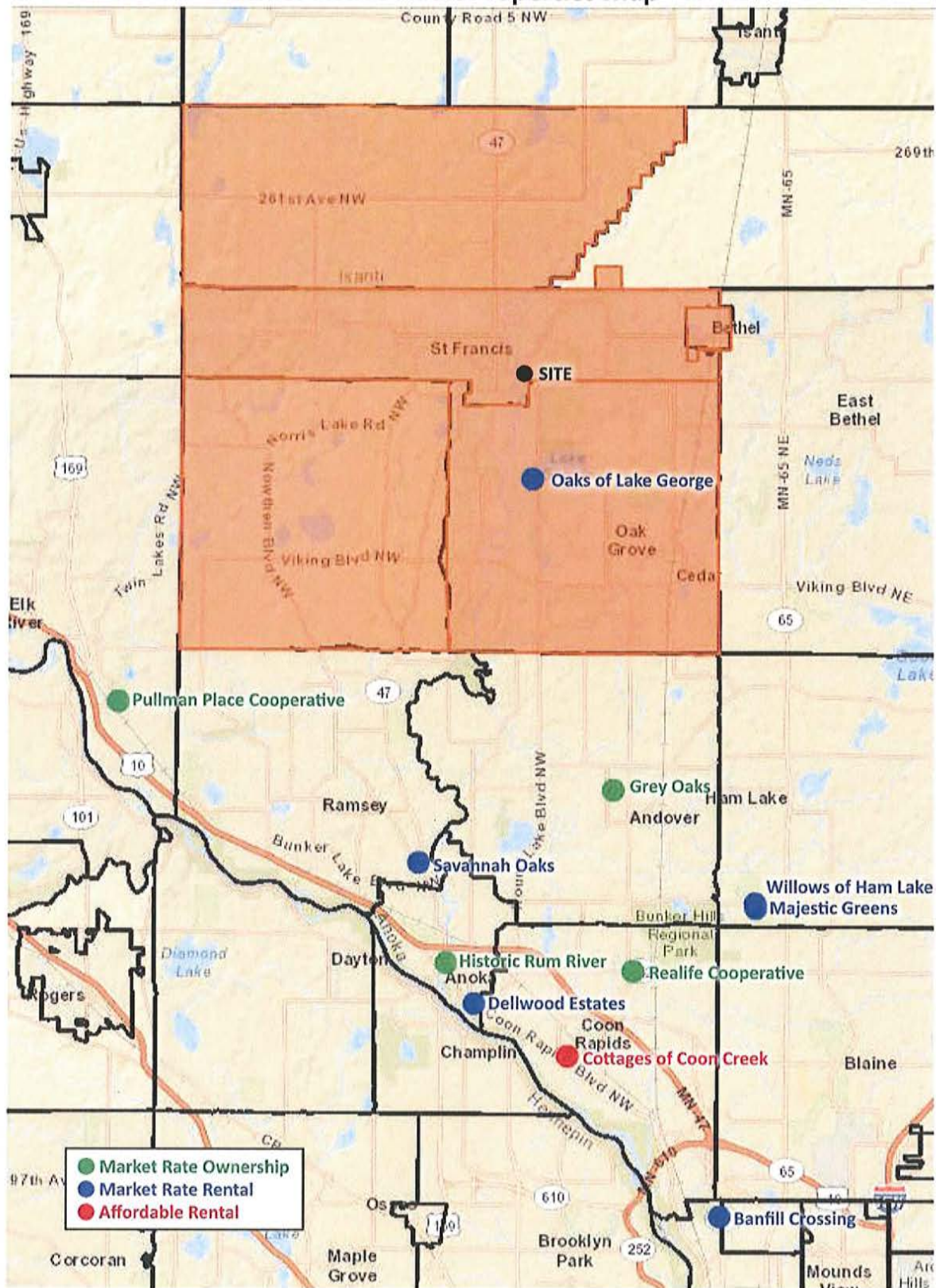
the market rate active adult properties located outside the PMA are performing well with a vacancy rate of 1.1%.

- *Oaks of Lake George, Savannah Oaks, and The Willows of Ham Lake* were built by Anoka County HRA. The monthly rents are generally lower than market rate properties but do not have strict income restrictions compared to Low Income Housing Tax Credit properties.
- Approximately 50% of the units at the surveyed properties are one-bedroom units. Two-bedroom units comprise 44%, one-bedroom plus den units comprise 11% of the units, and two-bedroom plus den units comprise 7%.
- Monthly rents in the PMA range from \$660 to \$905 for one-bedroom units, \$871 to \$1,048 for one-bedroom plus den units, \$829 to \$1,355 for two-bedroom units, and \$1,213 to \$1,367 for two-bedroom plus den units.

Affordable Active Adult Rental Developments

- There are no affordable active adult developments located in the PMA. *Banfill Crossing* and *Cottages of Coon Creek* are located just outside of the PMA in Fridley and Coon Rapids.
- The existing supply of affordable senior housing outside of the PMA has a vacancy rate of 1.2%.
- Approximately 73% of the units at the surveyed properties are one-bedroom units. Two-bedroom units comprise the remaining 27% of the units.
- Monthly rents average \$782 for one-bedroom units and \$949 for two-bedroom units.
- *Banfill Crossing* has 44 affordable units and 66 market rate units. Properties that have a mixture of market rate and affordable units tend to have greater community amenities such as a fitness center, guest suites, etc. than properties with just affordable units.

Senior Active Adult Properties Map



SENIOR HOUSING MARKET ANALYSIS

TABLE 5
ACTIVE ADULT SENIOR DEVELOPMENTS
PRIMARY MARKET AREA
August 2012

Project Name	Year Built	Units/Vacant	Unit Mix	Unit Size (Sq. Feet)	Purch. Price/Share Cost Monthly Fee	Fee/Sq. Ft	Comments
MARKET RATE ACTIVE ADULT OWNERSHIP							
<i>in PMA</i>							
<i>none</i>							
outside PMA							
Historic Rum River District	2009/2010	40/1	6 - 1BR	828 - 928	\$136,312 - \$183,839 \$299 - \$299	\$164.63 - \$222.03	Age restricted 55+. One UG parking stall included in sale.
2200 Second Avenue N <i>Anoka</i>		2.5%	34 - 2BR	1,343 - 1,760	\$174,000 - \$311,983 \$299 - \$299	\$129.56 - \$232.30	
Pullman Place Cooperative	2005	65/5	14 - 1BR	798 - 920	\$46,000 - \$63,500 \$658 - \$905	\$57.64 - \$79.57	Age restricted 55+. Association fees include heat, water, sewer, garbage, and maintenance. Residents pay electric and parking.
17155 Quincey Street <i>Elk River</i>		7.7%	9 - 1BR/D	1,058 - 1,058	\$73,000 - \$73,000 \$1,045 - \$1,045	\$69.00 - \$69.00	
			39 - 2BR	1,110 - 1,272	\$76,500 - \$88,000 \$1,088 - \$1,250	\$68.92 - \$79.28	
			1 - 2BR/D	1,440 - 1,440	\$99,000 - \$99,000 \$1,422 - \$1,422	\$68.75 - \$68.75	
			2 - 3BR/D	1,440 - 1,440	\$99,000 - \$99,000 \$1,422 - \$1,422	\$68.75 - \$68.75	
Grey Oaks Community	2003	100/1	30 - 1BR	875 - 875	na	na	Age restricted 55+. Association fee includes water, sewer, garbage maintenance. Residents pay electric, and gas. One UG stall included in 1BR and 2BR units. Two-car garage included in THs.
15550 Linnet Street NW <i>Andover</i>		1.0%	60 - 2BR	1,050 - 1,450	\$100,000 - \$133,900 \$170 - \$170	\$95.24 - \$127.52	
			10 - 2BR TH	1,272 - 1,272	na	na	
Realife Cooperative	2002	100/5	3 - 1BR	805 - 805	\$25,889 - \$25,889 \$708 - \$708	\$32.16 - \$32.16	Age restricted 62+. Association fees include heat, water, sewer, garbage, and maintenance. Residents pay electric and parking.
1555 Main Street NW <i>Coon Rapids</i>		5.0%	58 - 1BR/D	962 - 1,200	\$33,687 - \$45,334 \$858 - \$1,120	\$35.02 - \$47.12	
			39 - 2BR	1,091 - 1,512	\$42,447 - \$50,589 \$1,016 - \$1,263	\$38.91 - \$46.37	
Total / Average - Outside PMA		305		1,154	\$105,322	\$86.43	
Vacant Units		12	3.9%				

Source: Maxfield Research Inc.

SENIOR HOUSING MARKET ANALYSIS

**TABLE 6
ACTIVE ADULT SENIOR DEVELOPMENTS
PRIMARY MARKET AREA
August 2012**

Project Name	Year Built	Units/ Vacant	Unit Mix	Unit Size (Sq. Feet)	Base Monthly Fees	Fee/ Sq. Ft	Comments
in PMA							
Oaks of Lake George*	2006	51	13 - 1BR	691 - 800	\$848 - \$848	\$1.23 - \$1.23	Age restricted 55+. Residents pay electric. Average age is early 70s.
21201 Lake George Boulevard		8	18 - 1BR/D	887 - 887	\$1,048 - \$1,048	\$1.18 - \$1.18	
Oak Grove		15.7%	14 - 2BR	935 - 1060	\$1,075 - \$1,186	\$1.15 - \$1.27	
			6 - 2BR/D	1,225 - 1,225	\$1,367 - \$1,367	\$1.12 - \$1.12	
outside PMA							
Majestic Greens	2002	50	22 - 1BR	703 - 793	\$807 - \$863	\$1.15 - \$1.23	Age restricted 55+. Residents pay electric. 60% of residents between ages 65 to 75.
13633 Van Buren Street NE		0	2 - 1BR/D	982 - 982	\$1,045 - \$1,045	\$1.06 - \$1.06	
Ham Lake		0.0%	14 - 2BR	978 - 1067	\$1,015 - \$1,100	\$1.04 - \$1.12	
			12 - 2BR/D	1,207 - 1,207	\$1,213 - \$1,213	\$1.00 - \$1.00	
Banfill Crossing	2000	66	28 - 1BR	790 - 790	\$905 - \$905	\$1.15 - \$1.15	Age restricted 62+. Additional 44 affordable units. Residents pay electric. Average age is 65.
8310 University Avenue NE		1	38 - 2BR	947 - 1,205	\$1,065 - \$1,355	\$1.12 - \$1.43	
Savannah Oaks*	1999	50	18 - 1BR	705 - 705	\$748 - \$748	\$1.06 - \$1.06	Age restricted 55+. Tenants pay electric. Average age is 77-78.
14351 Dysprosium Street		0	20 - 1BR/D	908 - 956	\$883 - \$922	\$0.97 - \$1.02	
Ramsey		0.0%	12 - 2BR	1,020 - 1,020	\$1,082 - \$1,082	\$1.06 - \$1.06	
The Willows of Ham Lake*	1997	49	26 - 1BR	660 - 854	\$660 - \$855	\$1.00 - \$1.30	Age restricted 55+. Tenants pay electric. Average age is 71, 9 couples.
845 Bunker Lake Boulevard NE		0	11 - 1BR/D	920 - 920	\$871 - \$871	\$0.95 - \$0.95	
Ham Lake		0.0%	12 - 2BR	1,037 - 1,220	\$923 - \$1,081	\$0.89 - \$1.04	
Dellwood Estates	1992	57	28 - 1BR	940 - 940	\$729 - \$799	\$0.78 - \$0.85	Age restricted 55+. Tenants pay electric. Second building includes 72 general occupancy units.
749 East River Road		2	29 - 2BR	1,085 - 1,295	\$829 - \$999	\$0.76 - \$0.92	
Anoka		3.5%					
Total / Average - Outside PMA		272		958	\$950	\$1.04	
Vacant Units		3	1.1%				

* built by Anoka County HRA. Rents are below market rate but have no income restrictions
Source: Maxfield Research Inc.

SENIOR HOUSING MARKET ANALYSIS

TABLE 7 ACTIVE ADULT SENIOR DEVELOPMENTS PRIMARY MARKET AREA August 2012							
Project Name	Year Built	Units/ Vacant	Unit Mix	Unit Size (Sq. Feet)	Base Monthly Fees	Fee/ Sq. Ft	Comments
<u>in PMA</u>							
none							
<u>outside PMA</u>							
Banfill Crossing 8310 University Avenue NE Fridley	2000	44 0 0.0%	44 - 1BR	697 - 697	\$785 - \$785	\$1.13 - \$1.13	Age restricted 62+. Income restricted at 60% AMI. Additional 66 market rate units.
Cottages of Coon Creek 2637 110th Lane NW Coon Rapids	1997	37 1 2.7%	15 - 1BR 32 - 2BR	700 - 700 882 - 882	\$779 - \$779 \$949 - \$949	\$1.11 - \$1.11 \$1.08 - \$1.08	Age restricted 50+. Income restricted at 60% AMI. All utilities included. Average age is 72.
Total / Average - Outside PMA Vacant Units	81 1	1.2%	760	\$838	\$1.11		

Source: Maxfield Research Inc.

SENIOR HOUSING MARKET ANALYSIS

TABLE 8
 AMENITY COMPARISON
 ACTIVE ADULT SENIOR DEVELOPMENTS
 PRIMARY MARKET AREA
 August 2012

	In-Unit Amenities										Building Amenities										Other	
	Air Conditioner	Patio/Balcony/Deck	Washer/Dryer	Kitchen Sink	Range	Microwave Oven	Dishwasher	Private Bath	Walk-in Closet	Emergency Call	Community Room	Dining Room	Activity Rm.	Library	Exercise Room	Salon	Storage	Chapel	Terrace/porch	Guest Suites		Parking
	MARKET RATE ACTIVE ADULT OWNERSHIP																					
Historic River Rum District*	Cent.	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	N	N	Y	Y	Y	UG Inc.	views of Rum River and Park
Pullman Place*	Cent.	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	N	N	Y	Y	Y	UG Inc.	wood shop
Grey Oaks Community*	Cent.	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	N	Y	N	N	N	N	UG Inc.	putting area
Realife Cooperative *	Cent.	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	UG \$40	wood shop, garden plots
	MARKET RATE ACTIVE ADULT RENTAL																					
Oaks of Lake George	Cent.	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	N	N	Y	Y	UG \$40	wood shop
Majestic Greens*	Cent.	S	Y	Y	Y	N	Y	N	N	Y	Y	Y	Y	Y	N	Y	N	Y	N	N	UG \$45	vegetable and flower garden
Banfill Crossing*	Cent.	N	S	Y	Y	S	Y	Y	N	Y	N	Y	Y	N	Y	Y	N	Y	Y	Y	UG \$50	Country Store Grocery
Savannah Oaks*	Cent.	Y	Y	Y	Y	Y	Y	Y	S	Y	N	N	N	N	N	Y	Y	Y	Y	Y	UG \$40	
The Willows of Ham Lake*	Cent.	S	Y	Y	Y	Y	Y	Y	S	Y	N	N	Y	N	N	Y	Y	Y	Y	Y	UG \$40	garden plots
Dellwood Estates*	Cent.	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	Y	N	N	UG Inc.	outdoor pool
	AFFORDABLE ACTIVE ADULT RENTAL																					
Banfill Crossing*	Cent.	N	S	Y	Y	S	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	UG \$50	Country Store Grocery
Cottages of Coon Creek*	Cent.	Y	HU	Y	Y	N	Y	Y	N	Y	N	N	N	N	N	N	N	N	N	N	Gar Inc.	

* Located outside PMA
 Source: Maxfield Research, Inc.

Pending PMA Senior Housing Developments

Maxfield Research interviewed planning staff to identify any planned or pending rental developments in the PMA. As of August 2012, there are no pending or planned active adult developments in the PMA.

Outside PMA – Ramsey

First Phoenix Group is planning to break ground on *Stoney River* in fall 2012. *Stoney River* is a senior housing project consisting of 72 service-enhanced senior housing units. The project is located at 14400 Nowthen Boulevard NW in Ramsey. The project will consist of 12 congregate units, 36 assisted living units and 24 memory care units. Since the units are targeted toward more service-intensive residents, it is not included in the demand calculation.

Outside PMA – Andover

Trident Development of St. Cloud started construction on *Arbor Oaks of Andover* in July 2012. The facility will consist of 70 senior units located on the southwest corner of 155th Lane and Hanson Boulevard in the Grey Oaks Community PUD. Out of the 70 units, 49 will be assisted living and 21 will be memory care units. Anticipated opening is August 2013. Since the units are targeted toward more service-intensive residents, it is not included in the demand calculation.

Outside PMA – Anoka

Volunteers of America (VOA) is currently constructing/renovating *Homestead at Anoka*. Phase I consists of tearing down and replacing the existing skilled nursing facility with 120 beds, in addition to constructing 27 congregate units and 32 assisted living units. VOA has been approved for a Phase II project consisting of another 43 units of both skilled nursing and assisted living units. Since the units are targeted toward more service-intensive residents, it is not included in the demand calculation.

Market Rate Active Adult Housing Demand

Table 9 illustrates the estimated demand for adult senior housing units in the PMA for 2012 and 2017. As a starting point, we identify that all individuals age 55 and older would be age-qualified for market rate adult housing. In order to arrive at the potential age/income/asset-qualified base for market rate adult housing, we include all older adult and senior households with annual incomes at or above \$35,000. We also include older adult and senior households who own their homes and would be able to derive additional income from the sale of their single-family homes. At the estimated 2012 year-to-date median sales price of \$106,000 in St. Francis (the median sales price in the Remainder of the PMA is \$141,000), a senior household could generate about \$1,995 of additional income annually from the invested home resale assets after accounting for marketing and moving costs. Conservatively, we include all homeowner households with incomes between \$25,000 and \$35,000 who would be able to derive additional income from the sale of their single-family homes. Qualifying homeowner households are calculated based on the homeownership rate for each age cohort as highlighted in Table 2. Based on these factors, we estimate the number of age/income/asset-qualified households in the PMA to be about 2,555 households.

Next, we adjust to include achievable capture rates for each age cohort (0.5% of households age 55 to 64, 5.5% of households age 65 to 74, and 16.5% of households age 75 and older), which results in a local demand potential for 107 adult housing units in 2012. These capture rates reduce the total number of age/income/asset-qualified households to consider only the portion of older adult and senior households who would be able, willing, and inclined to move to senior housing alternatives, including both owner- and renter-occupied housing.

Demand for adult housing products is divided between seniors interested in renter-occupied housing due to the lack of commitment involved and those preferring owner-occupied housing due to the tax advantages and potential for equity gains. Overarching the housing decision, however, is that the housing alternative must meet the needs of the resident in regard to affordability, location, features and amenities, regardless of the renter- or owner-occupied nature of the complex. Based on the demographic characteristics of PMA seniors as well as the performance of competitive projects, we estimate that 30% of the demand for adult housing will be for owner-occupied units while the remaining 70% of the potential market will be for renter-occupied units. Applying this percentage results in a demand potential for 32 units of owner-occupied housing and 75 renter-occupied housing in 2012.

Some demand on the subject Site will be generated by seniors who are currently residing outside the PMA. We estimate that demand from these seniors will generate 20% of the total demand for adult housing – increasing demand by 8 units for owner-occupied and by 19 units for renter-occupied housing. This demand will consist primarily of parents of adult children living in the PMA, individuals who live just outside the PMA and have an orientation to the area, and former residents who desire to return upon retirement. Together, the demand from PMA older adults and seniors and demand from those who would relocate to the PMA totals 40 owner-occupied adult housing units and 94 renter-occupied units as of 2012.

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From the total demand potential, we subtract existing competitive units since these units are already satisfying some demand for active adult housing. There is no owner-occupied housing, inside the PMA. For renter-occupied housing, we subtract a total of 48 units after accounting for a 5% vacancy rate.

No single Site can capture all of the potential demand in a PMA. We estimate that the Site in St. Francis can capture 50% of the market share, resulting in demand for 20 owner-occupied units and 22 renter-occupied units on the subject Site in St. Francis in 2012.

TABLE 9 MARKET RATE ACTIVE ADULT HOUSING DEMAND PRIMARY MARKET AREA 2012 & 2017						
	2012			2017		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
Number of Households w/ Incomes of \$35,000+/\$40,000+ (plus)	1,196	504	173	1,495	665	266
Number of Households w/ Incomes of \$25-\$35K/\$30-\$40K (times) Homeownership Rate (equals) Potential Market	x 143 96%	x 434 95%	x 149 88%	x 139 96%	x 53 95%	x 192 88%
(equals) Total Potential Market Base	= 137	= 412	= 131	= 133	= 50	= 169
(times) Potential Capture Rate (equals) Demand Potential	x 1,333 0.5%	x 916 5.5%	x 304 16.5%	x 1,628 0.5%	x 715 5.5%	x 435 16.5%
Total Local Demand Potential	= 7	= 50	= 50	= 8	= 39	= 72
	= 107 ↖			= 119 ↖		
(times) % for Ownership or Rental Units (equals) Demand Potential	x 30%	x 70%		x 30%	x 70%	
(plus) Demand from Outside the Market Area (20%) (equals) Total Demand Potential	= 32	= 75		= 36	= 83	
	+ 8	+ 19		+ 9	+ 21	
(equals) Total Demand Potential	= 40	= 94		= 45	= 104	
(minus) Existing Competitive and Pending Units (equals) Excess Adult Demand Potential	- 0	- 48		- 0	- 48	
	= 40	= 45		= 45	= 56	
(times) Percent of Demand Capturable by subject Site (equals) Total Adult Demand Capturable by subject Site	x 50%	x 50%		x 50%	x 50%	
	= 20	= 23		= 22	= 28	

Source: Maxfield Research Inc.

Adjusting for inflation, we have estimated that households with incomes of \$40,000 or more and homeowners with incomes of \$30,000 to \$40,000 would best qualify for owner-occupied adult housing in 2017. The same calculations were applied to the age/income-qualified based in 2017. We account for the pending competitive developments in the PMA, which would come online during this timeframe. However, there are no pending active adult units in the PMA. We project that demand will increase to 22 owner-occupied units and 28 renter-occupied units by 2017.

Affordable Active Adult Housing Demand

Table 10 presents our demand calculations for affordable active adult senior housing in the PMA in 2012 and 2017.

While the methodology used to calculate demand for 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:** The target market for affordable active adult rental housing is households age 55+ who earn up to 60% of the Area Median Income and can afford the rents at affordable senior properties. After adjusting for typical household sizes, households earning \$40,000 or less would be income qualified for income-restricted housing products. However, households must be able to afford contract monthly rents. Based on the competitive monthly pricing at affordable properties, a household would have to earn about \$27,450 to afford monthly rents of \$800, if they are willing to allocate 35% of their adjusted gross income. Therefore, we use \$40,000 as the upper end of the income range and \$27,450 as the lower end of the income range. We also include homeowner households earning incomes between \$22,450 and \$27,450, as these households would have additional equity that could be converted to monthly income following the sales of their single-family homes. To account for inflation, our figures in 2017 are adjusted to include households earning incomes between \$32,450 and \$45,000; homeowner households with incomes between \$27,450 and \$32,450 are included with the market potential for financially-assisted housing.
- **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; hence, the potential capture rate increases to 65% for affordable active adult housing.

Using the methodology described above results in a demand potential for 53 affordable active adult housing units in 2012. We estimate that seniors currently residing outside the PMA will generate 20% of the demand for affordable active adult housing – increasing demand to 66 affordable units. Demand for outside the PMA includes parents of adult children living in the PMA, individuals who live just outside the PMA and have an orientation to the area and former residents who desire to return upon retirement.

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The existing supply of affordable senior housing satisfies some of the housing needs in the PMA. However, there is no affordable senior housing, inside the PMA. No single Site can capture all of the excess demand in a PMA. We estimate that the Site in St. Francis can capture 65% of the market share, resulting in demand for 43 affordable active adult senior units in 2012.

TABLE 10 AFFORDABLE ACTIVE ADULT HOUSING DEMAND PRIMARY MARKET AREA 2012 & 2017						
	2012			2017		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of \$27,450 to \$40,000	165	161	63	132	188	63
Plus Households w/ Incomes of \$22,450 to \$27,450	+ 153	52	72	+ 49	70	27
(times) Homeownership Rate	x 96%	95%	88%	x 96%	95%	88%
(equals) Total Potential Market	= 312	210	126	= 179	255	87
(times) Potential Capture Rate	x 2.0%	10.0%	20.0%	x 2.0%	10.0%	20.0%
(equals) Demand Potential	= 6	21	25	= 4	25	17
Total Market Rate Demand Potential	= 53			= 46		
(plus) Demand from Outside the Market Area (20%)	+ 13			+ 12		
(equals) Total Demand Potential	= 66			= 58		
(minus) Existing Competitive and Pending Units ²	- 0			- 0		
(equals) Total Demand Potential in Market Area	= 66			= 58		
(times) Percent of Demand Capturable by subject Site	x 65%			x 65%		
(equals) Total Demand Capturable by subject Site	= 43			= 38		

¹ 2017 calculations define income-qualified households as all households with incomes between \$32,450 and \$45,000 plus homeowners with incomes between \$27,450 and \$32,450.
² Includes existing and pending units at 95% occupancy, or market equilibrium.

Source: Maxfield Research Inc.

Adjusting for inflation, we estimate that households with incomes between \$32,450 and \$45,000 would be candidates for affordable active adult housing in 2017. We increase the potential market by homeowner households earning between \$27,450 and \$32,450 that would have additional equity that could be converted to monthly income following the sales of their single-family homes. We account for the pending competitive developments in the PMA, which would come online during this timeframe. However, there are no pending active adult units in the PMA. Following the same methodology, we project that demand capturable by the subject Site in St. Francis will decrease slightly to 38 affordable active adult senior housing units by 2017.

Population and Household Growth Trends and Projections

Table 11 presents population and household growth trends in the PMA from 2000 to 2020. Figures for 2000 and 2010 are sourced from the U.S. Census Bureau. Estimates for 2012 and projections through 2020 are based on information from ESRI (national demographics service provider) and the Metropolitan Council along with the Minnesota Demographic Center for Stanford Township in Isanti County. Maxfield Research Inc. adjusted projections from the Metropolitan Council and Minnesota Demographic Center downward based on the slowdown in the housing market due to the recession.

- As of 2010, the PMA totaled 22,425 people and 7,695 households. The City of St. Francis comprised approximately 32.2% of the total population and 32.7% of total households in the PMA.
- Between 2000 and 2010, the PMA added 4,537 people (+25.4%) and the household base grew by 1,881 households (+32.4%). The City of St. Francis accounted for 50.9% of the PMA growth in the last decade, adding 2,308 people.
- Due to the slowdown in the housing market and other economic pressures, we estimate that the population base in St. Francis, the PMA, and the Twin Cities Metro Area for 2020 will be less than current forecasts by Metropolitan Council. The revised forecast is based on projected growth from residential building permits and average household size. Over the next ten years, 2010 to 2020, the PMA is forecast to add 3,490 people (+15.6 %) and 1,480 households (+19.2%). By 2020, the PMA is forecast to contain a total of 25,915 people and 9,175 households.

DEMOGRAPHIC ANALYSIS – GENERAL OCCUPANCY HOUSING

TABLE 11 POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS PRIMARY MARKET AREA 2000 to 2020										
	U.S. Census		Estimate		Forecast		Change			
	2000	2010	2012	2020	2000 to 2010	2010 to 2020	No.	Pct.	No.	Pct.
POPULATION										
St. Francis	4,910	7,218	7,275	9,200	2,308	47.0	1,982	27.5		
Remainder of the PMA	12,978	15,207	15,310	16,715	2,229	17.2	1,508	9.9		
Primary Market Area	17,888	22,425	22,585	25,915	4,537	25.4	3,490	15.6		
<i>Twin Cities Metro Area</i>	2,642,062	2,849,567	2,897,000	3,035,000	207,505	7.9	185,433	6.5		
St. Francis	1,638	2,520	2,545	3,285	882	53.8	765	30.4		
Remainder of the PMA	4,176	5,175	5,200	5,890	999	23.9	715	13.8		
Primary Market Area	5,814	7,695	7,745	9,175	1,881	32.4	1,480	19.2		
<i>Twin Cities Metro Area</i>	1,021,454	1,117,749	1,137,500	1,205,000	96,295	9.4	87,251	7.8		

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

Population Age Distribution Trends

Table 12 shows the age distribution of the PMA population in 2000 and 2010 with estimates for 2012 and projections for 2017. The 2000 and 2010 distributions are from the U.S. Census Bureau and 2012 figures are an estimate based on 2010 Census data. Maxfield Research Inc. derived the 2017 projections by adjustments made to data obtained from ESRI, Inc.

- Families with children are the dominant demographic of the PMA, as illustrated by the high percentage of children (28.1% of the PMA population in 2012).
- Mirroring trends observed across the Nation, the aging baby boomer generation is substantially impacting the composition of the PMA’s population. Born between 1946 and 1964, these individuals generally comprise the age groups 45 to 54 and 55 to 64 in 2012. As of 2012, baby boomers account for an estimated 29.2% of the total population in the PMA.
- Younger households are a primary market for rental housing. As of 2012, 19.1% of the population (4,325 people) is estimated to be between ages 18 and 34. Between 2012 and 2017, the 18 to 24 age cohort is projected to increase by 118 people and the 25 to 34 age cohort is projected to increase by 315 people. Overall, these younger age groups typically account for the highest proportion of the renter population in many rental properties.
- Overall, the non-elderly population (64 and younger) is expected to increase by 1,560 people (7.5%) between 2012 and 2017. The largest growth in the non-elderly population is anticipated to occur among those age 55 to 64 (+17.5%) and 25 to 34 (+12.5%).

Age	Census		Estimate	Projection	Change			
	2000	2010	2012	2017	2000-2010		2012-2017	
	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Under 18	5,852	6,296	6,341	6,841	444	7.6	501	7.9
18 to 24	1,338	1,796	1,809	1,927	458	34.2	118	6.5
25 to 34	2,538	2,498	2,516	2,831	-40	-1.6	315	12.5
35 to 44	3,648	3,554	3,579	3,758	-94	-2.6	179	5.0
45 to 54	2,424	4,059	4,088	4,092	1,635	67.5	4	0.1
55 to 64	1,324	2,491	2,509	2,953	1,167	88.1	444	17.7
65 and over	764	1,731	1,743	2,265	967	126.6	521	29.9
Total	17,888	22,425	22,585	24,666	4,537	25.4	2,081	9.2

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

Household Income by Age of Householder

Income data is important when considering the ability of households to pay different rent levels. Table 13 presents data on household income by age of householder for the PMA based on data from ESRI. This data assists in quantifying the number of households that comprise the target market based on the income level of households at various ages. The Department of Housing and Urban Development (HUD) defines affordable housing costs for families as 30% of a household’s adjusted gross income.

- In 2012, the median household income in the PMA was estimated to be \$79,954. Compared to the Twin Cities Metro Area as a whole, incomes in the PMA are slightly lower. A review of income data from the Census reveals that the PMA’s incomes are 10.4% lower than the Metro Area’s median income (\$89,200 in 2012 according to ESRI projections).
- Median income often peaks in late middle age. In 2012, the median income in the PMA is an estimated \$50,000 for households age 15 to 24 increasing to a median income of \$78,507 for households age 45 to 54. After age 45 to 54, household income declines with age, as senior households often do not have income-producing employment and are more likely to have only one income per household.
- The target market for affordable housing is households with incomes below 60% Area Median Income (AMI). Based on the Anoka County AMI, the following are current income-restrictions at 60% AMI:

2012 Income Limits by Household Size

Pct of AMI	1P	2P	3P	4P
60%	\$35,280	\$40,320	\$45,360	\$50,340

- The target market for the proposed affordable units will be primarily younger renter households with low to moderate incomes. The median income for households in the PMA under 25 was \$50,000 and the median income for households age 25 to 34 was \$62,935 in 2012. Households earning the median income for these age groups could afford monthly housing costs of about \$1,250 and \$1,575, respectively. Renters of the affordable units will be earning less than the median incomes, sometimes substantially less.

DEMOGRAPHIC ANALYSIS – GENERAL OCCUPANCY HOUSING

TABLE 13 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER PRIMARY MARKET AREA (Number of Households) 2012 & 2017								
	Age of Householder							
	Total	Under 25	25-34	35-44	45-54	55-64	65-74	75+
2012								
Less than \$15,000	163	20	61	85	114	30	45	18
\$15,000 to \$24,999	380	0	76	81	51	38	87	80
\$25,000 to \$34,999	261	32	55	73	101	143	122	52
\$35,000 to \$49,999	746	31	169	160	284	173	210	73
\$50,000 to \$74,999	1,989	40	314	334	497	334	161	22
\$75,000 to \$99,999	1,675	24	161	452	504	194	66	31
\$100,000 to \$149,999	1,986	18	169	490	516	328	27	31
\$150,000 to \$199,999	382	0	34	94	95	108	22	10
\$200,000+	161	0	9	38	73	59	18	6
Total	7,745	165	1,048	1,807	2,235	1,408	758	324
<i>Median Income</i>	<i>\$79,954</i>	<i>\$50,000</i>	<i>\$62,935</i>	<i>\$84,421</i>	<i>\$78,507</i>	<i>\$73,863</i>	<i>\$43,915</i>	<i>\$37,399</i>
2017								
Less than \$15,000	147	9	48	60	17	15	52	32
\$15,000 to \$24,999	284	14	52	57	45	36	77	76
\$25,000 to \$34,999	209	25	46	53	17	98	139	53
\$35,000 to \$49,999	558	19	115	117	104	162	230	75
\$50,000 to \$74,999	2,037	40	325	338	446	378	253	38
\$75,000 to \$99,999	1,702	22	162	466	448	239	106	58
\$100,000 to \$149,999	2,884	25	266	746	997	530	70	86
\$150,000 to \$199,999	569	0	51	135	94	166	50	22
\$200,000+	249	0	9	60	53	74	33	12
Total	8,639	153	1,074	2,031	2,220	1,697	1,011	453
<i>Median Income</i>	<i>\$90,931</i>	<i>\$56,251</i>	<i>\$71,252</i>	<i>\$95,980</i>	<i>\$101,867</i>	<i>\$91,807</i>	<i>\$50,638</i>	<i>\$47,963</i>
Change - 2012 to 2017								
Less than \$15,000	-142	-11	-13	-25	-97	-16	7	14
\$15,000 to \$24,999	-56	14	-24	-23	-5	-3	-10	-4
\$25,000 to \$34,999	-146	-7	-10	-20	-84	-45	18	1
\$35,000 to \$49,999	-279	-12	-54	-44	-181	-11	21	2
\$50,000 to \$74,999	115	-0	11	3	-51	44	92	16
\$75,000 to \$99,999	68	-2	2	14	-56	45	39	27
\$100,000 to \$149,999	1,140	6	97	256	481	202	43	55
\$150,000 to \$199,999	156	0	17	41	-1	58	28	12
\$200,000+	88	0	0	22	-21	15	16	6
Total	945	-12	26	224	-15	289	254	129
<i>Median Income</i>	<i>\$10,977</i>	<i>\$6,251</i>	<i>\$8,317</i>	<i>\$11,559</i>	<i>\$23,359</i>	<i>\$17,944</i>	<i>\$6,722</i>	<i>\$10,564</i>

Sources: ESRI; Maxfield Research Inc.

Household Tenure by Income

Table 14 shows household tenure by age of householder for the City of St. Francis and the PMA in 2010. Data is an estimate from the American Community Survey. Household tenure information is important to assess the propensity for owner-occupied or renter-occupied housing options based on household affordability. As stated earlier, the Department of Housing and Urban Development determines affordable housing as not exceeding 30% of the household’s income. It is important to note that the higher the income, the lower percentage a household typically allocates to housing. Many lower income households, as well as many young and senior households, spend more than 30% of their income, while middle-aged households in their prime earning years typically allocate 20% to 25% of their income.

- Typically, as income increases, so does the rate of homeownership. This can be seen in the PMA, where the homeownership rate steadily increases from 42.3% of households with incomes below \$15,000 to 97.8% of households with incomes above \$100,000.

	City of St. Francis				Market Area Total			
	Own		Rent		Own		Rent	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Less than \$15,000	41	22.3	144	77.7	246	57.7	180	42.3
\$15,000 to \$24,999	151	69.4	67	30.6	295	73.0	109	27.0
\$25,000 to \$34,999	191	91.9	17	8.1	517	91.9	46	8.1
\$35,000 to \$49,999	224	94.5	13	5.5	974	91.3	93	8.7
\$50,000 to \$74,999	613	95.1	32	4.9	1,609	95.3	79	4.7
\$75,000 to \$99,999	519	88.8	66	11.2	1,368	93.9	89	6.1
\$100,000+	435	98.4	7	1.6	2,043	97.8	46	2.2
<i>Total</i>	<i>2,175</i>	<i>86.3</i>	<i>345</i>	<i>13.7</i>	<i>7,053</i>	<i>91.7</i>	<i>642</i>	<i>8.3</i>

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

- In 2012, approximately 70% of the PMA’s renter households have incomes below \$45,000 (the weighted average of household income to household size). These households would be the primary market for affordable housing. A portion of these individuals, however, would not be able to afford the contract rent prices associated with the proposed rental. Thus, the more specific target market would be renter households that earn an estimated \$15,000 to \$45,000 annually.

Tenure by Age of Household

Table 15 shows household tenure by age of householder for the City of St. Francis and PMA in 2000 and 2010. The data is compiled from the U.S. Census Bureau. All data excludes unoccupied units and group quarters such as dormitories. Household tenure information is important in understanding households' preferences to either rent or own their housing. In addition to preferences, factors that contribute to these proportions include mortgage interest rates, household age, and lifestyle considerations, among others.

- Between 2000 and 2010, the proportion of renters has increased in every age group except age 65+. Overall, 5.7% of all households rented in the PMA in 2000 compared to 8.3% in 2010. This is mainly due to problems in the economy and the crisis in the housing market.
- Households under the age of 35 are among the most likely to rent their housing. The younger age groups tend to be mobile, are more likely to be single, may not have yet accumulated a down payment for a single-family home or do not want to settle into homeownership. In 2010, 40.2% of households age 15 to 24 and 14.2% of households age 25 to 34 rented their housing. Households over age 65 are also likely to rent; however, a number of older renter households often live in age-restricted senior apartments that may have services and do not necessarily compete with general occupancy rental housing.
- All age groups rented at higher rates in the City of St. Francis than in the PMA. Overall, 13.7% of all households rented in St. Francis compared to 8.3% in the PMA.
- It is likely that the proposed development would attract a wide range of ages. Based on tenure by age patterns, however, the majority of those who choose to reside at the community will likely be younger aged households (age 34 and younger).

DEMOGRAPHIC ANALYSIS – GENERAL OCCUPANCY HOUSING

**TABLE 15
TENURE BY AGE OF HOUSEHOLDER
PRIMARY MARKET AREA
2000 & 2010**

Age		City of St. Francis				Primary Market Area			
		2000		2010		2000		2010	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
15-24	Own	88	65.7	62	55.4	132	68.8	98	59.8
	Rent	46	34.3	50	44.6	60	31.3	66	40.2
	Total	134	100.0	112	100.0	192	100.0	164	100.0
25-34	Own	404	83.8	467	84.3	1,004	90.5	893	85.8
	Rent	78	16.2	87	15.7	106	9.5	148	14.2
	Total	482	100.0	554	100.0	1,110	100.0	1,041	100.0
35-44	Own	448	92.4	577	85.4	1,846	96.1	1,625	90.5
	Rent	37	7.6	99	14.6	74	3.9	170	9.5
	Total	485	100.0	676	100.0	1,920	100.0	1,795	100.0
45-54	Own	240	92.3	508	91.2	1,300	97.5	2,096	94.4
	Rent	20	7.7	49	8.8	34	2.5	125	5.6
	Total	260	100.0	557	100.0	1,334	100.0	2,221	100.0
55-64	Own	145	90.6	303	92.1	751	97.3	1,345	96.1
	Rent	15	9.4	26	7.9	21	2.7	54	3.9
	Total	160	100.0	329	100.0	772	100.0	1,399	100.0
65 +	Own	87	74.4	258	88.4	450	92.6	996	92.7
	Rent	30	25.6	34	11.6	36	7.4	79	7.3
	Total	117	100.0	292	100.0	486	100.0	1,075	100.0
TOTAL	Own	1,412	86.2	2,175	86.3	5,483	94.3	7,053	91.7
	Rent	226	13.8	345	13.7	331	5.7	642	8.3
	Total	1,638	100.0	2,520	100.0	5,814	100.0	7,695	100.0

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

Resident Employment

Table 16 shows employment information from 2000 to July 2012 that is sourced from the Minnesota Department of Employment and Economic Development (DEED). Resident employment data is calculated as an annual average and reveals the work force and *number of employed people living in Anoka County*. It is important to note that not all of these individuals necessarily work in the County. All information is reported as an annual average of each individual month.

- Resident employment in Anoka County increased by 4,172 people between 2000 and 2011 (+2.4%). However, the number of unemployed people increased at a higher rate, which resulted in an increase in unemployment from 2.7% (2000) to 6.3% (2011).

DEMOGRAPHIC ANALYSIS – GENERAL OCCUPANCY HOUSING

- The County's unemployment rate of 6.3% in 2011 was lower than the State of Minnesota (6.4%) and the Nation (8.9%).
- Between 2009 and year to date 2012, the unemployment rate in Anoka County dropped from a high of 8.7% to 6.1%. The State of Minnesota also saw a sizable decrease between 2009 and 2012, decreasing from 8.0% in 2009 to 6.0% in 2012. These are indicators that the economy is recovering.

Year	Total Labor Force	Total Employed	Total Unemployed	Unemploy. Rate	Minnesota Unemploy. Rate	U.S. Unemploy. Rate
2000	178,990	174,185	4,805	2.7%	3.1%	4.0%
2001	183,326	176,721	6,605	3.6%	3.8%	4.7%
2002	184,935	176,702	8,233	4.5%	4.5%	5.8%
2003	187,044	178,107	8,937	4.8%	4.9%	6.0%
2004	188,661	180,215	8,446	4.5%	4.6%	5.6%
2005	189,688	182,174	7,514	4.0%	4.2%	5.1%
2006	190,694	183,129	7,565	4.0%	4.1%	4.6%
2007	189,854	181,115	8,739	4.6%	4.7%	4.6%
2008	190,605	180,294	10,311	5.4%	5.4%	5.8%
2009	191,516	174,869	16,647	8.7%	8.0%	9.3%
2010	191,213	176,324	14,889	6.9%	7.3%	9.6%
2011	191,193	178,357	12,836	6.3%	6.4%	8.9%
2012*	190,875	179,212	11,662	6.1%	6.0%	8.3%
Change 2000-11	12,203	4,172	8,031	3.6%	3.3%	4.9%
* Through July 2012						
Sources: MN Dept. of Employment and Economic Development; Maxfield Research Inc.						

Covered Employment by Industry

Tables 17 and 18 present covered employment in the City of St. Francis and Anoka County in 2006 and 2011 from the Minnesota Department of Employment and Economic Development (DEED). Covered employment data is calculated as an annual average and *reveals the number of jobs in the City* that are covered by unemployment insurance. Most farm jobs, self-employed people and some other types of jobs are not covered by unemployment insurance and are not included in the table.

- There were 106,625 jobs in Anoka County in 2011, of which 1.3% were located in St. Francis (1,433 jobs).
- Between 2006 and 2011, the City of St. Francis added 35 jobs. The industries that experienced the most substantial growth occurred in the Trade, Transportation, & Utilities industry, which added 55 jobs. In contrast, Anoka County lost -8,814 jobs (-7.6%) in the same time period.
- The overall average annual wage among covered employees was \$31,564 in 2011 in St. Francis, up from \$29,936 in 2006. Wages vary by industry with Leisure & Hospitality having the lowest annual average wage (\$9,724) and Goods Producing Industries having the highest annual average wage (\$42,224).

	2006			2011			Change	
	Employment		Avg. Wage	Employment		Avg. Wage	No.	Pct.
Goods Producing Industries ¹	161	11.5%	\$32,656	202	14.1%	\$42,224	41	25.5%
TTU ²	189	13.5%	\$18,772	244	17.0%	\$22,100	55	29.1%
Information	0	0.0%	NA	0	0.0%	NA	0	NA
Financial Activities	71	5.1%	\$23,816	76	5.3%	\$31,980	5	7.0%
Professional & Business Services	7	0.5%	\$45,396	17	1.2%	\$38,012	10	142.9%
Education & Health Services	649	46.4%	\$35,308	625	43.6%	\$38,948	-24	-3.7%
Leisure and Hospitality	281	20.1%	\$8,632	211	14.7%	\$9,724	-70	-24.9%
Other Services	40	2.9%	\$20,384	NA	NA	NA	NA	NA
Public Administration	NA	NA	NA	58	4.0%	\$35,568	NA	NA
Total	1,398	100%	\$26,936	1,433	100%	\$31,564	35	2.5%

¹ Includes natural resource/mining, construction, and manufacturing.
² Trade, transportation, & utilities.

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

DEMOGRAPHIC ANALYSIS – GENERAL OCCUPANCY HOUSING

TABLE 18 COVERED EMPLOYMENT BY INDUSTRY ANOKA COUNTY Annual Average 2006 and 2011								
	2006			2011			Change	
	Employment		Avg. Wage	Employment		Avg. Wage	No.	Pct.
Goods Producing Industries ¹	33,500	29.0%	\$57,200	27,198	25.5%	\$63,180	-6,302	-18.8%
TTU ²	25,233	21.9%	\$35,620	23,299	21.9%	\$37,492	-1,934	-7.7%
Information	866	0.8%	\$43,628	140	0.1%	\$28,392	-726	-83.8%
Financial Activities	4,320	3.7%	\$36,764	3,318	3.1%	\$48,932	-1,002	-23.2%
Professional & Business Services	9,482	8.2%	\$36,192	8,952	8.4%	\$43,160	-530	-5.6%
Education & Health Services	22,392	19.4%	\$40,404	23,441	22.0%	\$46,332	1,049	4.7%
Leisure and Hospitality	11,114	9.6%	\$12,584	11,360	10.7%	\$14,872	246	2.2%
Other Services	4,060	3.5%	\$23,244	4,298	4.0%	\$25,116	238	5.9%
Public Administration	4,472	3.9%	\$43,472	4,619	4.3%	\$48,828	147	3.3%
Total	115,439	100%	\$38,927	106,625	100%	\$42,275	-8,814	-7.6%
¹ Includes natural resource/mining, construction, and manufacturing. ² Trade, transportation, & utilities.								
Sources: Minnesota Department of Employment and Economic Development; Maxfield Research Inc.								

Anoka County Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live, particularly for lower income households since transportation costs often account for a greater proportion of their budgets. Table 19 highlights the commuting patterns of workers in Anoka County in 2010 (the most recent data available), based on Employer-Household Dynamics data from the U.S. Census Bureau.

- There is a large out-migration of workers from Anoka County to other surrounding Counties. In 2010, about 30% of Anoka County residents also worked in Anoka County, while the remainder of residents commuted to jobs outside Anoka County.
- However, nearly 45% of the workers in Anoka County also live in Anoka County. This highlights the potential to add housing in Anoka County, including affordable rental housing, to accommodate the local workforce’s housing needs, especially as more workers seek housing near their place of employment as the cost of fuel rises.

DEMOGRAPHIC ANALYSIS – GENERAL OCCUPANCY HOUSING

TABLE 19 ANOKA COUNTY COMMUTING PATTERNS 2010			
Place of Residence	Employment	Count	Percent
Place of Employment for Anoka County Residents			
Anoka	Anoka	50,928	44.7%
Anoka	Hennepin	20,293	17.8%
Anoka	Ramsey	9,838	8.6%
Anoka	Sherburne	4,844	4.3%
Anoka	Washington	4,301	3.8%
Anoka	Isanti	3,436	3.0%
Anoka	Dakota	2,885	2.5%
Anoka	Wright	2,612	2.3%
Anoka	Chisago	2,256	2.0%
Anoka	Scott	923	0.8%
Anoka	Other	11,522	10.1%
		113,838	100.0%
Place of Residence for Workers Commuting to Anoka County			
Hennepin	Anoka	66,961	39.5%
Anoka	Anoka	50,928	30.0%
Ramsey	Anoka	31,512	18.6%
Dakota	Anoka	4,162	2.5%
Washington	Anoka	3,502	2.1%
Sherburne	Anoka	1,848	1.1%
St. Louis	Anoka	1,177	0.7%
Chisago	Anoka	1,085	0.6%
Wright	Anoka	859	0.5%
Isanti	Anoka	769	0.5%
Other	Anoka	6,742	4.0%
		169,545	100.0%
Sources: US Census Bureau; Maxfield Research Inc.			

Introduction

Market potential for rental housing is a function of supply and demand. The previous section on demographic and employment trends analyzed data related to demand for housing. This section reviews the supply of affordable rental housing in the PMA. This information, combined with data from our demographic analysis will be used to assess the potential for additional affordable rental housing in the PMA.

Selected Affordable Rental Developments

Maxfield Research Inc. surveyed selected newer affordable rental properties in and near the PMA. There are 22 units located in the PMA. Due to the limited supply of newer rental properties, Maxfield Research Inc. also inventoried some properties near the PMA that would be comparable. The inventoried properties located outside of the PMA are intended to serve as a guide in assessing current trends in the rental housing industry. We do not, however, consider the properties outside of the PMA to be directly competitive.

Table 20 provides information on the unit mix, unit sizes, rents and vacancies; Table 21 lists information on amenities of the surveyed properties.

- Maxfield Research Inc. surveyed eight affordable housing developments. Only one development (*Turtle Ridge Townhomes*) is located in the PMA. The remaining developments are located in Elk River, Coon Rapids, and Anoka.
- Typically, a healthy rental market should maintain a vacancy rate of 5% to allow for sufficient consumer choice and adequate turnover of units. The existing supply of affordable housing in the PMA currently has one available unit (a vacancy rate of 4.5%). This indicates that there is some pent up demand for affordable housing.
- Approximately 49.5% of the units at the surveyed properties are two-bedroom units. Three-bedroom units comprise 34%, one-bedroom units comprise 16% of the units, and efficiency units comprise 0.5%.
- Maxfield Research Inc. was unable to get pricing information at *Villas by Mary T*. Pricing is from the last survey conducted in February 2011. Monthly rents in the PMA range from \$640 to \$855 for one-bedroom units, \$433 to \$975 for two-bedroom units, and \$494 to \$1,200 for three-bedroom units.
- The majority of the developments include heat, water, trash removal and either an attached/detached/underground parking stall in the monthly rent. *Tralee Terrace* and *Woodland Park* have parking fees of \$30 and \$40, respectively.

GENERAL OCCUPANCY HOUSING MARKET ANALYSIS

TABLE 20
AFFORDABLE GENERAL OCCUPANCY RENTAL DEVELOPMENTS
PRIMARY MARKET AREA
August 2012

Project Name in PMA	Year Built	Total Units	Unit Mix	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.	Comments/Features
Turtle Ridge Townhomes 2648 230th Court NW St. Francis	2001	22 1 4.5%	10 - 2BR 20 - 3BR	1,015 - 1,298 1,169 - 1,438	\$840 - \$840 \$940 - \$940	\$840 \$940	\$0.65 - \$0.83 \$0.65 - \$0.80	Section 42. 22 units income restricted at 60% AMI. 8 units are project-based Section 8.
Outside PMA								
The Depot of Elk River Station 10653 172nd Avenue NW Elk River	2011	53 0 0.0%	11 - 1BR 26 - 2BR 26 - 3BR	796 - 796 1,097 - 1,134 1,309 - 1,332	\$640 - \$640 \$750 - \$750 \$850 - \$850	\$640 \$750 \$850	\$0.80 - \$0.80 \$0.66 - \$0.68 \$0.64 - \$0.65	Section 42. Income restricted at 60% AMI.
Jackson Place 300 Jackson Avenue Elk River	2007	32 0 0.0%	11 - 1BR 26 - 2BR	712 - 712 912 - 912	\$680 - \$680 \$780 - \$780	\$680 \$780	\$0.96 - \$0.96 \$0.86 - \$0.86	Section 42. Income restricted at 60% AMI.
Northstar Ridge 10060 Dogwood Street Coon Rapids	2003	39 0 0.0%	9 - 1BR 26 - 2BR 21 - 3BR	868 - 868 965 - 1,095 1,386 - 1,386	\$710 - \$855 \$845 - \$975 \$965 - \$1,150	\$783 \$910 \$1,058	\$0.82 - \$0.99 \$0.88 - \$0.89 \$0.70 - \$0.83	Section 42. 39 units income restricted at 60% AMI. 17 units market rate.
Tralee Terrace 9900 Redwood Street NW Coon Rapids	1993/ 2010	68 0 0.0%	1 - EFF 16 - 1BR 34 - 2BR 17 - 3BR	450 - 450 621 - 702 891 - 891 1,131 - 1,240	\$619 - \$619 \$699 - \$699 \$855 - \$855 \$1,145 - \$1,145	\$619 \$699 \$855 \$1,145	\$1.38 - \$1.38 \$1.00 - \$1.13 \$0.96 - \$0.96 \$0.92 - \$1.01	Section 42. Income restricted at 60% AMI. Rehabbed in 2010.
Villas by Mary T - Palm 812 98th Avenue NW Coon Rapids	1997	20 0 0.0%	6 - 2BR 14 - 3BR	1,092 - 1,092 1,246 - 1,246	\$800 - \$800 \$1,050 - \$1,050	\$800 \$1,050	\$0.73 - \$0.73 \$0.84 - \$0.84	Section 42. 4 units at 30% AMI, 10 units at 50% AMI, 6 market rate units.
Villas by Mary T - Caroline 1450-1589 118th Lane NW Coon Rapids	1996	30 0 0.0%	8 - 1BR 10 - 2BR 12 - 3BR	728 - 728 907 - 907 1,213 - 1,246	\$800 - \$800 \$950 - \$950 \$1,050 - \$1,050	\$800 \$950 \$1,050	\$1.10 - \$1.10 \$1.05 - \$1.05 \$0.84 - \$0.87	Section 42. Income restricted at 60% AMI.
Woodland Park Apartments 2614 Cutters Grove Avenue Anoka	1993	90 4 4.4%	9 - 1BR 57 - 2BR 24 - 3BR	600 - 624 810 - 884 1,000 - 1,248	\$725 - \$770 \$835 - \$880 \$1,009 - \$1,200	\$748 \$858 \$1,105	\$1.21 - \$1.23 \$1.00 - \$1.03 \$0.96 - \$1.01	Section 42. Income restricted at 60% AMI.
Total / Average - Outside PMA		247						
Vacant Units		4	1.6%					

Source: Maxfield Research Inc.

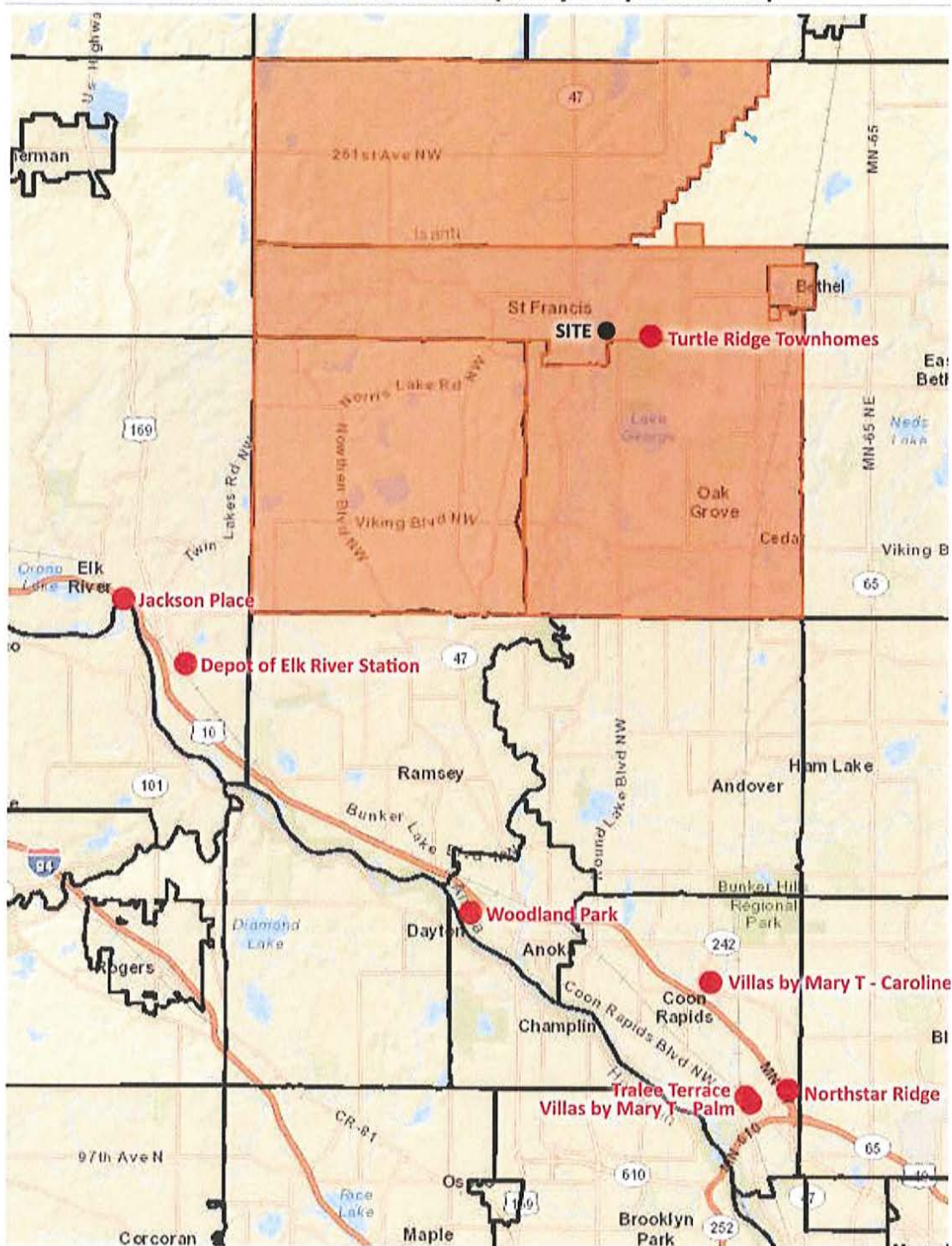
GENERAL OCCUPANCY HOUSING MARKET ANALYSIS

TABLE 21
AMENITY COMPARISON
AFFORDABLE GENERAL OCCUPANCY RENTAL DEVELOPMENTS
PRIMARY MARKET AREA
August 2012

Projects	In-Unit										Common Area										Parking and Utilities						
	Air Conditioning	Refrigerator	Microwave	Garbage Disposal	Dishwasher	Washer/Dryer	Walk-In Closet	Patio/Balcony	Community Room	Laundry Facility	Elevator	Fitness Center	Storage	Indoor Pool	Outdoor Pool	BBQ	Play Area	Walking Trail	Heat/Gas	Electricity	Water/Sewer	Trash	Cable	High Speed Internet	Parking	Parking Fee	
Turtle Ridge Townhomes	W	X			X	HU		X								X		X	X	X	X				AG	Included	
The Depot of Elk River Station*	C	X	X	X	X	FS	X	X	X	X	X	X				X		X			X	X			UG	Included	
Jackson Place	C	X	X	X	X	FS	X	X		X										X	X	X			UG	Included	
Northstar Ridge*	C	X			X	FS	X	X								X				X	X	X			TU	Included	
Tralee Terrace*	W	X			X		S	S	X	X		X				X			X	X	X	X			TU	\$30/mo.	
Villas by Mary T - Palm*	C	X			X	HU			X										X	X	X				AG	Included	
Villas by Mary T - Caroline*	C	X			X	HU			X										X	X	X				AG	Included	
Woodland Park*	W	X			S		S	X	X	X	X					X			X	X	X				DG	\$40/mo	

C= Central Air Conditioning; W= Wall-Unit Air Conditioning; FS = Full Size; ST = Stackable; HU = Hook-ups; CF = Community Facilities; S = Some; UG = Heated Underground; AG = Attached Garage; DG = Detached Garage; R = Off-Site Ramp, OS = Off-Street;
 Note: X indicates features/amenities that are available or utilities that are included in the monthly rents.
 * Located outside of PMA
 Source: Maxfield Research Inc.

Affordable General Occupancy Properties Map



Housing Choice Voucher Program

The Housing Choice Voucher Program (also known as Section 8) utilizes the existing private rental market to provide affordable housing to low-income households. The assistance a household is eligible to receive is equal to the difference between 30% of a household's monthly adjusted income and the unit's monthly rent, which is capped by the Voucher Payment Standard. Program participants pay a minimum of 30% of their monthly adjusted income toward rent. To be eligible, households must have incomes at or below 50% of median.

The Metro HRA payment standard for the voucher program is \$790 for one-bedroom units, \$960 for two-bedroom units, and \$1,394 for three-bedroom units – or higher than the recommended contract rents at the proposed development. Thus, if rents are set at the recommended contract level, voucher holders would be eligible to reside at the proposed development. This would expand the eligible renter pool to include these lower-income households who otherwise could not afford the monthly rents.

Pending PMA Rental Developments

Maxfield Research interviewed planning staff to identify any planned or pending rental developments in the PMA. As of August 2012, there are no pending or planned affordable developments in the PMA.

Outside PMA – Ramsey

- Developer Flaherty & Collins is currently constructing *Residence at the Cor* located adjacent to the future Northstar Commuter Rail station. Once completed in Summer 2013, it will include 230 market rate units as well as luxury amenities such as an outdoor swimming pool, fitness center, courtyard with fire pits and grills, and clubhouse. Since the units will be market rate and located outside the PMA, we do not include these units in the demand calculation.
- Podawiltz Development Corporation has plans to build 50 affordable housing units in the Cor near Bunker Lake and Armstrong Boulevards. They have submitted for tax credits from Minnesota Housing Finance Agency (MHFA). Dependent on the next round of MHFA financing approvals in January 2013, city approvals would likely occur in winter 2013 with ground-breaking in spring 2013. Due to the uncertainty of the project, we do not include these units in the demand calculation.

Outside PMA – Elk River

- Duffy Development has been approved to build 53 affordable apartments on the vacant parcel adjacent to Pullman Place and The Depot at Elk River Station off of Twin Lakes Road.

They are planning to pursue tax credits from MHFA. Depending on approvals, Duffy Development would likely move forward on construction in early spring 2014.

Affordable Rental Demand Calculations

Demand calculations analyze information from the demographic (demand-side) and market (supply-side) conditions for affordable rental housing. Table 22 presents a summary of demand calculations for affordable rental housing in the PMA over the next five years.

Demand for additional housing in the PMA will be generated by new households to the PMA as well as existing PMA residents seeking new housing. The PMA is projected to add 945 households from 2012 to 2017, as seen in the *Demographic Analysis* section of this report. Of this projected growth in households, we anticipate between 15% and 20% will seek rental housing, which is slightly higher than the current renter rate in St. Francis (13.7% in 2010). It is anticipated that a higher proportion of the population will seek rental housing in the short-term.

Maxfield Research Inc. carefully reviewed data on household income, household size, and tenure in order to estimate the percentage of renter households in the PMA that would be qualified (based on income with adjustments for household size) and able to afford the rental rates at the proposed development. Based on this data, the target income is about \$15,000 to \$45,000. We estimate that 25% of rental demand would meet the general affordability, resulting in 35 to 47 units of demand for new affordable rental housing units from new household growth.

In addition to demand generated from household growth, a portion of demand between 2012 and 2017 will come from households outside of the PMA. We project that an additional 30% will come from outside the PMA. Including demand from outside the PMA, projected demand for new rental housing generated by household growth is estimated to be between 51 and 68 units between 2012 and 2017.

Additional demand for rental housing will also come from existing renter households in the PMA through normal turnover. In 2012 there is an estimated 643 renter households in the PMA. Based on data from the U.S. Census, about 58% of all renter households in the PMA are expected to move during the next five years. Of the expected 643 renters that are expected to move, we project that 25% will be income-qualified for affordable rental housing at 60% AMI or below.

Since new housing is typically more desirable than older housing, a portion of the existing renter households turning over will seek new units – we conservatively estimate 20% to 25%. We use 20% to 25% as a conservative percentage as a higher proportion of renters will desire new housing if they income-qualify since new developments have greater amenities and modern features. Using these figures, we estimate that about 19 to 23 existing PMA income-qualified renter households would seek new housing in the PMA between 2012 and 2017.

GENERAL OCCUPANCY HOUSING MARKET ANALYSIS

Combined, demand from household growth and from turnover of existing households results in total PMA demand for about 69 to 91 rental units between 2012 and 2017.

There are no affordable rental units pending in the PMA. No single Site can capture all of the excess demand in a PMA. We estimate that the Site in St. Francis can capture 65% of the market share, resulting in demand for 45 to 59 affordable units between 2012 and 2017.

TABLE 22 AFFORDABLE RENTAL HOUSING DEMAND SUBJECT SITE IN ST. FRANCIS 2012 to 2017		
Demand from Projected Household Growth		
Projected new housing unit demand from household growth, 2012 to 2017	=	945
(times) Estimated rental demand	x	15% - 20%
(equals) Projected PMA demand for rental housing units	=	142 - 189
(times) % of Households Size & Income Qualified ¹	x	25%
(equals) Demand For Affordable Rental Housing, 2012 - 2017	=	35 - 47
(plus) Additional demand from outside PMA ²	+	15 - 20
(equals) Projected Study Area demand for new rental housing units	=	51 - 68
Demand from Existing Renter Households		
Number of renter households in PMA in 2012	=	643
(times) Estimated % Turnover between 2012 & 2017 ³	x	58%
(equals) Total Existing Households Projected to Turnover	=	373
(times) % of Households Size & Income Qualified	x	25%
(equals) Demand For Affordable Rental Housing, 2012 - 2017	=	93
(times) Estimated % desiring new rental housing	x	20% - 25%
(equals) Demand from existing PMA households	=	19 - 23
Total Demand From Household Growth and Existing Households 2012 to 2017		69 - 91
(minus) Affordable units pending for development ⁴	-	0
(equals) Excess demand for affordable rental housing units	=	69 - 91
(times) Percent of demand capturable by subject Site	x	65%
(equals) Total demand capturable by subject Site	=	45 - 59
¹ Affordable to households earning 60% or below AMI, adjusted for household size.		
² We estimate that household growth from outside the PMA will be 30%.		
³ This figure is based on previous place of residence data between 2005 and 2010 from 2010 ACS.		
⁴ At stabilized occupancy (95%).		
Source: U.S. Census American Community Survey, Maxfield Research Inc.		

CONCLUSIONS AND RECOMMENDATIONS

Recommended Development Concepts

Based on the demand calculations for senior and general occupancy housing, the greatest demand is for affordable active adult senior housing and affordable general occupancy housing. As Table 10 shows, there is sufficient demand to support up to 38 affordable active adult rental units in 2017 and up to 45 to 59 affordable general occupancy rental units (Table 22).

Table 23 presents the proposed unit mix, sizes and monthly rents for either an affordable active adult rental development or affordable general occupancy development. The senior housing concept has a greater proportion of one-bedroom units due to the smaller average household size. The recommended rents are quoted in 2012 dollars and can be trended upward by 2.5% annually prior to occupancy to account for inflation depending on overall market conditions.

TABLE 23 RECOMMENDED DEVELOPMENT CONCEPT SUBJECT SITE August 2012				
Unit Type	-- Unit Mix -- No.	Monthly Rent*	Gross Unit Size (Sq. Ft.)	Price/ Sq. Ft.
Affordable Active Adult Senior Housing				
1BR	17 - 17	\$775 - \$800	650 - 700	\$1.14 - \$1.19
1BR/D	11 - 11	\$900 - \$975	750 - 850	\$1.15 - \$1.20
2BR	12 - 12	\$1,000 - \$1,025	875 - 925	\$1.11 - \$1.14
TOTAL	40 - 40		Weighted Average	\$1.16
Affordable General Occupancy Housing				
1BR	11 - 12	\$725 - \$750	650 - 700	\$1.07 - \$1.12
2BR	23 - 25	\$825 - \$950	875 - 925	\$0.94 - \$1.03
3BR	11 - 13	\$1,100 - \$1,200	1,150 - 1,200	\$0.96 - \$1.00
TOTAL	45 - 50		Weighted Average	\$1.01
* Monthly rents are quoted in 2012 dollars and includes heat, water, and trash removal; monthly fees can be trended upward by 2.5% annually to occupancy.				
Source: Maxfield Research Inc.				

CONCLUSIONS AND RECOMMENDATIONS

Suggest Features and Amenities

At a minimum, the following bullet points outline the recommended in-unit features and community amenities that should be incorporated into the affordable units. These recommendations closely mirror the features and amenities that are available at new affordable rental developments across the Metro Area.

In-Unit Features

- Full size appliances, including built-in microwave, refrigerator, stove and dishwasher
- Abundant cabinet space
- Kitchen island in two- and three-bedroom units
- Air conditioning
- Full size washer/dryer
- Abundant closet space
- Window blinds

Building Features & Amenities

- Attractive entrance lobby/reception and waiting area;
- On-site management and leasing office;
- Community room;
- Centrally-located elevators;
- Bike rack and bike storage (secured);
- Trash & recycling room (each floor recommended);
- Underground parking (one stall included in monthly rent);
- Private resident storage areas; and
- Satellite and Cable TV access.

Projected Absorption

Based on current market conditions and vacancies among the existing competitive properties in and near the PMA, we project that approximately 30% of the affordable active adult units would be pre-leased (12 units) with the remaining units leasing at a rate of between 4 and 5 units per month, with stabilized occupancy (95%) reached within 5 to 7 months of opening.

For the affordable general occupancy units, we project that approximately 40% of the units would be pre-leased (18 to 20 units) with the remaining units leasing at a rate of between 5 and 6 units per month, with stabilized occupancy (95%) reached within 4 to 6 months of opening.

This absorption period and projected absorption rate assumes that the project would open for occupancy during the peak leasing season beginning in mid to late spring to allow for the max-

CONCLUSIONS AND RECOMMENDATIONS

imum exposure to prospective renters and that an effective marketing campaign will be undertaken to generate awareness of the project. If the project comes on-line during the late fall or winter months (November through February), absorption will be extended by an estimated two to three months beyond our initial projection, resulting in a slightly slower period from lease-up to stabilized occupancy.